

THE LEGISLATIVE ASSEMBLY OF MANITOBA  
10:00 o'clock, Thursday, June 12, 1975

Opening Prayer by Mr. Speaker.

INTRODUCTION OF GUESTS

MR. SPEAKER: Before we proceed I should like to direct the attention of honourable members to the gallery where we have 30 students Grade 6 and 7 standing of the McCrossen Tovell School in Ontario. These students are under the direction of Mr. Grynol, Mrs. Grynol and Mrs. Kreger.

And we also have 36 students Grade 8 standing of the St. Mary's Separate School from Ontario under the direction of Mr. W. Sorrel as our guests this morning.

On behalf of all the honourable members I welcome you here.

Presenting Petitions; Reading and Receiving Petitions; Presenting Reports by Standing and Special Committees; Ministerial Statements and Tabling of Reports; Notices of Motion; Introduction of Bills; The Honourable Minister of Health.

INTRODUCTION OF BILLS

HON. LAURENT L. DESJARDINS (Minister of Health and Social Development) (St. Boniface) introduced Bill No. 65, an Act to amend the Health Services Act, and The Elderly and Infirm Persons' Housing Act. (Recommended by His Honour the Lieutenant-Governor)

ORAL QUESTIONS

MR. SPEAKER: Questions. The Honourable Leader of the Opposition.

MR. SIDNEY SPIVAK, Q.C. (Leader of the Official Opposition) (River Heights): Mr. Speaker, my question is to the First Minister. I wonder if he can indicate that now notwithstanding the resurgence of the Conservative Party in Saskatchewan . . .

MR. SPEAKER: Question please.

MR. SPIVAK: . . . the First Minister in Saskatchewan has been re-elected, whether the conference called between First Ministers and the Prime Minister has been arranged?

MR. SPEAKER: The Honourable First Minister.

HON. EDWARD SCHREYER (Premier) (Rossmere): Mr. Speaker, I cannot add much to what I indicated to the Leader of the Opposition just a few days ago, namely that we are given to understand that there will be some process of round robin telephone calls in the course of the next few days and that a meeting of First Ministers is still likely to take place, but presumably after the Federal Budget of June 23.

MR. SPIVAK: Mr. Speaker, I wonder if the First Minister can indicate whether the government has indicated through the officials in contacts or in meetings, as to whether a consensus is about to be achieved in this country with respect to restraint, or whether the government will be proceeding in the budgetary process in the normal way. Is there some indication that in effect the consensus that the Federal Government had been asking, both from governments and from business and labour, is really coming about?

MR. SCHREYER: Well, Mr. Speaker, I am not in a position to give a reading as to whether or not a consensus seems to be evolving. I believe it would be fair to say however that the concern expressed by the Federal Minister of Finance in the past few months with respect to the disproportionate trends of inflation in Canada in comparison with our largest trading partner, the United States, is still very disturbing to the Canadian Federal authorities, as indeed it should be to all of us I should think, and that I have no reason to therefore conclude that the federal authorities wish to discontinue the consensus-seeking exercise. However I cannot blame the Leader of the Opposition for being perhaps puzzled by the process since very little seems to have transpired in recent weeks.

MR. SPEAKER: The Honourable Member for Brandon West.

MR. EDWARD MCGILL (Brandon West): Mr. Speaker, my question is for the Honourable the Minister in charge of Transportation. Now that the political decision has been made by the people of Saskatchewan, is the Minister now prepared to announce that the Manitoba Government Air Services will be the carrier for Sky West?

MR. SPEAKER: The Honourable Minister of Industry and Commerce.

HON. LEONARD S. EVANS (Minister of Industry and Commerce) (Brandon East): Mr. Speaker, I'm prepared to announce that I look forward to meeting again with my colleague the Honourable Roy Romanow, who will continue as Attorney-General of Saskatchewan along with

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(MR. EVANS cont'd) . . . . the New Democratic party being continued in office in Saskatchewan, with a minimum of losses, and I look forward to meeting with them in the very near future.

MR. SPEAKER: Order please. Before we get a couple of points of order on irrelevancies could we get back to the question period. The Honourable Member for Brandon West.

MR. MCGILL: Mr. Speaker, a supplementary question to the same Minister. Has the Minister received any representations from the Federal Minister of Transport objecting to the Manitoba Government entering this service and participating with its Government Air Service?

MR. EVANS: Mr. Speaker, the only discussions I've had with the Honourable the Federal Minister of Transport were with regard to federal participation, financially and technically.

MR. MCGILL: Mr. Speaker, a final supplementary. Then when can we expect that a decision will be made and an announcement made in respect to the role of the Manitoba Government Air Service, in the Sky West services?

MR. EVANS: Mr. Speaker, as I've indicated on several occasions in the past, we will be meeting hopefully soon to resolve this matter with the Saskatchewan Government. When the matter is resolved a joint policy statement will be issued.

MR. MCGILL: Mr. Speaker, to the same Minister. Will the final decision be subject to confirmation and approval by the Federal Government and the Minister of Transport?

MR. EVANS: Yes, Mr. Speaker. The fact is that aviation in Canada is under the federal jurisdiction and there has to be application for a commercial license, there has to be application for a technical license, as I understand, or technical requirements have to be met by any airline in Canada that wishes to operate.

MR. SPEAKER: The Honourable Member for Birtle-Russell.

MR. HARRY E. GRAHAM (Birtle-Russell): Thank you, Mr. Speaker. My question is to the First Minister in his capacity as Minister of Finance. I'd like to ask the First Minister if in the recent negotiations with the Swiss banks whether or not they were apprised of the proposed changes in the Financial Administration Act?

MR. SPEAKER: The Honourable First Minister.

MR. SCHREYER: Mr. Speaker, when issuing securities in the money markets it is customary, and indeed required, to issue periodic updating prospectuses, if that's the right plural, and prospectus has been filed by the Province of Manitoba in New York, and through New York I would assume is available in the usual way to any large financial institution. Insofar as the Financial Administration Act is concerned, I doubt that we would be issuing copies of bills or even explanatory notes to extra territorial groups.

MR. SPEAKER: Orders of the Day. The Honourable House Leader.

ORDERS OF THE DAY - GOVERNMENT BILLS - THIRD READING

HON. SIDNEY GREEN, Q.C. (Minister of Mines, Resources and Environmental Management) (Inkster): Mr. Speaker, I'd like to proceed with the Third Readings on Page 2 of the Order Paper.

MR. SPEAKER: Thank you. Third Reading Bill 43. The Honourable Minister of Health.

BILL NO. 43 - THE HEALTH SERVICES INSURANCE ACT AMENDMENT

MR. DESJARINS presented Bill No. 43, an Act to Amend the Health Services Insurance Act, for third reading.

MOTION presented.

MR. SPEAKER: The Honourable Leader of the Opposition.

MR. SPIVAK: Mr. Speaker, at this point I rise on a point of order. If I'm correct that is an amended bill on third reading, and should be listed as an amended bill. And while . . .

MR. SPEAKER: The Honourable House Leader on the same point of order.

MR. GREEN: Mr. Speaker, the Clerk indicates that he thought it created some difficulty the other day and didn't list it as such, but the Honourable Leader of the Opposition is correct, it should be listed as an amended bill.

MR. SPEAKER: The Honourable Minister of Health.

MR. DESJARDINS: On the same point of order. If my memory serves me right the five bills have all had amendments except No. 47, I don't think that one was amended. Some of

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(MR. DESJARDINS cont'd) . . . . they are very minor amendments but they've been . . .

MR. SPEAKER: May we proceed. The Honourable Leader of the Opposition.

MR. SPIVAK: Well, Mr. Speaker, the difficulty we have is that because - and this is not intended to deal with technicalities - but the amendment was a pretty significant one, and we're dealing with propriety and non-propriety, and although I do not have it in front of me my assumption - and the Minister is in difficulty because he can't reply - but I think it's necessary for the clarification for the record in the House that either on the point of order, Mr. Speaker, because we do not have the amendment in front of us, that the Minister clarify specifically the amendment that has been undertaken. And on that basis there's support for the bill and that's all that's really required.

MR. DESJARDINS: Well, Mr. Speaker, a few days ago we had some bills that were listed as amended but I didn't make any statement at all. I think that the members of all parties that were there are well aware of the amendments, and then I understand we'll have a record of those meetings. I think that this will be available to the members of this House.

MR. SPEAKER: Well the Chair is now at the discretion of the members. Do they wish to proceed or do they wish to put them over until we can have the amendments? The Honourable House Leader.

MR. GREEN: Mr. Speaker, I would suggest in view of the question having been asked that the Order Paper be prepared in the way in which it used to be prepared with listing of Third Readings of bills amended. That is all that occurs. I don't know that the amendments have ever been sent to the House in that respect, but we can list them that way and then we'll deal with the Third Readings. We don't have to deal with them now. --(Interjection)--

MR. SPEAKER: The Honourable Minister of Health.

MR. DESJARDINS: Unless there is a request I don't think that's what the Leader of the Opposition wants. If he does, fine. If not I would appreciate if we can proceed with them at this time because even if they were listed as amended I don't think it would change anything. We wouldn't bring the amendments here, and I'm sure that the . . .

MR. SPEAKER: The Honourable Leader of the Opposition.

MR. SPIVAK: Mr. Speaker, on a point of order. Not every member of this Legislature is a member of the Law Amendments Committee. The past practice has been - it may not have been followed here simply because we've been trying to facilitate matters - but the fact has been that the Third Reading Amendments, Third Reading Bills that have been amended are listed as amendments, and the amendment has been placed in front of the members. --(Interjection)--Oh, yes, in the past. It has not happened in this session, but in the past it has happened. And the difficulty I have, because I was not present at the Law Amendments meeting, and I say this by way of point of order, and the difficulty I have is, that my understanding is the propriety or non-propriety was either excluded or included, but by way of amendment, and I'm assuming that the drafting is sufficient and correct. But the fact that Law Amendments would have passed it from a point of view of the House itself is not sufficient, the House is entitled to deal with it and entitled to deal with the drafting itself. So in terms of practice, Mr. Speaker, and I think I'm correct in this, I think a practice should be followed whether those amendments are in fact filed.

MR. SPEAKER: Well, there's one item that is just in between what the honourable members are discussing, at the report stage the amendments are present, but not at Third Reading. The Honourable House Leader.

MR. GREEN: Mr. Speaker, I've no objection to having the bills listed as amended, which is the ordinary way. But it is not to my knowledge been the practice to distribute the amendments unless the amendment is moved at the report stage, in which case the amendments are distributed so that they are debated. But the amendments to all bills have never been distributed to honourable members at the Third Reading of amended bills. And therefore all that I would like to do is put Third Readings, Amended Bills, which is what usually happens. --(Interjection)--Yes, that's right.

MR. SPEAKER: Well is it acceptable that we hold these off till this afternoon, the next sitting of the House? And we put the title on that they're Third Reading with Amendments. The Honourable Leader of the Opposition.

MR. SPIVAK: Mr. Speaker, I say to the Honourable House Leader that I think I'm correct, and the Clerk is not present, that in the past amendments on amended bills have in

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(MR. SPIVAK cont'd) . . . . fact been placed in the Legislature, in the Chamber. I think that is the past practice, and I stand to be corrected. But, Mr. Speaker, I suggest that in terms of procedures that this is a very necessary matter simply because those on Law Amendments are less in numbers than the total in this House. There are many who would normally have to deal in Third Reading on this bill who would not know what those amendments are, and unless it's been made available to them there's no way in which they can essentially deal with this. I say this a matter of proper procedure, and I believe it's been the procedure in the past. I'm not in any way trying to hold the matter over - and I believe that the Clerk is now coming with the amendments - but I suggest that the past practice has been this, and I suggest that it's a very necessary practice to follow in respect to the Chamber.

MR. SPEAKER: The Honourable Minister of Labour.

HON. RUSSELL PAULLEY (Minister of Labour) (Transcona): Mr. Speaker, if I may on the point of order, I believe the Honourable, the Leader of the Opposition is half right, except that he's raising the point at the wrong time. It's my understanding that when a bill is amended in a committee, at the report stage of the bill, it is at that time an indication is given that an amendment or amendments took place in the committee, and it is then reported to the House. And as I understand the present rule, that at that particular time and for 48 hours afterwards anyone can move further amendments and seek the amendments then, that at the expiry of that particular time then the bills are proper to be given Third Reading. The only point that there is some validity in the position taken by the Leader of the Opposition is that there isn't an indication that Third Reading is to be given to amended bills. That's the only point that he has. But as far as the question of the amendments are concerned, that is done at the report stage from committee and not on Third Reading.

MR. SPEAKER: Is the House ready to proceed?

MR. SPEAKER: Bill No. 43. Moved by the Honourable Minister of Health, seconded by the Honourable Minister of Agriculture, be adopted for Third Reading. (Agreed)

MOTION carried.

BILL NO. 47 - THE SOCIAL ALLOWANCES ACT AMENDMENT

MR. SPEAKER: Bill No. 47. The Honourable Minister of Health.

MR. DESJARDINS presented Bill 47 for third reading.

MOTION presented.

MR. SPEAKER: The Honourable Member for La Verendrye.

MR. BOB BANMAN (La Verendrye): Thank you, Mr. Speaker. I just have a question of clarification which wasn't asked at the Law Amendments Committee and it pertains to one of the municipalities in my particular constituency. I would ask the Minister of Health to may-be just clarify this particular problem that faces the municipality. The municipality does not have any welfare by-laws as such and it's concerned about the Act. They administrate their own welfare, which is at the total expense to the Municipal Council or to the municipal people, and they are concerned whether the right of appeal will apply to them under this Act or if they will continue along the same lines that they have been before.

MR. SPEAKER: There is no reply on Third Reading, no closing of debate. The Honourable Minister of Mines.

MR. GREEN: Mr. Speaker, I do not think that the honourable member entered into the debate. I think he was asking a question of the Minister who just introduced the motion as if he had finished his speech. So the honourable member could get up and answer. It's the answer to a question.

Mr. Speaker, the Honourable Minister introduced the motion. That is making an address on the bill. That is his speech. The Honourable Member for La Verendrye did not enter the debate. He said that he wanted to ask a question such as members often do at the end of a speech, and the Honourable Minister can answer. It would not be a closing of debate. It would be a continuance of his address.

MR. SPEAKER: The Honourable Minister of Health. The Honourable Member for Morris.

MR. WARNER H. JORGENSEN (Morris): A Minister on Third Reading does not close debate.

A MEMBER: You're right, that's right.

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MR. JORGENSON: A debate can continue after the Minister has spoken.

MR. SPEAKER: The Honourable Minister for Urban Affairs.

HON. SAUL A. MILLER (Minister for Urban Affairs) (Seven Oaks): Well Mr. Speaker, I wonder whether the member could repeat his question. Neither the Minister nor I heard the question.

MR. SPEAKER: The Honourable Member for La Verendrye.

MR. BANMAN: The concern that I express, Mr. Speaker, is - and the question I would like to ask of the Minister is, pertaining to Bill 47, I have a municipality in my constituency which does not have any welfare by-laws. In other words, they administrate their whole welfare program on their own and they don't get any provincial or federal support on their own local program. Now, their concern is whether there is the right of appeal that is contained in this Act, will this apply to this municipality?

MR. SPEAKER: The Honourable Minister for Urban Affairs.

MR. MILLER: Mr. Speaker, I find it strange, because the Municipal Act requires that all municipalities in Manitoba must have welfare by-laws, I find it strange that there's a municipality that doesn't have that by-law. That's the first reaction. Secondly, the Canada Assistance Plan, the Federal Government's plan requires all provinces to have appeal boards and there's nothing new in this Act which didn't exist before. That's a requirement under the Canada Assistance Plan.

The member seems to imply that they administer their own welfare, and that's very common because most municipalities do. He's suggesting, however, that if they do pay welfare, even though they may not have a by-law, that they do not make any claims for recovery. If this is the case, it's the only case I've heard of in Manitoba - I know they're losing money if they're not making claims. I wonder whether the member is quite sure that in fact they are not making claims for any welfare and in fact no welfare by-law exists in that municipality. But with regard to the question, there's nothing in this bill which broadens the powers nor gives more powers than existed before.

QUESTION put MOTION carried.

INTRODUCTION OF GUESTS

MR. SPEAKER: Before we proceed, let me introduce 30 students from Central School in Kenora, Ontario of Grade 6 standing under direction of Mr. Brown, as our guests this morning.

BILL NO. 48 - DISTRICT HEALTH AND SOCIAL SERVICES ACT

MR. SPEAKER: The Honourable Minister of Health.

MR. DESJARDINS presented Bill 48 for third reading.

MR. SPEAKER: The Honourable Leader of the Opposition.

MR. SPIVAK: Mr. Speaker, the evolution within Manitoba District Health and Social Service Board, the concept of the single unit delivery system, the logical extension of the health care programs that have been undertaken and the amalgamation of the Department of Welfare and the Department of Health and the Department of Health and Social Development, would call under normal circumstances for support from this side for this particular bill.

What I'm saying to you Mr. Speaker, or through you, Mr. Speaker, to the members on the opposite side, is that the concept is not one that we would find objectionable if the procedures were such that the officials involved would have the authority and the ability to be able to, the extent as much as possible control their own destiny. The difficulty we have Mr. Speaker, in supporting this bill and why we cannot support this bill, is that in effect the control had been placed into the hands of the Minister and his officials and in effect the participation of the voluntary sector and its involvement is controlled to a point where there we believe are inherent risks in the development of this or in the evolution of the health care system. Now in the debate in committee stage, the former Minister of Health and Social Development was very critical of the statements we made when we talked in terms - at least, excuse me, not in committee stage, in second reading - when we talked in terms of bureaucratic centralism and he suggested that, you know we didn't understand the nature of the bill.

Our problem, Mr. Speaker is that we do understand the nature of the bill and I'm afraid that many people outside of this Chamber do not. We understand very well what is intended by

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(MR. SPIVAK cont'd) . . . .this bill. We regret very much that the government appears to be following the outline of its White Paper in which it is basically saying that in the early stage of development of the board system, there is a "period of tutelage", to use their phrase, in which the Provincial Government must take the board through a procedure up until the time that democratic elections can be held and they can prove themselves both competent to be able to manage their affairs and capable of managing their affairs. I think that I'm paraphrasing the particular section of the White Paper correctly and I believe that that policy formation is in the bill itself. So we come back to something fairly basic. What is happening is not something that we fear as such in terms of the development of health care programs. Provided there is a balance taken and an understanding of the private sector and voluntary sector involvement, provided there is an attempt to work with them, we think that this could be a successful achievement. But unfortunately the bill has been drafted and the power has been given to the Minister, so that in effect a degree of control is exercised which we believe is too serious to simply allow to proceed in the way the government suggested.

I referred a few days earlier in dealing with the Planning Act to the problem of guided democracy, which is what the members opposite are really talking about when they talk about this bill. Guided democracy is what they are going to guide the people towards, and in effect in attempting to try and evolve a system which will have benefits in the sense that it will be better in servicing people than it was before, that it will co-ordinate the whole range of government services that the government has undertaken and which has increased over the years, and which will hopefully control costs, because that's part of the whole exercise, they have lost one of the very important aspects of allowing the flexibility and the involvement and the participation and the initiative and the enthusiasm of people who can and should be able to make the contribution to the development of the system and to be able to help and assist in the priorities that should be undertaken. What the government opposite has done in this bill, as it has done on the planning bill, is to retain control for themselves. So, Mr. Speaker, we have a bureaucratic centralism which is really contradictory to the philosophical basis on which the district health and social service concept was to be undertaken and so we have this basic contradiction and based on past performance we know what that will mean.

And as I suggested in the discussion of the speech on second reading, last year we dealt with a number of economic matters in which the government undertook new initiatives, some of which we challenged on the basis of the initiatives themselves, much of what we challenged was on the basis of the attempt on their part to control and to interfere and to direct. This year we have the session marked by a number of initiatives in the social development field and in the health field and we have the same basic concern. And it's been demonstrated, Mr. Speaker, not just by the bill itself and its wording and its drafting, it's been demonstrated realistically by the statements of the members opposite both here and in committee and on the public platform. And notwithstanding the fact that there is a posture of community participation and involvement, the fact is that that is not what is intended by the members opposite. The fact is what they intend to do is to make the decisions and to tell people what to do. And that essentially is what we are against, --(Interjection)--well, Mr. Chairman, the fact that the Minister of Health and Social Development can repeat or say from his chair, "that's what we say and we're wrong," does not, you know, diminish the actual wording or take away from the wording of the Act. There is nothing demonstrated in the wording, there is nothing demonstrated in any amendment that would suggest that what we say will be incorporated in this Act and that the kind of protection for the people that we believe should be undertaken would be there.

What we have, Mr. Speaker, and I again repeat it, is a form of guided democracy by the members opposite in the hope that they will have greater control, there will be greater centralization and in effect they will be able to essentially dictate what will take place in the areas. And while the members opposite will stand up and repeat over and over again that we at this point are dealing with this as a position in argument to them, --(Interjection)--Mr. Speaker, the members opposite may not want to hear that, but I must tell you, --(Interjection)--well I have to say, Mr. Speaker,

MR. SPEAKER: Order please.

MR. SPIVAK: I have to say, Mr. Speaker, to the members opposite that they're going to hear that for the next several years until there's a general election --(Interjection)--Yes,

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(MR. SPIVAK cont'd) . . . . we're going to repeat it over and over and over again and, Mr. Speaker, I must say,

MR. SPEAKER: Order please.

MR. SPIVAK: Mr. Speaker, I'm not worried about the repetition of it because the demonstration by the members opposite will clearly prove the statements that we've made insofar as they've handled those elements in the private sector already, it has proven conclusively that the kinds of statements we're making, and the kinds of predictions that we've been making are coming true, that in effect from their point of view they believe that their election has given them the right to essentially through legislation retain more and more control over what people will do in every phase of economic and social activity in the province. We believe, quite frankly, that that's not what the people of this province want, and the demonstration by them of their conduct and by their actions in the carrying out of the whole range of government activities has given us the opportunity for the repetition of the statement to be understood more and more. We suggest, Mr. Speaker, that if this was not the case that it would have been very easy to have amended this bill and very easy to incorporate in it the kinds of protection that we've suggested. The words of the Minister mean nothing. You know, they really mean nothing. His words mean nothing and, you know, this has been demonstrated in the past. It really means nothing the fact that he says that that won't happen. The truth is, Mr. Speaker, that the bill itself in its wording provides you know unlimited control insofar as the government is concerned, and to a large extent means the end of the private sector involvement, except in those cases in which the officials will be appointed by them and under terms and conditions to be set by them, and to be able to carry out a policy determined by them and to be able to deal with the financial matters as they themselves believe it should be done, and thus by doing this they in effect will essentially control the development in an area of initiative which we would normally not object to, and that is, you know, the concept of the single delivery unit system and the concept of which has really even evolved as a natural transition over the last period of time.

So, Mr. Speaker, we find with regret that we cannot support the bill; we cannot support this continual attempt on the part of the government to retain control and, Mr. Speaker, we do not accept the posturing and the rhetoric and the language that the bill means something else, because all we have to do is look at that wording and that wording provides only one conclusion: The members opposite want the ability to be able to control it as they see fit.

MR. SPEAKER: The Honourable Minister for Corrections.

HON. J.R. (BUD) BOYCE (Minister for Corrections and Rehabilitation) (Rupert's Land): Mr. Chairman, in commenting on my colleague's bill, it has some effect on those areas for which I accept some responsibility, and in listening to the Leader of the Opposition's remarks I must respond briefly.

In the budget debate he chided the government for not having control of transferred moneys. As pointed out by the Provincial Auditor I understand in Public Accounts and other documents that there is considerable amounts of Manitoba money going outside of government agencies to what the Leader of the Opposition would have people understand as being private agencies. And when he talks about control, he uses this word as if it was a dirty word, but yet he chides us for not having control in other areas. Mr. Speaker, when we talk about guided democracy, the important word there is democracy. We are elected to make judgments, and I personally have had over 102 so-called private groups petition us for funds which total over some thirty millions of dollars, and all these groups want us to do is to give them the money and they'll run their programs and they will decide. Well I'm sorry, Mr. Speaker, I can't function in that manner. We have to as elected officials make these judgments, and in many instances groups outside of government have done a good job, and will continue to do a good job, and once more in my judgment will continue to play an important part in our community services. But nevertheless, when people say that private agencies should be supported, they forget to mention that many of these groups are supported entirely by government funds, 100 percent funded by government funds. And I ask the question, that are they in fact, if they are fully funded truly private agencies?

In the field of alcoholism and drug addiction, there have over the years been a number of groups that have become involved in this community problem and many of them have done yeoman service for the community. But there is an indication across the country, that further

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(MR. BOYCE cont'd) . . . .funding will be made available for those groups which want to make a contribution, there are more and more of them coming out of the woodwork to ask for these funds. Some few months ago the Minister of Health in Ottawa announced that he would be making a contribution across Canada of some three millions of dollars to help the Native people. It wasn't two days subsequent to the announcement that four different groups came to us and said that they wanted to be the agency to be the recipient of these funds and to deliver the program. At this point in time judgments have not been made as to who or how these funds will be administered.

But, Mr. Speaker, when the Leader of the Opposition says that the opposition cannot support the bill because government is exercising some judgmental control in where tax dollars go, I find totally ludicrous.

MR. SPEAKER: The Honourable Member for Fort Rouge.

MR. LLOYD AXWORTHY (Fort Rouge): Mr. Speaker, on this debate on third reading, I think that the Leader of the Opposition stated a case in terms of what he charges set out as being two very distinct and opposing sets of principles or interest in this bill, and I think it's important that we state our reasons for supporting this bill, as we have in both second reading and in committee, because I think that in the original statement that we made on this bill we expressed many of the same concerns about the question of the delegation of authority to Ministers, and at the same time registered our concern about the role that would be played by the users of services and the voluntary agencies that would be somewhat affected, and perhaps even to some degree administered by the district health and social service units.

At the same time, Mr. Speaker, in that original address we did pose the problem of the real necessity and requirement in this day and age to find more effective ways of delivering health and social services, and it was becoming quite obvious that the systems that we had involved over the past 20 or 30 years were becoming quite outmoded and were no longer able to deliver a comprehensive range of services at a cost that would be within our pocketbooks, and that if we were to allow the system to continue under its present format, then we would simply be allowing ourselves to be spending an awful lot of money in getting a relatively ineffective service in many cases for it. So, Mr. Speaker, it's one of those difficult questions that are always posed in this House but there is no simplistic one sided clear cut approach that commends itself unilaterally or without question that there is oftentimes different sets of principles and they often run in conflict. So the question that we had posed to ourself was really what was the kind of side of the argument that seemed to make the most sense, and I think, Mr. Speaker, we would simply have to say that in the presentation made by the Minister and by the Minister of Urban Affairs, we put some faith in the assurances that they give. It's about as simple as that.

Not only do we say that but we think that there are certain measures in the bill that do provide some protection. Certainly the question of the permissiveness and the requirement that the municipalities themselves to have to opt in, that there is not any major act of coercion in it, they are all responsible adults, I assume, who are elected to positions, and they have certain choices about when they want to come in. Now there is this problem of course, and that is, that Provincial Governments and Federal Governments can use the power of the purse to provide some leverage, some heavy incentive, if you like, the carrot and stick, in order to perhaps compel some coming into this, but at the same time if a municipality objects strongly, and I think that the evidence produced I believe by the Minister that there are already thirty some odd municipalities that were prepared because they also saw the writing on the wall, that they just couldn't provide the level and quality of services that were required under the present system. And so it would seem to me, Mr. Speaker, that we, in this world of ambiguities, and oftentimes of half . . . no one can be sure as to what is exactly the clear-cut answer, and so we must be prepared at some point to take a certain leap forward and to try different approaches. I assume, Mr. Speaker, that - maybe it's a foolhardy assumption - that if the Act doesn't work the way it is supposed to, that some of us will be around to challenge it at that point, that the opposition will all of a sudden not come to an end - in fact I have certain hopes that it will be strengthened even further in about a week or ten days with the addition of the particularly high quality individuals that are offering themselves for service.

But on that basis I would assume that we would have a continuing opportunity to scrutinize the operation of this particular bill, and that we will be then able to determine whether in



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(MR. AXWORTHY cont'd) . . . . fact the question of whether it is oppressive and is excluding the role and activity of private agencies, will be able to be tested in some practical pragmatic way. So on that basis, Mr. Speaker, I simply want to say that we will once again support that bill because we feel that the weight of evidence, not just in this province but in other provinces, for moving towards a single unit delivery system and of trying to rationalize the forms of delivery and the forms of services, just make awfully good sense in this day and age. And that because there is a provision in the bill of opting in or out of the agreements of the municipalities, as well as the fact I think that there is some determination on the part of the government, at least publicly stated on the record of this House, that it is not their intention to submit these municipalities and organizations to any kind of coercion. Then if that is their statement, I think that we have to go on that statement. That's what is on the record and we have to trust in it. If that trust is broken, then we will soon enough find out, and we will certainly bring it to their attention, and it may be much more important to demonstrate to the people of Manitoba that they are not trustworthy by giving them the chance to show it, than it is simply to try to speculate beforehand that this is bound to happen.

So on that basis, Mr. Speaker, we are going to support the bill. The only concern that I do have still, is that aside from the participation of municipalities and some of the agencies, I still think that there is a principle that this government has obviously decided not to further any more, and that is the involvement of users of services. It was a principle that seemed to be underlined in the idea of the community clinics that was forward three or four years ago, and I personally thought it was a good idea. I thought that the users of services should have an opportunity at some point to help shape and determine the nature of the services. There isn't anything in the bill that indicates that that will happen. If there is some way that it is being thought about and prescribed as to how it may occur other than through the direct representation of the municipalities, then perhaps that particular concern would be warranted but on the basis of the statements made by the government and by the bill, we will support it in third reading.

MR. SPEAKER: The Honourable Minister for Urban Affairs.

MR. MILLER: Well, Mr. Speaker, I won't dwell too long, the Member for Fort Rouge has made a number of points which I think are important. However, I just wanted to say to the Leader of the Opposition that his remarks today didn't surprise me, basically it boils down to a question of confidence and trust. He takes the position that anything we do is wrong, anything he does is right, that this government and the people on this side of the House are not to be trusted, that in fact unless it's written out clearly and distinctly word by word, and according to his likes, he simply is going to go on record as opposing.

We now know how the thing will take shape in various parts of Manitoba. There are five existing districts. There are users, incidentally for the Member for Fort Rouge's benefit, there are users on those boards now, there are municipal representation, and of course there are people who are on the boards of hospitals and personal care homes. There's no attempt here and no desire whatsoever to discourage the average citizen from participating, as a matter of fact, we need him, we want him. As I indicated earlier, the people on the boards will be residents of that community. This is permissive legislation and no existing hospital board members or personal care home board members are going to apply for and request a district to be formed if in fact they feel they're going to be left out. It's obvious that they're not going to do it. That's one of the most obvious safeguards that there is right now. The department will simply be responding to requests for the formation of these districts.

The suggestion by the Leader of the Opposition is that we have financial control. Well for his benefit, financial control has always been there. The government has always been able to say no to the funding of a hospital or a personal care home, and in the case of other services which are now being provided through the department itself, the public health units, for example, or home care programs, well these of course are provincially delivered services now. It's the desire to turn those services over to a local district board made up of people from the community who as I said, when I spoke on this matter the first time, they know the services they'd like provided in their community, and with the moneys allocated to that community they can have a more flexible, a far more flexible system of delivery than exists at the present time.

As well, the people who benefit from these and who need these services will be able to

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(MR. MILLER cont'd) . . . deal with a very recognizable single unit delivery system which they can relate to, and which they can call upon, rather than the present system where there's one board for hospital, one board for personal care homes, and the Department of Health and Social Development for other services.

So I have to reject the Leader of the Opposition's comments. He has his fears, he has his mistrusts, I guess he's a very mistrustful fellow, and that's his business. If he feels that our word is not worth anything, well that's his opinion of our word, and maybe because he himself isn't comfortable about making promises unless he has to put them on paper, maybe that's the way he operates, I don't know. I know that he has to live with that himself. We certainly don't act that way on this side, and don't mean that. He says the words of the Minister mean nothing; I say they mean a lot, because I don't care how you word an Act if the Minister and the government of the day want to drag their feet, if they want to stifle something, I don't care what an Act says, they can stifle it. We have a desire to move into a new form of delivery system to rationalize what exists today, to make it more effective, to get a more cost effective program than we have been able to achieve up to now. It's happening right across the country, it's recognized by all and sundry as the only sensible way to move, and for that reason we propose to continue as we are and I guess the Leader of the Opposition as far as he's concerned only time will tell. I suggest to him that 12 months from now he can then judge perhaps better than he is judging today.

QUESTION put MOTION carried (On Division)

MR. JORGENSON: On Division.

MR. SPEAKER: Bill No. 52. The Honourable Minister of Consumer and Corporate Affairs.

BILL NO. 52 - DENTAL HEALTH SERVICES ACT

HON. IAN TURNBULL (Minister of Consumer, Corporate and Internal Services) (Osborne) presented Bill 52 for third reading.

MOTION presented.

MR. SPEAKER: The Honourable Member for St. James.

MR. GEORGE MINAKER (St. James): Thank you Mr. Speaker. The members of our party, as we've indicated in Law Amendments and in second debate, support the principles, the basic principles and objectives of this bill of better coverage of dental health services in our province and hopefully at a lower cost and in a most efficient manner. As is on the record, in Law Amendments we were very concerned about a particular section in the bill that would make this particular bill immune to the Dental Association Act, and at that time had fairly extensive debate and discussion with the Honourable Minister of Health and Social Development, and it is on record in the Law Amendments that the Minister has indicated that he has full intention of working closely with the Dental Association and the dentists of our province, that it is not an intention it's a fact that he will be working with the dentists to see that this plan is implemented in a most efficient manner. It is also our understanding from the facts the Minister stated that there is no intention to lower the level of the health service in terms of quality. That at the present time no specific plan of approach to achieving this objective has been detailed to a point that the government will not be working with the dentist either in a private plan or a public plan. And on this basis we on this side, the Progressive Conservative Party will be supporting the bill, and we are taking the Minister's facts as being authentic and will be looking forward, with interest, when the plan is implemented and we hope the principles and the objectives will be achieved for the people of Manitoba.

QUESTION put. MOTION carried.

BILL NO. 53 - DENTAL HEALTH WORKERS ACT

MR. SPEAKER: Bill No. 53, the Honourable Minister of Consumer Affairs.

MR. TURNBULL presented Bill No. 53 for third reading.

MOTION presented and carried

MR. SPEAKER: The Honourable House Leader.

MR. GREEN: Yes, Mr. Speaker, I would like to move to go into Committee of the Whole House if I can have . . . I move, seconded by the Attorney-General that Mr. Speaker do now leave the Chair and the House resolve itself into the Committee of the Whole to consider the following bill, Bill No. 16, the Metallic Minerals Royalty Act.

MOTION presented and carried, and the House resolved itself into a Committee of the Whole, with the Honourable Member for Logan in the Chair.

COMMITTEE OF THE WHOLE  
BILL NO. 16 - METALLIC MINERALS ROYALTY ACT

MR. GREEN: Mr. Chairman, I'm just waiting for the Legislative Counsel. They will be here momentarily. The Legislative Counsel is here now. I would want to, prior to distributing the amendments, Mr. Chairman, indicate what the main purport of the amendments will be.

In the House I indicated that the government had felt that there would be a change in the processing allowance procedure and an adjustment of 2-1/2 points, although that is not precise, on the rates that we would charge for the basic income. So the basic income was 12-1/2 percent and the processing allowance was eliminated. There were suggestions from the other side of the House and some from the industry, although they were not in many cases certain that they would prefer the processing allowance to the 2-1/2 points. And we indicated, Mr. Speaker, that although we did not consider the processing allowance to be a sensible form of allowance, that it was not germane to the bill, that without the processing allowance we would move one step closer to last year's bill, to Bill 82, and therefore we had no objection to dealing with it.

However, I want to make clear that although we have introduced amendments to deal with the processing allowance in a different way, by restoring it, although not entirely, we do not consider this to be the end of our review of the processing allowance. We are restoring the processing allowance, Mr. Speaker, by allowing the 8 percent, in perpetuity just as it's been, to a maximum of 50 percent of taxable income rather than 65, and eliminating the minimum of 15 percent which was allowed regardless of whether that amount was justified by the 8 percent figure or not. So, Mr. Chairman, for honourable members who are going to get these amendments distributed and who might be surprised at the length of them, may I say that the Bill as drafted required very few amendments, but because the processing allowance finds itself throughout the bill, in order to restore it, it required an exceeding number of amendments, therefore by far the greatest bulk of these amendments have to do with the processing allowance.

Now, Mr. Speaker, I say that because there's a tendency, and I am trying to forestall it, of people to say you have so many amendments it proves that the bill wasn't properly drafted in the first place. By and large the major share of the amendments have to do with restoration of the processing allowance, the elimination, Mr. Speaker, of areas that could be eliminated that further indicated that we don't wish to have a discretion where discretion is not necessary, and also we have put in a three-year filing provision with regard to the incremental tax only. So those amendments and there are other technical amendments are the major portion of the amendments and I would ask the Clerk to have the amendments distributed and then I will indicate, by the pages, as to just how they are related. As soon as the amendments are distributed I will be, Mr. Speaker, indicating what parts of them are required by the processing allowance.

INTRODUCTION OF GUESTS

MR. CHAIRMAN: I draw the attention of the honourable members to the gallery where we have 33 students of the Dunrae and Margaret School, Grades 5, 6 and 7, under the directions of the teachers Mr. Bray and Mrs. Somers. This school is located in the constituency of the Honourable Member for Souris-Killarney. On behalf of the Members of the Assembly I bid you welcome here this morning.

The Honourable Minister of Mines.

COMMITTEE OF THE WHOLE - BILL NO. 16 (Cont'd)

MR. GREEN: If the honourable members have the amendments; and want to follow them with me I will, in advance, indicate which are related to processing, or what they are generally related to before we get to the bills so that they will perhaps be forewarned.

## COMMITTEE OF THE WHOLE - BILL 16

(MR. GREEN cont'd)

The amendments on Pages 1, 2, 3, 4, 5 down to the end of -with the exception of the last one on Page 5 - deal with the definition section which largely is required to be amended in such extensive form because of the change reflected by the processing allowance. Now there are other changes involved but they could have been done by mere amendments had it not been that the extent of amendments necessary by the processing allowance figure, the Legislative Counsel felt that it would be much easier to read if a total amendment of the first section was drawn so that one wouldn't be referring back and forth. But the extent of the amendments on those pages is largely on account of processing. Members will continue, Page 7, 8(1) and 8(3) deal with processing. Page 8, 8(5) deals with processing. Page 9, (6), (7) and (9) deal with processing. Page 11, all deals with processing. Page 12, the section (13) deals with processing. Page 15, the entire page deals with processing. Page 16, the entire page deals with processing. Page 17 (30) deals with processing. Page 18, the entire page deals with processing.

Now having said that I want honourable members not to draw the conclusion that the only change reflects processing. There may be another change in there but the extent of the amendment I think, in large part, is because of the re-installation of the processing allowance.

Now if members will go back I will deal with those changes which tend to remove discretion. The honourable members were worried about directors' discretion and conclusive findings. The department have tried to put those things that were discretion into clear definition in the Act and they have also made it clear that any directors' discretion is subject to appeal. And the sections that deal with that are at the bottom of Page 5, number 1(2), 8(2). On Page 7, 8(4). On Page 8, 10(1) and 10(2). No. 10 on Page 13. 53(2) on Page 14.

I think from this point on, Mr. Chairman, I intend to deal with the amendments as we come to them. There are other amendments as I've indicated with regard to three-year averaging. There are some amendments that arise from things that have been said or technical changes that the department themselves have seen. But the reason that I felt that I should introduce it this way is to show you that the volume of the amendments have not got to do with the misconceptions in the drafting, but because there has been a substantial change as reflected by the debate.

Now I will proceed unless there's somebody who wishes to speak.

MR. CHAIRMAN: The Honourable Member for St. James.

MR. MINAKER: Mr. Chairman, I wonder if the Minister might consider giving the Opposition the opportunity to digest these amendments over the lunch hour and then proceed right after lunch. There are some 20 pages of amendments here which we were trying to scribble down as the Minister introduced the general areas that they covered, and I know myself personally I didn't get all of that copied down and I'm wondering if this might be a possibility.

MR. CHAIRMAN: The Honourable Minister.

MR. GREEN: Mr. Chairman, why can't we proceed and if there is an amendment that people wish to consider till the afternoon, do so. But I would like to get the bill moving and I will undertake that if we get to something that is particularly confusing we will just stand it and put it over till the afternoon. Okay?

Now I have to start, Mr. Speaker, with Section 1. There is an amendment, and it's a very lengthy one. It deals with the definition section. Perhaps it can be stood over till the afternoon since it is a lengthy amendment and I don't want to read it into the record. I don't want to read it into the record, I'd like to be able to have it amended as presented. That the honourable members could go over Section 1. It is the definition section and it possibly can be dealt with in the afternoon.

MR. CHAIRMAN: The Honourable Member for St. James.

MR. MINAKER: Mr. Chairman, through you to the Minister. Is he suggesting that we do not deal with Section 1 at all at this time which relates to all definitions, or just the amendments to the definitions?

MR. CHAIRMAN: The Honourable Minister of Mines.

MR. GREEN: I am suggesting that we leave the first one over till this afternoon since it is a very lengthy one. That's right, and start with No. 2. If we have to relate back to No. 1 it will come up. But I'm prepared to start with the second one, Section 2 in other words.

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MR. CHAIRMAN: The Honourable Member for St. James.

MR. MINAKER: Mr. Chairman, this would be satisfactory as long as it's understood that we can deal with other questions that we have relating to No. 1 that won't necessarily pertain to any of the amendments, that we will be going back to debate though at that section.

MR. CHAIRMAN: Is that agreed? Section 2 - pass; Section 3 - pass; Section 4 . . .

MR. GREEN: Mr. Chairman, I have an amendment with regard to Section 4. And I wish to move that the Section 7 of the bill be struck out (excuse me, sorry)

Section 4 of Bill 16 be amended by numbering the present section as Subsection 1 and by adding thereto at the end thereof the following subsections:

"Where assets partly inside and partly outside the province. Where the mine of a mineral processing establishment is situated partly within and partly outside the province, the whole of the mine and all of the assets of the operator of the mineral processing establishment, whether within or outside the province,

(a) that are used and operated by the operator in connection with the mine;

(b) that are situated close to the mine and within 10 miles of the boundary of the province; and

(c) that, if they were situated within Manitoba would be depreciable assets of the operator; shall for the purposes of subsection (1) and section 5, and for the purposes of calculation under Formulas 3 and 4 set out in the Schedule hereto, be conclusively deemed to be a depreciable assets of the operator."

Now, Mr. Chairman, this is necessary and it was really our oversight because Hudson Bay Mining and Smelting Compny would not be able to include all their assets in the investment base or all that they would be entitled to in the investment base without this amendment.

MR. CHAIRMAN: Section 4 as amended - pass; 5 - pass; 6 - pass; 7 - The Honourable Minister.

MR. GREEN: Under the amendments to Section 7. I move that Section 7 of Bill 16 be struck out and the following section substituted therefor:

"Profit base for a mine partly in and partly outside Manitoba. 7. Where the mine of a mineral processing establishment is partly within and partly outside the province and the mine is operated by the operator in connection with assets that are partly within and partly outside the province, the profit base of the operator of the mineral processing establishment for a fiscal year shall be calculated in accordance with Formula 6 set out in the Schedule hereto."

This is for the same purpose as what I read previously. It has to do specifically with Hudson Bay Mining in Flin Flon and enables them to have the benefit of that asset in determining their profit base.

MR. CHAIRMAN: Section 7 as amended - pass; Section 8(1) - The Honourable Minister.

MR. GREEN: Mr. Chairman, I have an amendment. That Section 3 of Bill 16 be struck out and the following section is substituted therefor:

"Additions to mining and service assets. 8(1). For the purposes of calculating a depreciation factor of an operator for a fiscal year or an investment base of an operator for a fiscal year, all expenditures of mining and service assets made prior to the time the mining and service assets of the operator come into production or use shall not be deemed to have been made in the year in which the mining and service assets come into production but in the year in which the expenditure was actually made."

This is similar, Mr. Speaker, to what the Act now says, except that for a purpose of calculating the investment base the processing assets are now excluded. This is to exclude the processing assets because if they have the allowance then they're not included in the investment base.

MR. CHAIRMAN: Section 8(1) - The Honourable Member for St. James.

MR. MINAKER: Yes Mr. Chairman, through you to the Minister. It is not quite clear at this point whether the mining company has an option either to take the calculation based on the processing assets or just on an overall investment base and using the 12-1/2 percent versus the 15. I'm wondering, is this option open and if so how would this interfere with the investment base, or is it now understood that there will be a processing formula and there will be another formula for incremental tax purposes, or royalties?

MR. CHAIRMAN: The Honourable Minister.

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MR. GREEN: There is no option. The honourable member is quite right to ask the question. We are taking out the processing facilities. We're taking out the processing assets out of the investment base. We're going to go to 15 percent on the rate, and they are entitled to the processing allowance that they used to have except that it's 8 percent in perpetuity, you know, or until the Legislature changes it, and up to 50 percent of the taxable income rather than 65, and with the 15 percent eliminated. But there's no option. It is not one way or the other way. We have changed the Act to reflect this situation. Now I explained when I debated this in the House that we think that there might be an advantage the other way, and that the mining companies never really figured it out, and many of them explained they never figured it too well. But what is certain, or what is virtually certain is that in a bad year the processing allowance helps them more than the 2-1/2 percent, because if it goes to 50 percent of the taxable income, in a bad year the taxable income can be made relatively - that allowance can do them more good than having a higher investment base. So for poorer years or for marginal conditions such as I think was described by the member for Brandon West, the processing allowance is an advantage. If we look into this processing thing more, which we intend to do, and are able to show them that they're better off having an investment base as a better incentive, which I was saying when I introduced the bill, then we will deal with it. But this takes us closer to Bill 82 which they apparently want.

MR. MINAKER: Yes, Mr. Chairman, further explanation. Taking the coming tax year as year one. If a mine chooses that it does not want to declare any processing allowance and to take the formula that's 12-1/2 percent and 35, and to put all of its investment assets into the investment base based on that formula, does the mining company have that choice?

Secondly, if they do not have the choice and they are not a processor - and I do not know if there is such a condition where there is a mine that is simply taking the ore from the ground and not refining it - in the case of such a mine, how will they be covered in terms of the type of formula they will apply to their earnings and the investment base; secondly, if this mine expands and gets into the processing field, what will happen in that case where he changes over?

MR. GREEN: Mr. Chairman, there is no choice. We are now giving a processing allowance such as used to be given, which members on the - I again feel like a dog chasing my tail. I'm prepared to eliminate all these amendments and go back to the 12-1/2 percent, but there was some indication that this is a terrible thing and therefore we've eliminated it. We've gone back to the 15 percent and including - now you can't have it both ways. There is no option. It is 15 percent; your processing assets are excluded from the determination, and the mine that has no processing assets will by virtue of that pay 15 percent where they would have paid 12-1/2 percent, but there are very few, it is almost non-existent for a mine to be mining without any processing assets at all. There is some small facilities of that kind, that they will pay 15 percent on their basic income instead of 12-1/2. But there is no option, they cannot choose, and in this taxation year or when the Act is applicable, they will pay 15 percent on their basic income as per . . . on the first 18 percent income as determined by their investment base.

MR. MINAKER: Mr. Chairman, my next question relating to this same topic to the Minister is, if there is a mine who is getting another mine to refine its product and is being charged a cost and the mine sells the refined product on the open market, will they be able to deduct the processing costs when they apply this 15 percent formula? Also, will it also be based on the 8 percent? How will they base the 8 percent, or will the governing factor then become 50 percent of your income?

MR. GREEN: Mr. Chairman, the question is somewhat difficult, and I'm going to answer it as I believe it to be the case. That every mine will be in an equal position with regard to processing. Therefore if processing is an expense of that mine that you are talking about, it will be deducted from income as an expense and they will not pay a tax on it. And the other mines, if their processing allowance permits them the same expense, will be in the same position, that every mine will be in the same position vis-a-vis processing with regard to the termination of their profit upon which the tax is levied.

MR. MINAKER: Thank you, Mr. Chairman. A mine in this situation, the processing cost of refinement, will it be unlimited? In other words they can charge their full cost to their operating expenditures and deduct it to arrive at their net income. And also I was wondering if the Minister would advise us what, and if he has had discussions with the industry

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(MR. MINAKER cont'd) . . . in regard to this amendment where they will have to pay the 15 percent. The final question relating to this, would the Minister advise how the assets will be valued with regards to processing, in other words, how they will establish what portion of the Mine site and buildings, etc., would be related to the assets, how these will be determined, will they be independently determined by the government or in conjunction with the industry?

MR. GREEN: Well, Mr. Chairman, I believe that that has been happening all along because the processing facilities have been determined from the point of view of getting the 8 percent. They are not independently established, they are assessed, but the assessment is always subject to appeal. With regard to the amount of expenses that one is allowed for processing, one is entitled to deduct their business expenses from their profits for the purpose of determining their income for the purpose of paying tax.

But have I discussed it with the industry? I told you I have difficulty sometimes determining exactly what is wanted. I did discuss it with the industry; they came in. At the beginning, when we discussed this earlier, it appeared that they thought that that processing, that 2-1/2 percent was better than processing, or that there should be the assets included in their investment base and eliminate the processing allowance. Now I don't want to be unfair to them. I never had that exact discussion but when our staff went around and discussed various proposals, it appeared that this kind of thing would be acceptable. When we introduced the Act, they put in a brief saying that we have not allowed them the processing allowance. And some of them have said that the processing allowance is more valuable to them than the 2-1/2 points. I have asked, "Did you figure it out"? The first answers I got back were that they didn't; some have since figured it out and believe that on balance that the processing allowance is better to them than the 2-1/2 points. But I'm not going to be guided solely by what the industry says. The processing allowance, as far as I'm concerned, confuses the bill at the present time. I'm not taking it out because it'll do them good or bad. I'm taking it out because members of the opposition said, what's happened with processing? Let's forget processing. Let's go to the basic of the bill. And we will deal with the processing question in the future, and if we can make a logical conclusion of it, fine, but at present we want to go back as close as we can to Bill 82, which people have said we have withdrawn, and Bill 82 did not deal with processing. So we will go to the bill, based on as little change as possible in what we have been doing up until now except the establishment of the investment base, the basic tax and the incremental tax, and we'll deal with processing in the future.

MR. MINAKER: Mr. Chairman, I wonder if the Minister could advise what companies are in the situation where they do not do any processing and will be hit with the 15 percent incremental tax, or the basic tax rather than 12-1/2, because we're concerned, you know, whether it will put these companies under - it almost is the reverse to the basic thinking of the government that the small man is going to be hit the hardest if he has not the facilities to provide the processing, or he has a small investment, that he will be hit with even a harder burden of 15 percent. So I wonder, with the interest in mind of whether or not these companies might be put out of business on this effect, or whether he has discussed with these particular companies the effect that it will have on them, because obviously the discussion has taken place with the Hudson Bay Mining Company; because of the situation of their particular separation from province to province there has been amendments come through on that particular portion. For this reason we'd like him to advise us what mines will be hit with the 15 percent because they do not have any processing facilities and will not be able to necessarily add any of the assets and take advantage of the bigger mines.

MR. GREEN: The only one that readily comes to mind is Dumbarton Mines. I'm getting nods up and down. I don't know whether the 15 percent that they will pay will be higher than the 23 percent that we are eliminating. I can't really answer that. But I don't think that they are going to be put out of business because of the 2-1/2 percent. And it may be, although I couldn't swear to this, I'm looking upstairs to see if I can get a nod, it may be that the 15 percent will be less to them than the existing 23. I'm getting this. But I'm certain that that is not going to be the margin by which they stay in business or not because don't forget it's still on profit. If they don't have profit they will not take 15 or 12-1/2. I rather suspect that they want to pay a tax because they want to make a profit.

INTRODUCTION OF GUESTS

MR. CHAIRMAN: Before we proceed I'd like to draw the attention of the honourable members to the gallery where we have 60 students of Grade 5 standing of the Southwood School under the direction of Mr. Wiebe and Mrs. Beckett. The school is located in the constituency of the Honourable Member for La Verendrye. On behalf of all the members of the Assembly I bid you welcome here this morning.

COMMITTEE OF THE WHOLE - BILL 16 (cont'd)

MR. CHAIRMAN: The Honourable Member for St. James.

MR. MINAKER: Thank you, Mr. Chairman. Another question relating to the processing assets in allowances. The Minister in introducing the amendments indicated there would be a 3 year cyclic carry-over relating to the basic tax. Will this as well apply to the processing allowance if there is a non-profit year, and then next year and so forth? Does the same principle apply to this deduction that it can be accumulated as it does to the profit?

MR. CHAIRMAN: The Honourable Minister of Mines.

MR. GREEN: Mr. Chairman, the processing allowance is the same as it was, with the exceptions that I have mentioned. It was not an accumulative allowance, it was not something that you could carry from year to the next. But the processing allowance is only a factor in determining what your taxes are and that factor becomes a 3 year calculation, and how much taxes you pay become a 3 year calculation on the incremental tax. So in that way I suppose it would be a factor because ultimately your taxes are paid after your processing allowance is deducted.

MR. MINAKER: If I understand the Minister correct, then you will only be able to apply the allowance each year, from year to year, and that there will be no accumulation on that specific calculation in your profit calculation?

MR. GREEN: That is my understanding, Mr. Chairman.

MR. CHAIRMAN: 8(1) - Passed; 8(2) -

MR. GREEN: Well just a minute. Is that an amendment?

MR. CHAIRMAN: This is all part of the same amendment.

MR. GREEN: Yes, but did I read it out?

MR. CHAIRMAN: No.

MR. GREEN: No. Well, Mr. Chairman, this is part of the amendment. I'm sorry that I didn't read it out. I have to go down to 8(3) and 8(4), I gather and 8(5). Perhaps I'll read them one at a time. Is that acceptable?

"8(2) Non-arms length disposal of depreciable assets. Where an operator sells or disposes of a depreciable asset to a person with whom he is not dealing at arms length, the price received for the sale or disposal of the asset shall, for all purposes under this Act, be conclusively deemed to be the book value of that asset as shown in the books of the operator."

This, Mr. Chairman - I'm sorry the Member for Birtle-Russell isn't here - this eliminates a discretion and puts the formula in the Act.

MR. CHAIRMAN: 8(2) as amended - passed; 8(3) The Honourable Minister.

MR. GREEN: . . . answer is that the Dumbarton Mine in any event is a mine in which the reserves are limited for a very short period of time from now, and they are requesting accelerated depreciation on their particular operations so I don't think that this will affect them.

"8(3) Where an operator acquires a depreciable asset from a person with whom he is not dealing at arms length, the price paid for the acquisition of the asset shall, for all purposes under this Act be conclusively deemed to be the book value of that asset as shown in the books of the person from whom the asset was acquired, and for the purpose of calculating an allowance for processing under subsection 15(2) that price shall be conclusively deemed to be the original cost of the asset."

Now this again, Mr. Speaker, is necessary to remove the discretion as it relates to processing.

MR. CHAIRMAN: 8(3) as amended - passed; 8(4) The Honourable Minister.

MR. GREEN: "8(4) Where an operator removes from Manitoba a depreciable asset, and does not sell or dispose of it, the depreciable asset shall be conclusively deemed to have been sold by the operator at the book value of that asset."

This removes a discretion.

MR. CHAIRMAN: 8(4) The Honourable Member for St. James.



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MR. MINAKER: Mr. Chairman, I don't know whether this is under the proper section to ask the question. but I'm wondering in the instance of this amendment, would there ever be a re-assessment, and when would that take place?

MR. GREEN: There are sections in the Act which deal with re-assessment, applications for re-assessment, disputes - we'll get to that in the general part of the Act - oh yes, and any one of the steps can be appealed to a court ultimately to establish the assessment.

MR. CHAIRMAN: 8(4) as amended - passed; 8(5)

MR. GREEN: "3(5) Bringing depreciable asset into Manitoba: Where an operator brings into Manitoba a depreciable asset that has been previously used by the operator outside Manitoba or that has been previously removed by the operator from Manitoba, the depreciable asset shall be conclusively deemed to have been purchased by the operator at the book value of that asset, and for the purpose of calculating an allowance for processing under subsection 15(2), that price shall be conclusively deemed to be the original cost of the asset."

Now again, Mr. Speaker, that is to remove a discretion and substitute a formula of book value.

MR. CHAIRMAN: 8(5) as amended - passed; 9 - passed; 10 - The Honourable Minister of Mines.

MR. GREEN: Yes, with regard to 10. That section 10 of the bill be struck out and the following section substituted therefor:

"Non-arms length sales: 10(1) Where an operator sells output of a mineral processing establishment to a person with whom he is not dealing at arms-length, the director may fix as the price therefor an amount based on the price thereof at the posted Canadian price for the output of that kind as of the date on which the output was delivered to the person, or where there is no posted Canadian price of output for that kind, the price that would be paid as of that date for output of that class by a buyer who was dealing at arms-length with the operator and to whom the operator did not give any special advantage over other buyers, and the amount when so fixed shall, subject to sections 37 and 38, be conclusively deemed to be the sale price for determining the revenue of the operator, and the director shall notify the operator of the amount so fixed."

Let me say that 37 and 38 - the Member for St. James will want to get this - that sections 37 and 38 are the sections which permit of the appeal, so when we say conclusively deemed, it is subject to 37 and 38. That again is to remove a discretion.

"10(2) Where an operator charges a fee to a person with whom he is not dealing at arms-length for processing, the director may fix an amount based on the fee that would be paid for the processing by a person who is dealing at arms-length with the operator and to whom the operator did not give any special advantage over other persons seeking such processing, and the amount, when so fixed, shall, subject to sections 37 and 38, be conclusively deemed to be the fee for the processing for determining the revenue of the operator, and the director shall notify the operator of the amount so fixed."

Again, these are now putting the formula by which the director is supposed to act and making it quite clear that it is subject to appeal.

MR. CHAIRMAN: 10(1) as amended - passed; 10(2) The Honourable Minister.

MR. GREEN: Mr. Chairman, I'm now sort of out loud going to do some thinking. Going back to 8(5), and the Legislative Counsel is here. For the purpose of calculating an allowance for processing under subsection 15, that price shall be conclusively deemed to be the original cost of the asset, why is that not subject to 37 and 38? --(Interjection)-- Oh. That is apparently by their own records rather than our director fixing it and therefore it is the conclusive figure that we're dealing with. Have we dealt with 10(1) and 10(2)?

MR. CHAIRMAN: 10(1) we've passed; 10(2) Have you moved 10(2)?

MR. GREEN: Yes.

MR. CHAIRMAN: 10(2) as amended - passed; Section 11.

MR. GREEN: Mr. Chairman.

"That Section 11 of Bill 16 be amended by adding thereto, immediately before the word 'processing' where it appears in the 1st line, and again in the 3rd line thereof, in each case, the words 'mining or', and that's mining or, not ore but or - and that is to reflect the processing allowance.

MR. CHAIRMAN: Section 11 as amended - passed.

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MR. GREEN: Section 12, Mr. Chairman.

"That section 12 of Bill 16 be amended

(a) by striking out the word 'may' in the 1st line thereof and substituting therefor the word 'shall'; and

(b) by adding thereto, immediately before the word 'processing' in the 3rd line thereof, the word 'mining'.

(a) is a technical change and (b) is required because of the processing.

MR. CHAIRMAN: Section 12 as amended - passed. The Honourable Member for St. James.

MR. MINAKER: Yes, Mr. Chairman, I'd like to raise a question relating to 12 (g) in the annual depreciation allowance which shall not exceed 20 percent of the undepreciated balance and shall be not less than 10 percent. I'm wondering if the --(Interjection)-- I'm sorry.

MR. CHAIRMAN: Perhaps I'm in error. This is the paragraph preceding the sections (a) in the clause there. The clause as amended - passed; (a) - passed (b) - passed; (c) - passed; (d) - passed; (e) - passed; (f) - passed. The Honourable Minister.

MR. GREEN: Mr. Chairman, with regard to (g)

"That 12(g) be struck out and the following clause substituted therefor:

(g) an annual depreciation allowance calculated at a single rate for all depreciable assets, which shall not exceed 20 percent of the undepreciated balance of the depreciable assets of the operator as of the end of the fiscal year for which profit is being calculated and shall not be less than the lesser of

(i) 10 percent of the undepreciated balance of the depreciable assets of the operator as of the end of that fiscal year, or

(ii) the amount of profit of the operator before the deduction of any depreciation"

This is intended not to require him to depreciate himself into a loss position. Let's take somebody who has a profit before depreciation of \$100,000 and the mine worth \$200,000 and we say that we're going to depreciate him by \$200,000, which means that he will show a loss if he takes the depreciation off his profit before depreciation. We will require him to take not more than the amount of his profit so that he will not depreciate himself into a loss position, and therefore his investment base will not go below that which would have established that loss position in that year. So it is an advantage to the companies. It is an advantage to the companies in that it doesn't require 10 percent if that depreciates them in a loss position. It seems fair too.

MR. CHAIRMAN: (g) sub(1) - passed; sub(ii) - passed; (g) - passed as amended. H(1) - passed; (2) - passed; (3) - passed; H - passed. I - pass. The Honourable Minister.

MR. GREEN: Mr. Chairman, "That clause 12(j) of the bill be amended by adding thereto, immediately before the word 'processing' in the 1st and 2nd lines thereof, the word 'mining.'"

This is a change reflecting processing.

MR. CHAIRMAN: (j) as amended - passed; 12 - passed; 13 -

MR. GREEN: Mr. Chairman, this again, I'll move that 13 be struck out and the following section substituted therefor:

"Where an operator incurs an expense or pays a fee to obtain or acquire any goods, material, property or service, and the expense or fee was paid or is payable to a person with whom the operator was not dealing at arms-length, the director may fix an amount based on the actual costs incurred by that person not including any profit, gain or commission to that person or to any other party with whom that person or the operator is not dealing at arms-length, and the amount, when so fixed, shall, subject to sections 37 and 38, be conclusively deemed to be the expense or fee paid or payable for the goods, material, property or service for determining expenses, payments and allowances of the operator, and the director shall notify the operator of the amount so fixed."

That substitutes a discretion for a formula and makes it abundantly clear that it is still subject to appeal. The Member for Birtle-Russell can feel he has made some contribution to the amendment.

MR. CHAIRMAN: 13 as amended - passed; 14. The Honourable Minister.

MR. GREEN: Mr. Chairman, "That section 14 of Bill 16 be amended by striking out the figures '40' in the 2nd last line thereof and substituting the figures '60'."

This section entitles the Minister to give a higher depreciation at his discretion when it

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(MR. GREEN cont'd) . . . is deemed fair for the purpose of the mine. It is now limited to 40 percent; we are asking that it be increased to 60 percent because there are instances where this type of thing appears to be necessary to assist a mine that is on its way out, as the honourable Member said, and this enables a depreciation rate of 60 percent.

MR. CHAIRMAN: 14 as amended - passed; Section 15. The Honourable Minister.

MR. GREEN: 15, Mr. Speaker. "That section 15 be struck out and the following substituted: Adjustment of expenses for processing outside of Manitoba.

Where the milling, smelting, refining or other beneficiating of any mineral or mineral product mined by the operator in Manitoba is done outside Manitoba by the operator in a fiscal year, the director shall determine whether all or part of the deductions mentioned in Section 12 shall be allowed in that fiscal year in respect of those minerals and mineral products."

This is required for processing. It is similar to the first portion of the old section of Bill 15. But it is required for the processing allowance.

MR. CHAIRMAN: 15(1) as amended - passed. 15(2) The Honourable Minister.

MR. GREEN: These are both required for the processing allowance. The first one allows to grant a processing allowance for processing assets in Manitoba with a limit of 50 percent. The second is similar to the - is a processing allowance for out of province processing.

15(2) Move that it be amended,

"Processing allowance for in-province processing: Where the processing of any mineral or mineral product mined in Manitoba from a mineral processing establishment is done in Manitoba by the operator in a fiscal year, the director may approve for the fiscal year in respect of those mineral products an allowance for processing by way of return on capital employed by the operator not exceeding the lesser of:

(a) an amount being the total of the amounts calculated in accordance with Formula 8.1 set out in the Schedule hereto for each stage of the processing; or

(b) 50 percent of the profit of the operator in the fiscal year prior to the allowance of any amount under this subsection, but after the deduction of all expenses, payments and allowances deductible under Section 12."

So this is the processing allowance.

"15(3) Processing allowance for out of province processing. Where the processing of any mineral or mineral bearing product mined in Manitoba from a mineral processing establishment is done outside of Manitoba by the operator in a fiscal year, the director may approve for the fiscal year in respect of those mineral products an allowance for processing by way of return on capital employed by the operator not exceeding an amount calculated in accordance with Formula 8 set out in the Schedule hereto.

That's also the processing allowance.

MR. CHAIRMAN: (Remainder of Section 15 and Section 16 were read and passed)  
17 - The Honourable Minister.

MR. GREEN: Yes. This again relates to processing allowance.

"That section 17 of Bill 16 be amended by adding thereto, immediately before the word 'processing' in the 1st line thereof, the words 'mining or processing'."

MR. CHAIRMAN: 17 as amended. The Honourable Member for St. James.

MR. MINAKER: Mr. Chairman, because of the circumstances we're going through here, I wonder if the Chairman might give consideration to a question being raised on Section 16. My apologies . . .

MR. CHAIRMAN: 16, right.

MR. MINAKER: . . . we were trying to keep up with amendments on amendments which occurred, I think, in one of the other sections.

Anyway, it's with regard to deducting interest on loans. Will this be allowed? I wonder if the Minister can particularly - I guess it would come under 16(d) - just a minute here, (b) it would be - whether they will be allowed to use the interest on borrowing for purchases.

MR. GREEN: Mr. Chairman, first of all my understanding is that it is not now presently allowed. That this is the same as it is in the present Act (I'm getting nods).

Secondly, when you allow the investment base to the company, you are giving them credit for a total investment and therefore, you cannot give them an allowance for interest because that gives them a double allowance. If you say that they have borrowed this money for the

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(MR. GREEN cont'd) . . . purposes of investment, then they haven't invested it. You would have to deduct it from their investment base in order to really reflect a return on it. So we regard the capital on which the investment base is calculated as to be everything that's in there, and you're entitled to 18 percent on that, therefore you cannot deduct interest.

MR. CHAIRMAN: 17 as amended-passed; 18 - The Honourable Minister.

MR. GREEN: Yes, Mr. Chairman.

"That Section 18 be struck out and the following section substituted therefor.

Calculation of royalty in first two years of adjustment period.

18(1) Every operator of a mineral processing establishment in Manitoba shall, for each of the first 2 fiscal years in each royalty adjustment period in which he has a profit, pay to the Minister for the public use of the government a royalty calculated in accordance with Formula 9 of the Schedule hereto.

"Calculation in 3rd year of adjustment period.

"18(2) Every operator of a mineral processing establishment in Manitoba shall, for the 3rd fiscal year in each royalty adjustment period pay to the Minister for the public use of the government a royalty calculated in accordance with Formula 10 as set out in the Schedule hereto."

This section enables them to average out (I don't like that phrase) enable them to file a three-year return in which the incremental royalty is payable on the basis of a three-year experience, not a one-year experience.

MR. CHAIRMAN: 18(1) - The Honourable Member for St. James.

MR. MINAKER: Yes, just for further clarification for the record. It's my understanding that if we assume that the coming year will be the year when we go into this operation, will the mines not have the opportunity to make use of this until three years down the road and then after the three year cycle they will start fresh again in this carry over. So in the next two years they will not be able to utilize any carry over other than the year prior and then up to a total of three years, then they will start fresh again?

MR. GREEN: I think that the member's assumption, if I understood him correctly, is accurate. May I try to reframe his and member's perspective so that maybe it is better understood. If the Act came into force in 1975 and if it was for a year everybody would understand that, that they file their return on the basis of a year and they pay their tax or they don't as the case may be. Just change that to 36 months. Forget that there is a 12-month calendar year. There's a 36-month calendar year, and therefore every 36 months they calculate that income. But you can't carry from a previous 36-month period or a 12-month period or a 6-month period and you can't take anything from this 36-month period into the next year. We have made a 36-month tax period rather than a 12-month tax period. So it's not a carry forward at all.

MR. MINAKER: But, Mr. Chairman, through you to the Minister, there will be an annual payment of tax. It won't be paid every three years?

MR. GREEN: I compare that to the . . . Well, I guess we in business, we were supposed to pay tax every three months. Was it quarterly payments? Haven't done it for a long time so I can't remember. Now it's deducted from my cheque the same way it is from the honourable members. But the fact that you pay every three months or quarterly, or three payments, doesn't mean that you are not basing it ultimately on the 12-month period. And the fact that you pay every year does not mean that ultimately it is not a three-year return. And that is really what we're doing, we're making it into a three-year return.

MR. CHAIRMAN: (Sections 18 and 19 were read and passed.) Section 20, --(Interjection)-- I think we can get down to (4) before . . .

MR. GREEN: Right, okay. Well I am going to indicate an amendment that might save some discussion. Section 20 be amended, Mr. Chairman, by adding the following subsections:

"Transportation costs. 20(5) Where the Minister elects to accept royalty in kind under this section and designates a location for delivery of the output that is elsewhere than the location at which the processing, which is required to bring the output to the refined form in which it is to be delivered, is completed, the costs of transportation from the location at which the processing is completed to the location designated for delivery shall be borne by the government."

I think that it's the Member for St. James or Birtle-Russell, or both, who wanted this

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(MR. GREEN cont'd) . . . in here, so they will also have made a contribution to the amendment.

"Value of royalty in kind treated as income. 20(6) Where the Minister elects to accept royalty in kind under this section, the value of the quantity of output delivered in lieu of paying the royalty, shall be included as revenue of the operator in the year in which the output is delivered."

This is merely to make sure that because it's delivered does not mean that it hasn't been concluded and part of the revenue.

MR. MINAKER: Mr. Chairman, in the technical meeting that we held with the Minister and his staff, we were of the impression from the Minister that the government was not intending to take tax and royalty in kind but it was included in there to cover future requirements, etc. or policies. Yet it now appears it is a serious consideration the way that they are dealing with it in Section 26. I would presume that that is installed in there to make sure that the Federal Government will be able to get its proportion of the tax and that it has to be included in the revenue of the mine. I wonder if the Minister might comment on that. Has his department changed its attitude from what he described at the recent technical meeting?

MR. GREEN: Mr. Chairman, I indicated that the royalty in kind was intended to protect the integrity of the legislation. I have not now any indication as to when or if this may be used. I am not intending to use it and I am not intending either to say anything about the Act which will hurt the integrity of the legislation. I believe that this is put in to protect our income, not the Federal Government's income. I believe that without it there might be some suggestion that that concentrate having been delivered, it wasn't earned by the mine in the year in which it was produced. I mean it's just like money being paid to the government and then a company saying, "well we never got that money, we gave it to you." This has got to be included as part of their revenue. That's the only reason.

MR. CHAIRMAN: (Sections 20, 21, 22(1) and (2) were read and passed.) The Honourable Minister of Mines, I believe you have an amendment.

MR. GREEN: Mr. Chairman, that 22 be amended by adding the following subsection:

"Interest on refunds 22(3) Where the Minister refunds under this Act any amount that has been paid as royalty or interest by reason of an assessment or the amount of an assessment being reduced on appeal, he shall add to the amount of the refund interest at one-half the rate fixed or prescribed under subsection (1) for the period from the day the amount being refunded was paid by the operator to the day on which the refund is made."

This means we will pay interest on over collections.

MR. CHAIRMAN: (Sections 22(3), 23 and 24(1) were read and passed.) 24(2) The Honourable Minister of Mines.

MR. GREEN: That subsection 24(2) of the bill be amended by striking out the words "stated on the receipt" in the 3rd and 4th lines thereof and substituting therefor the words "received by the Minister."

What the Act said is that they would get credit only for what is stated on the receipt, and there was some suggestion that if we state on the receipt that we received nothing that that's all they get. So we put "received by the Minister" so that there's no doubt about it.

MR. CHAIRMAN: (The remainder of Section 24 and Sections 25 and 26 were read and passed.) 27(1) - pass?

A MEMBER: Page by page.

MR. CHAIRMAN: Is page by page agreeable? (Agreed) (Pages 12 to 17 were read and passed) Page 18, I believe there is an amendment.

MR. GREEN: Mr. Chairman, Page 18, 38(1): That subsection 38(1) of Bill 16 be amended by striking out the words "the estimate or" in the last line thereof. And this is a minor technical change, Mr. Chairman. If members will look at it, the section will then read: "The onus shall be on the person to disprove the assessment" rather than "the estimate or the assessment."

MR. CHAIRMAN: 38(1) as amended - passed. (The remainder of Page 18 was read and passed.) Page 19, there is an amendment.

MR. GREEN: There is an amendment on 19. 39(2), Mr. Chairman. Put 39(2) for pass. Section by section.

MR. CHAIRMAN: 39(2) - passed; section 40 - passed. On which section?

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MR. MINAKER: Oh, I'll yield to the Minister. I was dealing . . . Mr. Chairman, I had a question relating to Section 40. I don't believe there's any amendments to Section 40. My question relates to the evasion of royalty, and I believe the way the clause is worded at the present time that it implies that if there is an honest error made that the person is guilty. And I'm wondering if it shouldn't be considered that the word be there "willful" evasion it is found that they be guilty.

MR. GREEN: Mr. Chairman, I wonder if the honourable member would move that word "willfully" - this doesn't affect the revenues, does it? Well, Mr. Chairman, just so that there is no doubt, I would move that the word "willfully" - "Every operator who" - and then that the word "willfully" follow the word "who" in Section 40. Now having said that, Mr. Chairman, the Legislative Counsel - and I want to protect his position - assures me that an attempt implies a willful attempt, that you have to have mens rea, and that he is drafting it was not intending that it should be otherwise than that. But he has to deal with laymen such as you and I, and he does not mind the word "willfully" going in, but he doesn't want it to be attributed to him that he suggests that anybody should be in this position who didn't willfully do that. But he will put the word "willfully" in.

MR. CHAIRMAN: In the first line after the words "operator who" . . .

MR. GREEN: Willfully attempt, "who willfully attempts".

MR. CHAIRMAN: Section 40, as amended - passed.

MR. GREEN: 41, Mr. Chairman. That subsection 41(1) of Bill 16 be amended by striking out the words "the mineral processing establishment" in the 2nd line thereof and substituting the words "a mine."

This, I gather, deals with the processing - a technical change anyhow. It just changes it to "mine" rather than "mineral processing".

MR. CHAIRMAN: Clause 41 (1), as amended - passed. Page 19, as amended - passed. Section 42 on Page 20, I believe there is an amendment.

MR. GREEN: Yes, Mr. Chairman. This amendment will. . .

MR. CHAIRMAN: Shall we pass subsection (1) and then have the Minister proceed? 42(1) - passed. The Honourable Minister of Mines.

MR. GREEN: Now this was requested by the industry and it's a fair request, that they be given notice of what we say constitutes husbandry and that the prosecution commence after they fail to do anything, and of course that still leaves in dispute as to whether bad husbandry was or was not practised and notice doesn't establish it.

Motion: That Section 42 of Bill 16 be amended by numbering section (3) thereof as subsection (4) and by striking out subsection (2) thereof and substituting therefor the following subsections:

Notice of infraction by Minister.

42(2) Where the Minister is of the opinion that husbandry is not being practised and maintained in the operation of a mineral processing establishment, he shall give the operator of a mineral processing establishment a written notice specifying

(a) the aspects of the operation which in his opinion do not accord with husbandry; and

(b) the changes in operation which he thinks should be implemented to make those aspects accord with husbandry.

Penalty

42(3) Every operator who, after 3 months of receiving a notice under subsection (2), fails to comply with subsection (1) in respect of the aspect of operation of a mineral processing establishment specified in the notice is guilty of an offence and liable, on summary conviction, to a fine not exceeding \$1,000 or to imprisonment for a term not exceeding 6 months, or to both such fine and such imprisonment.

MR. CHAIRMAN: Section 42(2) The Honourable Member for St. James.

MR. MINAKER: Mr. Chairman, we are pleased that the amendment is here to more or less answer some of the questions that were raised. I believe the other questions I have relating to what is husbandry and what isn't should be best left to when we deal with Section 1. So I think at that time we'll raise questions relating to that.

MR. CHAIRMAN: 42(2)(a) - passed; (b) - passed; 42(2) - passed; 42(3) - passed; 42(4); there's that amendment - passed. The balance of the page as amended - passed.

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(MR. CHAIRMAN cont'd) . . . . Page 21, I believe, amendment . . . There's an amendment on page . . .

MR. GREEN: Clause by clause.

MR. CHAIRMAN: Clause by clause. Page 21, Section 44 - passed. Section 45 - passed. Section 46 - The Honourable Minister.

MR. GREEN: Yes, Mr. Speaker.

That Section 46 (1) of the bill be amended by striking out the word "of" in the second last line thereof and substituting therefor the words "not exceeding".

So that there's not a mandatory six months penalty. It's not exceeding six months. And may I say, Mr. Speaker, that usually in offences of this kind you just say "punishable on summary conviction." But the maximum summary conviction - and you don't even see anything about the size of the fine or the period of potential imprisonment, because summary conviction calls for that. In this case, because the fine is over \$500 and the sentence is over three months, you have to list what the offences are, otherwise it wouldn't be in there at all.

MR. CHAIRMAN: (Sections 46 to 50 were read and passed.) Section 51 . . .

MR. GREEN: Mr. Speaker, that section 51 of Bill 16 be amended by adding thereto, immediately after the word "Act" in the second line thereof, the words "or an operator who, if he had a profit in the fiscal year, would be required to pay royalty under this Act."

This is a technical change making it quite certain that a person who pays tax under this Act is not paying tax under the other Act as well.

MR. CHAIRMAN: 51 as amended - passed; 52 - passed; 53 - The Honourable Minister.

MR. GREEN: Mr. Chairman, Moved that 53 be numbered as subsection (1) and by adding thereto at the end thereof the following subsection:

"53(2) Where a mineral processing establishment was in production before 1975, all revenues of the operator from the sale or disposal of mineral products before 1975, or from custom processing in Manitoba before 1975 of mineral products originating from ore mined in Manitoba, that have not been reported as revenue under The Mining Royalty and Tax Act shall be deemed to be revenues of the operator after 1974 from the sale or disposal of mineral products or from custom processing of mineral products originating from the ore mined in Manitoba."

This is a transitional section which makes sure that we don't lose revenues which resulted from activities last year that have to be included this year.

MR. CHAIRMAN: 53(1) - passed. 53(2) - passed. Formula 1, there are no amendments. Formula 1 - passed; Formula 2. The Honourable Minister of Mines.

MR. GREEN: Mr. Chairman, the amendments to Formula 2 have to do with a redefinition because of a technical change regarding proceeds from disposals under definition of mining and service assets. We do not believe that this changes the Formula, that it's required because of changes in definition.

That formula 2 in the schedule to Bill 16 be amended by striking out the paragraph beginning with the letter C and substituting it for the following paragraph:

"C is the amount of investment made by the operator from mining and service assets during the fiscal year for which depreciation factor is being calculated by use of the formula less the proceeds from the sale of mining and service assets made in that fiscal year."

MR. CHAIRMAN: Formula 2, as amended - passed. Formula 3 . . .

MR. GREEN: No, there is another amendment in that Formula 2 which is required because of processing allowances.

THAT formula 2 in schedule 16 be amended by striking out the word "depreciable" in the first line of the paragraph beginning with the letter U and substituting therefor the words, "mining and service".

Instead of "depreciable assets" it's "mining and service assets".

MR. MINAKER: Mr. Chairman, I wonder if the Minister could explain the difference between what is worded now and the amendments. What's the difference between the two depreciations?

MR. GREEN: If the honourable member will look at the present wording: "U is the undepreciated balance of the depreciable assets." We are taking out the words "depreciable assets" and listing "mining and service assets" because if the words "depreciable assets" because if the words "depreciable assets" is left in, it would include processing allowances. It would include processing assets.

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MR. CHAIRMAN: U as amended - passed. Formula 2, as amended - passed, Formula 3. The Honourable Minister.

MR. GREEN: I'm asking that formula 3 in the schedule to Bill 16 be amended by striking out the word "depreciable" where it appears, and then the balance - well, I'd better read it:

- (a) in the first line of the paragraph beginning with the letter V;
  - (b) in the first line of clause (a) of the paragraph beginning with the letter V;
  - (c) in the first line, and again in the second line of clause (b) of the paragraph beginning with the letter V;
  - (d) in the first line of clause (c) of the paragraph beginning with the letter V;
  - (e) in the first line of the paragraph beginning with the letter W; and
  - (f) in the first line of the paragraph beginning with the letter U;
- and substituting in each case, the words "mining and services". The same change as previously.

MR. CHAIRMAN: Formula 3 as amended - passed. Formula 4. The Honourable Minister.

MR. GREEN: These again, Mr. Chairman, are amendments. They are technical changes dealing with proceeds from disposal and a definition of mining and service assets excluding processing assets required because of the processing allowance.

That formula 4 set up in schedule Bill 16 be struck out and the following formula substituted therefor:

"Formula 4 - (Section 5):

Investment base for fiscal year =  $(P \times I) + (D \times F)$ . In this formula:

P is the investment base of the operator for the fiscal year immediately preceding the fiscal year for which the investment base is being calculated by use of the formula:

I is the inflation factor for the fiscal year for which the investment base is being calculated by use of the formula;

C is the amount of investment made by the operator for mining and service assets during the fiscal year from which the depreciation factor is being calculated by use of the formula less the proceeds, not exceeding the original cost of the assets sold, from the sale of mining and service assets made in that fiscal year;

D is the amount of depreciation for mining and service assets claimed and allowed to the operator under this Act for the fiscal year for which the investment base is being calculated by use of the formula; and

F is the depreciation factor for the fiscal year for which the investment base is calculated by use of the formula."

MR. CHAIRMAN: Formula 4. The Honourable Member for St. James.

MR. MINAKER: Mr. Chairman, I'm sure the Minister didn't mean it when he's describing the investment base for the fiscal year is equal to  $(P \times 1)$ . I think it should be shown that it's "I", because then we would be eliminating any inflationary factor. We would be saying that it would be zero from then on. So I'm sure he didn't mean that in his presentation.

MR. GREEN: I thank the honourable member for helping me with both my reading and my mathematics, Mr. Chairman.

MR. CHAIRMAN: Formula 4 as amended - passed. Formula 5, no change?

MR. GREEN: No.

MR. CHAIRMAN: Passed. Formula 6. The Honourable Minister of Mines.

MR. GREEN: That formula 6 in the schedule to Bill 16 be struck out and the following formula substituted therefor:

"Formula 6 - Subsection 7(1)."

May I explain first the old formula 6 is deleted as processing assets will no longer be required in the calculation of a profit base, and no longer be permitted, I suppose. The new formula 6 is for the purpose of allocation of the profit base for an operator who has a mine partly in Manitoba and partly in another province. You will recall we dealt with that Hudson Bay situation.

"Profit base for fiscal year =  $\frac{M}{N} \times P \times .18$ .

M is the amount of mineral bearing substances mined in the fiscal year by the operator in Manitoba;

N is the amount of mineral bearing substances mined in the fiscal year by the operator



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(MR. GREEN cont'd) . . . . whether inside or outside Manitoba utilizing the mining and service assets included as depreciable assets of the operator under subsection 4(2); and

P is the investment base of the operator for the fiscal year immediately preceding the fiscal year to which the profit base has been calculated by use of the formula.

MR. CHAIRMAN: Formula 6 as amended. The Honourable Member for St. James.

MR. MINAKER: This is a fairly extensive change in the Act. I wonder if the Minister could do a relatively simple calculation on this with regards to the relation of Hudson Bay ore here, if it would apply to any other companies in Manitoba besides Hudson Bay, and particularly if it would apply to anybody who might be shipping out the unrefined ore to be done somewhere else, how it might apply to them.

MR. GREEN: I don't think, Mr. Chairman, that it would apply to another company because the formula is only available - there'd have to be a cross reference as to what part of the Act calls for the implementation of the formula - but it's only available when there is a mine which is inside and outside of the Province of Manitoba. The old formula 6 is no longer necessary, and the new formula 6 is a formula which deals entirely - I gather that the two are not related to one another, the old formula 6 and the new formula 6. They're not really related. We're taking out one formula and we're putting in an entirely different formula. The old formula dealt with processing assets outside of the province. Since processing assets outside of the province are no longer a factor, the old formula is no longer necessary. But there is a formula necessary for a mine which is partly in and partly outside of the province, and that's why this formula has been replaced by it.

MR. CHAIRMAN: Formula 6 as amended - passed. Formula 7. The Honourable Minister of Mines.

MR. GREEN: That formula 7 set out in the schedule to Bill 16 be amended by striking out clause (a) of the paragraph beginning with the letter R and substituting therefor the following clause:

(a) the revenues of the operator in the fiscal year from the sale of mineral products that were mined by the operator within Manitoba, whether or not the output has been partially processed outside of the Province of Manitoba.

I believe, Mr. Chairman, that this is merely an improvement on the wording of the old formula, that it's a clarification of the formula which is a better definition.

MR. CHAIRMAN: Formula 7 R (a) as amended - passed. Formula 7 as amended - passed?

MR. GREEN: No, there's some more. I have another amendment to Formula 7, Mr. Chairman.

That formula 7 set out in the schedule to Bill 16 be further amended by striking out the figures "16" in the last line of the paragraph beginning with the letter E and substituting therefor the figures "17".

That's just to get the proper section.

MR. CHAIRMAN: Right. E of formula 7 as amended - passed. Formula 7 as amended - passed. Formula 8. The Honourable Minister.

MR. GREEN: Mr. Chairman, That formula 8 of the schedule to Bill 16 be amended;

(a) by striking out the word "depreciable" in the second line of the paragraph beginning with the letter O therein and substituting the word "processing"; and

(b) by striking out the word "company" in the 6th line of the paragraph beginning with the letter O and substituting therefor the word "operator".

The first deals with processing. The second is a drafting error which has been corrected.

MR. CHAIRMAN: Formula 8 as amended - passed. Formula 9 - there's a bit more to 8, I believe, 8.1.

MR. GREEN: No, I've read the . . . The new formula 8, that's the one.

MR. CHAIRMAN: The new formula 8.1.

MR. GREEN: Oh, yes. There is a new formula, Mr. Chairman, I'm sorry.

That the schedule to Bill 16 be amended by adding thereto, immediately after formula 8 thereof, the following formula:

"Formula 8.1". And this is a formula which deals with the calculation of the processing assets. This is a deduction from income. You will recall I referred to it, 8.1, when I was dealing with those amendments.

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(MR. GREEN cont'd) . . .

"Allowance in fiscal year for processing minerals or mineral products in Manitoba =  $\frac{M}{N} \times Q \times .08$

In this formula:

M is the amount of the mineral bearing substances mined in Manitoba that were processed by the processing assets of the operator in the fiscal year;

N is the total amount of mineral bearing substances from all sources that were processed by the processing assets of the operator in the fiscal year; and

Q is the original costs of the processing assets of the operator actually used in the fiscal year in processing the output of the mine."

I believe that this is the existing allowance, the existing method of calculation, and that the changes are that it shall not be higher than 50 percent - which is not of course in the formula, it was in the Act - and the minimum of 15 percent has been eliminated, and that is not in the formula, that's in the Act.

MR. CHAIRMAN: The new formula 8.1 - pass? The Honourable Member for St. James.

MR. MINAKER: Yes, Mr. Chairman, through you to the Minister relating to the definition of Q. It indicates it's the original costs of the processing assets. My question is, how will that figure vary from year to year? Will that be a constant always or will depreciation apply to it, and will inflationary factor apply to that particular item? Or is it an original cost estimate and you're set with it for the rest of your operating time?

MR. GREEN: I believe we used the present system. The original costs apply but it remains constant throughout even though it is depreciated. In other words, they will list it at \$500,000 that you paid for processing assets. You get 8 percent of \$500,000 which is \$40,000. That continues. It doesn't go up by inflation, it doesn't go down by depreciation.

MR. CHAIRMAN: 8.1 - passed. Formula 9. The Honourable Minister. I believe there is an amendment.

MR. GREEN: Formula 9. That formula 9 in the schedule to Bill 16 be amended by striking out the figures ".125" in the first line thereof and substituting therefor the figures ".15".

That it changes the tax from 12-1/2 percent to 15 percent.

MR. CHAIRMAN: Formula 9 as amended - passed. Formula 10. The Honourable Minister.

MR. GREEN: That the schedule to Bill 16 be amended by adding thereto, at the end thereof, the following formula:

"Formula 10 (Sec. 18)"

Royalty for the 3rd fiscal year in royalty adjustment period =  $(K \times .15) + (L \times .35) - G$   
In this formula

K is the total of the profits of the operator in the 3 fiscal years of the royalty adjustment period less that part, if any, of that total profit that is in excess of the total of the 3 profit bases of the operator for the 3 fiscal years in that royalty adjustment period;

L is that part, if any, of the total of the profits of the operator in each of the 3 fiscal years in the royalty adjustment period that is in excess of the total of the 3 profit bases of the operator for the 3 fiscal years in that royalty adjustment period; and

G is the total of the royalty paid under this Act for the first 2 fiscal years of the royalty adjustment period."

This is the formula which provides for a 3-year taxation period.

MR. CHAIRMAN: New formula 10 - the Honourable Member for St. James.

MR. MINAKER: I wonder, Mr. Chairman, if the Minister within the next five minutes could do a very simple calculation - particularly, say, in the second year. There's something that I want clarified here, using whatever example he wants, on what would be considered a profit base and before an incremental royalty would be applied. I'm particularly interested in what would happen in the second year of operation.

MR. GREEN: Mr. Speaker, I'm going to try, and if I make a mistake I'll want the people to correct me so I'll clear it up this afternoon.

Let us assume a constant investment base of a million dollars. It doesn't go up or down by depreciation over the three years. Your tax is paid at the rate of 15 percent on \$180,000.

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(MR. GREEN cont'd) . . . . Let's say the company in the first year makes \$20,000, the second year makes \$300,000, and the third year makes \$100,000. The incremental profit was earned in only one year - that was the year that they made \$300,000. That excess from 180,000 to 300,000 would be \$120,000. If that \$120,000, in the first year you can take 100, so you would take 100 away from that incremental profit, put it into the first year. I don't remember - how much did I say it would earn the last year? So you take the balance of 20 and there's no incremental tax. People are nodding their heads up and down. Seems I got it right.

Now the Legislative Counsel indicates that they would be paying taxes those first two years as if there was no adjustment, and the adjustment would take place in the first year - and then there would be a refund with interest? A refund with interest if necessary.

MR. MINAKER: I just want to confirm this. So that in the first year on the \$20,000 profit they would pay their 15 percent. Then on the second year, the \$300,000, they would pay 15 percent on 180,000 of it, and then 35 on the remainder, and then in the third year they could utilize \$540,000 of accumulated tax subtract, so that there wouldn't be a credit each year - they would have to pay in advance.

I also understand that the interest rate paid to them, if I remember correctly in the amendments, would be one-half of - I forget what it was - I wonder if he could detail the interest that would be paid on this prepayment.

MR. GREEN: The interest rate that would be payable to them would be the same interest rate that we would pay if we took an average in tax. Half of something - I can't remember what the . . . the interest rate that the companies would pay if they paid a late tax.

MR. MINAKER: . . . ask the Minister the principle behind this, why they would not be paid the full amount?

MR. GREEN: Well, Mr. Speaker, I do not believe that I have changed, in this respect, anything . . . You're dealing with a person who is essentially involved with the Mining Royalty Tax Act. I do not believe that I have changed anything that is done in the Finance Department with regard to taxes now or taxes before. Why that principle is established? I remember the day when we used to have to pay interest on taxes outstanding, we got no interest if there was a refund. And I still think that that is the case with the Federal Government. Well maybe they do now give you an interest with the refund, but nevertheless the honourable member - I'm not saying he doesn't have a good point. All I'm saying is that I have not changed what has been done - at least I don't think so. I'll discuss it and perhaps have another answer this afternoon.

MR. CHAIRMAN: Formula 10 - passed. Explanatory notes.

MR. GREEN: Explanatory notes, Mr. Speaker, do not have to be passed, I don't think, and they will be slightly changed and I would expect we would want to rise now and deal with the definitions section this afternoon.

MR. CHAIRMAN: Committee rise and report. Call in the Speaker. Mr. Speaker, your Committee of the Whole has considered Bill 16, reports progress, and asks leave to sit again.

IN SESSION

MR. MINAKER: Order please. The Honourable Member for Logan.

MR. WILLIAM JENKINS (Logan): Mr. Speaker, I beg to move, seconded by the Honourable Member for Ste. Rose, that the report of the Committee be received.

MOTION presented and carried.

MR. SPEAKER: The hour of adjournment having arrived, the House is now adjourned and stands adjourned until 2:30 o'clock this afternoon. (Thursday)