



Third Session — Thirty-Second Legislature
of the
Legislative Assembly of Manitoba

DEBATES
and
PROCEEDINGS

33 Elizabeth II

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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Second Legislature

Members, Constituencies and Political Affiliation

Name	Constituency	Party
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ASHTON, Steve	Thompson	NDP
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WALDING, Hon. D. James	St. Vital	NDP

LEGISLATIVE ASSEMBLY OF MANITOBA

Tuesday, 24 April, 1984.

Time — 8:00 p.m.

MR. SPEAKER, Hon. J. Walding: Order please. The Honourable Minister of Finance.

HON. V. SCHROEDER: Thank you, Mr. Speaker. I move, seconded by the Minister of Energy and Mines that this House approve in general the budgetary policy of the government.

MOTION presented.

BUDGET ADDRESS

HON. V. SCHROEDER: Thank you, Mr. Speaker. I'd like to start by thanking honourable members for being present this evening even though the NHL semi finals are on and I understand that the Member for St. Boniface will be keeping us posted on scores.

It is, Mr. Speaker, an honour to present our government's third Budget to the Legislature and people of Manitoba. Our first two Budgets provided the opportunity for Manitobans to counter effectively the challenges posed by the worst national and international recession since the Great Depression.

Those Budgets included important measures developed in consultation with business and labour, to support and underpin the economy, to create and save jobs, to maintain and improve essential public services, in short, to provide the leadership necessary to martial co-operative efforts and commitments from all sectors of our economy.

Our first two Budgets succeeded in minimizing the damage of the recession. They helped Manitoba secure one of the best economic performances among the provinces over the entire period of the recession and recovery to the present time. They ensured that when the national economy started to move forward again, Manitoba would be ready to take advantage of new opportunities for expansion and long-term job creation.

Over the past year, my colleagues and I have engaged in extensive consultations on our budgetary choices throughout the province with business, labour, agriculture, local governments and cultural service and native organizations.

In the last few months we met formally with representatives from over 40 different organizations in nine communities throughout Manitoba and I want to thank publicly, the hundreds of Manitobans who took time to participate in those consultations and to offer useful suggestions and advice on a variety of fiscal and economic issues and concerns.

The consultations confirmed a broad understanding of fiscal realities and challenges. There was general recognition of governments' responsibility to provide support and sustenance in recessionary times. There was agreement that the province should increase emphasis on measures to enhance longer term economic development. There was agreement that the

government should protect and strengthen essential public services and particularly health care. There was also agreement that governments should use part of the increased resources associated with improved economic performance to contain and reduce net operating deficits.

This Budget reflects that consensus of the people of the Manitoba.

It will build on the success we have achieved over the last two years.

The 1984 Budget is both a consolidation Budget and a development Budget. It has two major goals:

- first - to ensure sustained economic growth and new job opportunities; and
- second - to preserve and protect essential public services now and in the future.

With improvements in Manitoba's economy this year, we will be able to meet those objectives and reduce the net operating deficit from previous recession-fighting levels.

We will be able to undertake major new economic development initiatives - new investments in the future of our province.

And, we will be able to introduce selective tax reductions to support those economic initiatives and to provide extra help for Manitobans who are struggling on low incomes ensuring that the benefits of the recovery we all have worked, as Manitobans, so hard to achieve, are shared fairly among Manitobans.

Manitobans continue to be concerned about the lingering effects of the recession and particularly about unemployment which remains unacceptably high. The people of our province have compassion for the many unemployed who want to find work and are simply unable to do so. They understand the anguish of unemployment and they know the heavy cost to our economy and to our society. Manitobans also share the distress of many Canadians who have witnessed persistent attacks on fundamental health and social programs by governments more concerned with short-term fiscal balance sheets than with human and social justice.

This Budget will prove there is a better way. It will show that economic and social priorities can be met and that our financial position can be improved at the same time.

In Manitoba, our New Democratic Government is determined to maintain our social service supports for the disadvantaged, the unemployed, the elderly and the disabled. We are determined to maintain high quality health care for all Manitobans, without health premiums and without user charges which would penalize the sick. We are determined to continue efforts to improve our economy and to create productive job opportunities for the unemployed. We are determined to achieve these objectives with maximum efficiency and effectiveness and to use some of the resources available from a reviving economy, to reduce operating deficits.

One of the main reasons for Manitoba's relative success in weathering the recessionary storms of the

past two years has been co-operative action from all sectors, whether public or private, in the Manitoba economy. My colleagues and I once again pledge ourselves to build upon that co-operation: to work with the people of Manitoba to ensure a stable and sustained recovery, and to ensure that the benefits of our recovery will be shared more equitably by all Manitobans, now and in the future.

In our last Budget, we urged the Federal Government to provide leadership in a national campaign to reduce unemployment across this country. We presented specific proposals for priority projects in Manitoba, which we believed should be included in a national recovery program and considered for federal cost sharing. As members are aware, many projects are now under way and more have been approved in principle.

Some are being financed entirely by the Federal Government, some are cost shared, some are the full responsibility of the province. Where provincial contributions are involved, the Manitoba Jobs Fund has been one of the primary sources of financing authority but few, if any, would have been achieved had we acceded to the Conservatives' derision of our initiative.

The national recovery program could have achieved greater results if all governments in Canada had joined vigorously in the campaign, but there is little doubt that the initiatives undertaken in Manitoba contributed to the rebound in economic activity in 1983. As projects now under way are completed and as others are implemented, they will continue to create employment and lasting investment which will assist the economy in moving from recovery to more broadly based growth and expansion.

For a number of years, prior to the national and international recession, Manitoba's economic performance was poor. We had significantly lower growth in employment and investment than in the Canadian economy as a whole. We experienced the greatest loss in population of any province.

A detailed summary of recent developments in our province is included in the Economic Review which accompanies this Budget. The Review offers increasing evidence of the improved condition of our economy relative to the national since 1981.

Manitoba was one of the first provinces to regain the employment levels experienced prior to the recession. In contrast, employment in Canada and in six of the provinces, remains today - Tory provinces, and it's not something to smile about - below it's pre-recession level. From December 1981, our government's first complete month in office, to December 1983, some 9,000 jobs were created in Manitoba, about three times the increase in the last two years of the previous administration. Earlier this month Statistics Canada reported that Manitoba's unemployment rate is the lowest in the country. That is a particularly remarkable achievement when it is remembered that over the last two years our province has recorded its largest population gains in two decades, and in the past year, recorded a population growth rate above the national rate for the first time since 1919, since before most of us were born, long before some of us were born.

Better job creation performance, and the associated improvement in total labour income in Manitoba relative

to Canada in the last two years, means improved prosperity for workers and greater purchasing power. This has been reflected in better growth and retail sales which increased by about one-third more than the national average over the last two years. The improvement was also reflected in the new homes started last year, a three-fold increase, which raised Manitoba's share of national housing starts from 1.6 percent out of every 100 in 1981 when they were in office, to 3.7 percent last year, which is a share that is significantly more in line with our province's share of national population. It stands to reason because people want to be in Manitoba again rather than move out. Mr. Speaker, more apartments were started last year than in the previous three years combined in this province.

The increased spending stimulated by rising employment and incomes, and our support to key sectors of the economy have contributed to renewed confidence among businesses and investors in our province. In 1983, while total investment continued to decline in Canada, as a whole, investment in Manitoba is estimated to have increased by 10.5 percent to \$2.2 billion, one of the strongest increases among all provinces. Those investments, Mr. Speaker, both private and public, have enhanced employment opportunities for Manitoba and Manitobans not just for now but also for years into the future.

For the year to come, most forecasters are projecting more broadly-based expansion in our province, continued improvements in employment and a further reduction in unemployment rates. And, investment in the future productive potential of our economy is again expected to show one of the strongest increases among all provinces. It is particularly encouraging that an acceleration of spending on plant and equipment is expected in virtually every sector of our provincial economy.

After two years of working towards recovery, we believe we are in a position to take new and decisive action to accelerate our development and to invest in our future. The Government of Manitoba's economic strategy is to focus on longer term priorities for ensuring stability and growth in our economy.

As is evident, our province is at a take-off point for a number of meaningful economic developments.

Recently the Premier of Manitoba announced the implementation of two new transportation agreements with the Government of Canada which will mean \$230 million in new investment in Manitoba. That means jobs, jobs building box cars, jobs building railroads, jobs building hydro lines, jobs, good, decent, hard-working-people jobs in this province. The new agreements are part of a series of joint federal-provincial initiatives which will commit over \$400 million to Manitoba's long-term economic development.

A week ago today, my colleague the Minister of Energy and Mines, announced the signing of a Memorandum of Understanding to sell \$3.2 billion worth of hydro-electric power to NSP. As a result, studies have commenced to determine the best economic time for commencing construction for the Limestone Generating Station on the Nelson River. The economic implications are a cumulative expenditure of about \$3 billion and a creation of 17,000 person years of work.

I understand that the Minister is hopeful that additional economic initiatives will be successful in

furthering long-term hydro development in Manitoba's North.

I want to take this opportunity to publicly thank the Minister of Energy and Mines, the Honourable Wilson Parasiuk, and his staff.

Later on in my speech tonight, I will confirm and support our government's long-term commitment to economic growth and development through the Manitoba Jobs Fund.

Last year our Budget forecast revenue of \$2.7 billion, expenditures of \$3.3 billion, total budgetary requirements of \$578.9 million and a net operating deficit of \$294.8 million.

The fallacy of Conservative suggestions that revenue was overestimated, spending underestimated and total budgetary requirements likely to rise beyond \$700 million was demonstrated in the updated projections included in the province's Quarterly Financial Statements. On the revenue side, the Third Quarter Financial Statement for our province confirms that our revenue forecasts will not only be met but will exceed the Budget estimate by about \$23 million or 1 percent. The Third Quarter Statements also reflect the results of internal efforts to reduce spending. The report indicated that spending has been pared by \$64 million or about 2 percent. The result is a drop of \$87 million or 15 percent in total budgetary requirements from the \$578.9 million Budget estimate, to \$491.9 million, and I don't blame the Member for Turtle Mountain for being happy, because he was predicting \$800 million to \$1 billion of deficit. He was out by more than 100 percent.

The net operating deficit was reduced even more significantly by almost 20 percent or \$58.3 million, to \$236.5 million.

The Conservatives and some public commentators display a sense of myopia in referring to total budgetary requirements as the "deficit." I believe that kind of blanket characterization is shortsighted in the extreme because it fails to distinguish between an operating "deficit" per se, and total budgetary requirements which include budgetary capital investment.

Homeowners recognize the distinction when they buy a house. A Manitoban with \$25,000 in annual income who buys a \$50,000 house does not consider him or herself to have incurred a deficit of \$25,000 in the year he acquires that property, even before general costs of food and clothing and transportation are taken into account. Instead, the homeowner examines general living costs and income and the choice between continuing to incur rental costs or replacing those with mortgage obligations on the one hand, and assets on the other.

Businesses also recognize the distinction. When a company acquires a new \$5 million plant, it does not charge the full costs of the plant against income in the current year and reduce its profits or increase its losses by the full amount of the acquisition. I'm glad to see the member is out of the flower pot, I was wondering where he was. Instead, it recognizes the new plant as an investment in the future. It recognizes the plant as capital acquisition and includes the costs of operating the plant along with any interest costs and depreciation as a current year expense. If the company borrows to finance the plant, commentators do not say the company is \$5 million worse off. Commentators look at the company's net worth. Yes, it has \$5 million in

new debt but it also has \$5 million in new assets, as the Minister in charge of Telephones is aware in the acquisition of that building.

In both examples, neither the homeowner nor the business consider the cost of their capital acquisition, neither of them consider that as a "deficit." In fact, they quite properly view that acquisition as an investment.

Government faces the same considerations in decisions regarding budgetary capital investment. The expenditure involves acquisition of assets with long-term benefits, yet, in making such decisions, governments often face critical and, I believe, ill-advised comments focussing on the resulting total budgetary requirement which is characterized somehow as a "deficit."

A rational consideration of budgetary capital investment based on essentially the same considerations used by the individual Manitoban and business, would recognize the expenditure for what it is, an investment — (Interjection) — Mr. Speaker, the Leader of the Opposition, the real leader, doesn't want to talk about the fact that credit ratings were reduced during the recession in very many provinces by every one of the banks. Does he criticize those Tory governments for having those things happen to them? What a pile of nonsense.

William E. Simon, former . . .

MR. SPEAKER: Order please. Does the honourable member wish to rise in his place to repeat that? I will ask the honourable member again to withdraw that remark.

The Honourable Member for Charleswood.

HON. S. LYON: Mr. Speaker, I made those remarks from my place. When I choose to make one, I will let you know, Sir.

MR. SPEAKER: Then I will require the honourable member again, not to insult the House and to withdraw that remark.

HON. S. LYON: I'll be happy to withdraw whatever remark you heard, Sir.

MR. SPEAKER: The Honourable Minister of Finance.

HON. V. SCHROEDER: William E. Simon, former Secretary of the Treasury of the United States, made the same point. He noted the perception of government is so heavily focussed on political processes and social objectives that the financial dimensions of government are often obscured. In developing prototype financial reports for the U.S. Government — (Interjection) — Do you want to get it off your chest for a few minutes? Why don't you shout and then . . . You know, we have a bunch of people who did come here who want to hear about the Budget for next year.

William E. Simon, former Secretary of the Treasury of the United States, made the same point. He noted the perception of government is so heavily focussed on political processes and social objectives that the financial dimensions of government are often obscured. In developing prototype financial reports for the United

States Government, which recognized the future value of capital investments, Mr. Simon pointed out that all governments are financial entities. Like business firms and households, governments conduct their business by acquiring and using economic resources, goods and services. Of the resources acquired, some are consumed currently and some provide future revenues for services.

Mr. Simon went on to say that unless these financial transactions affecting a government entity are sorted out between what is applicable to current operations and what to future operations, and brought together in a reasonably simple accounting report, the average citizen or even the financial expert cannot hope to make an informed judgment about the financial help of the government. The information presented in Appendix Table A-1 is designated to facilitate informed judgments.

A more comprehensive examination of the investment decisions in each case, individual, business and government, might focus on the value of assets. In general, individuals and businesses consider "net worth" as a more important indicator of financial health. Where a debt is incurred to acquire an asset, the indicator of financial health is not just debt outstanding but also the assets acquired.

The Conservatives and their advisors have professed concern at Manitoba's gross per capita debt presently at over \$6,200.00. Unfortunately, such critics fail to take into account, just for instance, sinking funds accumulated to repay such debt, representing \$720 per capita. They don't take that off. And, unlike Manitoba, Ontario for example, does not maintain sinking funds for debt retirement, yet when the numbers are compared, that is never taken into consideration by them. On a per capita basis, Manitoba's net debt is \$5,569, according to the numbers from downstairs today.

Certainly it is true that if visionary governments, particularly those led by Premiers Roblin and Schreyer, did not have the foresight to invest in Manitoba's future, we would not have that debt. But we would also lack many of those assets which we all value and from which we all benefit as Manitobans. According to Professor Barber's Report last year, the value of those assets outweighs the debt by about two to one. Would we really be better off not having incurred the debt the Roblin and Schreyer Governments undertook to build the Norquay and Woodsworth Buildings, for instance, and instead be paying increasing amounts of rents to others for the same space?

That focus on gross per capita debt also misses the fact that major portions of Manitoba's debt are entirely self-sustaining and not a charge on the Provincial Treasury at all. More than half of our net debt relates to investment in Manitoba Hydro (\$2,404 per person) and the Manitoba Telephone System (\$480 per person.) In each case, the debt is being financed by rates charged consumers through hydro bills and telephone bills which are among the lowest in North America. Our net per capita debt would be \$480 lower if Manitoba followed the path of other provinces, some Tory provinces, with private sector telephone services and systems, but would we be better off without that debt, with basic telephone charges of \$12.35 monthly as in Toronto, over 70 percent more than in Winnipeg at \$7.20 monthly charge, keeping in mind that that \$7.20

per month includes the interest payments on the Manitoba Telephone System debt in the first place? Would we really be better off paying that amount and saying, ah, but we don't have a debt? What nonsense. Would we really be better off without our renewable hydro-electric energy system and greater reliance on scarce fossil fuels, or on a privately-owned hydro-electric utility? I think not. But those who focus on gross per capita debt convey the impression that our people and businesses would be better off with less debt and higher telephone and energy costs.

In overall terms, Manitoba's net debt per capita financed by taxpayers amounts to \$2,304, just over one-third of the gross per capita debt. That is the debt now outstanding and which also helped to build our provincial roads, our highways, our universities, our floodway, colleges, schools, hospitals, public buildings. Professor Barber's Report last year put the value of those assets at more than \$4.4 billion, or over \$4,000 per Manitoban.

Both last year and in 1982-83, our government felt that providing the needed support to our economy warranted a significant increase in total budgetary requirements.

I would note that the same conclusion regarding the need for public sector stimulation in recessionary times is shared by and reflected in the comments of representatives of a number of important financial institutions highly regarded in the international financial community. For example, Dr. Albert Wojnilower, a Managing Director of the First Boston Corporation, said recently, and I quote:

"Government deficits may well promote rather than deter investment. The government may borrow to finance its own investment outlays." We will be doing that. "It may borrow to finance grants-in-aid that are earmarked for state and local investment outlays." Certainly we have been providing capital grants to the cities and towns and municipalities of this province. "It borrows to finance the investment tax credits," we'll have more to say about that later, "accelerated depreciation allowances, and other subsidies that support private investment. Would narrowing the Budget deficit by the abolition of these tax incentives promote private capital spending? It is hard to visualize realistic circumstances in which a larger deficit would not be associated with larger profits and investment than if the deficit were smaller."

Finally, I would remind the Conservatives that the Report of the Provincial Auditor for 1982-83 marked the first time in ten years that the Auditor issued an unqualified report on the financial affairs of the province. For each year in the preceding decade, the Auditor expressed reservations regarding the accountability and management controls within government. I believe it is noteworthy that by the end of last year, the Provincial Auditor was able to endorse our stewardship and conclude that "the accountability system has progressed to the level that that qualification is no longer required to be made."

Now that we appear to be emerging from the recession, we believe greater importance must be placed on longer-term measures to improve the economy while preserving essential public services.

Of course, our ability to devote required resources to economic improvements and ongoing programs while maintaining competitive tax levels, depends in part on the equalization support available from the Federal Government. Unfortunately, under current arrangements based on the five-province so-called representative average system, these payments are insufficient to raise the recipient provinces to the national average.

That has implications for the capacity of the current equalization formula to achieve the purpose ascribed to it in the Canadian Constitution, to ensure "that Provincial Governments have sufficient revenues to provide reasonably comparable levels of public services at reasonably comparable levels of taxation." It also has an impact on the degree to which all six equalization provinces can provide adequate public services while holding their tax rates to levels competitive with the four richest provinces.

For Manitoba, the shortfall is in excess of \$220 million annually or \$840 per family of four. To put it in another way, that \$220 million deficiency represented more than 90 percent of the province's \$236.5 million operating deficit last year.

Manitobans, like all Canadians, recognize the financial situation facing the Federal Government. However, our government will continue to urge the Federal Government to respect fully the spirit of the constitutional commitment and resume provision of fair and equitable equalization support to recipient provinces based on the all-province national average.

In last year's Budget, I noted that Manitoba faces the prospect of a significant drop in equalization receipts at the end of 1984-85, that is, the end of March of 1985 when the current transitional arrangements are scheduled to expire. I have discussed this concern with the Federal Minister of Finance on a number of occasions. While modified transitional arrangements have yet to be put in place, he has assured me that no such reduction in Manitoba's equalization entitlement had been intended when the initial transitional arrangements were developed. I am, therefore, looking forward to appropriate federal remedial action before the end of the year.

Our budgetary choices for 1984-85 take the equalization pressures into account. The challenges have been difficult, but I believe our decisions reflect the wishes of the vast majority of Manitobans. Essential programming will be maintained and in some cases enhanced, and additional resources will be devoted to improving our long-term economic performance.

The Expenditure Estimates I am tabling tonight reflect our commitment to safeguard, protect and enhance essential public services and to increase measures to improve the long-term development of the provincial economy.

General government services have been limited to increases which average less than 1.5 percent excluding the Civil Service Commission. This helped facilitate the deployment of additional resources for economic development measures and important public services while holding overall spending growth to moderate levels.

In overall terms, spending growth has been held to \$130.9 million, which is about 3.9 percent above the amounts budgeted for last year.

Yet, led by an enhancement of the Manitoba Jobs Fund, economic development initiatives will receive a larger increase, close to 6 percent in budgetary authority.

Health, education and other social programs will also receive increases of close to 6 percent.

The most important initiative in the Budget last year was the creation of the Manitoba Jobs Fund.

The Jobs Fund gave our province the resources and the co-ordination we need to step up attack on unemployment.

My colleague, the Minister of Industry, Trade and Technology, who has overall responsibility for the Manitoba Jobs Fund, recently reported on its success over the past year:

- over 21,000 Manitobans employed on Jobs Fund projects;
- about \$157 million in additional commitments by the business community, the Federal Government, local authorities and others;
- about \$15 million in wage assistance to help the private sector maintain employment opportunities; and
- over \$70 million in new capital construction and asset renovation, and that doesn't include housing programming or several other major capital expenditures.

Last year, the Budget made it clear that:

"... much as we would like to achieve it, the \$200 million in the Jobs Fund cannot and will not be expected to create a full employment situation in our province. Our unemployment rate will remain high - probably unacceptably high - until there is a major recovery nation-wide.

"But — the Jobs Fund will make a difference" And, it has. It has made a difference.

There are 14,000 more Manitobans with jobs today than there were a year ago.

Our unemployment rate is the lowest in the country at the same time that we have one of the highest rates of population increase, in fact, the highest in the last 20 years. So our predictions certainly came true and I would remind members opposite what their predictions were last year. What were they? What did the Member for Charleswood say? He said it would be at least a \$700 million deficit. Did he say we were going to be No. 1 in unemployment in this country? No. Did he get this province into a position where they were No. 1 once? No. They were No. 3, they were No. 4, but never No. 1. The Jobs Fund made a difference.

There are other reasons. Mr. Speaker, there are other reasons . . .

MR. SPEAKER: Order please, order please.

HON. V. SCHROEDER: If the Opposition Leader could calm himself, I'm sure he'll have an opportunity to speak in this debate.

We don't say that the Jobs Fund was the sole factor responsible, but the Jobs Fund was an important factor and we feel it should keep on working for Manitoba in the future.

Some Conservatives have said that it would have happened anyway. That is exactly the kind of complacent, do-nothing attitude that set this province

so far back between 1977 and 1981. Manitobans don't want that kind of do-nothing government that's been promised from that side.

As last year's Budget explained, the Jobs Fund was set up with a dual purpose:

jobs today,
plus other long-term benefits to the Manitoba economy.

This year, with improvement in our economy, we intend to shift more of our efforts from shorter-term job creation to longer-term job opportunities.

At the conclusion of my Address tonight, I will be tabling, on behalf of the Minister responsible for the Manitoba Jobs Fund, a background paper describing the broadened mandate and new directions planned for the Fund this year, and I'll just give one example.

Last year the Venture Capital Trial Program invested about \$1 million with Manitoba businesses which helped to create 167 new jobs and retain 137 more. As a result of the success of the trial project the Fund will commit \$4 million to the program this year. That's one example of many.

I believe the new long-term thrusts outlined in the Jobs Fund paper will be of interest to all Manitobans.

The Jobs Fund will continue to help create immediate jobs, as it did in the first phase of our development strategy, but its emphasis will shift so that the Fund will act more as a catalyst for the private sector, helping to harness resources in the creation of long-term jobs and economic growth, and that, quite frankly, was something the private sector couldn't do a couple of years ago in the middle of the recession. Now that we're coming out a bit is the time when we would expect some increases there.

A MEMBER: Tell the farmers we're coming out?

HON. V. SCHROEDER: I'll talk about farmers later on.

That is what a mixed economy is all about, the private sector and the public sector working together to build a better Manitoba.

Our history has shown that, to grow and prosper, Manitoba needs a strong, ongoing commitment from both sectors. The Manitoba Jobs Fund symbolizes that commitment and is helping to make it even stronger.

For the 1984-85 fiscal year, we are proposing a total Jobs Fund authority of \$210 million. Jobs Fund investments in the coming year will be targeted at 12 key sectors and priorities grouped in three broad categories, areas which have among the greatest potential for growth and long-term job opportunities.

The budgetary allocation includes: \$35.4 million for Business Development; \$20.1 million for Housing, Urban Development and Human Resources; \$35.7 million for Community and Capital Assets.

We in Manitoba are fortunate to have an economy which gives us such a wide range of opportunities. Strengthening these sectors will add to our diversity and guarantee even more stability in the years ahead.

Building on co-operative efforts with the business community, the Federal Government and with local authorities will continue to be a major goal of the Jobs Fund.

Five months ago, Manitoba became the first province to enter into a new 10-year Economic and Regional

Development Agreement with the Federal Government, and that Agreement, the subsidiary agreements which accompany it, will mean over \$400 million in economic development expenditures in our province over the next five years.

The Manitoba Jobs Fund will be the main source of financing. The general Enabling Vote and departmental appropriations will provide the balance, as well as financing for ongoing agreements, such as, the Northern Development Agreement, the Core Area Initiative, and the Agreement covering redevelopment of the North of Portage.

Later in my Address I will be announcing some selective tax reductions to support our economic development strategy.

Turning now to agriculture, total expenditure devoted to supporting the farm community through the Agriculture Department will increase by 7.2 percent.

We are pleased to be able to provide this increase to improve the health and security of the agricultural community, which is one of the bulwarks of the Manitoba economy.

With this year's increase, the resources allocated to programs serving this vital sector will be 48 percent more than they were in 1981-82. Inflation, including the predicted inflation for 1984-85 for that same period, will total 20 percent. In short, our budgetary commitment to agriculture . . . Mr. Speaker, the previous government was lending the farmers at what, 18 percent rate, 19 percent, 17 percent? Seventeen percent they were getting their money for and wondering why they got into difficulty. That was the 17 percent solution of the Tories.

Inflation, as I say, during that same three-year period when our increase in support to the farm community went up by 48 percent, it's 20 percent, so that our increases are well over double the rate of inflation at a time when, at least in the beginning, gross provincial product in real terms dropped, so we are proud of our commitment to the farmers of Manitoba.

Put it in another way. This year's direct spending on agriculture represents about \$2,900 per farm family based on the approximately 20,000 Manitoba farmers with over \$10,000 in gross receipts from farming at the time of the 1981 Census.

I should add that this expenditure total does not include the value of the various Manitoba tax preferences and exemption, including over \$37 million, just for example, from sales tax exemptions and the Farm Capital Gains Tax Rebate Program, nor does it include any portion of the spending of the Department of Highways and Transportation to assure products can be moved to market. Counting one-sixth of our rural highway expenditures as being related to Agriculture, support for the farm community would total at least \$128 million, or over \$6,400 per farm family in this province. That is support.

In addition, Mr. Speaker, in addition, the stability of the agricultural sector will be bolstered by additional non-budgetary capital authority of \$48 million for the Manitoba Hog Income Stabilization Fund, the Manitoba Beef Stabilization Fund and the Manitoba Agricultural Credit Corporation.

Strengthening agriculture also means, strengthening food processing, transportation, packing house industries, and long-term jobs for Manitobans.

Let's take a look at housing. Housing construction makes a significant contribution to our economy. Hundreds of construction firms, contractors and suppliers have — (Interjection) — the homes of people on minimum wage are taxed. Hundreds of construction firms, contractors and suppliers have benefited directly from the three-fold increase in housing starts in Manitoba in 1983, the strongest increase among all the provinces. And the spin-offs from new residential construction have provided stimulus to our sand and gravel industry, to wood, furniture and fixture industries in the manufacturing sector; to retailers, wholesalers and a large segment of our economy.

The strength of the housing sector and success of provincial and federal initiatives contributed to a 50 percent increase in construction industry employment between the first quarter of 1983 and the first quarter of 1984, and additional jobs throughout the economy, one of which we all hope one of our members gets soon.

The Estimates include an additional \$3.9 million, or close to 10 percent for housing, raising the budgetary allocation of the Department of Highways to \$43.5 million for next year.

The Manitoba Housing and Renewal Corporation will receive \$73 million in new non-budgetary capital authority. In addition to creating housing for Manitobans, many construction jobs will result from our positive housing thrust.

This Budget increases our continuing program of economic initiatives by 5.7 percent in 1984-85 and accounts from nearly one-quarter of the total increase in the Estimates. Through these economic development initiatives, we will increase our economic strength in the future and create long-term jobs for our people.

Our government believes these economic development initiatives will provide returns which go well beyond immediate increases in employment and incomes. Both directly, and through the increased spending made possible by putting more money in wage-earners' pockets now, these initiatives add significantly to the strength and viability of Manitoba's farm and business communities. The economic foundations which we are laying will help our economy generate permanent, productive employment and incomes. The revenue accruing to government from increased economic development will help reduce operating deficits over the coming years, while assuring adequate resources for important public programs and services which contribute immeasurably to the quality of life in our province.

Earlier I indicated that the second major objective of the Budget is the preservation and protection of essential public services.

Our government is committed to the maintenance and enhancement of those services, health, education, economic security and other programs, which make Manitoba an attractive place to live and work. The major enhancement of those services which has occurred since this government took office will be maintained.

Our government believes that health care is the most important public service we provide, and the Estimates reflect this view. Total resources devoted to health care will account for over 31 percent of our budgeted expenditure this year and 44 percent of our total increase in spending, which is by far the largest percentage for any program.

The Health Estimates include provision for an increase of \$57.6 million, or close to 6 percent, to a total of \$1.1 billion.

Since — (Interjection) — I'm sure the Member for Fort Garry could tell us about the increases in Saskatchewan which he might be more familiar with. Since assuming office and presenting our first Budget in 1982 . . .

MR. SPEAKER: Order please, order please. Order please.

HON. V. SCHROEDER: I don't refer to them unless they refer to me.

Since assuming office and presenting our first Budget in 1982, we have increased the resources available for health care by \$357 million, or by very nearly 50 percent. This brings the real, inflation-adjusted increases in resources for the health care system since we assumed office, to nearly 30 percent.

The sharing of the costs of health care between the Federal and Provincial Governments remains an area of some controversy. Our government fully supports the provisions of The New Canada Health Act to guarantee no financial barriers to health care. At the same time, we are strongly urging the Federal Government to take steps to become a full and equal partner in the financing of health care.

The value of the health services provided in this Budget is over \$1,000 on average for each Manitoban, or \$4,000 for each family of four in this province. By North American standards, Manitobans enjoy a remarkably efficient and inexpensive health care delivery system. Two years ago, according to the Conference Board, the American health care system cost each American an average of \$1,785 (Canadian) or \$6,940 annually per family of four. That is, for next year \$4,000 per family of four here; two years ago close to \$7,000 per family of four in the United States. Of this amount, 42 percent, or \$2,915 was paid for by the government with taxes levied on citizens - \$2,915 two years ago - 32 percent was paid directly by patients - that's the way they pay in some of our provinces - while the very substantial health insurance premiums which Americans pay covered only 26 percent of health care costs in the United States.

Presently, a young family of four living in North Dakota, regardless of its income, would pay about \$248 monthly or about \$3,000 annually, for Blue Cross coverage only. To put this in context, this amount . . .

HON. R. PENNER: For heaven's sake, act like civilized people.

MR. SPEAKER: Order please. The Honourable Minister of Finance.

HON. V. SCHROEDER: I tend to think that the people of Manitoba would be interested in knowing how \$1,000 per man, woman and child is spent here on health care, as opposed to other jurisdictions, and North Dakota is a neighbour of ours and I'd like to continue with that comparison.

To put this in context — (Interjection) — I didn't realize the opposition had become anti-American. I

thought we could talk about our friends and neighbours to the south without feeling embarrassed about it.

Presently, a young family of four living in North Dakota, regardless of income, would pay about \$248 monthly or about \$3,000 annually for Blue Cross coverage. To put this in context, this amount would represent the entire federal and provincial income taxes paid by a Manitoban earning \$11 per hour and still only provide that family with partial coverage.

That is why it is so important to protect Medicare in Canada and in Manitoba, and that is why, Mr. Speaker, health care is such a high priority for this government.

To move on to education. As every parent knows, our education system represents a sound investment in young people and other Manitobans who require new or upgraded skills. We are proposing to increase spending on education by \$35.4 million, or 5.7 percent, to \$654.3 million. In addition, to relieve school divisions of unnecessary borrowing costs, we are proposing to accelerate the schedule of payments to school divisions commencing next January. This improvement complies with the request made by the Provincial Auditor about three or four years ago.

The education services financed in this Budget amount to some \$2,475 per family of four in Manitoba.

Our education spending will be up \$155 million, or 30 percent, since 1981.

The Estimates provide a \$30.4 million, or 6 percent increase in resources for Community Services and Corrections, Employment Services and Economic Security and Tax Credit payments. Included in this total is a 20 percent or \$2.8 million increase in grants and subsidies for day care.

To summarize, the Estimates reflect our commitment to devote significantly more resources to economic development and job creation, which we believe is an important investment in our economy, to secure permanent, productive and rewarding job opportunities for Manitobans now and in the future.

While containing overall spending growth to under 4 percent, these Estimates demonstrate our commitment to maintaining and enhancing essential public services and particularly health care.

Individual Manitobans and businesses benefit directly from the broad range of high quality programs and services provided by government. I believe all recognize that the continuation of such services requires taxation.

Since our election to office over two years ago, our government has resisted pressures for indiscriminate cuts in programs and services. Instead, we have maintained vital public services. We have not shirked from the responsibility of increasing taxes where absolutely necessary, but the increases implemented have been tailored to maintaining Manitoba's taxes at competitive levels.

That commitment to assuring a competitive tax system has proven its worth in the actions and initiatives of our people. As members know, in our government's first two years, Manitoba recorded triple the job creation rate of the last two Conservative years. New capital investment plans in Manitoba for 1984 are proceeding at a pace which outstrips all other provinces.

In line with our commitment to the maintenance of competitive taxes, there will be no general increase in sales taxes, fuel taxes, personal income taxes or business taxes this year.

There will, however, be two tax increases to help finance important public initiatives.

First, effective midnight May 27th, the tobacco tax will be increased 0.5 cents per cigarette to 2.6 cents, and the rates on fine cut tobacco products will be adjusted as well. This will place our tax just below Saskatchewan's and considerably below Ontario's when its sales tax on tobacco products is taken into account.

Secondly, effective midnight April 30th, the diesel fuel tax rate on locomotive railway use will be increased by 1.5 cents per litre to 7.1 cents. At the new rate, railways will continue to pay 1.5 cents per litre less than on-highway use and slightly over half the 13.6 cents in Saskatchewan and, Mr. Speaker, 2.44 cents below the rate the Federal Government charges those very same locomotives. Our gasoline tax rate will remain at 7.5 cents per litre, which is the lowest lirage rate among those provinces which tax fuel. Based on a price survey on April 16th, the current Manitoba tax is four-tenths of a cent lower than the 20 percent ad valorem rate introduced by the former Conservative Government and removed by our New Democratic Government.

In total, these tax increases, along with technical adjustments outlined in the appended material, will raise approximately \$19.3 million annually, and \$16.5 million this year.

I am also proposing three significant tax reductions to help stimulate the recovery and ensure that the fruits of a growing economy are equitably shared.

Earlier in my address, I referred to the strength of the recovery in the Manitoba economy. Our government is anxious to use this strength to deepen Manitoba's economic base.

All Manitobans recognize the value of increased investment in manufacturing and processing. New investment is needed to modernize and upgrade equipment and assure that Manitoba business takes maximum advantage of new technology. Our enterprises require new production efficiencies to preserve, protect and enhance their ability to compete in domestic and world markets.

I am, therefore, proposing to introduce a temporary investment tax credit as an extra incentive for investment in new production facilities to complement the thrusts of the Manitoba Jobs Fund. The credit against Manitoba's income taxes will be 6 percent of a taxpayer's investment in new buildings, machinery and equipment which are used in a Manitoba manufacturing or processing business. It will apply on all such eligible new investments incurred between Budget night and December 31, 1985.

The credit will be claimable to the extent of the first \$15,000 of Manitoba income tax liability and one-half of any excess over that amount. Any credit not claimed in the current year may be carried forward against Manitoba income taxes for the seven succeeding years. It will be available to individual manufacturing or processing proprietorships as well as corporations.

I would like to extend my appreciation to the Federal Government for its co-operation in the administration of this new and innovative Manitoba incentive.

Members will recall that in response to cutbacks in federal support two years ago, our government

implemented the levy for Health and Post-Secondary Education. Currently, the levy represents under 7 percent of the overall costs of health and education in this province. Our government continues to feel that the levy is the best approach to securing the needed replacement revenue.

Following a review of concerns expressed by smaller employers, and in light of our improved fiscal position, I am pleased to announce that retroactive to January 1, 1984, the levy will be eliminated in its entirety for all employers with annual payrolls under \$50,000.00.

A MEMBER: You've got their attention Vic.

MR. SPEAKER: Order please, order please.
The Honourable Minister of Finance.

HON. V. SCHROEDER: I think they're listening.

An estimated 18,000 levy payers or two-thirds of the total will be relieved of their entire levy obligations and related administrative requirements. An additional . . .

MR. SPEAKER: Order please. The Honourable Minister of Finance.

HON. V. SCHROEDER: Thank you, Mr. Speaker.

An estimated 18,000 levy payers - well, Mr. Speaker, you know there are a number of Manitobans who would like to hear that and I really do think that it would be appropriate for the Member for Sturgeon Creek to control himself a bit.

An estimated 18,000 levy payers or two-thirds of the total will be relieved of their entire levy obligations and related administrative requirements. An additional 2,000 taxpayers with payrolls under \$75,000 will benefit from reduced levy payments. The levy savings for small employers are estimated at \$6 million annually and \$7 million in the current fiscal year because we're going back to January.

I expect that this measure will be of particular benefit to small enterprises with seasonal employees, small charitable and service organizations, farmers - I don't think there will be very many farmers who will be paying it after this - small business in general. Indeed, over two-thirds of the businesses in this province will be affected; two-thirds not paying it anymore and another couple of thousand who will be paying less; 7,000 out of 27,000 unaffected.

I will be listening with interest during the Budget Debate to hear whether the Conservatives will persist in their view that a 2 percent increase in sales tax would be preferable. If, on the other hand, they merely say that the tax should be eliminated without increasing other taxes, they must surely, in all honesty, tell the public whether they're going to increase the deficit or specifically which programs they're going to eliminate . . .

MR. SPEAKER: Order please.

HON. V. SCHROEDER: Mr. Speaker, I hear the word Saskatchewan, I guess we can talk about our neighbours now, a few minutes ago we couldn't. There are a number of people Saskatchewan imported and they've now moved from the lowest in unemployment

to the second lowest. I suppose that indicates the quality of the trades. We've done very well with our trades with Saskatchewan.

I am also proposing an enrichment of the Manitoba low income personal income tax reduction initially introduced by the New Democratic Government in 1977. Under the enrichment, some 60,000 low income taxpayers will have their provincial income taxes reduced by an average of \$55 this year at an overall cost of \$3.5 million. This measure should be of benefit particularly to pensioners, single parents, students and other low income Manitobans and is intended to provide lower income Manitobans with a direct and tangible share in the benefits of the recovery.

The overall effect of the reductions will be to provide additional annual benefits of about \$19.8 million concentrated among small businesses, expanding manufacturing enterprises, farmers, and low income Manitobans.

Since \$10.8 million in tax reductions is expected to affect revenue in 1984-85, the overall effect on this year's revenue, including the tax increases announced earlier, is an increase of \$5.7 million.

The Expenditure Estimates tabled with the Budget provide resources totalling \$3,457.6 million to finance the important public services Manitobans need and enjoy, about 5.9 percent more than projected for last year in the Third Quarter Financial Statement, and 3.9 percent over last year's Budget estimate, works out to \$130.9 million increase.

Significant increases have, however, been devoted to areas of paramount priority. Health care will receive an increase of \$57.6 million, or close to 6 percent. Needed additional resources are being devoted to strengthening economic development initiatives which have already helped turn our economy from recession to recovery and growth.

Our government takes pride in that turnaround. During the period of more significant economic difficulty, our operating deficit rose to provide increased nourishment and support to people and enterprises threatened by the recession. Now that the economy is improving, it is appropriate and necessary that our budgetary requirements for general programs and services be reduced from the levels needed to fight the recession.

With the taxation adjustments I have announced, overall revenue is estimated at \$2,969 million, some \$221 million, or 8 percent above last year's estimate.

The result is a major decrease in the province's net operating deficit of 43 percent, from last year's Budget estimate of \$294.8 million, down to \$167.5 million for 1984-85.

As a percentage of spending, the net operating deficit has decreased significantly from 8.9 percent in last year's Budget to 7.2 percent in the Third Quarter Financial Statement, and now down to 4.8 percent for 1984-85. Similar improvement is evident when the operating deficit is compared with Gross Provincial Product, with the deficit percentage dropping from close to 2 percent of Gross Provincial Product last year down to about 1 percent this year.

Public debt charges, including accounting adjustments recommended by the Auditor, estimated at \$253.1 million represent 7.3 percent of spending for next year, compared to 8.5 percent in last year's Estimates.

Our emphasis on investment is reflected in the \$37 million or 13 percent increase in budgetary capital investment to \$321.1 million from last year's \$284.1 million. Total budgetary requirements are estimated at \$488.7 million compared with \$578.9 million estimated last year.

Our government takes pride in the budgetary capital investment increase. It demonstrates the continued confidence our New Democratic Government has in Manitoba's future and our determination to increase the physical assets available to our children and our children's children.

We are also proud of the 43 percent decrease in the net operating deficit. It demonstrates that governments committed to preserving and protecting essential public services can meet effectively the challenges of restoring fiscal balance as the economy recovers from the recession. Perhaps more importantly, it demonstrates that humane and compassionate governments can meet important fiscal objectives in a spirit of co-operation, and without the divisive and confrontationist actions and indiscriminate cutting of vital services that appear to be popular in some jurisdictions.

Last year marked a major transition for our province. Our economy turned the corner from recession to renewed growth. Increased employment, accelerated by the Jobs Fund and other initiatives, brought new job opportunities for our people. Targeted provincial programs brought improved asset creation. Increased housing activity brought more and better quality housing within the reach of Manitobans. Increased population brought renewed demand for Manitoba products and services.

Public spending brought a renewed sense of basic security and confidence to individual Manitobans who recognized that our New Democratic Government would preserve and enhance the basic network of important social, economic and health care programming which is the hallmark of our party's policies.

Open and productive co-operation with the business community, reflected in measures to help and support their initiative, helped preserve their basic confidence in Manitoba's fundamental economic strengths. Improved business confidence brought increasing investment at one of the most rapid rates throughout Canada.

The lesson of Manitoba's experience is that humane and compassionate government dedicated to protecting essential public services in difficult times, as well as in better times, is also responsible government. While some administrations used the recession as a justification for attacks on social programming with restrictions on access and implementation of regressive premium increases - Ontario, your friends, Frank - and user fees - Alberta, your friends, Frank - ours did not.

Our transition, through the recession and into the period of economic renewal has been accomplished with all priority services fully intact. We do not have to face the task of rebuilding those public services which will face some other governments and which faced our government on assuming office two and one-half years ago. That is a major advantage to our province now in equipping us to strengthen efforts to improve the long-term health of our economy.

The foundations laid in our previous Budgets are firm and strong and durable. We are now in a position to

reap the benefits. Those benefits are substantial. — (interjection) — I thought you were looking for a job. Let there be no doubt about that, the benefits will be substantial.

We are protecting and preserving all vital public services and devoting needed increases in resources for our health care system within moderate, overall spending limits.

We are reducing the province's net operating deficit from the levels necessary to fight the recession.

We are maintaining for all Manitobans one of the fairest and most equitable tax systems in the country, a system with no reliance on regressive health premiums or user charges.

We are providing additional reductions in taxes for small businesses, farmers, lower income Manitobans.

We are instituting some significant new incentives for investment in manufacturing in Manitoba.

We are increasing resources for economic development to foster creation of productive, rewarding and lasting jobs.

Most importantly, we are acting to protect our human, . . .

MR. SPEAKER: Order please.

HON. V. SCHROEDER: . . . social and economic integrity in accordance with the fundamental principles of fairness and compassion, principles which our party and our government have worked so hard to uphold. Thank you, Mr. Speaker.

MR. SPEAKER: Order please. May I remind those in the gallery that expressions of approval or disapproval are not permitted.

Are you ready for the question? The question before the House . . .

The Honourable Leader of the Opposition.

MR. G. FILMON: Mr. Speaker, I move, seconded by the Member for Fort Garry that debate be adjourned on this.

MOTION presented and carried.

MESSAGES

MR. SPEAKER: The Honourable Minister of Finance.

HON. V. SCHROEDER: I have messages from the Honourable Administrator of the Province of Manitoba.

MR. SPEAKER: The Honourable Administrator of the Government of the Province of Manitoba submits to the Legislative Assembly of Manitoba, Estimates of sums required for the services of the province for Capital Expenditures and recommends these Estimates to the Legislative Assembly.

The Honourable Administrator of the Government of the Province of Manitoba transmits to the Legislative Assembly of Manitoba Estimates of further sums required for the services of the province for Capital Expenditures and recommends these Estimates to the Legislative Assembly.

The Honourable Administrator of the Government of the Province of Manitoba transmits to the Legislative

Assembly of Manitoba, Estimates of sums required for the services of the province for the fiscal year ending the 31st of March, 1985 and recommends these Estimates to the Legislative Assembly.

The Honourable Minister of Finance.

HON. V. SCHROEDER: I move, seconded by the Attorney-General that the said messages, together with the Estimates accompanying the same be referred to the Committee of Supply.

MOTION presented and carried.

MR. SPEAKER: The Honourable Minister of Finance.

HON. V. SCHROEDER: I move, seconded by the Minister of Municipal Affairs that this House will, at its next sitting, resolve itself into a Committee to consider of the Supply to be granted to Her Majesty.

MOTION presented and carried.

MR. SPEAKER: The Honourable Minister of Finance.

HON. V. SCHROEDER: I move, seconded by the Minister of Health that this House will, at its next sitting, resolve itself into a Committee to consider of Ways and Means for raising of the Supply to be granted to Her Majesty.

MOTION presented and carried.

MR. SPEAKER: The Chair will accept a motion to adjourn.

The Honourable Government House Leader.

HON. A. ANSTETT: Yes, Mr. Speaker, in view of our agreement not to sit tomorrow, the House would stand adjourned until Thursday at 2:00 p.m.

I would then move, seconded by the Honourable Opposition House Leader, the Member for Lakeside, that the House do now adjourn.

MOTION presented and carried and the House adjourned and stands adjourned until 2:00 p.m. on Thursday afternoon.