



Second Session - Thirty-Sixth Legislature

of the

Legislative Assembly of Manitoba

**DEBATES
and
PROCEEDINGS**

(Hansard)

*Published under the
authority of
The Honourable Louise M. Dacquay
Speaker*



Vol. XLVI No. 75 - 1:30 p.m., Monday, November 4, 1996

MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Sixth Legislature

Members, Constituencies and Political Affiliation

Name	Constituency	Party
ASHTON, Steve	Thompson	N.D.P.
BARRETT, Becky	Wellington	N.D.P.
CERILLI, Marianne	Radisson	N.D.P.
CHOMIAK, Dave	Kildonan	N.D.P.
CUMMINGS, Glen, Hon.	Ste. Rose	P.C.
DACQUAY, Louise, Hon.	Seine River	P.C.
DERKACH, Leonard, Hon.	Roblin-Russell	P.C.
DEWAR, Gregory	Selkirk	N.D.P.
DOER, Gary	Concordia	N.D.P.
DOWNEY, James, Hon.	Arthur-Virden	P.C.
DRIEDGER, Albert, Hon.	Steinbach	P.C.
DYCK, Peter	Pembina	P.C.
ENNS, Harry, Hon.	Lakeside	P.C.
ERNST, Jim, Hon.	Charleswood	P.C.
EVANS, Clif	Interlake	N.D.P.
EVANS, Leonard S.	Brandon East	N.D.P.
FILMON, Gary, Hon.	Tuxedo	P.C.
FINDLAY, Glen, Hon.	Springfield	P.C.
FRIESEN, Jean	Wolseley	N.D.P.
GAUDRY, Neil	St. Boniface	Lib.
GILLESHAMMER, Harold, Hon.	Minnedosa	P.C.
HELWER, Edward	Gimli	P.C.
HICKES, George	Point Douglas	N.D.P.
JENNISSEN, Gerard	Flin Flon	N.D.P.
KOWALSKI, Gary	The Maples	Lib.
LAMOUREUX, Kevin	Inkster	Lib.
LATHLIN, Oscar	The Pas	N.D.P.
LAURENDEAU, Marcel	St. Norbert	P.C.
MACKINTOSH, Gord	St. Johns	N.D.P.
MALOWAY, Jim	Elmwood	N.D.P.
MARTINDALE, Doug	Burrows	N.D.P.
McALPINE, Gerry	Sturgeon Creek	P.C.
McCRAE, James, Hon.	Brandon West	P.C.
McGIFFORD, Diane	Osborne	N.D.P.
McINTOSH, Linda, Hon.	Assiniboia	P.C.
MIHYCHUK, MaryAnn	St. James	N.D.P.
MITCHELSON, Bonnie, Hon.	River East	P.C.
NEWMAN, David	Riel	P.C.
PALLISTER, Brian, Hon.	Portage la Prairie	P.C.
PENNER, Jack	Emerson	P.C.
PITURA, Frank	Morris	P.C.
PRAZNIK, Darren, Hon.	Lac du Bonnet	P.C.
RADCLIFFE, Mike	River Heights	P.C.
REID, Daryl	Transcona	N.D.P.
REIMER, Jack, Hon.	Niakwa	P.C.
RENDER, Shirley	St. Vital	P.C.
ROBINSON, Eric	Rupertsland	N.D.P.
ROCAN, Denis	Gladstone	P.C.
SALE, Tim	Crescentwood	N.D.P.
SANTOS, Conrad	Broadway	N.D.P.
STEFANSON, Eric, Hon.	Kirkfield Park	P.C.
STRUTHERS, Stan	Dauphin	N.D.P.
SVEINSON, Ben	La Verendrye	P.C.
TOEWS, Vic, Hon.	Rossmere	P.C.
TWEED, Mervin	Turtle Mountain	P.C.
VODREY, Rosemary, Hon.	Fort Garry	P.C.
WOWCHUK, Rosann	Swan River	N.D.P.

LEGISLATIVE ASSEMBLY OF MANITOBA

Monday, November 4, 1996

The House met at 1:30 p.m.

Madam Speaker: Dispense.

PRAYERS

ROUTINE PROCEEDINGS

PRESENTING PETITIONS

Guaranteed Annual Income

Mr. Doug Martindale (Burrows): Madam Speaker, I beg to present the petition of Irene Wysmulek, Wayne Martel, Mercedes Martel and others requesting that the Legislative Assembly urge the Minister of Family Services (Mrs. Mitchelson) to consider withdrawing Bill 36 and replacing it with improved legislation which provides for a guaranteed annual income that allows people to have adequate food, clothing, housing, child care and health care, that this annual income increases as prices increase and that this new legislation also provides for the creation of real jobs with the goal of creating full employment so that individuals on social assistance can find safe, meaningful work of their own choosing that allows them to meet their needs and the needs of their families.

THAT in 1976 Canada signed the United Nations Covenant on Economic, Social and Cultural Rights which recognized the right of everyone to make a living by work which is freely chosen, recognized the right of everyone to an adequate standard of living, including adequate food, clothing and housing, recognized the right of everyone to enjoy a high standard of physical and mental health, and provided for the widest possible protection and assistance to the family; and

THAT poor children and adults in Canada continue to die at a higher rate and earlier age than people with adequate incomes; and

THAT Bill 36, The Social Allowances Amendment Act, will create even greater poverty among the poor in Manitoba by eliminating government responsibility to ensure that everyone who lacks adequate food, clothing, housing and health care has these needs met; and

THAT the bill proposes to punish people by cutting them off from social assistance or reducing their benefits if they fail to meet employment expectations; and

Manitoba Telephone System

Ms. MaryAnn Mihychuk (St. James): I beg to present the petition of Ken Emberley, Patricia Kovnats, Roger Geeves and others requesting that the Premier (Mr. Filmon) withdraw Bill 67 and not sell the Manitoba Telephone System to private interests.

WHEREFORE YOUR PETITIONERS HUMBLY PRAY that the Legislative Assembly of Manitoba urge the Minister of Family Services to consider withdrawing Bill 36 and replacing it with improved legislation which provides for a guaranteed annual income that allows people to have adequate food, clothing, housing, child care and health care and that this annual income increases as prices increase and that this new legislation also provides for the creation of real jobs with the goal of creating full employment so that individuals on social assistance can find safe, meaningful work of their own choosing that allows them to meet their needs and the needs of their families.

READING AND RECEIVING PETITIONS

Guaranteed Annual Income

Madam Speaker: I have reviewed the petition of the honourable member for Burrows (Mr. Martindale). It complies with the rules and practices of the House. Is it the will of the House to have the petition read?

Manitoba Telephone System

An Honourable Member: Dispense.

Madam Speaker: I have reviewed the petition of the honourable member for St. James (Ms. Mihychuk). It

complies with the rules and practices of the House. Is it the will of the House to have the petition read?

An Honourable Member: Yes.

Madam Speaker: Yes. The Clerk will read.

Mr. Clerk (William Remnant): The petition of the undersigned citizens of the province of Manitoba humbly sheweth:

THAT the Manitoba Telephone System has served this province well for over 80 years providing province-wide service, some of the lowest local rates in North America and thousands of jobs and keeping profits in Manitoba; and

THAT MTS contributes \$450 million annually to the Manitoba economy and is a major sponsor of community events throughout the province; and

THAT MTS, with nearly 4,000 employees including more than 1,000 in rural and northern Manitoba, is one of Manitoba's largest firms, headquartered in Manitoba and is committed to Manitoba; and

THAT the provincial government has no mandate to sell MTS and said before and during the 1995 election that MTS was not for sale.

WHEREFORE your petitioners humbly pray that the Legislative Assembly of Manitoba request that the Premier (Mr. Filmon) withdraw Bill 67 and not sell the Manitoba Telephone System to private interests.

PRESENTING REPORTS BY STANDING AND SPECIAL COMMITTEES

Standing Committee on Law Amendments Eighth Report

Mr. David Newman (Chairman of the Standing Committee on Law Amendments): I wonder if I might request leave to present the Seventh Report on the Standing Committee on Law Amendments. We are not on the Order Paper, Madam Speaker.

Madam Speaker: Does the honourable member for Riel have leave to present the report of the Standing Committee on Law Amendments? [agreed]

Mr. Newman: Madam Speaker, I beg to present the Seventh Report of the Committee on Law Amendments.

An Honourable Member: Dispense.

Madam Speaker: Dispense.

Your Standing Committee on Law Amendments presents the following as its Eighth Report.

Your committee met on Monday, October 28, 1996, at 6 p.m., Wednesday, October 30, 1996, at 6:30 p.m., Thursday, October 31, 1996, at 6:30 p.m. and Friday, November 1, 1996, at 9 a.m. in Room 255 of the Legislative Building to consider bills referred.

At the meeting of October 28, 1996, your committee elected Mr. Dyck as Vice-Chairperson of the committee.

At the meeting of October 28, 1996, your committee agreed, on division, to a time limit of 10 minutes for each presentation and five minutes for questions and answers.

Your committee heard representation on bills as follows:

Bill 48—The University of Manitoba Amendment Act; Loi modifiant la Loi sur l'Université du Manitoba

Edward Lipsett - Private Citizen

Earle Ferguson and Sylvia Jansen - University of Manitoba Faculty Association

Dr. E.J.E. Szathmáry - University of Manitoba

Alden Turner - University of Winnipeg Faculty Association

Neil Tudiver - Private Citizen

Trevor Lines - University of Manitoba Students' Association

Bill 72—The Public Schools Amendment Act (2); Loi no 2 modifiant la Loi sur les écoles publiques

Betty Green, Betty Ann Watts and Carolyn Duhamel - Manitoba Association of School Trustees

Howard Friesen - Garden Valley School Division No. 26

Cordell Barker - Pine Creek Teachers' Association

Lisa Martin and Val Thomson - Private Citizens
Carolyn Evans - Souris Valley Teachers' Association
Loretta Basiuk and Linda Dyrkacz - Agassiz Teachers' Association
Greg Fritske - Brandon Teachers' Association
Paul LaRivière - L'Association des Educateurs/Educatrices Francophones du Manitoba
Aurèle Boisvert - Division Scolaire Franco-Manitobaine no 49
Erica Stecheson - Private Citizen
Dean Jonasson - Private Citizen
Nancy Trush - Private Citizen
Gail Eliasson - Evergreen Teachers' Association
Ernie Schiman - Intermountain Teachers' Association
Geoff Robson - Morris-Macdonald Teachers' Association
Harry McKnight - Private Citizen
Steve Lawrie - Private Citizen
Adam Grabowski - Private Citizen
Fred Veldink - Private Citizen
Lawrie Kyle - Private Citizen
Rob Hilliard - Manitoba Federation of Labour
Henry Wedel - Transcona Teachers' Association
Donald Teel - Winnipeg Teachers' Association
Ron Munro - River East Teachers' Association
Murray Grafton - St. Boniface Teachers' Association
Jean Beaumont - Manitoba Association of School Superintendents
Jake Peters and Val Goodridge - Assiniboine South Teachers' Association
Phyllis Moore - The Retired Teachers of Manitoba
Patricia Gendreau - Private Citizen
David Harkness - Private Citizen
Karen Minish - Private Citizen
Garth Minish - Private Citizen
Gail Cherpako - Private Citizen
Theresa Ducharme - People in Equal Participation, Inc.
Jim Robertson - St. James-Assiniboia Teachers' Association
Ben Zaidman and John Weins - Seven Oaks School Division
Maureen Gelinis - St. Vital Teachers' Association
Ken Pearce - Manitoba Teachers' Society
Heather Hinchcliffe - Private Citizen
Michael Thompson - Private Citizen
Bob Minaker - Private Citizen
Albert Cerilli - Manitoba Federation of Union Retirees
Phil MacLellan - Seven Oaks Teachers Association
Pat Isaak and Nancy Patterson - Private Citizens

Emanuel Tavaris and Jennifer Waroway - University of Winnipeg Education Students Association
Fred Pauls - Private Citizen
Alan Wiebe - Fort Garry Teachers' Association
Ruth Smith - Private Citizen
Harriet Zaidman - Belmont School Parents Association
Wendy Land - Private Citizen
Rick Wilcosh - Private Citizen
Neil MacNeil - Private Citizen
Bob Dixon - Private Citizen
Ross Rowntree - Private Citizen
Siobhan Faulkner - Private Citizen

Written Submission

Tina Gordon - Western Teachers' Association

Your committee has considered:

Bill 48—The University of Manitoba Amendment Act; Loi modifiant la Loi sur l'Université du Manitoba

and has agreed, on division, to report the same without amendment.

Your committee has also considered:

Bill 72—The Public Schools Amendment Act (2); Loi no 2 modifiant la Loi sur les écoles publiques

and has agreed to report the same with the following amendments:

MOTION:

THAT proposed subsections 129(3) and (4), as set out in section 18 of the Bill, be struck and the following substituted:

Other factors

129(3) The arbitrator shall, in respect of matters that might reasonably be expected to have a financial effect on the school division or school district, consider the following factors:

(a) the school division's or school district's ability to pay, as determined by its current revenues, including the funding received from the government and the Government of Canada, and its taxation revenue;

(b) *the nature and type of services that the school division or school district may have to reduce in light of the decision or award, if the current revenues of the school division or school district are not increased;*

(c) *the current economic situation in Manitoba and in the school division or school district;*

(d) *a comparison between the terms and conditions of employment of the teachers in the school division or school district and those of comparable employees in the public and private sectors, with primary consideration given to comparable employees in the school division or school district or in the region of the province in which the school division or school district is located;*

(e) *the need of the school division or school district to recruit and retain qualified teachers*

MOTION:

THAT section 4 of the Bill be amended by adding the following after the proposed subsection 110(1):

Collective bargaining by mutual agreement

110(1.1) Nothing in subsection (1) prevents the parties of a collective agreement, by mutual agreement, from beginning collective bargaining before April in the year the collective agreement expires, in which case a notice to begin collective bargaining is conclusively deemed, for all purposes of this Part, to have been given under this section on April 1 in that year.

MOTION:

THAT section 32 of the Bill be amended

(a) *in subsection (1), by striking out "section 4" and substituting "sections 4 and 22"; and*

(b) *in subsection (2), by striking out "Section 4 comes" and substituting "Sections 4 and 22 come".*

MOTION:

THAT Legislative Counsel be authorized to change all section numbers and internal references necessary to carry out the amendments adopted by this committee.

Mr. Newman: Madam Speaker, I move, seconded by the honourable member for Pembina (Mr. Dyck), that the report of the committee be received.

Motion agreed to.

* (1335)

Introduction of Guests

Madam Speaker: Prior to Oral Questions, I would like to draw the attention of all honourable members to the public gallery, where we have this afternoon twenty-two Grade 5 students from Royal School under the direction of Mr. Greg Carpenter and Mrs. Regula Crammer. This school is located in the constituency of the honourable First Minister (Mr. Filmon).

We also have forty-five Grade 9 students from the Calvin Christian School under the direction of Mr. John Buikema. This school is located in the constituency of the honourable Minister of Family Services (Mrs. Mitchelson).

On behalf of all honourable members, I welcome you this afternoon.

ORAL QUESTION PERIOD

**Winnipeg Jets
Capital Tax Exemptions**

Mr. Gary Doer (Leader of the Opposition): Madam Speaker, my question is to the First Minister (Mr. Filmon). In June of 1994, Mr. Secter and his enterprises, a partner of the government on the operating loss agreement of the Jets, moved his operation to Quebec. Mr. Shenkarow also on June 17, 1994, moved part of his Jets operations to the province of Quebec.

Given the fact that the Premier was a partner in the operating loss agreement with the two principals I have mentioned, why did the government not take action to deal with the capital tax exemption that would be available to these two partners of the Premier under the Quebec shuffle? Why did he not take action in 1994 and 1995 to deal with and remedy the problem of assets moving out of our province?

Hon. Eric Stefanson (Minister of Finance): Madam Speaker, as the Leader of the Opposition knows, the transaction concluding the sale of the Winnipeg Jets closed on July 1 of this year, and obviously the various owners will be filing their appropriate returns sometime subsequent to that. As well, I am obviously not at liberty to talk about ultimately how they will deal with their individual transactions. That remains to be seen when they do file their actual tax returns.

I want to point out to the Leader of the Opposition, and I think he knows this full well, that the issue of the so-called Quebec shuffle is not something that was well known across Canada. It was not known by the federal government; it was not known by provincial governments across Canada, and in fact Manitoba has taken the lead in closing what is a very offensive loophole in the tax system. I anticipate that we will see action taken by other provinces within a short period of time.

Mr. Doer: Madam Speaker, of course the government has to deal in a retroactive way to deal with their retroactive mess in the operating loss agreement signed by the Premier.

I would like to ask the Minister of Finance, how can he tell the people of Manitoba that the government was not aware of this situation when the 1992—the Canadian Tax Foundation Conference report, which is available to all Department of Finance officials and through the officials to the ministers of Finance in Canada, dealt with the Quebec shuffle and the fact that people could move their assets out of the province to Quebec? Why did the government not take action before that time? Why did they not want to alert the public before that time? Were they afraid to alert the public of this shift of assets out of the province with the Jets because they were afraid of their own vulnerable position in dealing with their own partners that were shifting assets out of the province at the same time kids were putting their piggy banks on flatbed trucks to save the team?

Mr. Stefanson: The only retroactive mess is the financial mess left by that incompetent group in 1981 to 1988. That is a retroactive mess, but in terms of the issue, the member is correct that he refers to a 1,600-page document that was circulated at a tax conference attended by tax professionals across Canada. All of the provinces

were in attendance, I believe, in varying degrees, the federal government.

And once again I point out that this issue was a one-line reference in a 1,600-page document, was referred to as being, I cannot quote exactly off the top of my head, but it was viewed as being very aggressive and they were cautioning any tax professionals that chose to use it. Governments were not aware of it, and I would suggest to the Leader of the Opposition, if he knew about it—I gather he did not know about it, but if he knew about it he had a responsibility to come forward and inform this government and the people of Manitoba. I can only assume that he was like everybody else, and he did not know either.

* (1340)

Mr. Doer: Madam Speaker, it is this government that signed the operating loss agreement with these partners who moved their assets and therefore our tax provisions out of the province from Manitoba to Quebec. It is this minister's officials, in fact Jules Benson, who helped negotiate the Jets deal one, deal two, deal three. The reports to this Premier who withheld this information, as the Auditor or Ombudsman has noted in The Freedom of Information Act, withheld all kinds of information from the public over a period of time. They are the ones being cited for withholding information.

My question is, in light of the fact they knew in 1992, in light of the fact that Mrs. McKinley from Revenue Canada stated that provinces were made aware well in advance of 1996, why has the government not taken action prior to this date? Why did they keep this thing secret when they knew in 1992 that this provision exists and the Quebec shuffle was created for people like the partners of the Premier on the Jets?

Mr. Stefanson: Madam Speaker, I point out to the Leader of the Opposition that it is this government and we are the first government in Canada to take steps to deal with the Quebec shuffle, and I anticipate that you will see other governments taking steps to deal with it because other governments across Canada have been asking for information in terms of what we are doing and they are becoming increasingly aware that this application does apply to other provinces, that this loophole, this avoidance technique is in existence right

across Canada. So this government recognized the problem, this government dealt with the problem and took the appropriate steps to resolve it.

Winnipeg Jets Capital Tax Exemptions

Mr. Tim Sale (Crescentwood): Madam Speaker, it is not this side of the House that is generally into tax avoidance, and it is not up to this side of the House to become tax experts. That is why the government has tax experts; that is why they go to conferences.

Madam Speaker, can the Finance minister possibly explain why every single major national chartered accountancy, and I spoke to four of them, why they all knew about this, why every major tax lawyer in this city who belongs to the tax lawyers committee of the bar all knew about this? These are not people with whom the government is unacquainted. How can he claim that he was not aware of this?

Hon. Eric Stefanson (Minister of Finance): Madam Speaker, obviously the member for Crescentwood did not know about it. I just pointed out to this House that we are the first government in Canada to recognize this problem. We are the first government in Canada to deal with this problem, and it was not brought to our attention by the federal government or by any other provincial government. This government found it out and is taking steps to deal with it.

We do not need any lectures about tax issues from the NDP. Just look back at their track record when it comes to their colleagues dealing with the scientific research tax credit or the Manitoba Properties Inc., and the list goes on and on.

* (1345)

Madam Speaker: The honourable member for Crescentwood, with a supplementary question.

Mr. Sale: Madam Speaker, why did the Premier sign an operating loss agreement in 1991 which did not require both the general partner and the limited partners to remain resident in Manitoba? It required the team to remain resident. Why did he not require those who owned the team to maintain their residency here for tax

purposes and for any other purpose that they might use to avoid taxes?

Hon. Gary Filmon (Premier): Madam Speaker, it is wonderful how brilliant the member for Crescentwood becomes five years later, you know. He is so smart that all of a sudden he knows everything five years later. When he was in government with the New Democrats, as one of their lackeys, what he did was encourage them, of course, to bring in the original tax dodge act which was the Manitoba Properties Inc. that encouraged Manitobans to utilize the sale of the assets of the government into a tax shelter dodge to avoid taxation. That is how much credibility they have on this issue.

Madam Speaker: The honourable member for Crescentwood, with a final supplementary question.

Mr. Sale: Madam Speaker, could this Premier explain how, with yards of lawyers, with more lawyers involved in this than angels ever danced on the head of a pin, they could possibly have missed the fact that in 1994 the assets of the team that they were looking at had moved to Quebec City? How did all those lawyers the government was consulting manage to miss the fact in their submissions to the Manitoba Securities Commission in April of 1995? How did they miss it in July and August of 1995, or was it missed by accident? You—

Madam Speaker: Order, please.

Mr. Filmon: Madam Speaker, I do not know how many angels could dance on the member for Crescentwood's head, but I can tell you that he is so brilliant now that he even talks about the assets having been moved. It seems to me that the team stayed here and played here all the way through to the end of the last season. The assets remained here, and indeed they remained here for the benefit of Manitobans and indeed the income that prevailed to the people of Manitoba.

Child Poverty Rate Reduction Strategy

Mr. Doug Martindale (Burrows): Madam Speaker, in the chief executive officer's report for 1995-96 of Winnipeg Child and Family Services, Mr. Keith Cooper says that he is being told that there are too many children in care and there must be more attention to prevention

and family preservation, that family preservation was risky and that children must be protected, that prevention could take place by mobilizing community resources like churches and volunteers and that none of these activities should cost any money, and that these messages are at best contradictory and there has been little willingness to confront the social and economic conditions which impact considerably on the circumstances of children in this city.

I would like to ask the Premier if his government is willing to listen to Mr. Keith Cooper and take seriously the economic circumstances that force children into the care of agencies, particularly poverty, and what is his government going to do about it?

Hon. Gary Filmon (Premier): Madam Speaker, this government commits the highest proportion of its budget to health care than any province in Canada does, over one-third of our entire provincial budget. This government commits a further more than 18 percent to education. This government commits a further more than 12 percent of its budget to family services.

I might tell the member opposite that that is a substantially higher proportion of the budget and a substantially greater number of dollars that go to family services than ever did under the New Democrats in government. That, despite the fact that thanks to the legacy of New Democrats we have to spend over \$600 million a year in interest on the debt that cannot go to improving the circumstances of the families and the children of Manitoba, thanks to not only the neglect but thanks to the terrible policy decisions that his government enacted in this province in the '80s.

* (1350)

Winnipeg Child and Family Services Government Relationship

Mr. Doug Martindale (Burrows): Madam Speaker, I would like to ask the Premier if he will then listen to the chairperson of the board of Winnipeg Child and Family Services, and I will table copies of his letter of resignation in which he says: "If it is ever possible to establish a relationship with the Government that reflects the reality of your work, things would improve greatly."

Will the Premier listen to the chairperson that his government appointed to Winnipeg Child and Family Services and recognize the circumstances under which the staff work and the reasons that children are coming into care in greater and greater numbers because of the policies of this government?

Hon. Gary Filmon (Premier): Madam Speaker, I repeat that despite having to spend more than \$600 million in interest on the debt that was primarily left by the New Democrats in this province, despite a reduction in transfers from Ottawa this year that amounted to \$168 million for our social service safety net, this government today commits more money to family services, both in total dollars and in percentage of budget, than was ever done under the New Democrats. That is how much we are committed to continue to try and solve the problems that face us. We are not interested in just the simple rhetoric of the members opposite. We are doing things within our power to address the real needs.

Madam Speaker: The honourable member for Burrows, with a final supplementary question.

Mr. Martindale: Madam Speaker, I would like to repeat my question to the Premier since this is not my rhetoric, this is a resignation letter of the chairperson of the board of Child and Family Services, and ask him what his government is going to do to restore the relationship which is referenced in this letter, as I quoted, so that there is a good working relationship between the Winnipeg Child and Family Services board and this government so that they will recognize the reality in which their staff work.

Mr. Filmon: Madam Speaker, I can assure the member opposite that we will look at the information provided, that we will listen to the individuals who work within Family Services and we will continue despite all of the great, great difficulties that we face in terms of the terrible decisions of the past that were foisted upon this province by the New Democrats that ran up debt that cost us \$600 million a year to service, and despite the fact that we get \$168 million in transfer payments from Ottawa less to fund our social safety net we will continue to do our best to solve those problems and to meet those needs.

* (1355)

Manitoba Telephone System Privatization—Brokerage Firms Expenses

Mr. Steve Ashton (Thompson): Madam Speaker, right from the beginning we have questioned the ethics of appointing three brokerage firms to make recommendations on the sale of MTS and then having those firms also provide those services.

I would like to ask the Premier (Mr. Filmon), first of all, if he can answer the question he took as notice on the amount that was paid for the three firms to do the study and if he can also confirm that Wood Gundy will be the book runner, as is the terminology on the prospectus, and Dominion Securities will occupy the No. 2 position in the syndicate and perhaps confirm how much money these brokerage firms will now be making on the sale of MTS if it is approved this week.

Hon. Glen Findlay (Minister responsible for the administration of The Manitoba Telephone Act): Madam Speaker, it is my understanding that the firms hired received about \$300,000 for the initial work. Once Bill 67 is voted on, the prospectus will be filed with the Securities Commission.

Madam Speaker: The honourable member for Thompson, with a supplementary.

Mr. Ashton: Madam Speaker, if they were paid \$45,000 per each page of the seven-page report, I would like to ask the minister how much they will be paid to be the book runner, in the case of Wood Gundy, and the case of Dominion Securities, the syndicate. How much are they going to be paid as part of that?

Mr. Findlay: Madam Speaker, that information flows out through the process of the prospectus filing and Securities Commission handling of that prospectus and, certainly, there are industry norms but that will eventually happen through the process as it unfolds from the Securities Commission.

Mr. Ashton: Madam Speaker, I think we as members of the Legislature and the public of Manitoba deserve a response now—

Madam Speaker: Order, please.

Mr. Ashton: As a final supplementary, Madam Speaker, I would like to ask if the minister can also confirm the Barnes organization, a Toronto-based firm, has also been hired in this case to run what is being described as the road show, selling off our publicly owned telephone system. Can he indicate if that is the case and how much that Toronto-based company will be paid?

Mr. Findlay: Madam Speaker, in the process of engaging people to do the various work along the way, I will inquire to determine if that particular firm has been hired to do what you are talking about, in terms of the information to potential investors, after the prospectus is approved.

Goods and Services Tax Harmonization

Mr. Kevin Lamoureux (Inkster): Madam Speaker, my question is for the Minister of Finance. The Atlantic provinces worked out an agreement with the federal government with respect to the harmonization of the GST and their respective provincial sales taxes, thereby saving many Atlantic residents the opportunities on tax dollars being saved amongst the avoidance of duplication of services and so on.

My question is for the Minister of Finance. Why is it that this government is being unco-operative and not working towards the harmonization of the GST and PST, which is indeed in the best interests of Manitobans as a whole? Why is he not being co-operative to any degree whatsoever?

Hon. Eric Stefanson (Minister of Finance): I am interested by this question whether or not the member for Inkster is trying to help the federal Liberals fulfill the promise to scrap the GST or whether he is supporting a continuation of the GST under some new name, but from Manitoba's perspective, the area of concern for us is under the proposal that the federal government put forward. There would be a massive shift from business to consumers in Manitoba in the vicinity of \$300 million, a shift onto books, onto children's clothing, onto home heating fuel, onto the entire service industry that would be paid by consumers.

Obviously, I would hope the member for Inkster can accept what a devastating impact that would have on our

economy in the short term and what an impact it would have on consumers and consumer confidence in our economy. That was one major concern.

A second major concern is, under harmonization, our provincial government actually loses money. Even though the federal government proposed some short-term bridge funding to cover some of the gap, after the three to four years is up, our Treasury would lose a significant amount of money. The projections are about \$100 million per year. So the suggestion from the federal Liberals has been, well, increase some other taxes. Well, we, unlike the Liberals, are not into increasing taxes. We are into attempting to control and reduce taxes wherever possible.

Madam Speaker: The honourable member for Inkster, with a supplementary question.

* (1400)

Mr. Lamoureux: Madam Speaker, it could be summed up by saying, what balderdash.

The Minister of Finance—

Madam Speaker: Order, please. The honourable member for Inkster was recognized for a supplementary question on which there is to be no preamble or postamble.

Mr. Lamoureux: I would ask the Minister of Finance then if he is prepared to table any documentations that could somewhat demonstrate any credibility to the answer that Minister of Finance just gave. There is no credibility to that answer. The taxpayers of the province of Manitoba would benefit—

Madam Speaker: Order, please.

Mr. Stefanson: The member for Inkster is wrong, wrong, wrong. Even the federal Liberals are not questioning our numbers. They accept the concerns that we have and understand the concerns that we have. What he fails to understand, the difference in the Maritime provinces is the combined rates today in the Maritime provinces are anywhere from 18 to 20 percent because all of the Maritime provinces have double-digit provincial sales tax of 11 or 12 percent. So what is happening in the Maritime provinces is their combined rates are going

from 18 to 20 percent down to 15 percent. What we already have in Manitoba is a combined rate of 14 percent—it will not go down—7 percent provincial sales tax, which is one of the lowest in Canada, combined with the 7 percent GST. That is the difference between the Maritimes and Manitoba.

We already have one of the lowest provincial sales taxes in all of Canada, and the member is wrong to challenge our numbers because even the federal government does not question the numbers we are providing, Madam Speaker.

Madam Speaker: The honourable member for Inkster, with a final supplementary question.

Mr. Lamoureux: Madam Speaker, will the Minister of Finance then table any documentation that demonstrates that Manitobans would not benefit through any sort of harmonization of the provincial sales tax?

Mr. Stefanson: Madam Speaker, I will certainly provide as much information and detail as I possibly can to the member for Inkster to make sure that he fully understands this issue and the negative consequences and impact on our economy by our taking the position of not harmonizing with the GST.

I have already outlined for him the shift to consumers. I have already outlined for him the significant loss of revenue to our provincial Treasury. Those are only two of the major concerns, but I will certainly undertake to provide him as much information as I possibly can.

Hughes Inquiry Submissions—Gag Order

Mr. Gord Mackintosh (St. Johns): Madam Speaker, my question is to the Minister of Justice.

On questions in this House about the government's truthfulness in dealing with the release of inmates from Headingley Jail, the government is attempting to hide behind the Hughes inquiry, and we now have questions whether the government is attempting to hide things from the Hughes inquiry.

My question to the Minister of Justice: Did the minister or her officials in any way pursue the vetting or gagging of any submissions to Mr. Hughes?

Hon. Rosemary Vodrey (Minister of Justice and Attorney General): Madam Speaker, our government, which called the Hughes inquiry as an independent inquiry, has made it very clear that we expected full participation from anyone who wanted to participate or who had something that they believed was important for Mr. Hughes to know.

Mr. Mackintosh: Did the minister or her officials agree to a warning to Justice department staff, including sheriff's officers who transport and escort inmates, that all their submissions to Mr. Hughes had to first be accepted by her department, the very department under investigation?

Mrs. Vodrey: If the member has something he would like me to see, then I expect that he will table it. I will ask, Madam Speaker, that you have him table it. He stands with something in his hands.

Certainly, to my knowledge, we have from the very beginning expected full participation. Our government has also made it clear that we fully intend to make the report that Mr. Hughes provides public, because in fact we do not ever want a riot to occur again and we want to move ahead now.

Mr. Mackintosh: Would the minister then explain a memo to departmental staff from the former director of Winnipeg Courts now given to me by staff in her department who felt a real chill from these words, and I quote, "Could you please ensure that all staff are aware that any mail or deliveries for E.N. Ted Hughes must be accepted and routed through my office."—signed Greg Graceffo.

Mrs. Vodrey: Madam Speaker, no, I am not aware of that memo. I would be very interested to have an explanation of that memo, and I will endeavour to get that explanation for the member opposite.

Aboriginal Youth Justice Symposium Minister's Participation

Mr. George Hickes (Point Douglas): Madam Speaker, my questions are also for the Minister of Justice. This is the minister who never misses an opportunity for a photo op no matter how minor it is, but today we have learned that she has refused to send a message to the aboriginal

youth symposium, which is dealing with youth crime, and has also declined to go to the follow-up conference with the youth on December 2.

I would like to ask the minister to explain why she treats this aboriginal youth symposium in a very negative way.

Hon. Rosemary Vodrey (Minister of Justice and Attorney General): Madam Speaker, the member is totally wrong in what he has put on the record. I reject it completely. I received an invitation and was required to reply within 38 hours of demand, in terms of participation. As I was unable to participate, my colleague the member for Riel (Mr. Newman), the legislative assistant to the Department of Justice, did participate. He did participate in a filming which took place. Also, I have been requested on the 2nd to attend personally or to send a representative, and I intend to see that there is representation. I am in fact very pleased that there is this symposium going on. Our government has been very interested in seeing that community participation is really the basis to deal with some of the issues in justice.

Mr. Hickes: I guess they must be warming up the member for the next shuffle. The committee has asked for the minister because they feel it is very important for the minister to have an opportunity to address the youth, or the youth to see some kind of reaction from the minister.

I would like to ask the minister, what is the real reason why she will not attend the aboriginal youth symposium or attend meetings or visit the reserves in Manitoba? Is it because of your lack of action pertaining to the Aboriginal Justice Inquiry?

Mrs. Vodrey: Madam Speaker, in response to the first part of the question, again, I received it in the form of a demand to be answered within 38 hours. In that period of time I was unable to make the arrangements to appear on a video film. However, I did make sure that my colleague, a representative of this government, in fact participated.

In terms of the response to the AJI, I only wish that you would allow me the length of time to provide the numerous and multitude of responses that this

government has put forward. First Nations policing should be among the first of the issues that members across the way can see as a concrete action of this government. This government was the one that entered into an agreement for First Nations policing policy, community participation agreements which deal with probation, dealt with within the community. We are continuing to work with MKO chiefs to deal with a special project in Manitoba which I think will in fact benefit a large number of communities. The list goes on in the area of Courts, Corrections and policing. The member is absolutely wrong.

General Scrap and Car Shredder Environmental Concerns

Ms. Marianne Cerilli (Radisson): Madam Speaker, on October 16 when I asked the Minister of Environment to end the five-year review of the General Scrap and Car Shredder environment licence to stop the explosions from that site, he said, and I quote: "Certainly it has been my impression that the operation is doing everything they can to reduce the explosions."

I would like to ask the minister to explain how that can be the case when General Scrap is actually making a profit on the explosions when they occur by levying a fine to the distributor of the scrapped cars.

Hon. Glen Cummings (Minister of Environment): Madam Speaker, I am surprised and disappointed that the member would accuse the operators of attempting to make a profit from a problem that they have been working actively with the regulators to deal with. As we indicated and discussed in the House before, this is not an issue that can be quickly and easily eliminated, and if there is some issue that the member has that I have not been apprised of, I invite her to share with me.

* (1410)

Ms. Cerilli: Well, I hope the minister will answer my letter in this regard and ensure that his staff are accurate.

Madam Speaker: Order, please. The honourable member was recognized for a supplementary question.

Ms. Cerilli: Will he confirm, as his staff have told me, that indeed General Scrap and Car Shredder is collecting

a penalty from the distributors of the cars and that there has been a financial profit made on these explosions and if he can explain if General Scrap is enjoying this lenient licence with a five-year review because they have donated over \$6,000 to the Conservative Party in the last two years?

Mr. Cummings: Madam Speaker, I hope that you and others listening to Question Period would not assume that, because the company in question is attempting to enforce a controlled situation on their suppliers so that they will not continue to hide or to avoid properly providing materials for their shredder, that somehow seemed to be a profit-generating centre because in fact we need to regulate all parts of this industry as the material moves through towards recycling. I really think the member is doing a disservice to everyone involved trying to characterize this as some kind of a profit centre.

Manitoba Telephone System ManGlobe Role

Mr. Jim Maloway (Elmwood): Madam Speaker, my question is to the Deputy Premier. The taxpayers through his department, I, T and T, are putting up a half-million dollars for the ManGlobe Project.

Can the minister responsible explain why he is funding \$60,000 for the president's travel budget? Will he table the agreement outlining how much the government is committed to for entertainment expenses, hardware, software, rent and equipment from MTS? I wish to table some relevant documents.

Hon. James Downey (Minister of Industry, Trade and Tourism): Madam Speaker, yes, the department is participating in ManGlobe with a loan under the MIRI program of a half a million dollars in partnership with several other private sector companies to encourage employment in this sector, to create new knowledge, to do those kinds of things that we believe are important to the overall growth of our province on the economic front.

As it relates to some of the specifics, I will take that part of the question as notice.

Madam Speaker: The honourable member for Elmwood, with a supplementary question.

Mr. Maloway: Madam Speaker, my supplementary to the same minister is this: Given that this minister and his colleague the member for Springfield (Mr. Findlay) have made a huge investment in this project, can the minister tell the House what revenues and what new jobs have been created since he began issuing cheques in February?

Mr. Downey: Madam Speaker, unlike the inaccuracy of the member who asked the question last week on the pretext that there was a considerable amount of untendered contract let, I will make sure I get the details and report back to the House.

Mr. Maloway: Madam Speaker, my final supplementary to the same minister is this: Would the Minister responsible for MTS tell the House how much of the wish list request for furniture, computers, et cetera, was picked up by the MTS?

Hon. Glen Findlay (Minister responsible for the administration of The Manitoba Telephone Act): Madam Speaker, I want to inform the member that MTS gets involved in many arrangements, business agreements, the details of which do not always flow to me. I will take the member's question as notice and reply to him at a future date.

Point of Order

Hon. Rosemary Vodrey (Minister of Justice and Attorney General): Madam Speaker, just on a point of order, the member for St. Johns, I requested that he table the document, the alleged document that he was reading from. He has failed to do that. I would ask that you would request he table it now.

Mr. Gord Mackintosh (St. Johns): I would be pleased to table it, Madam Speaker.

Madam Speaker: I thank the honourable member for St. Johns.

Natural Gas Service Expansion

Ms. Rosann Wowchuk (Swan River): Madam Speaker, prior to the last election, the government made commitments to expand natural gas to many parts of rural

Manitoba, but since the election has passed we have had very little activity on the part of this government.

I want to ask the Minister of Rural Development what the plans of this government are to expand natural gas, and is the money still available that was promised to the community of Swan River for the expansion of natural gas?

Hon. Leonard Derkach (Minister of Rural Development): Madam Speaker, I would like to inform the member for Swan River that indeed we did work with the community of Swan River in the first round of gas expansion in Manitoba. However, it was very evident that it was difficult to bring together all the players with regard to natural gas expansion in the Swan River Valley and it was for that reason that we could not get an agreement established for expansion of natural gas to Swan River.

Madam Speaker, since that time we have continued to work with the community. Indeed, there are some different players around the table today with recent municipal changes in the Swan River area. We are working with the community to try and extend that kind of service to the community as soon as it is feasible and it is affordable to the community.

Ms. Wowchuk: Madam Speaker, can the minister ensure the people of the Swan River Valley who are working to get natural gas in the area that the \$1.2 million that was promised from infrastructure money is still available for them for natural gas expansion?

Mr. Derkach: Well, Madam Speaker, I have to inform the member for Swan River that the infrastructure money that was budgeted has indeed been committed to projects around the province, and one cannot wait with a particular project forever and a day until that community comes together and decides that it indeed is going to put forward its amount of money as well. I would tell the member for Swan River that she could go a long way in assisting in bringing gas to Swan River by taking on a more positive approach in terms of working in co-operation to extend that kind of service to an area that really requires it.

Madam Speaker: Order, please. Time for Oral Questions has expired.

Speaker's Ruling

Madam Speaker: I have a ruling for the House.

On October 23 I took under advisement a matter of privilege raised by the honourable member for Crescentwood (Mr. Sale) about the honourable Minister of Natural Resources (Mr. Driedger). In raising the matter of privilege, the member for Crescentwood alleged that the minister had deliberately misled the House by failing to be truthful in answering a matter raised in this House, and that by doing so the minister had demonstrated contempt of the House. The member for Crescentwood also claimed that the minister had violated an act of the Legislature.

* (1420)

I thank honourable members for their contributions as to whether or not a prima facie case of privilege was made.

There are three conditions to be met in order for a Speaker to find that there is prima facie evidence of a matter of privilege. First, was the matter raised by the honourable member for Crescentwood at the earliest opportunity? I am satisfied that the matter of privilege indeed was raised at the earliest opportunity. The member required the time to receive and review the Hansards of October 21 and 22 before raising the matter.

The second condition for a matter to proceed is that the member raising a matter of privilege must provide the House with a reparation or remedy. The member for Crescentwood did propose a motion that the matter be referred to the Standing Committee on Privileges and Elections, so the second condition has been complied with.

The third condition to be met is that sufficient evidence must be presented to suggest that a breach of the privileges of the House has occurred. I must find that the third condition has not been met. My reasons for doing so are as follows: Joseph Maingot, in the book *Parliamentary Privilege in Canada*, states on page 205, that in order for a matter of privilege to exist, it must be clearly demonstrated that the member in question deliberately or intentionally misled the House. As Speaker Rocan ruled on June 19, 1991, the member

raising the matter must support his or her charge with proof of intent. In the matter raised on October 23, 1996, I do not believe that the member for Crescentwood has furnished proof that the minister deliberately set out to intentionally mislead the House.

Also, in raising the matter of privilege, the honourable member for Crescentwood alleged that the honourable Minister of Natural Resources would look the other way when the law was being broken in the taking and exporting of fish from Sisipuk Lake. The honourable minister has denied this.

I must bring to the attention of the House that *Beauchesne Citation 31(9)* indicates that a claim of a failure to comply with the law is a matter for the courts, not a Speaker to decide. Additionally, Maingot, on page 191, states that "... allegations of misjudgement or mismanagement or maladministration on the part of a Minister in the performance of his ministerial duties do not come within the purview of parliamentary privilege."

Also, the Minister of Natural Resources on October 23 clearly stated, he indicated at meetings held in his office that the law could not be violated. *Beauchesne Citation 494* states that statements by members respecting themselves and particularly within their own knowledge must be accepted.

Therefore, I must rule that the honourable member for Crescentwood has failed to establish a prima facie case of privilege and must rule his motion out of order.

MEMBERS' STATEMENTS

Carman Curling Bonspiel

Mr. Frank Pitura (Morris): On Saturday, November 2, Madam Speaker, I had the opportunity to participate in a curling bonspiel at the Carman Curling Club.

The bonspiel, the third annual, was initiated by a small group of local people whose lives have been touched by cancer. Their efforts resulted in 80 people participating on 20 rinks. During the last three years approximately \$15,000 has been raised and donated to Manitoba cancer research. This is a significant contribution to the fight against cancer. Of course, these people had assistance from the community at large. Local businesses, without

even being asked, came forward to donate prizes and food to the bonspiel. As well, the Carman Curling Club donates all the ice for the event.

A special feature of the bonspiel, Madam Speaker, was a tableful of memorial candles. Individuals could purchase a candle for \$5 and light it in memory of someone they know who has contracted this dreaded disease. This bonspiel is truly a community event. Cancer is a tragedy that has struck the lives of many Manitobans. The community of Carman, both individuals and businesses, have come together to address this issue. Their success in bringing people together to curl, socialize, share their stories and fundraise is evident.

I would like to take this opportunity to extend my congratulations to the organizers of the curling bonspiel and, in particular, Cliff and Marg Holliston and Trevor and Kathy Smith. Their efforts are appreciated far more than they can realize. Thank you very much.

Aboriginal Youth Justice Symposium

Ms. Marianne Cerilli (Radisson): Madam Speaker, I want to congratulate the aboriginal youth justice symposium which is entitled Challenging our Choices. I attended the symposium this morning at the Winnipeg Indian and Metis Friendship Centre and there were more than 400 young aboriginal people discussing issues that are affecting their community and our community. They were discussing the videotaped messages of some of the community leaders in our province. When I was there, they were listening to Judge Murray Sinclair, Chief Phil Fontaine, Police Chief David Cassels and Suzanne McLeod from the Manitoba Anti-Poverty Organization, to name a few. The organizers expressed their disappointment that the Minister of Justice (Mrs. Vodrey) did not send in a message as was requested, and they are really wondering what the cabinet is doing. They are concerned that the minister has often made reference to the Young Offenders Act and commitments for youth justice, but they could not understand the message that was being sent by not sending a videotaped recording.

The process for the forum was that the adults and teachers were in a separate room viewing the presentations. One vice-principal said that it was very important that young people are aware of the other

symposiums and investigations that have resulted in recommendations such as the Aboriginal Justice Inquiry, and there was again a call for this government to implement many of the recommendations from the Aboriginal Justice Inquiry which would go a long way in addressing the problems facing aboriginal youth and reduce their incidence of being victimized or involved with the criminal justice system.

I hope that the minister and members opposite will take very seriously the recommendations from this youth conference that will be presented to them on December 2, and would the Minister of Justice make every effort to attend?

Boundary Trail Heritage Region

Mr. Peter Dyck (Pembina): Madam Speaker, this weekend I had the pleasure of attending the Boundary Trail Heritage Region's semiannual general meeting. The Boundary Trail Heritage Region is a nonprofit incorporated body whose purpose is to enhance the quality of life within the 12 municipalities of southern Manitoba adjacent to the U.S. boundary and between the Red River and Saskatchewan border. Their goal is to help residents and visitors appreciate their history, heritage and culture and to increase opportunities through marketing and promotion of local tourism and economic development. With the historic boundary commission trail as its focal point, all the communities of the region have worked hard to locate, mark, preserve and display the heritage resources locally so that together they could create, and I quote, a whole that is much better than the sum of its parts.

By sharing the work and expense of the promotion of events, tours and sites and by co-operating with one's neighbours on a program and initiatives, the possibilities are endless. The Heritage Region has done a great deal to promote tourism in the area. In fact, they have developed a Boundary Trail Heritage Region travel companion which has been circulated to Travel Manitoba tourist information centres as well as to local information centres, motels, restaurants, museums and to North Dakota Museum and sent to various schools, tour groups, national groups, Geographic and Readers' Digest. So I would like to congratulate and thank the organization for their continuous promotion of Manitoba as a tourist destination. Thank you, Madam Speaker.

* (1430)

Standing Committee Process

Ms. Diane McGifford (Osborne): Madam Speaker, more than once during recent weeks this government has donned the gown of moral virtue to praise itself as the only jurisdiction in Canada to hold public presentations on all government bills. Strictly speaking, this may be true, though other jurisdictions do hold committee hearings on some bills, particularly on controversial ones. Hence we are not, underline the word "not," the only jurisdiction to allow the public the opportunity to address legislation at committee stage.

A second point is that some jurisdictions actually consult with the public before drafting legislation. This government did not hold public consultations on many controversial pieces of legislation. Bill 67 and Bill 36, commonly and respectively known as the MTS and workfare bills, are good examples. Then there is the difference between holding public committee meetings and making them accessible. Meetings at two and three in the morning when buses have stopped, kids are home in bed, people have to work the next day, and everything happens in Winnipeg cut out most Manitobans and explains why the process is flawed.

Presenters who had the temerity to question the process were admonished, at least in Law Amendments, and instructed to be grateful for the opportunity to address honourable members. No mention was made of the fact that each and every committee member has a duty to the electorate who put them in office and pay their salaries. But, for arrogance, the Premier (Mr. Filmon) took the cake. On CBC Radio he told Manitobans that Winnipeg is the seat of the Legislature, and that if anyone wanted to present, he or she would repair to the Legislature. The assumption is that those who did not go were either happy with the legislation or dyed-in-the-wool slackers. Lucky for the Premier, he can travel when and where he pleases, but most of us cannot, which is a measure of the difference between appearance and reality and explains why this process stinks.

Brookside Boulevard Twinning

Mr. Edward Helwer (Gimli): Madam Speaker, I am pleased to present to the House today the exciting news of how the three levels of government are expanding

Manitoba's transportation industry by contributing a total of \$8.2 million toward the twinning of Brookside Boulevard from Inkster Boulevard to the north city limits. With such a large number of commuters from this area heading in and out of Winnipeg, this new highway and its improved road conditions will be a welcome item for many Manitobans and for the trucking industry in the province.

The approved project to construct the four-lane divided highway funded by the Canada-Manitoba Infrastructure Works Program was announced on Friday, November 1 by our Premier, Premier Filmon and by Foreign Affairs Minister Lloyd Axworthy. After years of lobbying the City of Winnipeg and pushing for the approval of this project, I am extremely pleased with Friday's announcement.

The construction phase of the Brookside Boulevard project will create some 4,800 weeks of temporary employment and 150 jobs. This project will drastically improve Winnipeg's ability to accommodate the flow of cargo to and from the airport and will give truckers a direct four-lane route from the airport to the north Perimeter and to other major highways fanning out from the city of Winnipeg.

This project will be especially beneficial for the preparation of the Winnport plan to make Winnipeg an international transportation and distribution hub. As we widen Brookside Boulevard we will increase the opportunities to create new business and jobs around this area. Since the Canada-Manitoba Infrastructure Works Agreement was signed in January of '94, its total investment of \$204 million in the province will create over 3,100 jobs and more than 375 projects throughout Manitoba. It is evident, Madam Speaker, that this government is committed to creating investment and employment within this province. Thank you.

* * *

Mr. David Newman (Riel): Madam Speaker, I seek leave of the House to rectify the grave injustice done to the honourable members on the Law Amendments committee.

Earlier I reported the Seventh Report to the Law Amendments committee; it should have been the Eighth Report of the Law Amendments committee.

Madam Speaker: Does the honourable member for Riel have leave to correct the record? [agreed]

I thank the honourable member for Riel for that clarification.

Committee Changes

Mr. Edward Helwer (Gimli): I move, seconded by the member for Sturgeon Creek (Mr. McAlpine), that the composition of the Standing Committee on Public Utilities and Natural Resources for the November 1 sitting be amended as follows: the member for St. Norbert (Mr. Laurendeau) for the member for Kirkfield Park (Mr. Stefanson).

I move, seconded by the member for La Verendrye (Mr. Sveinson), that the membership change of the member for Morris (Mr. Pitura) for the member for Kirkfield Park (Mr. Stefanson) to the Standing Committee on Public Utilities and Natural Resources for Monday, November 4, at 9 a.m., be rescinded.

Also, I move, seconded by the member for Morris (Mr. Pitura), that the composition of the Standing Committee on Public Utilities and Natural Resources for Monday, November 4, at 9 a.m., be amended as follows: the member for Morris (Mr. Pitura) for the member for St. Norbert (Mr. Laurendeau).

I move, seconded by the member for La Verendrye (Mr. Sveinson), that the composition of the Standing Committee on Public Utilities and Natural Resources for Monday, November 4, 1996, 9 a.m., be amended as follows: the member for Gladstone (Mr. Rocan) for the member for Steinbach (Mr. Driedger).

Motions agreed to.

ORDERS OF THE DAY

House Business

Hon. Jim Ernst (Government House Leader): Madam Speaker, I wonder if there is leave of the House to call the standing committee to sit concurrently this afternoon with the operation of the House.

Madam Speaker: Is there leave of the House to have the standing committee sit concurrently with the Orders of the Day in the Chamber? [agreed]

Mr. Ernst: Madam Speaker, in that case then I will call the Law Amendments committee for 3 p.m. today to consider clause by clause, Bill 32.

Madam Speaker: The Standing Committee on Law Amendments will meet this afternoon at 3 p.m., to give consideration of clause by clause of Bill 32. [agreed]

Mr. Ernst: Madam Speaker, the Standing Committee on Public Utilities and Natural Resources will meet tomorrow morning at 9 a.m., to further consider Bill 67.

Madam Speaker: The Standing Committee on Public Utilities and Natural Resources will meet tomorrow, Tuesday, November 5, 9 a.m., to continue to hear the public representation on Bill 67.

Mr. Ernst: Madam Speaker, the Committee on Privileges and Elections will sit tomorrow morning at 10 a.m., to consider the question of judicial compensation.

Madam Speaker: The Standing Committee on Privileges and Elections will sit tomorrow morning, Tuesday, November 5, 10 a.m., to consider judicial compensation.

Mr. Ernst: I wonder if there might be leave to sit a committee tomorrow afternoon concurrently with the House.

Madam Speaker: Is there leave to sit in standing committee tomorrow afternoon at 3 p.m.? [agreed]

Mr. Ernst: In that case, Madam Speaker, the Committee on Industrial Relations will sit tomorrow afternoon at 3 p.m., to consider clause-by-clause consideration of Bill 26 and consider Bill 41.

Madam Speaker: The Standing Committee on Industrial Relations will meet at 3 p.m., Tuesday, November 5, to consider clause by clause on Bill 26 and consider Bill 41.

Mr. Ernst: The Committee on Public Utilities and Natural Resources will sit tomorrow evening at 6:30 p.m., if required, to continue consideration of Bill 67.

Madam Speaker: The Standing Committee on Public Utilities and Natural Resources will meet Tuesday, November 5, 6:30 p.m., if required, to continue to consider Bill 67.

Mr. Ernst: Also tomorrow evening, Madam Speaker, at 6:30 p.m., the Committee on Industrial Relations will sit to consider Bill 17.

Madam Speaker: The Standing Committee on Industrial Relations will meet Tuesday, November 5, 6:30 p.m., to consider Bill 17.

Mr. Ernst: Would you call the bills listed in the Order Paper under Report Stage?

* (1440)

REPORT STAGE

Bill 18—The Payment of Wages Amendment Act

Hon. Jim Ernst (Government House Leader): Madam Speaker, I move, seconded by the Minister of Education and Training (Mrs. McIntosh), that Bill 18, The Payment of Wages Amendment Act (Loi modifiant la Loi sur le paiement des salaires), reported from the Standing Committee on Agriculture, be concurred in.

Motion agreed to.

Madam Speaker: Can we move through Report Stage before I recognize the members for Point Douglas (Mr. Hickes) and Gimli (Mr. Helwer) for additional committee changes?

I will move through all the Report Stages first, or do you wish to interrupt and do it now? [interjection] All right.

The honourable member for Gimli, with additional committee changes.

Committee Changes

Mr. Edward Helwer (Gimli): Madam Speaker, I move, seconded by the member for Sturgeon Creek (Mr. McAlpine), that the composition of the Standing

Committee on Law Amendments, November 4, today at three o'clock: the member for Assiniboia (Mrs. McIntosh) for the member for Ste. Rose (Mr. Cummings); the member for St. Vital (Mrs. Render) for the member for Charleswood (Mr. Ernst); the member for Pembina (Mr. Dyck) for the member for St. Norbert (Mr. Laurendeau); the member for Turtle Mountain (Mr. Tweed) for the member for Niakwa (Mr. Reimer); the member for River Heights (Mr. Radcliffe) for the member for Kirkfield Park (Mr. Stefanson); and the member for Lakeside (Mr. Enns) for the member for Fort Garry (Mrs. Vodrey).

I move, seconded by the member for La Verendrye (Mr. Sveinson), that the composition of the Standing Committee on Law Amendments for Monday, November 4 at 6:30 p.m., be amended as follows: the member for Kirkfield Park (Mr. Stefanson) for the member for Assiniboia (Mrs. McIntosh); the member for Fort Garry (Mrs. Vodrey) for the member for St. Vital (Mrs. Render); the member for Charleswood (Mr. Ernst) for the member for River Heights (Mr. Radcliffe); and the member for Gladstone (Mr. Rocan) for the member for Lakeside (Mr. Enns).

I move, seconded by the member for Sturgeon Creek (Mr. McAlpine), that the composition of the Standing Committee on Industrial Relations for Monday, November 4 at 6:30 p.m., be amended as follows: the member for Sturgeon Creek (Mr. McAlpine) for the member for Gimli (Mr. Helwer); the member for Minnedosa (Mr. Gilleshammer) for the member for Emerson (Mr. Penner); the member for Arthur-Virden (Mr. Downey) for the member for LaVerendrye (Mr. Sveinson).

I move, seconded by the member for Turtle Mountain (Mr. Tweed), that the composition of the Standing Committee on Public Utilities and Natural Resources for Tuesday, November 5 at 9 a.m., be amended as follows: the member for Turtle Mountain (Mr. Tweed) for the member for Gimli (Mr. Helwer); the member for Steinbach (Mr. Driedger) for the member for River Heights (Mr. Radcliffe); the member for Roblin-Russell (Mr. Derkach) for the member for Gladstone (Mr. Rocan).

I move, seconded by the member for St. Vital (Mrs. Render) that the composition of the Standing Committee

on Privileges and Elections for Tuesday, November 5 at 10 a.m., be amended as follows: the member for Gimli (Mr. Helwer) for the member for Gladstone (Mr. Rocan); the member for Sturgeon Creek (Mr. McAlpine) for the member for Rossmere (Mr. Toews); the member for Niakwa (Mr. Reimer) for the member for Emerson (Mr. Penner).

Motions agreed to.

Mr. George Hickes (Point Douglas): I move, seconded by the member for Broadway (Mr. Santos), that the composition of the Standing Committee on Public Utilities and Natural Resources for Saturday, November 2, 1996 for 9 a.m., be amended as follows: the member for Burrows (Mr. Martindale) for the member for Thompson (Mr. Ashton).

I move, seconded by the member for Broadway (Mr. Santos), that the composition of the Standing Committee on Public Utilities and Natural Resources for Saturday, November 2, 1996, be amended as follows: the member for Concordia (Mr. Doer) for the member for Selkirk (Mr. Dewar).

I move, seconded by the member for Broadway (Mr. Santos), that the composition of the Standing Committee on Public Utilities and Natural Resources for Monday, November 4, 1996, 9 a.m., be amended as follows: the member for Wellington (Ms. Barrett) for the member for Burrows (Mr. Martindale).

I move, seconded by the member for Broadway (Mr. Santos), that the composition of the Standing Committee on Law Amendments be amended as follows: Brandon East (Mr. Leonard Evans) for Wolseley (Ms. Friesen); Elmwood (Mr. Maloway) for St. James (Ms. Mihychuk); St. Johns (Mr. Mackintosh) for Osborne (Ms. McGifford); Burrows (Mr. Martindale) for Radisson (Ms. Cerilli) for November 4, 1996, 9 a.m.

I move, seconded by the member for Broadway (Mr. Santos), that the composition of the Standing Committee on Law Amendments be amended as follows: Wolseley (Ms. Friesen) for Brandon East (Mr. Leonard Evans); St. James (Ms. Mihychuk) for Elmwood (Mr. Maloway); Osborne (Ms. McGifford) for St. Johns (Mr. Mackintosh); Radisson (Ms. Cerilli) for Burrows (Mr. Martindale) for Monday, November 4, 1996, for 3 p.m.

I move, seconded by the member for Broadway (Mr. Santos), that the composition of the Standing Committee on Law Amendments be amended as follows: Wellington (Ms. Barrett) for Wolseley (Ms. Friesen); Burrows (Mr. Martindale) for St. James (Ms. Mihychuk); St. Johns (Mr. Mackintosh) for Osborne (Ms. McGifford); Broadway (Mr. Santos) for Radisson (Ms. Cerilli) for Monday, November 4, 1996, for 6:30 p.m.

I move, seconded by the member for Broadway (Mr. Santos), that the composition of the Standing Committee on Industrial Relations be amended as follows: Rupertsland (Mr. Robinson) for Flin Flon (Mr. Jennissen); Elmwood (Mr. Maloway) for Dauphin (Mr. Struthers); Swan River (Ms. Wowchuk) for The Pas (Mr. Lathlin) for Monday, November 4, 1996, for 6:30 p.m.

I move, seconded by the member for Broadway (Mr. Santos), that the composition of the Standing Committee on Public Utilities and Natural Resources be amended as follows: Thompson (Mr. Ashton) for Wellington (Ms. Barrett); Selkirk (Mr. Dewar) for Concordia (Mr. Doer) for Tuesday, November 5, 1996, for 9 a.m.

* (1450)

Motions agreed to.

Bill 33—The Education Administration Amendment Act

Hon. Jim Ernst (Government House Leader): Madam Speaker, on behalf of the Minister of Education and Training (Mrs. McIntosh), I move, seconded by the Minister of Justice (Mrs. Vodrey), that Bill 33, The Education Administration Amendment Act (Loi modifiant la Loi sur l'administration scolaire), reported from the Standing Committee on Law Amendments, be concurred in.

Motion agreed to.

Bill 40—The Pension Benefits Amendment Act

Hon. Vic Toews (Minister of Labour): I move, seconded by the Minister of Agriculture (Mr. Enns), that Bill 40, The Pension Benefits Amendment Act (Loi modifiant la Loi sur les prestations de pension), reported

from the Standing Committee on Agriculture, be concurred in.

Motion agreed to.

Bill 47—The Public Schools Amendment Act

Hon. Jim Ernst (Government House Leader): On behalf of the Minister of Education and Training (Mrs. McIntosh), I move, seconded by the Minister of Energy and Mines (Mr. Praznik), that Bill 47, The Public Schools Amendment Act (Loi modifiant la Loi sur les écoles publiques), as amended and reported from the Standing Committee on Law Amendments, be concurred in.

Motion agreed to.

Bill 51—The Civil Service Superannuation Amendment, Public Servants Insurance Amendment and Teachers' Pensions Amendment Act

Hon. Vic Toews (Minister of Labour): Madam Speaker, I move, seconded by the Minister of Agriculture (Mr. Enns), that Bill 51, The Civil Service Superannuation Amendment, Public Servants Insurance Amendment and Teachers' Pensions Amendment Act (Loi modifiant la Loi sur la pension de la fonction publique, la Loi sur l'assurance des employés du gouvernement et la Loi sur la pension de retraite des enseignants), as amended and reported from the Standing Committee on Agriculture, be concurred in.

Motion agreed to.

Bill 68—The Farm Lands Ownership Amendment, Real Property Amendment and Registry Amendment Act

Hon. Harry Enns (Minister of Agriculture): Madam Speaker, I move, seconded by the Minister of Northern and Native Affairs (Mr. Praznik), that Bill 68, The Farm Lands Ownership Amendment, Real Property Amendment and Registry Amendment Act (Loi modifiant la Loi sur la propriété agricole, la Loi sur les biens réels et la Loi sur l'enregistrement foncier), as amended and reported from the Standing Committee on Agriculture, be concurred in.

Motion agreed to.

Bill 70—The Animal Care Act

Hon. Harry Enns (Minister of Agriculture): I move, seconded by the Minister of Labour (Mr. Toews), that Bill 70, The Animal Care Act (Loi sur le soin des animaux), as amended and reported from the Standing Committee on Agriculture, be concurred in.

Motion agreed to.

Bill 77—The Natural Products Marketing Amendment Act

Hon. Harry Enns (Minister of Agriculture): Madam Speaker, I move, seconded by the Minister of Finance (Mr. Stefanson), that Bill 77, The Natural Products Marketing Amendment Act (Loi modifiant la Loi sur la commercialisation des produits naturels), reported from the Standing Committee on Agriculture, be concurred in.

Motion agreed to.

Hon. Jim Ernst (Government House Leader): Madam Speaker, would you call for second reading Bill 302, The Grand Lodge of Manitoba of the Independent Order of Oddfellows Incorporation Amendment Act.

SECOND READINGS—PRIVATE BILLS

Bill 302—The Grand Lodge of Manitoba of the Independent Order of Oddfellows Incorporation Amendment Act

Mr. Leonard Evans (Brandon East): I move, seconded by the member for Burrows (Mr. Martindale), that Bill 302, The Grand Lodge of Manitoba of the Independent Order of Oddfellows Incorporation Amendment Act, Loi modifiant la Loi constituant en corporation "The Grand Lodge of Manitoba of the Independent Order of Oddfellows," be now read a second time and be referred to a committee of this House.

* (1500)

Motion presented.

Mr. Leonard Evans: Madam Speaker, I am very pleased to be able to sponsor this particular bill on behalf of the Independent Order of Oddfellows, a very well-

known service organization in Manitoba that indeed has made a significant contribution to our social development over many years and is engaged in many worthy causes. I can think of one, by way of example, in my own constituency where the local Oddfellows organization sponsored the development of a seniors citizens complex, and a very beautiful one indeed, and has helped therefore many senior citizens live in comfort and security by virtue of their work in that field.

This particular bill has a number of minor and technical amendments to the Grand Lodge of Manitoba of the Independent Order of Oddfellows original incorporating act. Firstly, the group is proposing that the name be slightly amended from one word, Oddfellows, to two words, Odd Fellows. Apparently this is a common usage today—that is, the two words as opposed to one combined word—and for all transactions and communications, the lodge has been using the latter spelling exclusively for many years. So we are simply recognizing what they are already doing.

Another section, Section 2(1) of the 1896 incorporating legislation, pursuant to that particular section the Grand Lodge of Manitoba was restricted in the value of the land that it could own to a maximum of \$1 million. While the restriction may have been reasonable back in 1896, it has become problematic in today's market, and they are simply seeking to have that restriction on the land value removed entirely.

Another element of the bill relates to Section 3 of the 1896 act. Pursuant to that 1896 act the Grand Lodge of Manitoba was restricted in the amount of money it could borrow to a maximum of \$50,000. Again, while this may have been a lot of money or provided a lot of flexibility in 1896, it is a very cumbersome provision today, and the bill seeks to remove this particular restriction entirely.

Another section deals with realty, real estate held in excess of \$1 million obtained by way of a gift, donation or appreciation. This \$1 million restriction is being removed by previous section and therefore Section 7 of the old act has no further application.

Those are the main elements of the bill, Madam Speaker, and, of course, as is usual with bills of this type, it is to accommodate the operation, the hopefully continued successful operation, of the organization

involved. In this case, I am most pleased that the Order of the Oddfellows is carrying on and providing a service to the people of Manitoba. I urge all members of the House to support this legislation, pass it so that we can enable that very good organization to carry on with its work in the province of Manitoba. Thank you.

Madam Speaker: Is the House ready for the question? The question before the House is second reading of Bill 302. Is it the will of the House to adopt the motion?

Some Honourable Members: Yes.

Madam Speaker: Agreed? Agreed and so ordered.

House Business

Hon. Jim Ernst (Government House Leader): Madam Speaker, given the passage of Bill 302, it is now referred to the Committee on Industrial Relations. They will sit tomorrow afternoon at 3 p.m.

Madam Speaker: Bill 302 will be referred to the Standing Committee on Industrial Relations, which will meet Tuesday, November 5, 3 p.m.

* * *

Mr. Ernst: Madam Speaker, I move, seconded by the Minister of Finance (Mr. Stefanson), that Madam Speaker do now leave the Chair and the House resolve itself into a Committee of the Whole to consider The Statute Law Amendment (Taxation) Act, Bill 63.

Motion agreed to, and the House resolved itself into a Committee of the Whole to consider Bill 63, with the honourable member for St. Norbert (Mr. Laurendeau) in the Chair.

COMMITTEE OF THE WHOLE

Bill 63—The Statute Law Amendment (Taxation) Act, 1996

Mr. Chairperson (Marcel Laurendeau): The committee has before it for its consideration The Statute Law Amendment (Taxation) Act, 1996. Does the minister responsible have an opening statement?

Hon. Eric Stefanson (Minister of Finance): Yes, I do, Mr. Chairman, a very brief one.

The Statute Law Amendment Act has several matters being dealt with that I think most members are quite familiar with.

I did just want to put a few comments on the record about the one issue that was discussed earlier today, and that is the issue of what is called the Quebec shuffle.

Mr. Chairman, our government strongly supports lower taxation as a means of attracting and keeping business in this province. In nine budgets we have introduced at least 36 measures that enhance the competitiveness of Manitoba's tax regime. We are committed to removing impediments to growth in Manitoba's business environment. We have undertaken comprehensive reviews and implemented measures that simplify rules, regulations and forms. We have been innovative and successful in promoting Manitoba to investors from all around the world. We have made starting up enterprises and doing business in Manitoba easier and more efficient. We have accomplished all of this while putting Manitoba's finances back on a solid footing. We are committed to dealing fairly with taxpayers.

* (1510)

The individuals in businesses who thrive and succeed in Manitoba benefit directly from the taxation and other development initiatives that we have put in place. In turn we expect them to pay their fair share of provincial taxes. If they do not, they jeopardize continued progress in our fiscal situation, Manitoba's business environment, and the continued commitment of Manitobans to sound public finances and competitive taxes.

This is why it is not acceptable that some taxes may have avoided paying provincial income tax, not only to Manitoba, but also to any other province, by exploiting differences between federal income tax rules to which Manitoba is a party under the Canada-Manitoba tax collection agreement and income tax rules in provinces which administer their own income tax acts.

The federal Income Tax Act and the income tax acts of provinces that collect their own income taxes, like Alberta, Ontario and Quebec, contain many provisions

that allow taxpayers to make elections so that businesses do not incur tax liabilities every time they reorganize their enterprises. Some taxpayers may have avoided paying any provincial income taxes by reporting transactions in one way for federal and Manitoba purposes and in another way for purposes of calculating provincial income taxes in provinces that administer their own income taxes. This is clearly an abuse of these provisions and of the income tax system as a whole. It is an abuse that attacks the agreements under which the government collects income taxes for provinces like Manitoba, a system that promotes efficiency by having a common tax base and a single administration. It is an abuse that our government cannot tolerate.

At the same time, our government is sensitive to the implication of retroactive application of taxing statute. We did not make a decision to have these rules apply to previous years lightly. We felt strongly, however, that this tactic went far beyond the bounds of normal tax planning, indeed even beyond the aggressive tax avoidance strategies that governments typically deal with on a regular basis.

It is inconceivable that any taxpayer or tax practitioner who utilized this strategy would not have recognized the tactic as abusive and offensive. It is not simply a variant possible interpretation of the law as enacted by Parliament. Even though this avoidance tactic was not specifically prohibited until now, it is quite frankly an impossible construction of the intent of the Canadian legislatures.

The reason it was not prohibited before is quite simple. Governments do not expect citizens to undermine basic principles of responsible government in this way. Because the strategy is so corrosive to every principle of good governance, we felt we had no alternative but to make the application of the rule introduced this session retroactive to all taxation years that are not statute barred. The avoidance technique the amendment is addressed to should never have occurred in the first place and, to the greatest extent possible, it should be undone. To do otherwise would send the wrong signal to taxpayers who, despite intense competitive pressures, resist these kinds of strategies.

The amendments included in Bill 63 were developed in consultation with federal Finance and Revenue Canada.

Other provincial governments are also aware of the issue and Manitoba's response. However, taxpayers who may be affected should—this next issue, I will wait till we get into the actual bill itself, Mr. Chairman, and, with that, those are my opening comments.

Mr. Chairperson: I thank the honourable minister. Does the critic for the official opposition party, the honourable member for Brandon East, have an opening statement?

Mr. Leonard Evans (Brandon East): Mr. Chairman, I thank the minister for his remarks. Of course, this is a bill normally putting into legislation various tax changes proposed in the Budget Address and, therefore, we are following the tradition.

Although I might add that I do not necessarily agree with all the minister's remarks on taxes, I think we all can agree that taxes should be equitable and fair. It is, indeed, a challenge to government to ensure fairness and equity in taxation, and I am not so sure whether we necessarily have that in Manitoba.

I would also point out that while a tax regime is one element in attracting business, one element in economic development, it is not the only element. There are so many other factors involved. Sometimes it is very regrettable to see governments engaged in tax giveaways and tax adjustments to attract business, in some cases business that would have perhaps come here anyway. It is corollary to various industrial grants that are given out to business to attract them to develop in the province of Manitoba or indeed any jurisdiction.

So I am not sure that I agree, therefore, that the tax regime is necessarily significant in the rate of economic development that occurs in this province. So many other factors are involved, including forces well beyond the control of the provincial government, namely the North American economy, particularly what is happening in the United States, certainly trade agreements such as NAFTA, certainly monetary policy by the federal government as well as trade policy by the federal government and, obviously, as well our natural resource base and the world demand for the natural resources that we have.

The minister referred to this tax avoidance situation. It is very regrettable. It has become known as the Quebec

shuffle. It should never have been allowed in the first place. I would suggest, Mr. Chairman, that in view of the importance of that particular piece of this particular bill, that section of this particular bill, in view of the importance, it should have really been brought in as a separate bill.

The advantage, of course, of the separate bill is that it gives Manitobans an opportunity to come before a committee of the Legislature and present their views one way or the other. Therefore, we find it surprising, in view of the importance of that section and in view of the importance of the issue that it was not made into a separate bill but rather included in this omnibus bill. I believe also it is not in keeping with the tradition of bringing forward tax changes that were highlighted in the Budget Address and I do not believe this fits that criteria.

At any rate, when we come to that section, members on this side will have more to say. I know the member for Crescentwood (Mr. Sale) has a lot of information and a lot of views that he would like to put on the table.

So with that, Mr. Chairman, I suppose we could proceed section by section and ask the minister various questions of some of the important proposals that are being made in this bill.

Mr. Chairperson: I thank the honourable member for that. The bill will be considered clause by clause. During consideration of a bill, the title and the preamble are postponed until all other clauses have been considered in their proper order by the committee.

Clause 1—pass.

Is it the will of the committee to group the clauses? Agreed?

Mr. Tim Sale (Crescentwood): Mr. Chairperson, on a point of procedure, would it be acceptable to the committee if those of us who want to ask questions move to the front bench so you could see our hands when we put them up?

Mr. Chairperson: If I could only caution you on this one matter, if you are going to move down we will have to identify where you are for Hansard so that they can get this. If it is okay with Hansard, it is going to be okay. It

is okay? Okay. Is there leave of the members to come to the front rows then to ask their questions? [agreed]

Shall Clauses 2 through 4 pass?

* (1520)

Mr. Sale: The critic—sorry, I have a question as well. The critic should go first.

Mr. Leonard Evans: Clauses 2 through 4, well, that brings us into the health and post-secondary education tax levy. What you are doing here seems to be to accommodate businesses that, having associated, get into a higher category and therefore subject to the tax. They are no longer subject to the exemption, as I understand it. I wonder if the minister could elaborate on that. Specifically, I wonder how much money is involved here in going along with this proposal of providing this exemption for a portion of the year.

Mr. Stefanson: Mr. Chairman, I believe the member for Brandon East was correct with his interpretation. What Section 4 of the bill provides is that commencing in 1997 corporations which become associated partway through the year will be allowed a prorated amount of payroll tax exemption if their payroll for that period prior to becoming associated is within the prorated exemption amount.

Without getting too technical, the proration will be based on the number of days before becoming associated in the calendar year applied to the \$750,000-exemption limit but, for the post-association period, the corporations will be associated for payroll tax purposes and the tax exemption that may be available to them collectively is \$750,000 less the prorated exemption for the preassociation period.

Basically what we are saying is really because we were receiving a concern from some businesses that the previous rules were if you became associated at some point during the year you were deemed to be associated for the entire year. That is just not fair, that you should be deemed to be associated from that day forward, but why should you be deemed to be associated for the full year? So we are allowing the exemption for that period of time during the year up until they become associated.

Mr. Leonard Evans: I gather from the minister's statement that there are not very many companies that are impacted by this. I do not know whether he knows, but I wonder if he could tell us how much revenue will be lost with this particular amendment.

Mr. Stefanson: The member is absolutely correct, that we do not expect very many companies being impacted by this. As a result, the impact on revenue is so minimal that we did not provide an estimate even in the budget document because it is expected to be so small that no estimate was provided.

Mr. Leonard Evans: We are dealing up to Clause 4, which includes this one.

Well, I have some other questions on Clause 5, so I wondered if—

Mr. Chairperson: Shall the clauses pass? Pass.

Clause 5.

Mr. Leonard Evans: As I understand it, here we terminate the Payroll Tax Refund Program for employee training effective April 3 of this year, and, apparently by eliminating this refund, according to the information the minister supplied previously, this will increase the payroll tax net revenue by about \$4 million annually, and it is in the 1996 budget.

My question is, why did the government decide now to terminate this program?

Mr. Stefanson: Mr. Chairman, I believe, as the member for Brandon East knows, it was part of the overall review of Workforce 2000, and, as part of the same review, the grant aspect of Workforce 2000 was also eliminated. So this is the payroll tax refund side for companies that have payrolls over \$750,000. Really, it was a matter that this program had served Manitoba well during a period of recession and some difficulties, so the training initiatives were very worthwhile and helped to create additional opportunities for Manitobans, particularly young people. But, now that the recession is basically behind us and we are seeing some better job numbers in Manitoba and, indeed, nationally to a certain extent, it was determined that this is a program that could be done away with. It

served its purpose, it helped when it was required, but it does not have to be there ongoing forever and a day.

Mr. Leonard Evans: I wonder if the minister could indicate just how many employees were trained. Does he have some estimates of the impact of this particular Payroll Tax Refund Program?

Mr. Stefanson: Mr. Chairman, I do not have that information with me here today. I will certainly undertake to provide the member with as much information as I can related to that question.

Mr. Leonard Evans: Okay, the minister said he would provide as much information as he can. So, if he could give us an idea of not only the number of employees trained under the program, but also some sort of a breakdown by the type of industry, which should make the figures more meaningful, and I guess over whatever period of time—I have forgotten whether it has been going for two years or three years, I am not sure—if he could break it down by year, that would be great.

Mr. Stefanson: I just reiterate, Mr. Chairman, as much information as I can make available to the member for Brandon East that is available and can be released—obviously, I always caution—without any third-party confidentiality. But the member is not asking for that; he is asking for numbers of employees and breakdowns by sectors, so I will certainly undertake to provide as much information relating to those questions as I can.

Mr. Leonard Evans: That is fine. I am not interested in the names of companies or individuals, strictly the statistical summaries so we can get some idea of the impact of the program.

I have no further questions on that area, unless the member for Crescentwood (Mr. Sale) has. No?

Mr. Chairperson: Clauses 5(1) and 5(2)—pass; Clauses 6 and 7—pass; Subclauses 8(1) through 8(3).

Mr. Leonard Evans: Clause 8 touches upon personal care homes and the whole question of property tax credits and I guess cost-of-living tax credits for residents of these institutions. This bill attempts to presumably clarify how these credits will be calculated, but we are concerned about the impact on the residents. It is still not clear

from the explanatory notes that we have seen just what will happen to the residents.

* (1530)

I am fearful that this particular amendment will cause a reduction in the property tax credits and the cost-of-living tax credits for those individuals. I just want to make the point, as I did earlier in this House, that many residents of personal care homes have been very badly hurt by escalating rates that have been charged; so much so that those—I recall at least two years ago—who were on the basic old age pension had practically nothing left to purchase personal items.

In the organization of personal care homes, in the rules of personal care homes, normally the resident has to pay for his or her personal effects, clothing, toothpaste, hearing aids, candy for grandchildren or great grandchildren or whatever, and the rates were raised to such an extent there was only one or two dollars left per day for those people.

What I discovered was that they had so little money that they could actually qualify for provincial welfare. I contacted many, in fact I wrote to every resident in a nursing home in my riding, and lo and behold, some did qualify, and I know some did receive provincial welfare assistance. It seems to me rather ridiculous whereas on one hand a government department raises rates to such an extent that the people are qualified for supplementary welfare and on the other hand you have the Department of Family Services paying those monies out. It just seems to be a very inefficient way of operating.

At any rate, Mr. Chairman, I wanted to get some assurance from the minister as to what will happen? What will be the impact of this particular amendment with regard to those two credits?

Mr. Stefanson: I am starting on the assumption we all recognize that the per diems do cover a culmination of accommodation and food and in some cases maybe some other costs, but certainly those would be the two major aspects of the per diem. They would be a blend or they would be covering both accommodation and food. So this amendment is meant to address that fundamental issue.

But I guess what is most important to point out to the member for Brandon East is for individuals who claim one-half of their per diem charges against the property tax credit, even at the lowest per diem, they will automatically get the maximum. They will qualify for the maximum property tax credit. So, by claiming half of their per diem against the property tax credit, they are still receiving the maximum property tax credit that would be available to them, so beyond that this is meant to acknowledge that the rest of it goes for, obviously, other services or benefits they are receiving as a result of the per diem that they are paying.

Mr. Leonard Evans: Mr. Chairman, I was not sure whether I heard everything that the minister stated because of certain interruptions, but I gather that we are getting the minister's assurance that the senior citizens, the handicapped people and anyone who lives in a nursing home, a personal care home in Manitoba, will not see his or her tax credits, property tax credit and cost-of-living tax credit reduced because of this particular amendment. Is he giving us his solemn assurance to this effect?

Mr. Stefanson: I think it is important to make this clear for the member for Brandon East. For an individual who is in a personal care home for a year, for a full year, if they choose to allocate the one-half of their per diem and claim it against their property tax credits, they will receive the maximum property tax credit. If, for whatever reason, they choose to allocate it differently— I am not sure why they would want to because I would think the most tax advantageous would be to apply it against, to qualify for the Manitoba property tax credit, but obviously there is some discretion here, if they choose to apply it in a different fashion.

The other part of what this was meant to get at, besides the fact that the per diem covers both accommodation and food and so on, is that we had individuals who were claiming the full amount twice. They were claiming the full amount as a medical expense, and they were claiming the full amount against cost of living. That just is not right. It is not fair, and it is a principle that you should not be allowed to claim the same item twice in two different areas that affect your tax return. So this was meant to address that.

In terms of the fairness the member is looking for, if those individuals make the allocation of claiming half of

their per diem against their property tax credit, they will qualify for the maximum. Now, I cannot give an absolute assurance of how people will file their tax returns; it is obviously up to them at the end of the day. But, if they file it on that basis, which I assume they would, they will qualify for the maximum.

Mr. Leonard Evans: I thank the minister for that explanation. I gather, then, that people have been claiming—do I understand properly?—the medical expenses against their income for income tax, like as a deduction to reduce the amount of income on which they are taxed. On the other hand, what we are talking about here are credits, and that is another section of the income tax form that people fill out to qualify for a credit. That is related to the definition of income, I guess.

Mr. Stefanson: Again, Mr. Chairman, the member is partly right, but what you are doing is you are taking the same payment and under one situation, if you claim it all for medical, you are treating it as attendant care or medical expenses, and then under another definition you are claiming it all as rent. That is just not right. It is either one or the other. It is not both, and what this has meant to do is to address that split but to obviously still give the taxpayer some discretion in terms of how they want to allocate it based on how their tax situation is.

Mr. Leonard Evans: Unless others have questions on this particular item, I think—

Mr. Chairperson: The honourable member for Crescentwood.

Mr. Sale: Two short questions, Mr. Chairperson, first of all, are the tax credits, if received, deemed to be income for the calculation of the nursing home fee structure?

Mr. Stefanson: No, Mr. Chairman.

Mr. Sale: The other question is, I had a number of constituents ask me for guidance around the income tax question that the minister raises, which is, what proportion should government recognize as a medical expense and what proportion is room and board because, as the minister knows, there have been people claiming anywhere from very little to all as a medical expense, and clearly neither are probably correct?

Does the minister think it might be wise for either government to require or for government to at least encourage personal care homes to provide their residents with some guidance as to what the breakdown really is, because I am sure that given the modern administration at personal care homes, they know what that number is?

Mr. Stefanson: Mr. Chairman, that is precisely what this is. This is an attempt, for the first time, to provide some guidance because the member is correct that there have been extremes in terms of how these have been claimed before, and there have been instances where they are being claimed twice for the full amount for medical and the full amount for occupancy, which I think we would all agree is not right. This is the first attempt to do that. We will certainly undertake to be sure that people in personal care homes are made aware of this and these provisions, and obviously I think this will work well, but we will have a chance to assess if there are any problems. This is the first attempt to do precisely what the member is looking for.

Mr. Sale: Mr. Chairperson, the problem that people who have talked to me about this have is that if there is no guidance about what is a reasonable medical claim, people might well make claims that might turn out to be excessive, maybe 80-20, for example, and then after the fact have Revenue Canada at some point come back and say, wait a minute, folks, you made claims for your deceased mother for five years; we do not think those are reasonable. So, in the absence of guidance, people are at risk. Maybe they are sometimes at risk from their own greed; maybe they are sometimes at risk because they do not claim enough because they are afraid to claim what they think might be reasonable. It seems to me that government could assist by requiring nursing homes to provide a form which says, in the declaration of income, you should claim 75 percent or 66 or 52, or whatever it is, but a real number so that people are not at risk of after the fact finding they have a tax liability.

* (1540)

Mr. Stefanson: Well, Mr. Chairman, without dragging this on or being repetitive, as I indicated to the member, this is the first attempt to do that, but I think he raises a point that is worth pursuing. I will work with our department in terms of whether or not there is anything

else we can be doing at personal care homes in terms of providing either some additional information or even examples of how it might apply.

I think nowadays many people have their tax returns done and I know there are different organizations that go into many of our personal care homes. I know the Institute of Chartered Accountants do that and so on, and so there are the services available from a professional, but that does not mean that everybody always takes advantage of those or gets the best advice. I think what we will undertake is to see if there is some useful information that we can be providing that will assist people in the homes with this issue.

Mr. Sale: Mr. Chairperson, I thank the minister very much for that undertaking; it would help a number of my constituents feel a lot more confident that they were doing the right thing.

I would just note for the record that this is the only area that I can think of where there is a blend of two kinds of services being provided for one bill. Every other medical receipt, Pharmacare, dental, glasses, it is all very clear that this is a single item and therefore it is eligible. This is the one that I am aware of that is not clear, and so I very much appreciate the minister's response and I have no further questions.

Mr. Chairperson: Shall subclauses 8(1) through 8(3) be passed?

Mr. Leonard Evans: On 8(3), that is the next item, with regard to Manitoba's learning tax credit, this subsection (3) adds a clause to the act, and I was wondering if the minister could explain now, what is the purpose of this particular amendment and what will the impact be?

Mr. Stefanson: Mr. Chairman, this was an issue that was announced in our 1996 budget, the introduction of the Manitoba learning tax credit, I believe the first of its kind in Canada. Basically, how it works is that qualifying students will receive a credit, a refund of 10 percent of the tuition that they pay to a post-secondary qualifying institution. If the students do not need to claim it, they can transfer it to a supporting spouse or parent. It really is a way for helping to make post-secondary education much more affordable, and it goes a

long way to enhancing accessibility and affordability for Manitoba students.

In our 1996 budget document we did indicate the estimated annualized cost of the learning tax credit, which is some \$12 million to the government, so it is a significant cost, but we see it as being obviously a worthwhile cost that will continue to ensure that post-secondary education is accessible and affordable in Manitoba.

Mr. Leonard Evans: I thank the minister for that information. He answered one of my questions, that it is going to cost about \$12 million to the Treasury.

I wonder if the minister could indicate how many students have taken advantage of this or have used this credit, and does he have a breakdown by universities, the three universities?

Mr. Stefanson: Mr. Chairman, the first year that it is applicable is the 1996 taxation year. So individuals, when they are filing their 1996 personal income tax return come March and April of 1997, will be able to qualify for this, and subsequent to that, we should be in a position to provide some of the general information.

Mr. Leonard Evans: First year of this program.

Mr. Stefanson: This will be the first year of the program.

Mr. Leonard Evans: I guess we will ask this question next year.

Mr. Chairperson: Subclauses 8(1) through 8(3)—pass; subclauses 8(4) and 8(5)—pass.

Subclauses 8(6) and 8(7) and Clause 9—

Mr. Leonard Evans: On Clause 9, we are dealing with the allocation of tax revenues to municipalities, and I wonder if the minister could elaborate, how does this differ from what exists today? How is this different from the existing situation?

Mr. Stefanson: Mr. Chairman, there is a fairly technical explanation, and at the outset, I will undertake to provide—I have had this question by municipalities, and

I have written some letters, so I will certainly undertake to provide copies of the letters to the member for Brandon East and his colleagues. Really what it is is, under primarily, I guess, mutual fund corporations, corporations that deal in mutual funds, there is a situation where they get a capital gains refund through their corporate tax when the amounts are allocated to individuals, but it does not show up on the corporate tax return. So the net effect is that as a result of not factoring that in, our corporate taxes are inflated in terms of what is calculated originally for the provincial municipal tax-sharing formula. Again, that is not right. We have to refund those taxes as a result of the allocation to individuals, and then, of course, they are taxed to individuals. So we then pick it up on the personal side, which is factored in.

So what was happening is, municipalities were getting the benefit of those taxes twice, once through the corporations and once as individuals. This allows for the deduction from the corporate tax side. Our view is, what we are doing is treating municipalities fairly and flowing them what they should be entitled to based on what we receive on a net basis from corporate income taxes. I will certainly provide a copy of the letter which goes into a little more detail than I just have, Mr. Chairman.

Mr. Leonard Evans: I thank the minister for that offer and will look forward to getting a copy. Does the minister have any idea of what the revenue implications are on this particular amendment?

Mr. Stefanson: Mr. Chairman, to date this has not been all that significant an amount. I will undertake to provide as precise numbers as I can to the member for Brandon East in terms of what has occurred to date. It is as much a preventative issue, that as more and more individuals are investing in mutual funds, I guess, probably even more so now that interest rates are down at 30-year lows that it really, as I have already said, factors in the fact that we should not be refunding taxes or providing a share of taxes to municipalities on corporate and then again on personal, when we have to refund the corporate capital gains when they flow through to individuals. So as more and more individuals invest in mutual funds, this potentially becomes a more significant issue, but it is as much a fairness issue as anything else, and I will undertake to provide whatever I can in terms of the estimates over the last couple of years.

Mr. Chairperson: Subclauses 8(6) and 8(7) and clause—

Mr. Leonard Evans: What section was the minister referring to, is it 7(4.1)?

Mr. Stefanson: Yes, Mr. Chairman.

* (1550)

Mr. Chairperson: Are we ready to proceed? Subclauses 8(6) and 8(7) and Clause 9—pass.

Clause 10 and subclause 11(1).

Mr. Leonard Evans: Section 10 refers to the manufacturing investment tax, and I gather it extends the credit by one year. What has been the impact of this credit? We have had one year's experience with it, I believe, two. Maybe the minister could enlighten us on when the credit became effective, how much money was involved in this, and then what has been the impact in terms of manufacturing investment?

Mr. Stefanson: Mr. Chairman, this initiative was introduced actually in the 1992 budget, and the estimated impact on revenue for 1996-97 is \$6.5 million. But, I think, as the member for Brandon East has probably seen from the economic stats, Manitoba continues to perform amongst the best in the manufacturing sectors in Canada. I will certainly willingly provide him with the stats on manufacturing jobs, on manufacturing investment, on manufacturing shipments, where Manitoba is performing very well. We are seeing it in the whole range of our manufacturing businesses.

So when we speak to the businesses, to the business community, business organizations and individual businesses, they do point to this program as being part and parcel for their level of investment and so on in our province. So it is and has been a very successful program. I believe other provinces have looked at it. Some have introduced a similar program. I believe the province of Saskatchewan is one that has introduced a fairly similar program to what we have here. So it has served us well, and I think the economic indicators attest to that.

Mr. Leonard Evans: Mr. Chairman, it takes a great deal of technical analyses to determine whether such a tax

credit indeed is responsible for the increase in manufacturing shipments in the province. I am aware of many of those statistics that the minister refers to, the value of manufacturing shipments, the value of manufacturing investment, the number of people employed in manufacturing and so on. There has been some expansion, but the question to be answered is whether the tax credit can take responsibility for that particular expansion. I do not know whether the minister is really suggesting that. It could be a factor. It is probably a positive factor, but just how much of an impact it has made is a debatable question, because I would submit that a great deal of what has been happening in manufacturing is a result of what has been happening to the North American economy.

Manufacturing has expanded throughout Canada. That is one industry that has been growing, and we know that we have benefited from a very cheap Canadian dollar. The cheap Canadian dollar vis-à-vis the American dollar has made it possible for us to expand our exports to the United States, including manufacturing exports. Generally, there are a number of factors that impact on the manufacturing industry. I would think that this would be a relatively minor impact. That would be my judgment, that the tax was probably looked upon by the manufacturer very positively, and why not, because you are giving the manufacturer a gift in a way. The question that always arises is whether the manufacturer would have invested the money anyway without this particular credit or whether it be a direct loan, say a forgivable loan.

We have examples of companies in this province who have stated that Manitoba is a great place to be in, and they are going to develop and they are going to provide jobs, then we turn around and see that we have given them a forgivable loan. The question then arises, really, was that loan necessary; and the question then arises, are these tax credits really necessary?

I raise the question, because we find so many other areas of government spending have been cut back, and we know there are a lot of poor people in this province who are being deprived. We certainly know that a lot of people in education and the health care sector feel that they are being deprived as well. So the question is whether we are really getting value for our money. I guess that is what it boils down to.

Mr. Stefanson: Mr. Chairman, I think I indicated that this is one of several factors. I do not think anybody would suggest it is the only factor for our success in the manufacturing sector, but I think most would acknowledge that it is one factor contributing to our success.

Certainly, from the discussions we have had, it has been an important factor or issue when businesses have looked to expand their existing operations in Manitoba or even when they are looking at a relocation in terms of provinces to relocate or establish new facilities in. So it is serving our province well, Mr. Chairman.

Mr. Leonard Evans: This is a debate that can go on for a long time, and it is not peculiar or particular to the province of Manitoba, any jurisdiction, I mean, whether it be a tax credit on one hand or a grant or a forgivable loan.

I have had the experience in government where we have given direct financial assistance to business. We had to ask the same question then and it was a good question—you know, whether that grant or that forgivable loan or credit really was significant, and would we have gotten those jobs anyway. I mean, that is always the question being asked. It is a question asked of any jurisdiction or any governmental administration.

Certainly, you will always get a positive feedback from those who get the credits, and saying that these are significant. I really am a Doubting Thomas in this area, because I feel that a lot of so-called developments would have taken place regardless, because there are other fundamental factors in the equation, one of which, of course, is the demand for your output. If there is no demand for your output, if you do not have the market and you cannot supply the market efficiently at a competitive price, then it does not matter what kind of a tax credit setup we have. Anyway, I do not want to delay this because we would like to get on to the other report section dealing with the so-called Quebec shuffle.

Mr. Stefanson: Mr. Chairman, I think the member for Brandon East (Mr. Leonard Evans) is right. I will not take the bait. We could debate this at length, but I think we should move on.

Mr. Chairperson: Clauses 10 and 11(1)—pass; Clauses 11(2)-11(3)—pass.

Clause 12.

Mr. Stefanson: Mr. Chairman, I have an amendment. I should point out—I cannot recall if I said it in my opening remarks—that I have about four or five amendments. I know that there was not an awful lot of advance notice, but I did undertake to provide the member for Brandon East with copies of them just earlier today.

This is the first one that we will be dealing with. Mr. Chairman, with that, I move, in both official languages,

That the proposed section 53.1 of The Income Tax Act, as set out in section 12 of the Bill, be amended by striking out “1988” and substituting “May 23, 1996”.

[French version]

Il est proposé que l'article 53.1 de la Loi de l'impôt sur le revenu, énoncé à l'article 12 du projet de loi, soit amendé, par substitution, à “1988”, de “le 23 mai 1996”.

Motion presented.

* (1600)

Mr. Stefanson: In explanation and as well I have provided some copies of some brief explanatory notes to the member for Brandon East (Mr. Leonard Evans), but Section 53.1 of The Income Tax Act, as proposed in Section 12 of Bill 63 as amended, incorporates federal, general anti-avoidance rules into the act for provincial purposes. The bill proposed that this provision be retroactive to 1989, its date of introduction for federal purposes, but after consultations with tax professionals on adverse impacts of this measure on investor confidence, the measure will be made effective in respect to events or transactions after May 23, 1996, the date of first reading of Bill 63. It was deemed that—as we get into it over these next few sections, we will be discussing the issue of the so-called Quebec shuffle—that this provision was not required to deal with the Quebec shuffle, and, in effect, could have broader implications. Therefore, we determined that it was not necessary to make it retroactive, but it is to the benefit of Manitobans to put it into effect and have it progress and move forward.

Mr. Chairperson: Is it the will of the House to adopt the amendment? Agreed?

An Honourable Member: No.

Mr. Leonard Evans: As I understand it, the existing section had many negative implications, because it affected everyone and did not deal necessarily with the problem that we saw with regard to this one instance of the Winnipeg Jets. So, on the advice of professionals, you decided not to make it retroactive to everybody.

Mr. Stefanson: Mr. Chairman, I should point out that the member for Brandon East (Mr. Leonard Evans) made reference to the application of the Winnipeg Jets, the provisions that are being dealt with here over these next couple of sections deal with the Quebec shuffle. When that issue was brought to our attention, as I have responded to publicly and here in the House, it was deemed that that transaction is offensive, and it goes beyond tax planning—and even goes beyond aggressive tax planning—to a fundamental flaw in The Income Tax Act. As a result, it should be amended and should be addressed and should be addressed retroactively. But, when we looked at this issue, these general anti-avoidance provisions are not required on a retroactive basis to deal with the Quebec shuffle. So the concern of the professions was that a general anti-avoidance regulation can have broader implications, and if somebody wanted to start trying to apply them in other areas, could conceivably do that. That is not the intent of government nor should it be. We wanted to address the Quebec shuffle, and we do that very specifically in these next couple of sections we will get to. So this was deemed to be not required on a retroactive basis. It certainly has the support of all of the tax practitioners, the tax lawyers, tax accountants and so on, and we feel the amendment is appropriate.

Mr. Chairperson: Is it the will of the committee to adopt the amendment? Agreed? Agreed.

Clause 12 as amended—pass. Clause 13.

Mr. Stefanson: Mr. Chairman, this is another area that I have an amendment, and I would move

That the proposed Section 53.2 of The Income Tax Act, as set out in Section 13 of the bill be struck out and the following substituted:

I am wondering, Mr. Chairman, the amendments are being circulated to the members, whether it can be deemed to be dealt with as submitted as opposed to me reading all of this, or what is the wish of the committee.

Mr. Chairperson: Is it the will of the committee that it be taken as read? Agreed? [agreed]

That the proposed Section 53.2 of The Income Tax Act, as set out in section 13 of the Bill, be struck out and the following substituted:

“Untaxed income” defined

53.2(1) In this section, a person's “untaxed income” in relation to a disposition of property is the total of all amounts each of which is the portion of the person's income or taxable income earned in a year in a province, as determined under the federal regulations, that

(a) is attributable to the disposition; and

(b) because of a difference between the transferor's cost or adjusted cost base of the property for federal tax purposes and its cost or adjusted cost base to the transferor under the income tax law of the province, is not included in the person's income for the year under that law.

Provincial tax avoidance

53.2(2) Where, as part of a series of transactions or events,

(a) a person or partnership (referred to in this section as the “taxpayer”) disposes of property to another person or partnership with whom the taxpayer does not deal at arm's length for proceeds of disposition under the federal Act less than the fair market value of the property at the time of the disposition; and

(b) the property or other property

(i) the fair market value of which is derived primarily from the property, or

(ii) that is acquired by any person other than the taxpayer in substitution for the property

is subsequently disposed of for proceeds of disposition under the federal Act greater than its adjusted cost base under that Act;

any untaxed income arising from the subsequent disposition shall be added to the taxpayer's proceeds of the disposition referred to in clause (a).

Computation of tax payable

53.2(3) Despite any other provision of this Act or the federal Act, where subsection (2) applies to a disposition, all amounts required to be determined under this Act or the federal Act for the purpose of determining the tax payable under this Act shall be determined as if the proceeds of disposition were equal to the proceeds of disposition determined under that subsection

Application

53.2(4) This section applies to dispositions that occur after 1991.

Transitional

53.2(5) Despite any other provisions of this Act, where a taxpayer to whom subsection (2) applies in respect of a disposition of property that occurred before May 23, 1996 or, where the taxpayer is a partnership, a member of the partnership

(a) reports the disposition and any additional income resulting from the application of that subsection to the disposition; and

(b) remits any increase in tax payable under the Act because of the application of that subsection;

not more than 180 days after the later of the day that this Act receives royal assent and December 31, 1996, the following rules apply:

(c) no interest or penalty is payable in respect of the amount so remitted; and

(d) the taxpayer or member may deduct from the tax otherwise payable under this Act the amount determined by the formula

A - B

where

A is the increase in the tax that payable under this Act by the taxpayer or member because of the application of subsection (2) to the disposition, and

B is the total of all amounts each of which is the increase in the tax that would be payable by the taxpayer or member under the income tax law of a province if the cost or adjusted cost base under that law of the property disposed of in the disposition referred to in clause (2) (b) were equal to its cost or adjusted cost base under the federal act.

[French version]

Il est proposé que l'article 53.2 de la Loi de l'impôt sur le revenu, énoncé à l'article 13 du projet de loi, soit remplacé par ce qui suit:

Définition

53.2(1) Pour l'application du présent article, le "revenu non imposé" d'une personne à l'égard de l'aliénation d'un bien est le total de tous les montants qui constituent le revenu ou le revenu imposable que la personne a gagné au cours de l'année dans la province, déterminé conformément aux règlements fédéraux, et qui:

a) provient de l'aliénation;

b) en raison d'une différence entre le coût que le transfert représente pour le cédant ou le prix de base rajusté aux fins de l'imposition fédérale et ce coût ou ce prix fixé en vertu de la loi de l'impôt sur le revenu de la province, n'est pas inclus dans le revenu que la personne a gagné au cours de l'année en vertu de cette loi.

Évitement fiscal

53.2(1) Le revenu non imposé qui découle de l'aliénation subséquente visée à l'alinéa b) est ajouté au produit de disposition du contribuable visé à l'alinéa a) si, dans la cadre d'une série d'opérations ou d'événements, les conditions suivantes sont remplies:

a) une personne ou une société en nom collectif (le "contribuable") aliène des biens au profit d'une personne ou d'une société en nom collectif avec qui le contribuable a des liens de dépendance à titre de produit de disposition, au sens de la loi fédérale, qui est moins élevé que la juste valeur marchande du bien au moment de l'aliénation;

b) le bien ou l'autre bien:

(i) dont la juste valeur marchande découle principalement du bien,

(ii) qui est acquis en remplacement du bien par une personne qui n'est pas le contribuable,

est de nouveau aliéné à titre de produit de disposition, au sens de la loi fédérale, qui est moins élevé que son prix de base ajusté au sens de cette loi.

Calcul de l'impôt

53.2(3) Malgré les autres dispositions de la présente et la loi fédérale, si le paragraphe (2) s'applique à une aliénation, les montants qui doivent être déterminés en application de la présente loi ou de la loi fédérale aux fins du calcul de l'impôt payable en application de la présente loi le sont comme si le produit de disposition était le même que le produit de disposition déterminé en application du paragraphe visé.

Application

53.2(4) Le présent article s'applique aux aliénations qui sont faites après 1991.

Disposition transitoire

53.2(5) Malgré les autres dispositions de la présente loi, si, au plus tard 180 jours après la sanction de la présente loi ou le 31 décembre 1996 si cette date est plus éloignée, les contribuables visés par le paragraphe (2), ou un membre d'une société en nom collectif si celle-ci est le contribuable, remplissent les conditions énoncées aux alinéas a) et b) à l'égard de l'aliénation d'un bien qui a été faite avant le 23 mai 1996, les règles prévues aux alinéas c) et d) s'appliquent:

a) ils déclarent l'aliénation et les revenus supplémentaires résultant de l'application du paragraphe susmentionné à l'aliénation;

b) ils remettent le montant supplémentaire d'impôt payable, sous le régime de la présente loi, en raison de l'application du paragraphe en question;

c) aucun intérêt ni aucune pénalité n'est payable à l'égard du montant remis;

d) le contribuable ou le membre peut déduire de l'impôt qu'il doit par ailleurs payer en application de la présente loi le montant calculé à l'aide de la formule suivante:

A - B

A Représente le montant supplémentaire d'impôt que doit payer le contribuable ou le membre en application de la présente loi en raison de l'application du paragraphe (2) à l'aliénation;

B représente le montants qui constituent un impôt supplémentaire que le contribuable ou le membre serait par ailleurs tenu de payer en application de la loi de l'impôt sur le revenu d'une province si le coût ou le prix de base ajusté, au sens de cette loi, pour le bien faisant l'objet d'une aliénation visée à l'alinéa (2)b) était égal à son coût ou à son prix de base ajusté, au sens de la loi fédérale.

Mr. Stefanson: Mr. Chairman, again, these amendments are summarized in a summary document I have provided the member for Brandon East (Mr. Leonard Evans). But just to read a few of the explanations into the record: Section 13 of Bill 63, add Section 53.2 which deals with potential tax avoidance for use of different tax values for a single transaction. The intent of Section 53.2 is to eliminate the tax benefits of the so-called Quebec shuffle which involves a series of dispositions designed to exploit differences in the application of similar tax laws of agreeing and nonagreeing provinces in order to avoid the provincial level of tax on gains and recapture that would be realized on a direct disposition of property to be held by the purchaser. For example, a Manitoba taxpayer might elect roll-over treatment for Manitoba and federal income tax purposes on a disposition to a transferee taxable in another province and not participate in a similar election under the province's tax laws. A number of technical problems with Section 53.2, as printed, were identified after consultation with tax professionals from industry and government. The government proposes to clarify the circumstances in which this provision will apply. Consequently, Section 13 of the bill is struck out and replaced.

Subsection 53.2(1) provides a definition of untaxed income. Untaxed income arises on the sale of an asset when the tax value of the asset on acquisition is different

for federal and provincial tax purposes and the asset is disposed of for a gain at the federal level but no gain is allocated for provincial tax purposes.

Subsection 53.2(2) defines provincial tax avoidance. It will eliminate the tax benefits of the Quebec shuffle under this subsection where a Manitoba taxpayer disposes of an asset to a related party for proceeds of disposition that are less than the asset's fair market value at the time and the asset is sold for an amount greater than its adjusted cost under the federal act; any untaxed income arising on the subsequent sale will be added to the taxpayer's proceeds of disposition. This provision applies to a series of transactions as well as to single transactions; hence, a roll-over to a related party in one province with subsequent roll-over to a related party in Quebec would be caught.

Subsection 53.2(3) is consequential to subsection 53.2(2). It ensures that the proceeds of disposition determined under that subsection is reflected in the calculation to the Manitoba income tax liability of a taxpayer to whom this subsection applies.

Subsection 53.2(4) is an application provision making these provisions effective after 1991. Subsection 53.2(5) is a transitional provision for taxpayers who have disposed of property before May 23, 1996, and to whom subsection (2) applies.

A taxpayer—this is important to note, Mr. Chairman—who, within 180 days of the end of 1996, voluntarily reports the disposition and the untaxed income and pays the tax otherwise payable thereon, no interest or penalty will be applied in respect of the additional tax. The taxpayer may also claim a reduction from the Manitoba tax equal to the difference between the tax that would have been payable in the other province in respect of the untaxed income and the tax payable in Manitoba in respect of the untaxed income. In its effect, this subsection will put a taxpayer to whom subsection (2) applies retroactively in the same position as a taxpayer who has not completed a shuffle and who may still elect to pay tax in the other province. That is it. That is the first one.

That last issue that I read into the record outlines that for people or corporations or individuals who come forward on a voluntary basis, they will have the

opportunity to pay the equivalent taxes today that they would have applied had this legislation been in effect since 1991 and for a period of time not charged any interest or penalty. So it is a voluntary declaration incentive which, we think, is reasonable to individuals or corporations that might have used this during the period of 1991 till the present time, Mr. Chairman, and certainly should give them the added reason or incentive to come forward and acknowledge having used this and pay the tax. Obviously, beyond the retroactivity, this issue will be in place for any future transactions that might occur here in Manitoba.

I do not want to understate the significance of retroactivity. It is something that governments do not do very often. We take it very seriously. We looked long and hard at the issue, but because of the nature of this transaction that it is what I would deem to be more of a flaw in the income tax system. As I have said before, we are one of seven provinces that integrate with the federal government, and, in part, because of that integration with the federal government in terms of how our taxes are applied, this flaw has been able to exist. These amendments will close that flaw and will close it—retroactive under what we can go back based on being statute barred—it from 1991 forward, and I would certainly encourage all members to support this amendment.

* (1610)

Mr. Leonard Evans: I just have one question or statement of clarification. As I would gather then from subsection 53.2(5), specifically the Winnipeg Jets corporation, or whatever the legal term is, will be able to come forward within, I guess, that is six months of the end of 1996, by the middle of 1997, and voluntarily report the disposition and the untaxed income and, therefore, will in effect escape a penalty. As such, the minister is saying he is providing that organization or anyone, but we know it is this particular one we have in mind, will have an incentive to come forward now and voluntarily pay the tax. Is that correct?

Mr. Stefanson: Mr. Chairman, this provision from 1991 till May 23, 1996, will apply to anyone who took advantage of what is called the Quebec shuffle and comes forward on a voluntary basis and pays the tax. They will not be subject to penalty and interest for a period of time.

The transaction that the honourable member refers to, I believe, we all know the proceeds of the disposition on the sale occurred on July 1. How those organizations file their tax returns are up to them, and they will have to abide by the laws that exist in Manitoba. Obviously, once this bill passes the Legislature, these will be the laws of Manitoba.

Mr. Sale: Mr. Chairperson, first of all, I am glad to see that the minister has put the GAR rules in and made them effective the date of the announcement of the legislation. I think that is appropriate, and we welcome that.

I have a number of questions about this section, and I have one overall comment that I want to make now, which, I think, is an important comment without taking away from the fact that we support the legislation, as obviously the government does as well.

I took the opportunity of talking with a number of tax lawyers and with a number of chartered accountancies around understanding this issue because I obviously, have nowhere near the knowledge that the minister has as an accountant nor a fraction of the resources available that he has through his department. So I must say that I take exception to what I think could only be called cheap shots in Question Period when the minister suggests that we are suddenly, after the fact, experts when his claim is that he did not know either and has considerably more expertise, both at his disposal and personally in his background, than I do. So I have tried to inform myself as to the issue and to the history of it, and I have spoken with people like Mr. Reid [phonetic], who is now a tax partner of Arthur Andersen in Vancouver about this avoidance technology called the shuffle.

I think I have done the appropriate thing to inform myself as an opposition member about a complex issue, but I do not claim to be an expert. I think that it is inappropriate of the minister to suggest that it is wrong for us to raise questions on this issue as though we had expertise. We have never claimed that and do not claim it now.

Secondly, Mr. Chairperson, I am aware that the minister received at least three letters from the Manitoba Bar tax committee or tax group, whatever they call themselves, and from the Canadian Chartered Accountants organization and from the Manitoba section,

all on the issue, I believe, of retroactivity and on some of the complexities in his original legislation. I believe that at least one of those bodies, and maybe more than one, indicated to the minister that they believe this should be a separate bill. I am aware that at least one person signed up, hoping they could present to the hearings. Of course, we do not make provision for that in Committee of the Whole.

I, in general, think that when you are moving such fundamental legislation, it is not appropriately part of a tax statute law amendment. It really is a very significant and major act, and a very important act, which I am glad to support and my party is glad to support, but it is one in which there are a lot of professional groups interested, and I believe that we should have afforded them the opportunity to come before the committee.

The third comment, Mr. Chairperson, is that I have great difficulty at the very last moment dealing with complex amendments of three-pages length which deal with tax law. Tax law is impenetrable to many tax lawyers, let alone to those of us who do not pretend to be tax lawyers. So I think that the minister, in good faith and with the best of intentions, put forward an act that he thought did the job in May. Clearly, those who are experts in the field came to him and said, we do not think this does do the job, and you should change it. To the minister's credit, he has proposed changes, but with all due respect, we are not in any stronger position to judge this legislation than we were to judge the May legislation when it came forward.

If we were to give proper scrutiny to this, we would want to call people involved in the field, and we would want to ask them whether they have seen these amendments and whether they think they now, in fact, do the job that the original amendments did not do and to gain their insights as to whether we should be supporting in detail what we all agree we support in principle. Does this in fact do the job? We have the minister's word and I take him at his word, but I also took him at his word in May.

Clearly, in May, he was not as strong as he is today because his legislation has apparently been very substantially changed, and he would say substantially strengthened and improved, but I am not in a position to judge that, Mr. Chairperson, so I find this a very difficult

debate because I simply have to take him at his word. Of course, ultimately we will do so, but I think this underlines the problem of having in statute law that which is really much more complex and ought to be in a free-standing piece of legislation and could be properly debated with expert witnesses available to the committee and with the insights of the Manitoba Bar and chartered accountancy organizations able to be laid before the committee.

I have some questions, but if the minister wishes to respond to that, I would welcome his response.

Mr. Stefanson: Mr. Chairman, I do not want to get into rehashing Question Period today, but I think our concern on this side was the impression that was being left by members opposite that somehow this should have been an issue that we should have known about. As I pointed out in Question Period, the federal government was not aware of this, other provinces are not aware of this, we are the first government in Canada to address this issue. I fully anticipate that we are going to see action out of other provinces based on discussions we have had with them and information we have provided to them. So that was the nature of today's Question Period.

But rather than dwell on that, I want to move more to the substance of the member for Crescentwood's comments. I can appreciate it is difficult to deal with some of these issues on fairly short notice and, unfortunately, at times that is the nature of this building, but I do want to assure him that, obviously, we took the concerns of the professional associations very seriously. The amendments that we have put forward here today go a long ways to address almost all of those concerns.

He touched on one, the issue of GAR, general anti-avoidance regulations, not being done on a retroactive basis. The amendments now focus very specifically on the one particular abuse, which we call the Quebec shuffle, that it does not provide the capability for a government to go back on a broad range of other issues, which was never the intent, that some of the original bill was viewed by the professionals as being too restrictive and were too all-encompassing going back.

* (1620)

We have narrowed the focus very much, but I think the one thing that I have to point out, I think the professionals, by and large, will support everything they see here other than they will continue to have a concern with retroactivity even as it relates to the Quebec shuffle, which is as much on the basis of principle that I think people are concerned with retroactivity. It is not something, as I said earlier, that you do lightly under any circumstance. I do not want to leave the wrong impression. I think the professionals will support everything that we have brought forward here today. If there is still one concern of some of them, it might even be the whole issue of the retroactivity on the Quebec shuffle, but we have certainly made the decision as government that that transaction is so offensive it goes beyond aggressive tax planning, that it has to be dealt with, and I would hope that we have the support of the opposition with that specific amendment.

Otherwise, the amendments we have here I believe address all of the other concerns that were brought to our attention by the various professionals, Mr. Chairman.

Mr. Sale: Mr. Chairperson, I thank the minister for those comments. Would he be willing to table the letters of advice that he received from the three organizations so that we might see the degree to which the three organizations might be satisfied by this, first question, and the second question, I will wait till the minister finishes. I will ask it separately.

Mr. Stefanson: Mr. Chairman, the letters that the member refers to, we were waiting to respond to those organizations after we table the amendments. Obviously, it would have been inappropriate and premature to be responding to them before we actually introduced the amendments here to the House. We will be responding to them very shortly. We have been working on a draft response to them. What I would like to do is to provide the member with copies of both, what our response is to those professional organizations and a copy of the letters that they have sent us.

Mr. Sale: Mr. Chairperson, through you to the minister, I appreciate that, and I think we would be very pleased to receive that information, both the letters from the organizations and the response of the government to them. That I think answers my second question, but let me just be clear.

Did the government consult with the organizations over draft amendments, over draft wording pursuant to their various concerns that they raised?

Mr. Stefanson: Mr. Chairman, representatives from Finance met with both the Manitoba Bar Association and the Institute of Chartered Accountants of Manitoba. Obviously, those organizations that had corresponded with us, with government, we went over their correspondence, discussed their concerns and, in general, talked about the kinds of amendments that could be introduced but not sharing with them the specific amendments that we are seeing here today, although we believe that these amendments do deal with the concerns and the issues that those organizations have raised with us other than that one concern that I cautioned on, the whole issue of retroactivity on the Quebec shuffle.

Mr. Sale: I appreciate the minister's answer. I can only just underline that it is difficult to deal with this kind of change in a piece of legislation that we have had since May, to suddenly have it on the last day in detail, and they are substantive changes.

So I am kind of torn, Mr. Chairman. I appreciate the fact that the department and the minister responded to the organizations and to the concerns, and has come up with amendments that he believes appropriate. That is a good thing.

I remain concerned that at the very last moment we get amendments that are very substantive, and we therefore have not had a chance to do our homework appropriately. However, we will take the minister at his word and appreciate his willingness to share the advice he received, as well as his response, with us as soon as it is possible to do so.

I do have a couple of other comments before we reach 4:30.

I would like to ask the minister, given the fact that the minister's department—let us not put too pejorative a term on it, but clearly had some difficulty responding to a Freedom of Information request in regard to the Jets, and agreeing, I think, that in the Manitoba Securities Commission there are at least three volumes totalling close to 3,000 pages of information, and that in the minister's files and the Treasury Board files and other

files in the government, there are similarly some thousands of pages of information. I am not sure how many it is, but it is in the thousands.

Could the minister tell the committee how he thinks it was possible that, with so many lawyers involved and so much legal advice, nobody seemed to have picked up the fact—and I agree, including ourselves, but we did not have lawyers working on this—that these companies, the limited partnerships, not the general partnership, but the limited partnerships no longer resided in Manitoba and, in fact, had decamped for Quebec over the period of about a year and had all gone by the time Burke and Gluckstern's offer was received in May of 1995?

How could all of those lawyers miss the most elementary thing that a lawyer does when dealing with a corporate transaction, which is to say, who are the clients, who are the parties and where are they?

Having asked a number of legal firms how this could be, their response was, we do not have any idea, because the first thing you try to find out when you are in a corporate transaction is, whom are you dealing with, and where are they? Of course, it was very easy once we asked that question at the Corporations branch.

Immediately, they showed us that indeed there were companies here being dealt with that were not registered in Manitoba. Once we recognized that this was the case, it was a question of where they are, and the tax people that we consulted said, well, that is easy; they will either be in Ontario, Alberta or Quebec, most likely Quebec. So, within a matter of hours of finding out that these companies were not registered in Manitoba, we were able to pinpoint the fact that they were indeed registered in Quebec and knew immediately that what was going on here was tax avoidance.

This was not rocket science from the tax lawyers that we talked to, so I just am puzzled by how this could have not been seen, given the hundreds of thousands of dollars in legal fees that went on all sides of this deal.

Mr. Stefanson: I guess what I was going to say is, we are very specifically dealing with an issue called the Quebec shuffle as this amendment—I have indicated very clearly why it is being introduced and the member for Crescentwood (Mr. Sale) has introduced an entirely

different issue, which is not the amendments that are before us as it relates to the Quebec shuffle. Again we are into this speculation about a particular Manitoba company; how they might file returns, how they might not, when they will and so on, and I am not at liberty, as Manitoba's Finance minister, to talk about individuals or about a corporation's tax returns.

* (1630)

Mr. Chairperson: The hour being 4:30 it is time for Private Members' Business.

Committee rise, and call in the Speaker.

Point of Order

Mr. Sale: Point of order, Mr. Chairperson. Can we not see the clock for a couple of minutes?

Mr. Chairperson: Cannot do it.

Mr. Sale: Cannot do it?

Mr. Chairperson: That is one thing I cannot do. That is it.

(Madam Speaker in the Chair)

IN SESSION

Committee Report

Mr. Marcel Laurendeau (Chairperson of Committees): Madam Speaker, the Committee of the Whole has been considering Bill 63, The Statute Law Amendment (Taxation) Act, 1996 (Loi de 1996 modifiant diverses dispositions législatives en matière de fiscalité), and has directed me to report progress and also asks leave to sit again.

I move, seconded by the honourable member for Gimli (Mr. Helwer), that the report of the committee be received.

Motion agreed to.

Committee Changes

Mr. Edward Helwer (Gimli): I move, seconded by the member for La Verendrye (Mr. Sveinson), that I rescind

the composition of the Standing Committee on Industrial Relations. This was a—made an error. This is for the Industrial Relations committee for Monday, November 4, at 6:30: the member for Arthur-Virden (Mr. Downey) for the member for La Verendrye (Mr. Sveinson).

Motion agreed to.

Hon. Darren Praznik (Deputy Government House Leader): If you canvass the House, you will find that there is agreement to go back into Committee of the Whole to complete the particular work of the committee, which is the completion on Bill 63.

Madam Speaker: Is there leave of the House to revert back to Committee of the Whole to continue to consider Bill 63? [agreed]

Hon. Jim Ernst (Government House Leader): Madam Speaker, I move, seconded by the Minister of Culture, Heritage and Citizenship (Mr. Gilleshammer), that Madam Speaker do now leave the Chair and the House resolve itself into a Committee of the Whole to consider Bill 63, The Statute Law Amendment (Taxation) Act, 1996.

Motion agreed to, and the House resolved itself into a Committee of the Whole to consider Bill 63, with the honourable member for St. Norbert (Mr. Laurendeau) in the Chair.

COMMITTEE OF THE WHOLE

Bill 63—The Statute Law Amendment (Taxation) Act, 1996

Mr. Chairperson (Marcel Laurendeau): Is it the will of the committee to adopt the amendment? [agreed]

Clause 13 as amended—pass; Clauses 14 to 17—pass; Clause 18—pass.

Clause 19.

Hon. Eric Stefanson (Minister of Finance): Mr. Chairman, Clause 19, I move

THAT subsection 19(3) of the Bill be amended by adding the following after the proposed subsection 3(34):

Exemption re certain coin-operated devices

3(35) Notwithstanding section 2, no tax is payable in respect of the purchase of tangible personal property dispensed from, or a service rendered through the operation of, a mechanical coin-operated device that is designed to accept only a single \$0.25 coin as the total consideration for the purchase.

[French version]

Il est proposé que le paragraphe 19(3) du projet de loi soit amendé par adjonction, après le paragraphe 3(34), de ce qui suit:

Exemption - Appareils automatiques

3(35) Malgré l'article 2, aucune taxe n'est payable pour des biens réels matériels achetés d'un appareil automatique qui n'accepte qu'une seule pièce de 25 cents à titre de contrepartie ou pour des services obtenus par l'entremise d'un tel appareil.

Motion presented.

Mr. Stefanson: I have had an opportunity to discuss that amendment with the member for Brandon East (Mr. Leonard Evans). I believe there is support for it and it does exactly what it says with a coin operator—

Mr. Chairperson: Order, please. Before the honourable member speaks, could the minister speak to the motion. I have to advise the committee that this amendment is out of scope in that it is establishing an exemption to payment of tax under The Retail Sales Tax Act, a matter not otherwise raised in Bill 63. Therefore, this motion is out of order. Is there unanimous consent to allow this motion to be carried? To be put? [agreed]

Is it the will of the committee to adopt the amendment? [agreed]

Clauses 19(1) and 19(2)—pass; Clause 19(3) as amended—pass; Clauses 20(1) to 20(3)—pass; Clauses 21(1) and 21(2)—pass.

Shall Clauses 22 to 25(3) be passed?

Mr. Tim Sale (Crescentwood): I just saw this date, 1978. I thought we were uptight about retroactivity. That is retroactivity with a vengeance. Can you just very briefly explain?

Mr. Stefanson: Mr. Chairman, that is the issue of the provincial-municipal tax sharing that we discussed earlier, the whole issue of mutual funds and the rebating of corporate income taxes, that the application to municipalities has been applied on the basis of factoring in, that that refund should be deducted from the corporate taxes. So this basically puts in place how we have been treating municipalities and how we have been applying it. I undertook to provide the details of how much that has been up until present. We are not talking very significant amounts to date, but there is the potential. As I say, it is more preventive than moving forward. It is really putting in place how we have treated municipalities since—I see here for each year after 1977, so this—in Section 9.

Mr. Sale: Mr. Chairperson, I have some concern about this. The minister, on the one hand, says that this is a minor item in terms of impact at the present time, but it is going to be major as the role of mutual funds and tax planning, et cetera, gets expanded, yet he is proposing to take this act back some 19 years or 18 years. I am confused. Either it is major, and we are plugging a problem here, or it is minor, in which case, why are we going after nickels and dimes from municipalities that are already hard pressed? This seems very onerous if there are any significant dollars here that you are going to go to the R.M. of Brokenhead and say, hey, folks, you owe us money going back to 1978. If it is not substantive, why put it in? If it is, then I do not believe we should agree to it without knowing how substantive and how it will affect the municipalities of this province.

* (1640)

Mr. Stefanson: Mr. Chairman, I think for clarification what is important is, we will not be going after municipalities for refunds. We have not overpaid municipalities. When we were looking at the amounts due municipalities, we realized that in effect they were getting a double benefit. They were getting taxes that they should not be entitled to, so we withheld those. What we have provided to the municipalities has been on the basis of net, which I would suggest is fair. There is no reason municipalities should get corporate taxes and personal taxes on the same transaction, which gives them the tax twice. What we have done is factor that in, and this now basically puts it in this amendment, is what it does. I want to make it perfectly clear, we are not going to be going back to any municipality suggesting that they have to make a refund to the provincial government.

Mr. Chairperson: Shall Clause 22 to subclause 25(3) be passed?

Mr. Sale: I believe the minister is still conferring with his official, and I am still very puzzled by why we need to go back if we are not making any changes to people's entitlements or to tax adjustments. It is not clear to me.

Mr. Stefanson: Mr. Chairman, I provided the explanation that we will not be going back to municipalities. This really reflects how we have provided the provision of corporate and personal income taxes to municipalities, and I am told the reason for 1978 is because if you have a chance to look on page 8 of the bill, Section 741, it says, for each year after 1977 the government shall allocate. So it is basically adjusting for the date that implemented the provincial-municipal tax sharing.

This mutual fund issue that I have described in much more detail earlier has really been only an issue in the last couple of years, but I am told that because that is the date that PMTS was introduced that that is also the date that is being used here to provide for the adjustment as to how we are providing those taxes to municipalities.

Mr. Sale: Just to conclude then, the minister is saying that this is a technical use of a date, and there is no intent to go back and recalculate benefits?

Mr. Stefanson: That is correct.

Mr. Chairperson: Clause 22 to subclause 25(3)—passed; subclause 25(4)—pass.

Subclause 25(5).

Mr. Stefanson: I move

That subsection 25(5) of the Bill be amended by striking out "January 1, 1989" and substituting "May 23, 1996".

[French version]

Il est proposé que le paragraphe 25(5) du projet de loi soit amendé par substitution, à "1er janvier 1989", de "23 mai 1996".

Mr. Chairperson: Subclause 25(5) as amended—pass; subclauses 25(6) to 27(3)—pass.

Clause 27(4).

Mr. Stefanson: I move

THAT the following be added after subsection 27(4) of the Bill:

27(4.1) Subsection 3(35) as enacted by subsection 19(3) is retroactive and is deemed to have come into force on April 24, 1996.

[French version]

Il est proposé d'ajouter, après le paragraphe 27(4), ce qui suit:

27(4.1) Le paragraphe 3(35) édicté par le paragraphe 19(3) est entré en vigueur le 24 avril 1996.

Mr. Chairperson: Subsection 27(4) as amended—pass; subsection 23(5)—pass.

Mr. Stefanson: I move that Legislative Counsel be authorized to change all section numbers and internal references necessary to carry out the amendments adopted by this committee.

Motion agreed to.

Mr. Chairperson: Preamble—pass; Title—pass. Bill as amended be reported.

Committee rise. Call in the Speaker.

IN SESSION

Committee Report

Mr. Marcel Laurendeau (Chairperson of Committees): Madam Speaker, the Committee of the Whole has considered Bill 63, The Statute Law Amendment (Taxation) Act, 1996, and reports the same with amendments.

I move, seconded by the honourable member for Gimli (Mr. Helwer), that the report of the committee be received.

Motion agreed to.

Hon. Darren Praznik (Deputy Government House Leader): Madam Speaker, I believe if you canvass the House, there would be a willingness not to see the clock, in which case, do you want to call these bills to finish them? [interjection] Have we waived private members' hour? So we are into private members'? Oh, I understand then there is not that consensus.

Madam Speaker: The hour being 4:30 p.m., and time for private members' hour, what is the will of the House? Private members' hour commencing now at 4:50 p.m. till 5:30 p.m.? [agreed]

* (1650)

PRIVATE MEMBERS' BUSINESS

Res. 20—Privatization of the Manitoba Telephone System

Mr. Steve Ashton (Thompson): I move, seconded by the member for Brandon East (Mr. Leonard Evans), that

WHEREAS the Manitoba Telephone System has served Manitoba well for 78 years; and

WHEREAS the decision of the provincial government to divide MTS into four corporate divisions, each with their own president and executive, is expensive and of questionable value; and

WHEREAS at the same time that MTS has increased payments to board members and increased senior management, MTS has laid off employees who provide important service directly to the public; and

WHEREAS Manitoba is one of only two provinces that locally owns its telephone services; and

WHEREAS the Manitoba Telephone System offers among the lowest local rates in North America; and

WHEREAS increased local rates are reflected in those provinces where local services have been privatized; and

WHEREAS the deregulation of the telephone service market has led to an increase in residential and local costs; and

WHEREAS lower income families will be unable to afford local telephone services as a result of the present competitive climate in telephone service among corporations for cheaper long distance rates; and

WHEREAS the provincial government has already begun selling off components of MTS at fire sale prices.

THEREFORE BE IT RESOLVED that the Legislative Assembly of Manitoba urge the provincial government to oppose the privatization of MTS and maintain its Crown corporation status.

Motion presented.

Mr. Ashton: Madam Speaker, I find it absolutely ironic that this private member's resolution is before the House, this the week in which the committee hearings are taking place on a bill that will sell off Manitoba Telephone System and the week in which we will see further votes on Manitoba Telephone System because, for the record, I filed this motion at the beginning of this session back in December of 1995.

Now that is significant because we have not—theoretically, we did not see the decision made about MTS until the two-day period between April 30 and May 2. I am not claiming to be any great visionary. The fact is, I did not trust or believe the Premier (Mr. Filmon) when he said he had no plans to sell off MTS in the election, nor did I trust or believe the Premier who said the same thing in the House, nor did I trust or believe the Minister responsible for the Manitoba Telephone System (Mr. Findlay), who, in September of 1995, said the only person talking about the privatization of MTS is the member for Thompson, the only party that is talking about it is the New Democratic Party. Well, to quote a song that has been fairly popular recently: Isn't it ironic, isn't it ironic. In September they were saying, no, no, never, we have no plans to sell off MTS, and you know what? In the same month, according to the minister's own words, which, of course, on other occasions have contradicted his other words, they started this process of appointing the three investment brokers that led to the report in April 30, 1996, which recommended the privatization.

Madam Speaker, I could say a lot about the process or the fact that we brought in this resolution in December,

but I want to talk more about the scandalous nature of this government, and I use that word because I cannot think of anything more scandalous than the way this government has dealt with our telephone system. These same three investment brokers are now selling off the company. We always suspected in December that this was going to happen. They were paid \$300,000 by the government to produce this seven-page report and slides that were used as the basis. The report itself is a seriously flawed document. I have read through that report. It does not look at all the angles. It is incomplete in its information. It does not have much information in it, quite frankly. I think it is scandalous to begin with that they paid \$300,000 for that.

We have now learned—we did not learn it from this government; we learned it from the Financial Post. Guess who is not only one of—we were told there were 15 to 17 brokers, I have heard different numbers—guess which two companies and in fact, three, because Richardson Greenshields is now merging with RBC Dominion Securities, guess which companies are going to be running the whole prospectus. The same companies that recommended the sale. Wood Gundy, to use the terminology of the stock market, is the book runner, meaning its name will be on the top left of the prospectus. As the book runner, Wood Gundy will guide the deal through the markets, have the most contact with the issuer, and co-ordinate the institutional coverage.

How much will they get paid for that? The minister took that as notice today, the Premier. We want to know because I consider it absolutely scandalous—I mean, I could not think of any more corrupted process than to say that the same three supposedly objective brokers who made the report on April 30 are now—one of them is on the top left of the prospectus as the book runner.

Well, what about the other unlucky firm, Dominion Securities? I want to mention again, as I did, that Richardson is merging with Dominion Securities this week so they are one and the same. Well, they are the No. 2 spot—and this is the terminology of the trade—in the syndicate, and will likely have the same allocation as Wood Gundy. The syndicate, I found that interesting because between book runner and syndicate I was wondering if we were dealing with something to do with the Mafia because, quite frankly, when you look at the

level of ethics of this government, I do not think it really is too much different.

To get the same three companies that you paid \$300,000 for this bogus study and then to have them running the sale is absolutely unethical; it is unprecedented in anything that any government has ever done. Do you have no sense of ethics? Do you have no sense of conflict of interest? I do not know how the Minister responsible for MTS (Mr. Findlay) can even continue to sit as the Minister responsible for MTS with this situation going on. I realize the minister himself saw no problem in his buying shares in the company that he was selling off until it was pointed out by members of the opposition that there might be a slight conflict of interest. But, you know, to have the same group of people that recommended the sale now benefiting, the lead brokers in this particular case, is absolutely scandalous. Do you have no ethics, no sense of morality over there?

I mean, I have never seen a more unethical, immoral handling of something as important to Manitobans as the Manitoba Telephone System than what this government is doing on this particular—you do not even have the decency to get some outside body to do the study. You do not even have the decency to disqualify these three brokerage firms from now being the prime movers of the sale, not just one of a series of brokers, as the minister would have had us believe in committee a couple of weeks ago. I mean, I do not understand here. What do you owe these companies? I really wonder what kind of inside connection there is in this. Why have you picked these three brokerage companies when you based the decision on that tainted \$300,000 report? I say tainted because it stinks. It stinks, Madam Speaker. This government stinks in the way it has handled MTS. I have to be careful with the language I use because I—well, the minister nods.

There are a lot of things I would like to say about this, a lot of Manitobans are saying the same thing. I do not know how you can face anyone, other than the fact that you are not—you have not had a single public meeting, let alone a vote on this issue—and say to them that there is not something wrong with doing that when you have the three groups that recommended the sale now benefiting from the sale. I say to the Minister responsible for MTS (Mr. Findlay), he is an absolute fool if he thinks that these investment brokers would recommend anything

other than the sale. I mean, give me a break. You end up appointing three investment bankers who now just coincidentally are running the sale, and you say, I want to pay you \$300,000 to recommend to me whether we should sell off MTS. Is there anybody across the way—is there one person across the way who would even with a straight face suggest there would be anything other than a recommendation to sell? You would have to be a fool to expect that.

You know, this is what really gets to the point of this whole thing. This is a corrupt decision made by a corrupt government because I do not believe that this phony seven-page report and the technical briefing notes were the real basis for the decision. I think this government had its mind made up long before even the provincial election, and I will name the people who are responsible for this sorry state of affairs. One, Mr. Tom Stefanson, whose most favourite quote in the committee on MTS was that, well, under the sale of MTS, you would not have to have MTS subjected to Question Period. I asked him to put that on the record and he did. Then I asked him when he was concerned. He was concerned about something that happened in 1991. So, once in six years it had to respond to questions in Question Period and that was a reason to sell it off. Mr. Tom Stefanson, who already admitted to private agendas in terms of the breaking up of the four components, I believe, was absolutely derelict in his responsibility to MTS. There was not a single MTS study. He did not even take it to the board of MTS. He was involved. We had that confirmed by the minister.

* (1700)

Who else was involved in this? Well, Mr. Jules Benson, who seems to appear out of thin air every time there is something to do with MTS. He was in the standing committee. He has been in the committee listening to the hearings. Mr. Jules Benson, with Treasury Board. Where did the report go from the investment bankers? First, it went to Treasury Board, and I believe I think now we see where this little core group is coming from.

Who else? The Premier (Mr. Filmon). I do not believe anything the Premier says about MTS anymore. I do not believe a heck of a lot of what he has to say about anything because he has not been straightforward with

the people of Manitoba. It is obvious to my mind that the Premier had a private agenda to privatize MTS. No ifs, no ands or buts. That is your third player.

Who else? The Minister of Finance, the other Mr. Stefanson, very clearly part of the process with Treasury Board. It is interesting that the proceeds of the sale are going to go where—to the Fiscal Stabilization Fund. Interesting, that agenda, because last year when we were dealing with the Fiscal Stabilization Fund, we introduced an amendment that would prevent the proceeds from the sale of a Crown corporation from being dumped into the Fiscal Stabilization Fund. Interesting, is it not?

Now, as for the minister's role in this, I am not sure if he was part of the original core group. In which case, I do not know why he is still the Minister responsible for MTS. I can tell you that he either did not tell me the truth last September or he was not part of the process, one of the two. They interviewed seven investment brokers starting in September and October—those were the minister's own words—they made the contractual decision in November. September 26, he told me that they had no plans to privatize. This, by the way, was one month after this alleged report from the Crown Corporations Council. He likes to quote from a report that came out in April 1996. What even was said by the Crown Corporations Council in August on this particular issue, I do not know if the Minister responsible for MTS was even part of the picture. I do not even know if he was. If he was not, I do not know why he is sitting there. I could not in good conscience sit there as Minister responsible for MTS and accept responsibility for this tainted scandalous process.

You know, I have known the minister for a long time in this House. I am shocked that he has not dealt with this, because I tend to think he was not included in this. But if he was included, then why did he mislead me in that committee? Why did he mislead members of the Chamber? One way or the other, he has a lot of explaining to do. When was he first aware of this? What involvement did he have? Well, it is interesting, Madam Speaker, because the scandalous process did not include very many other people. It is interesting, the Crown Corporations Council, we have heard about that reference. The Premier (Mr. Filmon) says he suddenly was aware in 1995, August 1995, that they were 70 percent competitive. I do not believe that. If he honestly did not believe that, then he is absolutely incompetent.

Where has he been since the deregulation in 1992? Where has the Premier been? Does he not see what is going on in the long distance market? I have always said upfront, we have been saying for quite some time, MTS is in a competitive market and they are competing and they are clobbering the competition. Either he was not telling the truth or else the man is completely out of touch with reality in Manitoba. Either way, you have to ask very serious questions about how this person is running the province as Premier.

But you know I run through this. They did not go, even to their own caucus. They announced it to their own caucus. Every time I see one of the government backbenchers—I have sat in government. I have sat in the back bench. There would have been a riot in our caucus if anyone announced they were going to sell off MTS or anything equivalent to breaking a campaign promise. You had said in the election, no plans to sell off MTS. There would have been a riot if the caucus itself had not had a say in that decision. You did not do that. You did not even take it to the MTS Board. You did not even take it to the MTS Board. Why? Why did you not trust your own backbenchers or the MTS Board to deal with it? Why did you not get MTS to do a single study on privatization? Well, it is obvious because you had your mind made up. This is a preconceived agenda. I think it revolves around those four, possibly five people I mentioned—I am not even sure if the minister was part of that—and it was very obvious this was a decision that is far more ideological than it is to deal with the facts.

Well, Madam Speaker, why would I say that? Well, I mentioned about this report from the investment bankers. It is an incomplete report; it has inaccurate information in it. But you know what is particularly amazing is when the government now makes statements in its \$400,000-advertising campaign about rates, service, the rest of it. You know what is particularly scandalous, it is not based on anything. Tax liabilities, they have not sought an advanced tax ruling. You know what? They do not even know at what rate MTS as a privatized entity will be able to borrow. It is being done currently. Over the next few weeks the rating agencies are looking at that.

The tax liabilities and the rate of borrowing are some of the two key factors which any objective observer will tell you go into the regulatory process in deciding what rates are charged and indeed will lead to higher rates

under a private company but, you know, the government made the decision, a small group based on ideological reasons, and now is only just getting into some of the key components of the decision.

We do not even know what the prospectus is going to say. We do not know exactly what MTS is going to be sold as. All we have is a bill and all we have is a seven-page report from the same three bankers that are going to be benefiting from the sale. You cannot even get a Manitoba firm to do your road show, you know, the Barnes organization in Toronto is going to be doing the road show.

To finish off, and I will be talking a lot more on this issue as we go by, it is obvious what is happening, this government, with a small group, a small clique, family compact, this is like the 19th Century all over again here, is now selling off MTS, the decision made on the recommendation of the Bay Street bankers. It is being implemented by the Bay Street bankers. It is even being run on the road show by a Toronto-based firm.

I want to say to this government, four people, maybe possibly five, do not run this province. You may use every last trick you have to force through this bill. We will fight it all the way, but you will regret for a long time ever selling off the Manitoba Telephone System, because the vast majority of people support it and they do not support the scandalous way you have dealt with our Crown corporation that served us well since 1908.

Hon. Glen Findlay (Minister responsible for the administration of The Manitoba Telephone Act): Madam Speaker, the rhetoric I hear from across the way has not changed one iota. It has not recognized the change that has happened in this industry. It has not recognized the sorry state that they put MTS in, particularly in the years '86 and '87. When we came into this government, they had driven the debt-to-equity ratio up to 91 percent. They had just lost \$48 million, a good portion of it in the sands of Saudi Arabia. That is the kind of management that they brought forward. They had the pension fund underfunded to the tune of \$134 million.

The member puts a lot of rhetoric on here, but he fails to recognize the reality of the circumstances that he put MTS in. The opposition takes great glee in boasting about the fact that MTS made \$100 million since 1990 or

made \$160 million since 1988, but they always fail to recognize the change of government that happened in 1988. They fail to give credit to this side of the House for having appointed the people that led MTS through that kind of turnaround from losing money to making money in a fairly significant way, fail to recognize that this government has been in power while we funded the pension, so that the security of the retirees today and the future retirees are looked after. We have improved the debt-to-equity ratio, solidified MTS in a good position today, but we look at the competitive challenges in the industry, the technical changes, the need for new capital. That is still not good enough.

* (1710)

I have watched with great interest as the NDP have done what they have done over the last few months, and people outside of government watch, they pay attention to what is going on. As I look back, it is interesting, when I look at the editorials written in the various newspapers going back to May 3, Winnipeg Sun: A good thing, employees see advantages in selling the Manitoba telephone company.

Brandon Sun: MTS share issue makes good sense.

Then I get to the Free Press, it talks about pragmatic privatization. Looking at the issue as they understand it, as they see it unfolding, and no one questions Chambers of Commerce of past resolutions supporting it because they do not see it right, that in an era of high competition, the private sector has to compete with its own tax dollars. But I think the most succinct analysis of what is really happening came in the Free Press of October 29, and I think, for the good of the members opposite, we should read this because this is the interpretation that observers from the Free Press put onto this issue and the NDP.

Madam Speaker, I have not used it yet, but I think it is time, given the rhetoric I have just heard from the member opposite who does not want to stay and hear the issue; he wants to walk out of the House. Maybe I am not supposed to make mention of a presence, but he just did.

Point of Order

Mr. Tim Sale (Crescentwood): On a point of order, Madam Speaker, the member opposite knows the rules of

the House in regard to reflecting on the presence or absence. If one were to read into the record the many members who have been absent and the member himself who is now on his feet, who absented himself at various points from the committee, he ought not to make references to presence or absence. He knows that; he should withdraw.

Madam Speaker: The honourable member for Portage, on the same point of order.

Hon. Brian Pallister (Minister of Government Services): I believe, if you review Hansard, Madam Speaker, you will find the member did not refer to anything other than the fact that the member for Thompson wants to be absent from the House. Those are the words the minister used.

Madam Speaker: The honourable minister, on the same point of order.

Mr. Findlay: Madam Speaker, if there is anything wrong with what I said, I take it back.

Madam Speaker: I thank the honourable minister.

* * *

Madam Speaker: The honourable minister, to continue debate.

Mr. Findlay: Madam Speaker, I would hope that all members opposite either are listening now or will read Hansard because it is important, and I rather doubt that they read this whole editorial from the Winnipeg Free Press. I quote: No one should be surprised by the New Democratic Party's position to the privatization of the Manitoba Telephone System. What is surprising, however, is the NDP's inability to muster any kind of coherent argument for keeping the Crown corporation. The best evidence of intellectual feableness can be found in their strategy for attacking the Filmon government's decision to sell MTS. Rather than debate the merits of the issue, the NDP critics have resorted to speculation and inuendo about the government's decision-making process. [interjection]

Madam Speaker, I continue: The fact there is nothing fishy about the Filmon government's decision to sell

MTS, the Premier is on record as saying he did not want to sell the corporation, nor did he think it was necessary. He changed his mind when he took a closer look at the future of telecommunications.

Madam Speaker, I continue: There are no secrets here either. The telecommunications industry is becoming as risky and unpredictable as the computer industry was 10 years ago, a point that is made by virtually every independent telecommunications analyst on the continent.

I continue: Some like to wax nostalgic about the days when operating a phone line was just slightly more complicated than stretching a wire from one telephone pole to another. Unfortunately, times have changed and so have risks. The telecommunications industry will undergo rapid change over the next few years. By 1998, competitors will vie for local telephone business, cable companies will offer telephone service, and other wireless forms of communication will compete for consumer attention. Staying on top of that kind of change means decisions on investment worth hundreds of millions of dollars. If MTS were maintained as a Crown corporation, it would mean one bad decision could cost Manitoba taxpayers millions of dollars. Premier Gary Filmon has made it clear that MTS is not about private versus public enterprise. It is about managing risks and reducing public exposure.

This is the concluding paragraph: Perhaps the NDP's inability to muster a good argument for keeping MTS is not so surprising after all.

Madam Speaker, I could read many comments of like nature—

An Honourable Member: Read today's editorial.

Mr. Findlay: Today's editorial. He wants today's editorial. "We can't afford MTS any more," by Fred Cleverley. The member opposite asked for it, so I just happen to have it. I will not read from this, but again it goes through the issue. It looks at the amount of money that is there in the form of debt. It looks at who encountered that form of debt, and the members opposite do not get a lot of credit for keeping the debt down in MTS. They were given credit for raising it substantially over the course of time. But I also remember the member for Brandon East (Mr. Leonard Evans) saying one day,

from his seat, well, Crown corporations, we have always funded them with debt. I think he was very honest in that statement, and that is, unfortunately, what probably is the case is that Crown corporations' debt was run up such that when things change, as they have in the telecom industry, you have to service that debt for ever and ever.

We are spending \$90 million a year in interest on old debt. That is a lot of money. It is percentage-wise higher than any other telephone company in Canada. It puts a millstone around their neck in terms of being able to have enough revenue to respond to the new challenges. So the issue that we are involved in, the issue that challenged government, that we had to look at was recapitalizing MTS to deal with the existing debt, to deal with new capital that is needed in the future, to deal with the ability to respond where opportunities exist, Madam Speaker. I, for one, have a tremendous belief that the Manitoba Telephone System looks forward to this day when they can be more aggressive in the marketplace, go after those niche markets, serve the customers broadly and continuously.

You know, when I think of the comments I have heard from the member for Crescentwood (Mr. Sale), I think that cable deal was something he mentioned—he likes to mention quite often. If you read the papers of the last few days, you will start to see some of the challenges to somebody who has got buried cable. See the new technology that is out there, the wireless technology, coming at us from every direction. The costs of getting into PCS or MCS technology are high. It is wireless. If you want to ask the value of wire in the future, obviously, it may well decrease.

Madam Speaker, if he reads, I think the last couple of days in the paper, a significant write-up on Skycable. A business in Brandon, Craig communications has made application to CRTC to deliver wireless cable television, not only to farm residents who do not have cable today, but available to all residents, and the statement is that the quality of that transmission system is superior to any cable system that exists today. One would ask, then, what is the value of owning cable? If new technology can give us a better quality of service through the air, obviously you could have that up and running real quick.

These are the kinds of challenges that this industry faces. Broadly speaking, Madam Speaker, government

has its role to deliver services, particularly in areas where people do not pay for those services—health, education, social services, roads—but in the area where people pay for services, one has to ask the question: Why cannot the private sector deliver it effectively? If we look across this country, they have done that very well right across the country, except for where two Crowns exist today, Manitoba and Saskatchewan. We clearly have a regulator that uses the same criteria across the country, by and large, regardless of ownership—

An Honourable Member: We still have party lines in this country.

Mr. Findlay: We have gotten rid of party lines for the members opposite here in Manitoba. That is— [interjection]

Madam Speaker, the member opposite makes an interesting point. The member talks about debt, and how did the debt occur? When we came into government, it was around \$780 million; today it is around \$850 million, \$860 million. It has not gone up much, but along the way we have done the Service for the Future program, \$620 million. We have made \$160 million and almost \$300 million has been added to the pension fund. We go from 60 to 350.

Madam Speaker, that money did not drop out of the air. It was earned by the company and invested and turned to the profit line, and every dollar of profit has gone back into the company for its operation. [interjection] There is the point exactly, the member opposite cannot handle any change, cannot handle the challenge that is out there. I would recommend that the members opposite, who often recognize that they do their research in the newspapers, that they go back and look at some of the editorials that have been written, particularly the one written by the Free Press in the last few days. I think they should pay attention to what is being said. People out there are paying close attention to what is going on. They understand the realities, and they give us, as government, credit that we are not afraid to take on a very difficult task, which clearly this is. Given their ideology across the way that they cannot change anything, everything has to stay the way it was, that the world is not going to change. They are locked into a difficult position.

It will be interesting to watch over the next period of time how Saskatchewan handles this particular issue,

Madam Speaker. Their president is clearly on record as saying the same realities exist there. Whether they respond or not remains to be seen.

* (1720)

Madam Speaker, I see my time is just about up. It is unfortunate that the members opposite cannot see reality, cannot accept the fact that governments today must be responsible to the people, responsible to the technology, responsible to the fiscal management and we have done that. This government as a whole has done that. That is why we have been elected three times, and I am very confident that over the next few years it will be seen that the wisdom of what we are doing today will pay big dividends to the province of Manitoba in terms of jobs for people in the telecommunications industry which have grown dramatically in the last four or five years, and my prediction is will continue to grow because we have a very excellent corporation in Manitoba called MTS.

Committee Change

Mr. George Hickey (Point Douglas): Madam Speaker. I move, seconded by the member for St. Johns (Mr. Mackintosh), that the composition of the Standing Committee on Privileges and Elections be amended as follows: Flin Flon (Mr. Jennissen) for Thompson (Mr. Ashton); Kildonan (Mr. Chomiak) for The Pas (Mr. Lathlin) for Tuesday, November 5, 1996, for 10 a.m.

Motion agreed to.

Mr. Leonard Evans (Brandon East): Madam Speaker, I have very few minutes left, and I would like to be brief and to the point and deal with the arguments for the sale of MTS and try to put the emotions aside and just talk about the facts of the matter and the problems that we see and the problems that you have raised in terms of keeping MTS as a publicly owned operation.

You know, I disagree with the minister when he says, well, it is a service that, you know, people can buy. It is not absolutely necessary. It is not like a water supply, a water utility, or whatever which should be in the public domain. Telephones should not necessarily be in the public domain, he argues. But, Madam Speaker, this is a very basic service, and in some parts of Manitoba it is absolutely vital in this day and age to have that. So I

would say this is a special kind of service and something that is very basic, and why a lot of people who understand what is happening here are very concerned.

The minister talks about competition and the ability to compete. You know, I read this report that he tabled, and the MTS has done a terrific job of competing. I give the minister credit. I give the board credit. There is no problem. It is doing a great job of competing, and suddenly they are not able to compete into the future. I do not understand that.

Well, they talk about, the president, the CEO talk about meeting the new challenges. He says, the 1996 outlook, we are optimistic. We will deliver a year of solid performance while contending with the evolving developments in competition, regulation, markets and technology that are radically changing industry. They recognized that at that time when they were writing this. They say that they are ready to meet the challenge, so I do not understand suddenly—[interjection] Okay, then the debt situation.

Well, as far as I can see, yes, the debt increased, but when our utility increases debt normally—incidentally, a public utility owned by the public uses a loan capital to finance itself. It does not use the share approach. So it is a different approach. So any public utility anywhere in the world owned publicly by the government or the people will have a large debt because that is the way it is financed, but the debt did grow, as I understand it, you mentioned the last few years we were in office, largely because of improving rural services. I understood that was the reason we put a lot of money into trying to bring about private lines and to improve the quality of service. [interjection]

My understanding was—okay, well, where is the source of the debt, the rise of the debt? Is it because they had deficits year after year? Is that why? I do not see why that had to be because, ultimately, it had a monopoly. The customers, the people of Manitoba, paid for it. [interjection] Well, then, if they lost it, the rates had to be adjusted because, I mean, the rates are guaranteed by the Public Utilities Board, at least there was at that time. So I do not understand that. Furthermore, as the minister himself said, the debt ratio has come down considerably.

The raising of capital is another issue. There is nothing—I mean, you can sell shares. A privatized

company will sell shares, but those shareholders want to get a return on there, and I do not blame them, of course. They want to get a return. Just as we have to pay for loans, the MTS will have to pay interest on the loans, but a privatized one will have to pay dividends to the shareholders.

I submit, Madam Speaker, that a publicly owned operation has as its objective, its mission, to provide service at cost. A private company must, by the nature of the system, provide profits to its shareholders. So its first objective is to be a profitable operation. I do not fault any private company for that. I am not criticizing, but that is the system. If the intent then is to maximize profits, that to me is contrary to providing service at cost.

So, obviously, in my reasoning, the rates would have to go up to provide that, to pay for the cost of service, but then to give that additional amount for the shareholders. The Premier (Mr. Filmon) and others have said, the minister has said, well, we have the CRTC that will hold down the rates, but the CRTC, we know, builds into their rate-making the consideration of profits for the shareholders. They are virtually accommodating the profits, so you cannot rely on the CRTC.

So what you are going to have, you are going to have rates escalating quicker than they would with the publicly owned operation, but then the argument comes back, a private company will be more efficient.

Where will that efficiency come from essentially? They could lay off a few employees. It is going to come about because of a relatively reduced service in the long run or, let us say, in rural and northern Manitoba, or at least the improved service will not be experienced in rural and northern Manitoba to the extent it will be in urban Manitoba, which is basically Winnipeg and maybe Brandon, or one or two centres. That is the fact, and no wonder the people of rural and northern Manitoba are concerned.

It just stands to reason, and this goes for any profit making, they are going to go where the money is, and the money is not in Russell or Hartney or Melita, where the figures will show that the cost of providing that service is way in excess of the rates.

MTS has done a great job of cross subsidization. I do not know whether a privatized MTS will do the same.

There will be some cross subsidization, but I do not think it will be the same and therefore in a relative way, relatively speaking, rural and northern rates will go up.

We mentioned federal income taxes. That is another factor; it is only one, but it is another factor they are throwing to the hopper that the publicly owned operation does not have to contend with.

The other matter is about control. There is no question that the control will slip out of Manitoba, and in two or three years the main shareholders will be in New York, Toronto, wherever. The head office is strictly nominal, guarantee the head office is to guarantee nothing, and I made that point a couple of weeks ago, like Wawanesa's head office is in Wawanesa. It does not mean anything, so the control will slip out of Manitoba, and I believe that is why the people of Manitoba are generally against it.

The member for Thompson (Mr. Ashton) referred to a poll that was done. You may not like the poll, but I can tell you, I put a one—

Madam Speaker: Order, please. When this matter is again before the House, the honourable member for Brandon East (Mr. Leonard Evans) will have eight minutes remaining. The hour being 5:30 p.m., is there a will of the House not to see the clock?

Some Honourable Members: No, it is not 5:30 yet.

Madam Speaker: No, it is 5:30. The hour being—

An Honourable Member: We have a vote on it.

Hon. Jim Ernst (Government House Leader): We have a committee at 6:30. It is not going to be voted on anyway.

Madam Speaker: Leave has been denied. The hour being 5:30 p.m., this House is adjourned and stands adjourned until 1:30 p.m. tomorrow (Tuesday).

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Monday, November 4, 1996

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