

## THE LEGISLATIVE ASSEMBLY OF MANITOBA

8:00 o'clock, Thursday, February 9, 1967

MR. CHAIRMAN: Department of Agriculture (g) (1) passed; (2)--

MR. USKIW: If I might just add a few words before we get on. I had hoped to rise before we adjourned this afternoon and that was with respect to the question of the appointment of a producer to the Milk Control Board. I want to congratulate our Minister for taking this step. As a matter of fact he took away a great issue from me. I thought this was going to be a point of debate, so I do congratulate him.

MR. CHAIRMAN: (2)--passed; (3)--passed; (4)--passed; (g)--passed; Resolution No. 10 passed. Resolution No. 11 - (4)--passed; Resolution No. 11--passed. Resolution 12 - (5) (a)--

MR. PAULLEY: Mr. Chairman, the short conversation or short discussion this afternoon apropos co-operatives, I wonder if maybe the Minister would give an outline of what plans he has insofar as the co-op movement is concerned in the province. I'm particularly interested in Item (d). I could wait for that as to the participation of ARDA in developing the co-op movement.

I would also like to ask the Minister, in view of some consternation among the members of the co-op movement as to an attack made on them in the House of Commons recently by the parliamentary assistant to the Minister of Transport in relation to the possibility of taxation of co-operatives, whether the Minister might indicate to the committee what he or the government thinks in respect of the possibility of proposing taxation of co-operatives--(Interjection)-- No, he said that he had thought --(Interjection)--

MR. SPEAKER: The Honourable Member for Burrows.

MR. BEN HANUSCHAK (Burrows): Mr. Chairman, in reading the report on the Department of Co-operatives, or the Directorate of Co-operatives of the Department of Agriculture, there are a few items that the report isn't too clear on, neither in the estimates nor in the report itself, and I'd like to ask the Honourable Minister a few questions.

My first question, Mr. Chairman, is to what extent is the Co-operatives Branch of the Department of Agriculture involved in the promotion of co-operatives, and I'm thinking particularly of consumer co-operatives. Has the department anyone on its staff to whom a group of people interested in organizing a consumer co-op could turn to for assistance in organizing one? Is there any department to which they could turn for information on how a co-operative operates and so forth.

Now, I'm particularly interested, Mr. Chairman, how much work of that type there is being done in primarily two areas of Manitoba. I did read some minor reports somewhere of the work that's being done in northern Manitoba, but I'm interested in what's being done right here in metropolitan Winnipeg and what is being done in the area outside metropolitan Winnipeg, but excepting northern Manitoba. We do have a few consumer co-operative organizations in Winnipeg, some only with a few hundred members and one of them quite large, but even so the membership in our consumer co-ops in Winnipeg consists of probably only about 15 or 20 per cent of the population of the city.

Now I'm interested, Mr. Chairman, what work is being done by this department to promote co-operatives in Winnipeg and in other parts of Manitoba, and whatever work is being done, Mr. Chairman, to whatever degree it may be, I'm interested in knowing what factors determine the extent of the promotion of consumer co-operatives. In other words, what are the guidelines that the Honourable Minister uses in determining whether adequate promotion and assistance is being offered for the development of co-operatives, or how does he determine when more efforts ought to be directed towards this area.

Also, Mr. Chairman, as the Honourable Leader of the New Democratic Party mentioned a moment ago, the question of taxation. Now we've heard a lot of talk, the public has heard a lot of talk about this matter of taxation of co-ops for a good long time. There's an organization which calls itself the Equitable Income Tax Foundation which has gained quite a reputation for itself over the past few years in the propaganda that it's been spreading. Unfortunately, and I'm somewhat concerned, because I heard a comment made by the government side not too long ago that makes me wonder about this. It used to be a tendency, even on the part of the people here in Manitoba, to put all co-operatives into one basket. We seem to have failed to see the distinction between a producer co-op and a consumer co-op.

However, be that as it may, Mr. Chairman, I'm wondering whether the Co-operatives

(MR. HANUSCHAK cont'd).... Branch of the Department of Agriculture in the Province of Manitoba has the true story to give the people of Manitoba on the income tax position with respect to the co-operatives. The EITF boys, they tell the public one story; the co-op unions, it may be felt by some that they give a different interpretation of the Act and what it really is. Well I feel, Mr. Chairman, that this department, being charged with the responsibility of administering co-operatives, should also take it upon itself to explain to the people how the Income Tax Act does apply to co-operatives; how the Income Tax Act applies to consumer co-operatives; how it applies to producer co-operatives. This distinction has never been made, and I feel, Mr. Chairman, that it's high time that this was explained to the public.

I'm also concerned, Mr. Chairman - this perhaps is somewhat related to the promotion of co-operatives - but the Department of Industry and Commerce claims to be conducting quite a vigorous and active campaign to attract developers of industry, developers of the natural resources that we have. As a matter of fact, it's not uncommon for representatives of the Department of Industry and representatives of the government to travel far abroad in search of investors to come in here and develop our natural resources and to develop whatever other industry it may appear to the Department of Industry and Commerce to have a potential. Now I'm wondering, Mr. Chairman, whether the Co-operatives Branch also conduct a similar campaign to encourage the development of co-operative industry in different parts of Manitoba.

A minor question, Mr. Chairman, but I noticed the report refers to some creature known as the commercial co-op. I'd like an explanation of what is meant by a commercial co-op or co-operative. I don't know of any that are not commercial in nature. I take it that most of the - or all of the co-operatives that come under the jurisdiction of this department are commercial co-operatives.

I would also like to hear the Honourable Minister's comments on the matter of centralization of co-operatives. I'd like to hear the Honourable Minister say whether in his opinion this is a good thing or a bad thing. We have had many small consumer co-operatives, but the trend now is towards amalgamating into larger units. Now, it no doubt has certain advantages and perhaps certain disadvantages. I'd like to hear the Honourable Minister speak, as spokesman for this sub-department of his, as to what his views are on that trend.

Two or three other points that I'd like to hear some comments on and one is this; I noticed that in the night school programs that are sponsored in the Province of Manitoba there are various courses related to the free enterprise system, how to manage a small business, how to manage a small business successfully, how to do goodness knows what else with a small business. Now, I'm wondering whether there are similar courses being offered by this department in the area of co-operative activity. Is there any course that I could take at some night school program or what have you via the extension department or whatever other department may be best suited to offer this type of instruction? But is there anywhere where I could obtain instruction in the co-operative movement, to learn something about the co-operative movement; how it originates, what it means, what it stands for, what is the role of a co-operative in our present-day society?

I would also like to know, Mr. Chairman, just what is the position of our co-operatives this year, financially, with respect to last year? I may have overlooked that bit of information in the report but I didn't seem to notice if -- there was one set of figures given there but it put all the co-ops into one basket. I'm concerned about consumer co-operatives. I'd like to know how the consumer co-operatives fared last year as compared with the year before.

Now it rather surprises me, Mr. Chairman, that in the other areas of responsibility of the Department of Agriculture there appear to be fairly detailed and lengthy reports, and not only detailed lengthy reports in the Department of Agriculture reports but in some areas the Minister has seen fit to publish separate sub-reports, as it were, whereas in the area of co-operatives, of co-operative activity, which involves a large percentage of the people of Manitoba, it involves a large percentage of the members in this House on both sides -- I would daresay that about 90 percent of the members in this House are members of a co-operative of some type or another be it a consumer co-op, a credit union, what have you. There must be, there must be at least that number, as I said a moment ago, if one co-operative in the City of Winnipeg has enrolled over 20 percent of the population of Winnipeg, so somewhere just within that 20 percent must be found many of the members of this House. But anyway, the fact remains that many many Manitobans are members of a co-operative of some type or another. And as was mentioned by the chairman of the Economic Council of Canada not too long ago, that the answer to control of the increasing costs of living lies in the formation of a co-operative.

(MR. HANUSCHAK cont'd). . . . And this at another point has been mentioned time and time again and the facts do bear that out, that the answer to Canadian ownership lies in the formation of a co-operative.

Now these are some of the points, Mr. Chairman, that I'd like to hear the Honourable Minister comment on.

MR. CAMPBELL: Mr. Chairman, may I ask the Honourable Member for Burrows a question? Is the Honourable Member suggesting that the co-operatives do not belong to the private sector of the economy, private initiative?

MR. HANUSCHAK: They do not operate for the same purposes as other business concerns do. The purpose of a co-operative is to provide its own members service at cost, which is quite distinct from the purpose for which I may buy a share in a corporation.

MR. CAMPBELL: Mr. Chairman, this is not the question I asked my honourable friend. I think some of us are as well-informed as he is as to how they operate. The question that I asked him is, is he suggesting that they do not belong to the private enterprise section of the economy?

MR. HANUSCHAK: It depends on what the Honourable Minister means by private enterprise.

MR. CAMPBELL: . . . . know what my honourable friend means by private enterprise, because Mr. Chairman, what he said as I heard him was that he asked the Honourable the Minister if -- he said that they had classes for a private enterprise system and he wanted to know if they didn't have some classes for the co-operatives, and he was apparently making a distinction. I would like to know if he doesn't think that the co-operatives belong to the private enterprise part of the economy.

MR. HANUSCHAK: It is my hope, Mr. Chairman, that co-operatives do not belong to that, or do not fall within that area of activity within which much of the other business in this generation has fallen into.

MR. CAMPBELL: Mr. Chairman, my honourable friend, before he starts telling us what they mean, had better do a little more studying on that.

MR. BARKMAN: Mr. Chairman, I do not rise to hold up the agriculture estimates, but I am somewhat of the opinion that possibly in a lot of cases this item, the item of credit unions, coming under this department may not just be in its right place. I do not wish to sound sarcastic when I say that I cannot really see the reason for the larger credit unions being placed here in this department. This is certainly no reflection on the highly honoured co-operative organization and possibly some of the smaller credit unions wish to be under this department; I'm certainly not trying to belittle the agriculture department when I make the statement, but I don't think that some of the larger credit unions with assets of possibly \$7 million and \$9 million and over - and I'm referring to credit unions the like of Winkler and possibly Crosstown, and especially in this case I'm thinking of the one at Steinbach, a very successful organization, the one I'm talking of right now, with assets of over \$900 million and --(Interjection)-- \$9 million, pardon me - assets of over \$9 million, and paying out dividends to the tune of over \$300,000, and when I look at the picture from this angle it doesn't seem quite fair. I'm not in a position to suggest at this time that it should be handled under the Minister of Industry and Commerce or possibly the Treasury Department - I do not wish to make that statement; but I don't think, and especially when I think back of Bill No. 39 last year when the former Honourable Minister tried to explain, I was convinced that it wasn't even fair to the Agriculture Minister leave alone to possibly some of the larger credit unions, and when I say this I have full respect with the co-operative organization and movements and this department; but I thought possibly since the Minister's new and with a clean mind in this department at this time, possibly I dare bring it up, and I would like to possibly say at this time that maybe this is the only time that I'll have to bring it up for awhile because I do hope that he will take a look into this. Mr. Chairman, in my opinion, other than the fact that they are regarded as a co-operative organization, I wonder if anyone in this Chamber can give me one or two other reasons than that one, why these credit unions possibly could not, if they come up to the larger seven, nine or even larger than the \$9 million basis, I think they could be in a different department, and this is not trying to belittle your department nor the credit union.

MR. FROESE: Mr. Chairman, while we are on the subject matter of credit unions, I would like to make a few comments. Just about a year ago or so we passed a number of amendments to a bill which had far-reaching changes in the Act, and I certainly would like to know from the Minister how these changes have been working out. Some of these changes were passed

(MR. FROESE cont'd). . . . at the wish of the credit union organizations of this province and there were also some to which they took objection; one of them was the matter of demand loans. An amendment was made to the Act that credit unions could no longer make demand loans, and I think since that time meetings have been held in various parts of the province where discussions have taken place and where the Director of the Services Branch, who is in charge of this particular aspect, indicated more or less that he was in sympathy with this, that we had probably taken the wrong course and that he certainly was not of the same opinion as he was at the time that the amendments went in. So I certainly would like the Minister to review this particular aspect and see whether we cannot make this change and delete that part, that restriction from the Act.

Then we also made another amendment to the effect that credit unions that did not wish to avail themselves of the audit service that is being offered by the Services Branch and to which all credit unions have to pay a certain fee towards, was reduced to 50 percent, if they did not avail themselves of the audit. Now a certain number of the larger credit unions do not do this; at least, they do not require the government audit since they have chartered accountant audits take place in that particular credit union, and yet they still have to pay this 50 percent of the audit fee regardless of whether they use it or not, and I think this is rather unfair and this is also a matter that I think the Minister should take a look at.

Then in connection with this, I would like to know just how much the government did receive last year in the way of fees from credit unions for audit services. I notice in the details of estimated revenue for this year that they are budgeting for \$136,670 under the Agriculture & Conservation Department for fees. How much of this is credit union audit fees? The amount last year was \$122,620.00. I would certainly be happy to get the information as to what the actual receipts were for the past year.

In connection with what the Honourable Member for Carillon just mentioned, I think the Minister should know, because repeated requests have been made by credit union central organizations to have them transferred under a different department. Up until this date this has not happened and this might also be another matter that the Minister could take under consideration and probably acquiesce to, because this is a wish and this is a request of the centrals and their conventions over a number of years.

Now the organizations, the credit unions in this province, have grown and are getting larger and much stronger. We do not see the organization of new credit unions take place that I would like to see because -- in fact, some years we see that there is a decrease because of the number of amalgamations that take place and not necessarily organizing new ones. According to the Departmental Act nothing is done by the government actually towards the organization of credit unions and I think certainly something could be done in this direction that we either support the central organizations or probably have some staff who will go out and organize and bring the control of credit of our finances to the people. So, with these few remarks, I would like to hear from the Minister.

MR. ENNS: Well Mr. Chairman, the Honourable Leader of the New Democratic Party along with his colleague the Member from Burrows asked some very general and far-reaching questions with respect to co-ops, and if agreeable I would answer them in unison, so to speak, because I believe the Leader's remarks were of a general nature.

I must very frankly admit that I am not fully conversant with the whole co-op situation as it refers to my department. However, my very limited understanding is that in the first instance it operates at kind of an arm's length from the department. I don't know whether it's a question of promoting anything. We try to offer a service. I'm a free-enterpriser, I don't mind saying this, but it is a service that we are prepared to provide to the people of Manitoba who choose to look for this kind of a service. Perhaps --(Interjection)-- well, I'll try to outline that - perhaps the reason that it originally fell in my department (and perhaps somebody can help me here) is that in the early stages of the co-op movement this often developed in the rural areas, also the co-operatives in the grain fields where some of the funds are in trust that are used for promotional efforts, and I just give this by explanation of why it is in the Department of Agriculture.

Now for a brief statement on the co-op situation as it exists today, the question was asked how many people are there on staff working on their behalf, providing this service; there are some 15 supervisors that are actively engaged in this. The salary figure for these supervisors is some \$82,000, so this is just the extent of the department's involvement in the servicing of the co-op movement in Manitoba. A general statement, there are at the moment some 690

(MR. ENNS cont'd). . . . co-ops of all sizes and descriptions in the province. This represents a rise, I understand, of some 12 or 14% the last year alone. Obviously the co-operative movement is gaining favor with a fair portion of the population.

Now the more specific questions; as to whether or not the department as such provides an active training program or promotion program, not in the sense that I believe the questioner asked the question. I myself, and I believe the department, we draw a distinction of some kind particularly where it relates to the northern co-ops, our fishing co-ops, our pulpwood co-ops. I personally feel that in this particular area it is a means of working together that is very close and not alien to the native people that we are talking about, the Indian, the Metis people. I myself have considerable hope that if we are going to make strides in this direction that this is a way and a means of doing so. Certainly the immediate financial rewards have been most encouraging. By pooling their fish catches, even under our present marketing situation, and by tendering out their fish catch, they have considerably increased their price in the last few years in these co-operatives that I talk about, so that when I talk rather enthusiastically about the co-operative movement my major concern is the area that I feel it is particularly adaptable, has perhaps more meaning than down south in the province. As far as the province in the consumer co-op business, in the different co-ops that we have here, it's to their particular choice. I don't think that my department as such has any business going out actively promoting the cause of co-operatives. We provide a service; we're most happy to provide this service. Monies are set aside for this purpose. There is, of course, the Trust Fund that has accumulated under the Wheat Board of some \$145,000, and the annual earnings of this is used to make grants to the co-ops' union and the French Council of Co-operations to carry out co-operative promotional work. Now these aren't really our funds; they're not government funds in that sense. We are charged with the responsibility of administering these funds, and in that sense we perform a service. I don't know whether I want to -- or I can say as I feel more about it.

The question that the Member from Carillon raises with respect to co-operatives, and indeed the size of the co-operatives that he particularly mentioned leads me to believe that there is perhaps some very legitimate areas of concern here whether or not they belong in the Department of Agriculture. I don't particularly wish to talk about the taxation aspects of co-operatives, as my honourable member from Burrows mentioned. I don't in any way pretend to be knowledgeable about the field of taxation - I leave that to the Honourable the Treasurer who may, if he wishes to, take this subject up at the time of his Treasury discussions. Certainly we have to recognize that in the growth of some of our co-operatives they are far removed from the unsophisticated or the small gathering of rural people to work out some program on their own. We have some very sophisticated big-money operations in this province, and it is perhaps not at all unreasonable to suggest that they be considered in a different light.

MR. HANUSCHAK: Why?

MR. ENNS: The member from Rhineland, well I'm not qualified. You ask questions about taxation, about their status vis-a-vis their corporation taxes, their income taxes. I don't know, but I would suggest, from some of the interest shown in this lately, that it is perhaps not unfair to draw the inference that they are receiving favourable treatment at the expense of the private sector. I make this statement without a great deal of knowledge to back it up but I make it as a layman reading a paper. Obviously if somebody is squeaking about something long and loud enough, there is usually cause for it.

The further questions that the member from Rhineland raises, I was not partied to the time that these amendments were made last year, the specific amendments that he referred to, and I must admit that I can't really speak to them. I would be happy to look into them with him privately or indeed in the House if he should choose, to become more familiarized with them. The question of auditing and the question of general control or supervision. I don't know; at a time when we have a lot of concern about the question of scrutiny and auditing, about any financial institutions, and not only restricted to this province, but throughout the land, of any kind of financial institution that takes in money, I would be very hesitant to suggest any relaxation of this kind of scrutiny or supervision or audit. Indeed, I think we might well look forward to seeing this aspect of it tightened up if anything. The other questions that he raises with respect to the actual amounts, again I would take this as notice. I'd be happy to -- I think he referred to the actual fees collected; I'll take this as notice and be happy to supply him with it later. Thank you.

MR. CHAIRMAN: I would like to say to the honourable members of the committee that there's a lot of private exchanges going on here and it's very difficult for the speakers to get

(MR. CHAIRMAN cont'd)..... their points across.

MR. PAULLEY: Mr. Chairman, if I may just continue the discussion on the question of the co-ops and the taxation aspect of the co-ops, and I sympathize with my honourable friend the Minister of Agriculture when he says that he is not too knowledgeable insofar as the aspects of taxation of co-ops are concerned. Then he went on to say, but it is sort of his thought, if I understood him correctly, that possibly because of the scope of the business of co-ops and because of the consideration being given to the question of the taxation of the co-ops, that maybe he would be in favour, if I understood my honourable friend correctly, to say that maybe they should be.

It's on this very point, Mr. Chairman, if my honourable friend is speaking of the present government, and giving to us an indication that it is a part of the philosophy of the government that co-ops should be taxed, then I would like to have a little more firm statement on behalf of the government. Possibly that should come from the Honourable the Provincial-Treasurer as the Minister of Agriculture indicated that it should come from. It might be, Mr. Chairman, that some suggest that we should leave this until such time as we're dealing with the matter of treasury; but we're not dealing with the matter of treasury, we're dealing with the matter of co-ops and the whole co-operative movement. Our concern, and justifiably so, is with certain individuals or segments of the community taking under consideration the taxation of co-ops on the same basis as corporate enterprises. As a matter of fact, in the budget statement of our honourable friend the Provincial-Treasurer, on Page 22, he said we must await the Carter Report in respect of estate tax or changes in the tax status of co-operatives. "Here again," he says, "any possibly new revenues appear certain to fall short of our requirements."

To me, I think it could be properly interpreted that the remark of my honourable friend the Provincial-Treasurer was that as far as he is concerned, as the guardian of the treasury in the Province of Manitoba, that if he can hide behind the Carter Commission Report on Taxation, he would be prepared here in the Province of Manitoba to impose taxes on the co-op movement. And I want to hear this clearly from the government, and I'm sure that the many thousands of people in the Province of Manitoba who are members of co-ops, be they federated co-ops or consumer co-ops, are interested to hear from the government; where do they stand? Come out from underneath the skirts of the Carter Commission. You don't have to await the Carter Commission to give a clear enunciation of where you stand. So I say to my friends, let's not dilly-dally; let's be forthright and let's be honest. At least I can attribute honesty to the parliamentary secretary, to the Minister of Transport at Ottawa in this regard. He makes no bones about it. One of the higher ranking gentry in the Liberal Party at Ottawa, and I don't know if he would have as much influence on the cabinet in Ottawa as my honourable friend the Minister of Agriculture might have on his colleagues here in Manitoba, but if we look at the Commons debates of February 6th, just recently, and look on Page 12705 of the Hansard of Ottawa, we find that Mr. J. A. B..... a westerner and the parliamentary secretary to the Minister of Transport, had this to say; "While it is not my purpose to criticize the imposition of higher income taxes on certain groups of taxpayers and an increase in the sales tax, which of course we're getting here in Manitoba, I do offer a suggestion which I believe to be fair and reasonable. To some members of the House it will be unpopular but I know that others will recognize that deep down in their hearts they find it acceptable, although they might not be prepared to admit it." And he's talking of the question of taxation of co-operatives. Then a little bit further on he states that "the co-operative movement, as it chooses to be called, is nothing more nor less than corporate enterprise enjoying the benefits of three billion dollars worth of business each year in Canada. Co-operatives have become a corporate colossus in competitive enterprise with a difference. Co-operative profits are almost completely exempt from income tax."

Then a little further on, giving the psychology of this particular honourable gentleman in the other House at Ottawa, it had this to say on Page 12707; "It is time in my opinion," he says, "that co-operatives having attained the multi-billion dollar business status should divest themselves from the sort of semi-religious garb under which they have been clothed these many years. In all their literature and protestations designed to seek patronage of the individual and to retain the sympathies of legislators, there rings a semi-religious strain. It follows, of course, that any criticism in this area of special privilege is looked upon as sacrilegious utterances against the deity."

Now this is what one honourable gentleman seems to think of the co-op movement and the taxation of the co-op movement in the House of Commons at Ottawa. That, coupled with the

(MR. PAULLEY cont'd).... remarks of my honourable friend the Minister of Agriculture, coupled with the statement of the honourable the Provincial-Treasurer here in Manitoba, Mr. Chairman, leads me to direct a specific question to the Provincial Treasurer or to the Minister of Agriculture. Wherein does the Government of Manitoba stand in respect of the taxation of co-ops? I'm sure members of this House would be interested in knowing where they stand. I'm sure than tens of thousands of people who belong to co-ops both large and small in the Province of Manitoba would want to know the position of this government who just squeaked through at the last election.

MR. ENNS: Mr. Chairman, the honourable Leader of the New Democratic Party just very carefully read us what he called one gentleman's point of view on the co-operatives. I just offered another gentleman's limited point of view on co-operatives tonight.

MR. PAULLEY: Mr. Chairman, am I to understand that my honourable friend's limited point of view means that he, as a member of the Executive Council of the Province of Manitoba would be prepared to suggest that co-ops in Manitoba be taxed? --(Interjection)-- It's not a hypothetical question at all; it's a mistake on my honourable friend. And if my friend the possible Leader of the Conservative Party of Manitoba in the offing will go before the people with the statement of my honourable friend the Minister of Agriculture, I want him, as the aspirant to the mantle of glory, to state where his position is in respect of the taxation of co-ops, and it is not a hypothetical question at all. It's a real question of concern to Manitobans, and I say to you, too: don't you hide behind the skirts of the Carter Commission.

MR. LYON: Mr. Chairman, I must come to my own defence immediately and tell my honourable friend that I've never been known for hiding behind anybody's skirts whether they're Mr. Carter's or Mrs. Carter's.

MR. FROESE: Mr. Chairman, hearing the Leader of the New Democratic Party speech on this matter of taxation of the co-operatives, I wish to make one or two comments, not so much on co-operatives because I am not as well versed with co-operatives as I am with credit unions. I think there is a certain line of demarkation or a certain discern that we should make between co-operatives and credit unions in connection with possible taxation, and that is this: in the credit unions you not only allocate, you distribute all the earnings in a given year and there is nothing left that is turned back into the business as such that is not the possession of the members themselves.

This is done every year after the year is ended, the annual membership meeting is held and they decide as to how their earnings are to be distributed and this is done according to the annual meeting decision and the earnings are placed and credited to the members' accounts and are withdrawable as of that time, so that you do not plow back into the business as you might do in other businesses where you just make allocation. So that here I think is an aspect that should be kept in mind whenever the thought is given that they might be taxed.

The other question that I would like to raise is the matter of deposit insurance. We hear a lot of things said these days, especially since the Federal Government is now embarking on this plan of having trust companies insure the depositors' money. I think it should be said at this particular time that we in Manitoba, as far as credit unions are concerned, have a stabilization fund in effect to which the credit unions contribute and in case some credit unions should go wrong, that this fund is there to assist those credit unions that run into trouble, so that the depositors and the shareholders do not lose their money in this way.

Then also, the Statute, the Act regulating credit unions, provides that 20% of the net earnings have to be set aside in reserves each year, so that as the years go on, our credit unions, these financial organizations are getting stronger and the reserves are growing as well, and we have credit unions that have very substantial reserves at this particular time. So that if the provincial government is giving thought to bringing in legislation requiring near banks, the trust companies as they are so called, I hope they do not include credit unions in this, because this would just be an added cost to the credit union members themselves and would just increase the cost of credit.

MR. EVANS: I think I should say that my views with respect to taxation of co-operatives are perfectly clear. They were stated in the budget address. I am not proposing any additional taxation this year beyond what is in the budget address. I will not give further consideration to it until I see the Carter report.

MR. PAULLEY: Mr. Chairman, come now. I don't think this is good enough. Here is a man that holds one of the most responsible positions in the whole of the Province of Manitoba - the Provincial Treasurer, one who has just imposed a 5 percent sales tax on the people of our

(MR. PAULLEY cont'd)..... province, and in reply to my question, he says that he has made the statement in the budget speech of wherein he stands in respect of taxation of co-ops. I suggest, Mr. Chairman, that he has not, and I want to know where he stands. He just simply says - and I'll repeat again if my honourable friend doesn't know what he said - "We must also await the Carter report in respect of estate tax or changes in the tax status of co-operatives. Here again, any possible new sources appear certain to fall short of our requirements." Does my honourable friend mean by the last statement that if co-ops were taxed, it would fall short of the requirements of the imposition of a 5 percent sales tax in the Province of Manitoba, to which we object likewise?

It's not just simply enough, Mr. Chairman, for the Provincial Treasurer to dismiss the question I have raised. I give more credit to the Honourable Minister of Agriculture for gump-tion, when he said that as far as he is personally concerned, if I interpreted his words correctly, that he would be prepared to tax co-ops. -(Interjection)-What did he say? -(Interjection)-

MR. EVANS: Mr. Chairman, would you like me to answer?

MR. PAULLEY: Yes, I certainly would like to hear it.

MR. EVANS: I said I will not give further consideration to the matter until after I read the Carter report.

MR. PAULLEY: I'm talking of your colleague the Minister of Agriculture.

MR. EVANS: Oh I beg your pardon.

MR. ENNS: Mr. Chairman, may I suggest to the Committee that surely the matter of the imposition of income taxes or corporation taxes is a federal matter and they have not asked our advice on this. You are asking for an opinion from us in a field where we are not really the sole activists in it.

MR. PAULLEY: In this respect I acknowledge the correctness to some degree, of my honourable friend the Minister of Agriculture that taxation of co-ops may be a federal matter; but the conduct of a co-op movement in the Province of Manitoba is your responsibility my friend, not federal. Don't duck. You've ducked every single time you and your colleagues and trying to accuse and condemn Ottawa in every respect. You stand on your own feet.

MR. ENNS: We provide the service.

MR. PAULLEY: Provide the services? And isn't part of the services the cost to the co-ops. Now tell me, did you or did you not say that as far as you are personally concerned, you would consider the taxation of Co-ops?

MR. ENNS: No, not at all Mr. Chairman, I only mentioned that in view of the present interest in the whole question of co-op taxation obviously there may be something here that other authorities more knowledgeable than I, should look at. I have my hands full with Bang's disease and blueberries and a few other things - that's my concern here tonight.

MR. PAULLEY: I don't know about blueberries, Mr. Chairman -- and I've picked them, not in Manitoba, I've picked them outside of Manitoba, down at Minaki -- I am interested in the plucking of the fruits of the Co-op movement by either this government or the government at Ottawa. That's my concern and I think it should be your concern too.

(Interjection) -- Well this is a lot healthier than some of the statements that were made during the debate on the Health estimates by you, my honourable friend. I want to know, if I can obtain from my honourable friends opposite, where does the Conservative, and getting to be more Tory than ever, government in Manitoba stand in respect of the taxation of co-ops? Have you an answer?

You, Mr. Successor to the present First Minister - possibly give us an indication of where you will stand on the platform when the next leadership convention of the Provincial Conservative Party takes place, as against that of the Federal Conservative Party?

MR. LYON: I've never been one to hesitate to respond to my honourable friend when he gives me such an open invitation and I have never been one to try to speak on behalf of my senior colleague, the Provincial Treasurer, but I can say on his behalf, because he couldn't obviously say it, that any Provincial Treasurer in any province in Canada, who tried to answer a hypothetical question such as my honourable friend poses tonight, would be either a fool or a knave and my honourable friend is neither.

MR. McKENZIE: Mr. Speaker, I rise on this debate on a little different ground than my honourable friend from the New Democratic Party --(Interjection)-- right. I am a free enterprise man who makes my living by the free enterprise system but I am also one who has done a great deal towards the credit union movement in my area, which I am very proud of -- and by the way, I might mention some figures to you tonight, Sir. Since 1937 I believe the assets



(MR. McKENZIE cont'd).... of the Credit Union movement in Manitoba are well over the hundred million mark; and of that hundred million mark I dare say tonight that savings in quite a large amount are in the pockets of some 150,000 Manitobans. This I am very proud of and I am very proud that I had something to do with it.

I have also had the privilege of sitting on the Central Bank of the Co-op Credit Society of Manitoba for the last five years and I dare say this is an institution that doesn't need too much government intrusion in the way they are operating. We are well satisfied with the services that are provided by this government in the auditing of our books and I dare say if we get any more government intrusion we'll end up like the banks are in Ottawa today.

MR. PAULLEY: I suggested that possibly the successor to my honourable friend the present First Minister might reply, and I did have in mind the Honourable Attorney-General, but apparently there's going to be a competition now, for the leadership, and my friend who has just taken his seat may be coming into the competition. --(Interjection)--

I want to ask my honourable friend who just complained about the intrusion of government into the co-op or credit union movement, would you be prepared to accept the intrusion of government into the co-op or into the credit union business to the degree of them being taxable by government?

MR. McKENZIE: It depends on the terms on which they are going to be taxed, my honourable friend.

MR. PAULLEY: ..... I quit, I give up! But, Mr. Chairman, may I say in giving up -- Mr. Chairman I'm giving this up for the time being, but I hope that the people of Manitoba take note of the shilly-shallying of the present administration, front benchers and back benchers alike, insofar as the principle of taxation of co-ops and credit unions in Manitoba. There is no answer forthcoming. So without any firm answer I say beware and be wary of the actics and tactics of that outfit.

MR. GILDAS MOLGAT (Leader of the Opposition) (Ste. Rose): Mr. Chairman, I wonder if the member would be prepared to add to this motion that he just made to stop hiding behind the skirts of the Carter Commission. I think he had that in his original comment and I think it should be there.

MR. PAULLEY: Well if your only concern is that part of my debate, well it's typical.

MR. CAMPBELL: Mr. Chairman, if my honourable friend the Leader of the New Democratic Party has given up on this, I haven't, because I think that we do deserve an answer from the government - and I certainly do not address my question to the Honourable the Minister of Agriculture, because he's not the man to address this question to. I address it to either the Treasurer or if he doesn't wish to answer then to the Premier, because we have a right to know and the Co-operatives of the Province of Manitoba have a right to know what they face in the future, and we have a clear, not an indication, but a clear statement in the budget speech that the question of co-operative taxation has been considered. It is here.

My honourable friend read one paragraph but it starts further back than that, note the language. This also was on page 22 "We must wait for the Carter report for any 'further consideration,' of a capital gains tax " - and then it mentions two or three other matters. But then the next paragraph goes immediately on to say, "We must also wait," definitely tying back to the former paragraph, "We must also await the Carter report in respect of estate tax or changes in the tax status of co-operatives". A clear statement that it's been considered. The only thing we could sense from that is that apparently the consideration has been shelved for the time being and waiting for the Carter Commission Report, and because the likely yield didn't appear to be big enough and so we've gone to a sales tax; but have we any assurance that as the costs continue to rise and as the expenditures of the government become greater and greater, and when the Carter Commission Report comes out that this won't be again invoked. The Honourable the Provincial-Treasurer should tell the people whether he's still considering a tax on the co-operatives or not.

HON. DUFF ROBLIN, (Premier) (Wolseley): This is an interesting topic. I don't mind saying a word on it, Mr. Chairman. I think the budget speech should have made it perfectly clear that these matters were considered, indeed I think it is public knowledge that we had a number of people come to see us in connection with some various measures of taxation including taxation on co-operatives. They asked us to take action on it at that time and it has been considered; we've decided not to.

So our policy at the present time is as announced by my honourable friend, not to proceed with these forms of taxation. It is quite impossible to say what the future will bring because I am looking forward to a complete reform of the Canadian tax structure when the Carter Commission comes in. I think we have to have a look at the various types of sales taxes for example, because I do not think that it is logical or sensible to operate the way we do in respect of sales tax.

In connection with the retail sales tax collected by the province as a direct tax, the costs of administration are rather high. There are better ways I know if you wish to have a consumption tax of collecting that money than what we do now. But we are prohibited from using what might appear to be more common sensible approaches by the Constitution. Similarly, the Federal Government with its sales tax; surely this must be a very poor way of levying a consumption tax on the manufacturers' level, because of the fact that it becomes part of the mark up of goods. The one good thing you can say of our retail sales tax, at least it's not subject to mark up, the way the manufacturers sales tax is collected.

Now if one was designing a new tax system, one would rationally discard, I believe, both those systems of taxation. One would probably adopt a value-added tax which is now employed in several European countries and I think is a much fairer system of collecting a consumption tax if that's what you want. You might conceivably use a turnover tax which is quite similar to a retail sales tax but does not involve the expensive collection system that we have now. And surely one would wish to examine the impact of corporation and personal income taxes on economic incentives, both at the corporate level and at the personal level, and decide whether the present system that is deeply progressive, with respect to personal income tax and which perhaps was appropriate when, if people will allow me to say so, \$10,000 was a very large salary indeed, it's now something less than it used to be, maybe that system is not appropriate for these times.

Perhaps the corporation tax should be handled in a different way. Not that we can afford to give up the money that comes from those taxes but that we should be able to do it in a way that is less deadening to the accumulation of risk capital. And perhaps as well we should look at natural resource taxes; why is it that we don't get a larger national resource tax at the provincial level? You might say well in corporation tax you are collecting 52 percent of the profit, what are you complaining about. And maybe you are, but there's a difference I suppose in the way the tax is collected if it's collected from the provincial level. Now the Persians under Ali M. . . . some years ago changed their system of collecting royalties on oil and was followed by all the oil producing companies. It's a wasting asset. What should be the correct tax approach with respect to things of that kind?

Now the difficulty that a province is in, I think is twofold. First, it is bound by whatever the constitutional conventions are at the present time; and secondly, it is bound - and I say that advisedly - by what other provinces are doing. Because if you get too far out of line in any of these ways you reap a penalty. That's been I think pretty clear, that there are limits within which you cannot go.

So when one considers all these things and one considers the tax systems that are used in other countries, there is a very good argument for the point of view that there should be a complete reform of the tax structure of the nation. I'm particularly interested in this because I want the resources of the province to more nearly match the responsibilities than they do at the present time. And I'm interested in this because I don't think the present system of equalization is really good at the present time. It's much better than nothing and I'm glad to get it, but I don't think it's as good as it could be.

I don't want these random thoughts of mine, that I just tossed off on the spur of the moment as to what might be good changes in the taxation structure, to be held against me as a statement of government policy; because it isn't. It's just an attempt to make a, I hope, a reasonably intelligent comment on the point raised by the Honourable Member for Lakeside. But I am convinced that whatever you may think of the details, there's going to be plenty of room to argue about those when the Carter Commission comes down. I think we must all hope,

(MR. ROBLIN, cont'd) . . . . I don't think anyone differs from me on this, we must all hope that we do get an opportunity to completely reform and revise the tax structure of the country to make it more equitable than it is at the present time. No tax structure is truly equitable; there are always some people who are not treated perhaps as well as they would like to be; it's beyond the will of man to devise a tax system that's perfectly equitable; you have to get the best approach you can to it. But I think that if we were able to start afresh, wipe out all the rules and regulations we've got now and start all over again, with the experience we've had and the experience of other countries, that we might very well be able to do much better in trying to raise that portion of the product of the nation that we wish to apply for to social purposes through the mechanism of the government, and it seems to me that we should recognize that the Carter Commission may give us such an opportunity.

So the comment on the budget speech is really nothing more than a very condensed way of saying what I've probably taken too long to say.

MR. CAMPBELL: Mr. Chairman, I didn't realize when I asked that question that I was going to furnish my honourable friend with a platform to announce his program for the June meeting. And . . . .

MR. ROBLIN: . . . . not a platform

MR. CAMPBELL: And if that's going to be my honourable friends' platform when the June meeting comes along, I -- well it's rumoured that it's going to be in June. --(Interjection)-- I won't guarantee to my honourable friend that I'll support him, I won't likely be present at that convention, but --(Interjection)-- I'd certainly have doubts myself, if I were supporting him.

MR. ROBLIN: You'd be entitled to them.

MR. CAMPBELL: I would indeed. I think a lot of other people are beginning to have doubts. Anyway I think that my honourable friend is perfectly right in saying that the tax structure needs an overhaul, and if he will press this as he's been doing, I believe at the national level, why he'll probably have a wider theatre to appeal to. And in the meantime, I gather that what he has said is that all sources of taxes are still being looked at in the Province of Manitoba, and among them the tax on co-operatives.

MR. ROBLIN: I think I'd better say, Mr. Chairman, that we've stopped looking at them for the time being at any rate.

MR. PAULLEY: Mr. Chairman, I think much of our discussion properly might be handled when we're considering the budget, but I was rather intrigued by the statement or the remarks of my honourable friend the First Minister in regard of taxation. And certainly we haven't got an answer from him as wherein they stand in respect of taxation on co-ops, that was skirted very very nicely and apparently in this case unlike the skirts of the Carter Commission, these are mini skirts that my honourable friend skirted around. But he did say, however, he did say, however, that one of the reasons for no clear cut decision, if I interpreted him correctly, was because of the fact that it's under the consideration - the whole area of taxation is under consideration and they're awaiting the report of the Carter Commission on taxation so that we'll have a better perspective of where we're going. On that basis - and maybe this again, Mr. Chairman, is properly a subject for the debate on the budget - if this is the case why in the heaven's name didn't you wait the imposition of a sales tax in Manitoba until the Carter Commission had made its recommendation insofar as general taxation is concerned.

MR. ROBLIN: The answer is very simple Mr. Chairman. We've got to pay the bills; we need the money to pay the bills.

MR. PAULLEY: You're not going to pay all of the bills. The Treasurer said you weren't going to.

MR. ROBLIN: Well we're going to pay 33 million dollars worth of bills with sales tax money.

MR. PAULLEY: But you're still not going to pay all the bills.

MR. ROBLIN: Well you wait and see; we'll pay them all.

MR. CHAIRMAN: (b)--passed; (c)--passed; (d)--passed; Resolution 12--passed. Resolution 13. 6 (a)--passed; (b)--passed; Resolution 13 . . .

MR. CAMPBELL: Mr. Chairman, I'm almost scared to ask another question, but I have been watching with some interest the work that's been going on in the experimentation with two different grains, one a hybrid wheat and the other a hybrid of Durum wheat -- or a cross rather of Durum wheat and rye. Is there anything that can be reported to bring us up-to-date on either or both of them?

MR. ENNS: Mr. Chairman, nothing specifically further other than that further strides are being made. Particularly with the Durum and the rye variety, the triticale as they call it at the university, there are most encouraging signs that this might very well become a most important factor, and indeed perhaps answer some of the concerns that the Honourable Member from Birtle-Russell voiced with respect to the cattleman's problem about feed, supplies and so forth. From all notices it has a high protein content and could be of tremendous benefit to the province.

MR. DONALD W. CRAIK (St. Vital): Mr. Chairman, I just wanted to pass a comment on the Honourable Member from Lakeside's question, and just by way of familiarity with some of the people that have been working in this area, the triticale wheat that is a cross of Durum and rye, they've worked out some figures on this and it appears that the increase in production, they have 3,000 acres under test this year, the increase in production is somewhere in the order of 40 percent, and if you extrapolate this to the production of wheat on the prairies it means about 250 million dollars increased production at the same price per bushel as you get for wheat now.

I wanted to get up at this point because we've had a good deal of discussion about the price of wheat and this is one area that we shouldn't overlook, this is where research has come into the picture and in questioning the amount of money that has been put into this program of research since 1958-59, and particularly with the Rosner Chair being established at the University, the amount of money that has gone into this program is less than a quarter of a million dollars. Now I think this is some sort of a landmark for an investment in research of less than a quarter of a million, I think it's closer to \$150,000, and the potential appears to be in the order of \$250 million when you take the total acreage of the prairie provinces.

MR. CAMPBELL: Is my honourable friend familiar with the hybrid wheat program too?

MR. CRAIK: Well the hybrid wheat program is still under way and they're expanding their work in this. I think it might be of interest too, that there are only five breeders in Canada that are presently working in this area, and I think really in a way it is a shame when you think there are only five breeders, and if they can produce potentially a crop to add \$250 million to the value of production for this size of an investment that they've put into it, we should be putting far more into it than . . . I'm not suggesting Manitoba should put it all in. Most of the work that has been done on the prairie provinces has been done, and in fact in Canada, has been done right here in Manitoba.

MR. FROESE: Mr. Chairman, if the honourable member can give us some more information I'd certainly like to get it. Have the milling tests been made on the Triticales? Also, in other years we have been getting a report on the research conducted at the University. A report was distributed to all members. Are we not getting that report this year so that it would bring us up-to-date on a lot of these things? At the same time I would like to hear more on how far they are in connection with the milling qualities and so on.

MR. ENNS: I am not aware of the actual time that this report comes out. I would assume that possibly in view of the fact that normally our sessions are later that this is a reason why that report is not available at this time. Certainly I am prepared to make it available -- I would make it available as soon as it is there. The request with respect to the milling qualities of the wheat, I can't say for the hybrid wheat that is under discussion but the milling qualities of the Triticale mentioned are low. It is not going to be a wheat of high milling qualities as such. It will figure predominantly in the area of feeds, high protein contents. One interesting aspect is that it has apparently a unique flavor in the manufacturing of rye.

MR. CHAIRMAN: (b)--passed; Resolution 13-- passed. Resolution 14, 7. Manitoba Crop Insurance.

MR. SHOEMAKER: Mr. Chairman, I would like to make a couple of comments on this particular resolution and repeat more or less what I said a year ago. Repeat? My honourable friend says why should I repeat? Because my honourable friends opposite didn't do anything at all about my request last year, that's why. And I will raise it again, and I say that the Manitoba Crop Insurance will never do the job that the farmers expect it to do for them until it embraces hail insurance in full; that is, nearly every farmer in Manitoba today feels that the Manitoba Crop Insurance program as presently set out is not adequate coverage in those areas where hail is the No. 1 hazard or the No. 1 peril, and so they are obligated to go out and buy hail insurance in addition to the crop insurance, which is a double blow as far as they are concerned.

(MR. SHOEMAKER, cont'd) . . . .

When I made this statement last year, two of the part-time insurance agents across the way said, "Speak for yourself," because they didn't want to lose the business. I said last year, and I'll repeat it again now, we in our office will gladly give up our hail insurance business if the government will introduce a crop insurance program that will cover hail insurance in the same way that hail insurance protects the farmer, and I think it is time that we moved in this direction. I am glad to note that the program has been improved upon to some extent. I believe now that the two governments are going to pay 30 percent of the premium.

MR. ENNS: Twenty-five.

MR. SHOEMAKER: Well, what's Manitoba going to do? I thought the federal offer was that they would pay a further five percent if Manitoba paid a further five, which would bring it up to 30. Well that's the way it is in an article I have here. That's what they say: "Ottawa proposes to increase its premium subsidy by five percent if the provinces will match that amount bringing the total subsidy to 30 percent." So how in the world did they get the five percent out of Ottawa without paying the five percent themselves? And if that is a fact, then I think we deserve some explanation from the Minister in this regard because the article that I'm reading from I believe is The Western Producer and a rather recent one. It sets out the offer that was made.

Now I said last year, and I express concern again this year, that the administrative expenses are too high, and I refer you to Page 21 of the annual report, in which you show the premiums charged to the insured persons as being \$1,296,000-odd and the administrative expenses of \$386,000-odd, which represents, according to my figures, about 30 percent. That is, the administration costs are equal to about 30 percent of the premium collected from the farmer, and before my honourable friends say that I am not using the correct amount, certainly I am not using the amount or taking into account the amount you get from Ottawa, because it doesn't cost anything to get it from Ottawa. You have to relate your administrative expenses to the amount collected from the farmer, and it's 30 percent. You go into detail on the next page 23 as to how you arrive at the \$386,956.50 of administrative expenses. Incidentally, Mr. Chairman, I understand that last week the Manitoba Crop Insurance people brought up some high-pressured salesmen from the United States to give a lecture to the field men and the agents in this province to tell them how to sell insurance. Well, surely to goodness you don't have to tell a bunch of insurance agents how to sell insurance to farmers and most of the agents of the corporation are farmers, I believe. In fact, they may all be and I wonder if he would care to comment on that aspect of it?

Now I understand that it is now possible for a farmer to insure up to about 60% of what he expects to get.

MR. ENNS: Eighty.

MR. SHOEMAKER: 80%. That is, if I have been growing 40 bushels of wheat to the acre for the last 10 years I can insure for 32 bushels to the acre? Well my guess is, and I don't know, my honourable friend will know, but my guess is there isn't a territory in Manitoba that you can insure beyond about 22 bushels to the acre. --(Interjection)-- Dauphin? I bet they can't. I'll bet you that there's no area where they can insure for 32 bushels and I have had many farmers tell me that under the crop insurance plan as it was last year, they could close half their crop and still not collect one red cent under the plan. That was quite possible last year, and this proves my point that it should be updated and it should cover for hail losses. Let's look after the farmer properly if we are going to look after him.

MR. MICHAEL KAWCHUK (Ethelbert Plains): Mr. Chairman, at the outset I believe I should rise and say that I rise now as an agriculturist rather than a farmer. At this time perhaps maybe it would be appropriate to extend congratulations to the gracious Minister, the Minister of Urban Development and Municipal Affairs. I was somewhat intrigued by her contribution to the debates here today.

Before I go into the crop insurance, I probably just want to get the record straight insofar as the statement I made here last Monday which apparently aroused the Minister of Agriculture to some extent. He forgot to mention the first portion of that sentence which read, "Honourable members; it is no longer a cost-price squeeze; it has reached the stage of economic injustice and nothing else, when the farmers have pooled all their resources, have produced all the grain they can possible produce under present conditions with the weapons they have at their disposal at the present time." And I was quite intrigued with the response I

(MR. KAWCHUK, cont'd) . . . .got from the Honourable Minister although he did not answer some of the questions I posed to him at that time.

However, be that as it is, I would like to just mention and add to what the Honourable Member for Gladstone has said with respect to crop insurance. I was one of those individuals who back in 1960 went out and tried to sell crop insurance, as it was in existence at that time, to my fellow farmers in that area. However, needless to say, we were not too successful and as a result of that there was a meeting called in Gilbert Plains which was attended by about 10 or 12 local farmers and representatives from the Manitoba Crop Insurance, and I might report at this time that after 2-1/2 hours deliberation Mr. Kristjanson said that he had learned more about crop insurance in that short time than he had been able to do in his living days before then. However it took the government about five or six years to implement the first step of it and that is to increase the coverage. The second point we emphasized that afternoon was to be able, or to have a policy whereby the farmer would be eligible for indemnity on an individual parcel of land, rather than pool all his parcels of land and derive his indemnity on that basis. I must say that I was somewhat gratified to see the changes made a few weeks ago. However, regretful as it may be, there was not anything done about the incorporation of this parcel of land basis insofar as indemnity purposes are concerned.

It could be noted with interest that there was some consideration given to the landlord and tenant arrangements whereby they could enter into a separate parcel of land basis. The partnership arrangement also were entitled to have their indemnity based on a separate parcel of land basis, and if there was one operator who had land 30 miles apart or more, he is also privileged of having his indemnity based on a per individual parcel of land basis. However, by and large that is still not available, and I might just point out at this time that when the farmer pays his premium it is on an individual parcel of land basis, so I don't see any legitimate reason why his indemnity should not be based on the same principle, or on the same basis. True enough, probably the Honourable Minister will reply it is somewhat hard to estimate what the yields were after the farmer has put all his grain into one bin. Now I think that could be overcome by having the adjusters- and of course the government has a number of them trained now and available at any time - to go out and adjust the fields before harvest, the same as the hail insurance people are doing at this time; and unless that is done I'm afraid that the response from the farmers would not be too great this year.

It was interesting to note from a summary of the crop insurance experience . . . . reception, and I might just report here insofar as participation has been concerned, in 1960-61 we had 38.1% of the farmers who were eligible in the various areas participating, and we go down 1961-62 we have 39.9; a year later 48.2; a year later 50.3; In 64-65 it was 49.8%; and in 65-66 it was down again to 47.3%, which would indicate that after six years of operation we had an increase in participation of about nine percent. I think most of these fellow who did insure, they did insure for the purpose of evading the PFAA deductions rather than establishing a crop insurance program whereby their cost of production and everything else would be protected. I would just like the Minister to comment on that and see what the Minister has in mind insofar as this policy is concerned, because I know I have already been approached by several farmers when I was back last week at home and I am sure more will be approaching me within the next few weeks with this respect to see if there is any possibility of having the indemnity based on a parcel land basis.

MR. USKIW: Mr. Chairman, I think the Honourable Member for Ethelbert has made some valid points and I won't take too much time. I hope we can get away from spending too much time in a single department and no doubt my honourable friend the Minister is hoping likewise. I think the most important question at this stage insofar as crop insurance is concerned, has to deal with the business of being able to insure individual parcels of land. I think this is the critical area here. I for one, have never participated in crop insurance, I didn't value it to that extent.

MR. ENNS: Wait until we get potatoes in crop insurance.

MR. USKIW: You've got a point there. But I grew some wheat too, incidentally. The benefits to me seem to be unrealistic in terms of the needs, the relationship there was very poor. There was no relationship to a crop for example, to the total earnings of a crop and the indemnities that you might get by way of insurance. But the big question in my mind is to be able to insure individual lots, so that the hail insurance program under this scheme could be of more benefit. I think you all agree that the problems arising out of hail damages are usually problems whereby you have a strip of crops hailed out - you may have 50 percent

(MR. USKIW, cont'd) . . . . of your crop hailed out or 25 percent or so forth, and by the averaging formula, you are still not eligible for insurance benefits. I think if we could make this one provision that we would have maximum participation in the crop insurance program. I note from my farmer friends in my constituency which took part in the crop insurance program last year, for the first time, that they were rather disappointed and they indicated to me that they would no longer participate in the program. So I think there is a point here that we should consider.

MR. RODNEY S. CLEMENT (Birtle-Russell): Mr. Chairman, once again I just want to be very brief in my few remarks about hail insurance and crop insurance, PFA. The farmer is once again in this cost-price squeeze. If he does not have crop insurance he pays PFA; if he has a 30 bushel crop or a 40 bushel crop at \$1.30 he pays about 52 cents an acre PFA to begin with. If he does away with his PFA and buys crop insurance it costs him approximately 80 - 90 cents an acre, and so quite frankly if you do not have crop insurance, you have the PFA, a farmer who has his land spread around almost has to buy hail insurance particularly in the area that I represent and the Honourable Member from Inglis, hail is the main worry. We have some of the best land in Manitoba, we have some of the best farmers in Manitoba and we grow registered seed, we use all the chemicals for killing weeds, and as long as it rains we have a crop. But, last fall there was a very very serious hail storm swept across our area and this particular farmer that I mentioned the other day, lost something like \$10,000 because he had crop insurance and not enough hail insurance. So somewhere in between I would suggest to the Honourable Minister of Agriculture that he try a pilot project somewhere-- mind you, I'm not condemning the hail insurance companies because I think they do an excellent job and I doubt very much if your organization will be able to do it as well -- but if you have to have one or the other, let's try a pilot plan where you can have hail insurance on individual fields through crop insurance in a certain area.

Now I don't expect you to do this, this is not going to be cheap. The plan has to be set up, the fees will have to be there and if the average farmer wants to try it or some farmers want to try it, well and good. But the way it is today, as I mentioned earlier, we farm quite extensively and it just isn't practical for us to buy crop insurance, because we can have a complete farm hailed out, which we did last fall, one complete field of 300 acres of wheat was hailed out. In fact, as I mentioned, we are in the seed grain business and I personally am going through trying to become an elite grower, so you have to go on, I forget the word for it, anyway trial for three years. You pick out a little acre of land, you sow 40 pounds of wheat on it and then for all summer long you . . . it and you watch it and really baby it along. This happened to me last fall. The inspector came, luckily; inspected it one day, 48 hours later it was hailed out 100 percent. Now this is getting off the track on crop insurance. But along with this whole field, had this inspector been there two or three days earlier, the whole field would have been swathed. I can't blame him, it wasn't his fault; but if we had had crop insurance, we would have got nil, because the rest of our crop far exceeded the regulations that were necessary. As it was, I think we got, I forget, 7 or 8 thousand dollars from the hail insurance people. We had a hail insurance premium of somewhere up to \$4,000, so as it was, we were better off, it paid off.

But I think if you are going to make crop insurance successful, and as has been already mentioned the farms are getting larger, farmers are getting their land spread around, and you must have individual crop insurance with hail on individual fields to make it pay. Now this I know is very difficult. It probably has been discussed. The Honourable Member from Morris brought this thing up some 15 years ago or 10 years ago. I was in the Legislature when he first brought it in and many years have gone by and I guess there have been a lot of trials and tribulations but I think if you tried this on a pilot plan, perhaps it would work.

Now if it won't work then you had better divert your attention to potatoes. I guess you are going into the potato business, but I think that the Honourable Member from Gladstone who is in the insurance business, and I give him credit for it. I doubt if there is another hail insurance member in this Legislature tonight who would stand up and give the address that he did, but like myself, he is here for the good of the province. He is not thinking of himself, and quite frankly I would suggest you try this.

MR. M. E. McKELLAR (Souris-Lansdowne): Mr. Chairman, this speech brought me to my feet. I don't sell crop insurance but I do sell hail insurance - and I also am a farmer too - and some of the speeches here tonight were trying to destroy the hail insurance industry

(MR. McKELLAR, cont'd) . . . . in the Province of Manitoba and when it touches my pocket-book it really brings me to my feet.

I would like to suggest to the members here that crop insurance never was supposed to be an insurance . . . it's a disaster insurance, and to mix it with hail insurance, it is two separate things entirely, and this is what people have to realize. All you are trying to do here is to guarantee a farmer so many dollars at the end of a season, that's all the crop insurance is meant to be. Who said it doesn't. --(Interjection)-- You know you are not right at all. This is all this is supposed to be.

Now PFA -- it was put in in Jimmy Gardner's day, this is one of Jimmy Gardner's policies, and all it was to do was to provide up to \$800 of a maximum to assist a farmer in case he couldn't buy his seed the coming year. Now PFA does cost around 50 cents an acre. This is about what's going if you have a good crop. As most of us know, this is about the rate we are paying. We stand to only gain \$800 at the maximum if we have a complete crop failure. And you can have a complete crop failure with PFA and not get one dollar out of it too; this can happen too. And I have had 15 bushel to the acre with PFA and I have got paid the full maximum amount too, because my neighbour didn't have anything, so it works both ways.

But I don't think you can compare it with crop insurance. Crop insurance in my estimation is one of the finest policies that was ever brought out for the farmers of Manitoba, and whether they all buy it or not, that's their business. This is the way it should be. I would think there is something wrong with a policy if 100 percent of the farmers bought this because it was too rosy for the farmers. I think it is a straight business proposition. I think it is one which each farmer has to decide in January or March or whenever he has to sign up, whether he wants it or not. The premiums this year are very good. In my area, the municipality of Oakland, Nesbitt and Wawanesa, 72 cents an acre gives me \$17 an acre. This will guarantee me quite a bit of money at the end of the year in case I am wiped out, enough to keep me in business for a year. (Interjection) 13 bushel to the acre, \$1.28 a bushel. I don't know - I've got to hope that the good Lord is with me when I sell my crop. I don't ever hope to get anything until I go out with the combine, because I've had too many disappointments. I'm not that type of farmer. If I get 20 bushel to the acre, all right, and if I get anything more or not I'm just that much more thankful.

But I think this was only a disaster insurance which was set up for the farmers of Manitoba and it does give them security. The only way it can work is if there is a complete disaster in Manitoba and the farmers come raiding on the door here, the front door, wishing for help, that they are turned away with a statement saying that they had their chance to sign up for crop insurance, and we have had that happen a number of years ago when we had complete failures in Manitoba, and they expect the government to help them out. This is the way the government can help the farmers of Manitoba out. You can sign up; it doesn't cost you a dollar to sign up. You don't have to pay until fall and I think this in itself is really a wonderful thing. You don't sign up until you sell your wheat -- I mean pay till you sell your wheat in the fall, and I think if we brought hail insurance into this scheme it would mean there would be two separate policies. As the Honourable Member for Gladstone knows very well, you can't adjust crop insurance the same way as you can adjust hail insurance. Hail insurance you can go out to the field and you could count a hundred stalks and the kernels in it and so on. Here you have to wait until the fall to see how many bushels you are going to have, and it makes it impossible to adjust the both of them in one adjustment, so I would think the government would be very foolish to bring hail insurance in unless they want to go into the hail insurance industry in competition with the hail insurance companies who are already in business, and if they do that they'd better be prepared that they are going to drive most of the companies out of business on that grounds, and also too they'll have to charge about double the rate they're charging now, and I would think that very few farmers would ever buy this type of policy if this was brought out. We have a high rate area, hail seven percent; the rate here for wheat is around 4-1/2% for crop insurance, so it is very much cheaper. I myself, I do take out hail insurance over and above this. I think this is what most farmers should do if they are in a hail area, but unless you are in a hail area you can't sell hail insurance and, in fact, about the most of the people -- I think it runs around 30 to 40 percent of the farmers are all that do buy hail insurance in a local area, about that average, so if we can sell 40% of the farmers with this crop insurance plan I think the government have done a terrific thing for the province, and also I think in due time that more of the



(MR. McKELLAR, cont'd) . . . . farmers will sign up for this plan when they see the real benefits that are attached to it.

MR. USKIW: Does the honourable member not know that the crop insurance program provides for hail insurance damage?

MR. McKELLAR: Oh yes.

MR. USKIW: Oh, this is fine; I misunderstood.

MR. McKELLAR: I said it didn't cover individual loss . . . and you couldn't expect -- if you were to insure . . . you could double your rate, if you want to insure an individual field. Insurance is strictly underwriting, as everyone knows, and if you want to insure each individual field you're going to have to underwrite it, and they'd also have to have a police . . . out there guarding each man's granary and watching the combine at night time too, in the middle of the night, to make sure the farmer didn't put the wheat in the wrong granary. This is the problem attached to it.

MR. ENNS: Mr. Chairman, I thank my honourable colleague from Souris-Lansdowne for very capably lining out the -- or setting out the benefits of the crop insurance plan. Just a few more specific questions that were put to me by the member from Gladstone with respect to the federal government's participation in the premium administration. He stated or felt it was 30 percent; it is 25 percent. It is true the offer was at first made that they would chip in with the extra five percent contingent on the provinces five percent but they later rescinded this in the sense that we preferred using our part of the money to expand the program. So that the figure of 25 percent is accurate.

I think that there's one further question perhaps. He made a point of criticizing the crop insurance for bringing in experts, he called them, from across the line to hold a seminar to the agents recently with respect to selling of crop insurance. So he really answered his own question immediately thereafter by stating that most of the agents are farmers. Well of course that's precisely this. They are farmers, not insurance men, and it's quite in keeping, quite understandable that they would undergo a course or a seminar in lining up and teaching them the methods for selling crop insurance.

The Honourable Member from Ethelbert Plains again makes the point that the member from Souris-Lansdowne has I think adequately covered, the business of the individual field coverage. I give only this one example and I really don't see the difference. If you have two hundred-acre fields and you get a maximum crop on one and a failure on the other, if your total average is still above average then you're no really no worse off than if you had just an average crop on both fields. In terms of dollars and cents or in terms of bushels it is no difference, and the administrative problems that it presents to the crop insurance are unsurmountable, really, at this time. My friend from Souris-Lansdowne has amply demonstrated this. The times that crops are taken off in this province you'd have to have crop insurance adjustors running after the combines at all hours of the night.

The question about -- one point about the participation in which he read off to us, and the figures are quite accurate that he mentioned. He noted a decline in the last year or two. I would suggest that that decline is more due to the fact that we have now expanded our coverage provincial-wide, and indeed so that in effect the coverage is now in areas where it is very new; it has to take a few years for the participation level to rise, but I am very confident that with the changes announced in the plan, the 60, 70, 80 percent coverage that is now available, that we will indeed see a most appreciable rise in this participation.

The member from Birtle-Russell, he related the problems of buying insurance for crops to the cost-price squeeze again. Again, I can only reiterate what my friend from Souris-Lansdowne said; it is not designed to replace an above-average or a bumper crop. It'll never do that. We insure from the bottom up; in a sense put a floor price under this, whereas the hail insurance insures from the top down.

The question that the member from Brokenhead raised is again in much the same area, and I think is most amply covered by the answers that my colleague from Souris-Lansdowne provided.

**MR. SHOEMAKER:** Mr. Chairman, I couldn't understand your reasoning or the honourable member's reasoning when you said you had to have a policeman out for every farmer in the field, that he might dump the grain in the wrong granary. What do you mean by this? That you can't trust them or what? What was the point? (Interjection) They were all crooked?

**MR. ENNS:** Not at all, my honourable friend. You're reading words into statements that weren't made. The question, though, is that grains are -- it is impossible to determine after they have come to..... As in most cases the farms are the bins. The granaries are located either on the yard or have a central area, and it's impossible to determine what grain came from what field. I'm not questioning the integrity of anybody. Simply as on a business-like manner you have to -- monies are going to be paid out on the assumption, when these measurements are made, and I really don't think the member from Gladstone means what he is implying.

**MR. SHOEMAKER:** This is the way you adjust the losses now. Under the crop insurance plan isn't it a fact that you make no adjustments until after he does harvest so you know what the yield was? You go out and measure the granaries now, that's the way you do it now.

**MR. M. E. McKELLAR (Souris-Lansdowne):** Mr. Chairman, we were talking about individual fields. Well this is the proposition. Insuring individual fields ..... crop insurance.

**MR. FROESE:** Mr. Chairman, I think one point that should be brought out on the whole matter of crop insurance here tonight. It is the matter that we have come out of the hole. The members that were in the House when the matter was instituted will remember that the second year we had a severe loss and that we had to borrow money in order to pay the losses or the indemnities, and now for the first time our balance sheet shows a reserve of \$699,000 which I think is quite gratifying.

Then, as honourable members have already debated here in the House tonight, and I think hail insurance will remain and that the private hail insurance agents will still have business on their hands because, as in my area too, people do not insure for the sake of getting insurance from the crop insurance, it's more or less the lesser of two evils and they'll subscribe in the year when it costs them less to take crop insurance than to have their one percent deducted from the PFAA. So this is the way they choose in a given year.

Then also, as has already been pointed out here, when you take hail insurance the moment you have losses you know you can collect. Not so with crop insurance. You have to wait until the year is over and if your loss prove to be beyond a certain point, then you collect, but this doesn't necessarily hold true in every case because personally I had an experience in this matter. One year that I had losses I was asked not to plow the field down because there might be sufficient crop left so that the crop insurance branch would not necessarily have to pay. And later on, it didn't amount to very much and I didn't have my way. I couldn't plow the field down, so since that time I'm rather hesitant in taking crop insurance out and I only do it in the years when I know I'll be off cheaper to take crop insurance rather than PFAA.

**MR. HENRY J. EINARSON (Rock Lake):** If I may just have a very few words to probably cap this off - I hope. I was interested in the comments made here this evening in regard to this crop insurance problem, and I would say that, listening to all the different people speaking, we have a good many different situations in the different parts of Manitoba. We have hail areas, areas where they're hailed quite often, areas where they hardly ever see hail. And it's a very difficult thing to try to come up with a system whereby we can protect every farmer in the Province of Manitoba. I can sympathize with the member from Birtle-Russell, if he's in the business of probation, which is three years to get into the ..... production of seed, that he has taken one year's loss. However, I want to go on record as being a newcomer and with what the government has done, and one of the things I want to commend them for is the insurance program that they've improved this year from what it was last year. I think this is something to be commended very much for.

**MR. CHAIRMAN:** Resolution 14--passed; Resolution 15, Manitoba Agricultural Credit Corporation.

**MR. VIELFAURE:** Mr. Chairman, just a few words on this. If I understand right, when the farmer, a young farmer under 34 applies for a loan now, the first five years he gets his interest at 4 1/2 and then it goes on to six. Am I right? And then if he has to re-finance within the five-year period and if he's then over 34, his interest naturally goes back to six automatically. However, I am told that the first contracts that were taken were taken at 4 1/4 for a period of either 25 or 30 years, and in such cases, if one has to re-finance, he loses the

(MR. VIELFAURE cont'd)..... benefit of the, well, 1 3/4 percent that he benefitted from the fact that he had it at the low rate at that time. Am I right in assuming this?

MR. ENNS: Mr. Chairman, the honourable member is asking me for some statistical information. I don't have it at my fingertips. I'd be very happy to provide it for him, either privately or in the House later on.

MR. CHAIRMAN: Resolution 15--passed; Resolution 16, 9--passed; Resolution 17--passed.

MR. LYON: Mr. Chairman, before --(Interjection)-- I don't think we would have time tonight, Mr. Chairman, to catch the opening statement of the Minister. I was wondering if before we move that the Committee rise I could seek the concurrence of the House to have Law Amendments Committee meet on Tuesday morning, February 14th, at 10:00 o'clock, more particularly to have three bills which heretofore have been referred to the Municipal Affairs Committee, that is, The Official Time Act, The Planning Act and The Portage la Prairie Act, referred as well to Law Amendments Committee to be dealt with in that committee, and also Bill No. 22 which was referred to the Agricultural and Conservation Committee, The Water Control and Conservation Act, if that could be referred as well to the Law Amendments Committee. If there's agreement on that could we.....

MR. MOLGAT: Mr. Chairman, I quite agree with that. I would hope that the news media will give ample publicity to the fact that the hearing, that the Law Amendments Committee is meeting so that anyone who wants to make representations appears before us. I think there are a number of bills there where there will be public concern.

MR. PAULLEY: Yes, Mr. Chairman, and in addition to that I would suggest that the two municipal organizations be notified and also the Manitoba Farmers Union be notified that the question of daylight uniform time will be heard at that particular time because I understand, Mr. Chairman, that all is not quite as rosy as it appeared at the time of our deliberations on second reading, so I would respectfully suggest that my colleague from Ethelbert Plains tells me we were just lucky he wasn't here at that particular time, which might be indicative of some controversy yet insofar as uniform time is concerned.

MR. CLEMENT: Might I ask the honourable member the Leader of the NDP party where he stands on this uniform time?

MR. LYON: I thank the Leader of the Opposition and the Leader of the New Democratic Party for their co-operation. We will then proceed with the announcement tomorrow and I trust our friends in the press gallery have heard the words about this meeting. Mr. Chairman, I move the Committee rise.

MR. CHAIRMAN: Committee rise. Call in the Speaker. Mr. Speaker, the Committee has considered certain resolutions, has requested me to report progress and asks leave to sit again.

#### IN SESSION

MR. J. DOUGLAS WATT (Arthur): Mr. Speaker, I beg to move, seconded by the Honourable Member for Springfield that the Report of the Committee be received.

MR. SPEAKER presented the motion and after a voice vote declared the motion carried.

MR. LYON: Mr. Speaker, I beg to move, seconded by the Honourable the Provincial-Treasurer, that the House do now adjourn.

MR. SPEAKER presented the motion and after a voice vote declared the motion carried, and the House adjourned until 10:00 o'clock Friday morning.