

LEGISLATIVE ASSEMBLY OF MANITOBA

Monday, 7 June, 1982

Time — 8:00 p.m.

CONCURRENT COMMITTEES OF SUPPLY

SUPPLY - EXECUTIVE COUNCIL

MR. CHAIRMAN, H. Harapiak: We're on Executive Council, No. 1. General Administration; 1.(a) Premier and President of the Council's Salary.

The Leader of the Opposition.

HON. S. LYON: Mr. Chairman, we were talking earlier about the meetings that the First Ministers had with the Prime Minister and with the other Premiers and the Prime Minister on economic matters. The question arises out of the statements made by the Minister of Mines and Energy, who is here tonight, that he is off to Alberta. As I understood, the report was to explain to smaller oil companies in Alberta but they're welcome to continue their exploration in Manitoba, and that ManOil, the projected government oil company, will not be any threat to them. I take it that statement and that policy, as expressed by the Minister of Mines and Energy, represents government policy. Does it, Mr. Chairman?

MR. CHAIRMAN: The Minister of Energy and Mines.

HON. W. PARASIUK: Since I made this statement and I'd like to just clarify for the Leader of the Opposition what I said. I said that the response from the small oil companies that operate in Manitoba was very positive toward the establishment of a Crown oil and gas company. They said that their cash flow situation was very difficult, that they receive very little in the way of tax expenditure incentives from the Federal Government which is the major instrument of these types of tax incentives. The big companies said that their overhead was such that they tended not to operate in areas of small potential like Manitoba because our pools are small. Since the response from the existing oil companies was so positive, I thought that it would be useful for me to talk to other junior companies in Alberta and even Saskatchewan to indicate to them what our long term policy was and what role a future Crown oil and gas company could play in the way of joint ventures.

I felt that since the response was so positive from those already in Manitoba that the response would be just as good from those who already are operating in Alberta but perhaps don't know that much about Manitoba. I think that the oil industry in Manitoba would benefit by having more people here rather than fewer people here. We believe that we can be a catalytic role in that respect and I think that the response to date from the private sector has been very positive. So that would be the general thrust of what our policy is.

MR. CHAIRMAN: The Leader of the Opposition.

HON. S. LYON: I was merely going to suggest to the First Minister that, given the statements by the Minis-

ter of Mines and Energy previously made in the Committee of Supply, and his capsule version given here tonight, wouldn't it be in everyone's benefit if the Minister and/or the Premier did not have to go to Alberta or Saskatchewan or anywhere and defend or explain away ManOil? Why do we have to bother with ManOil when we have such a high level of exploration already going on? What is to be gained by ManOil?

HON. H. PAWLEY: Mr. Chairman, I didn't sense from the comments by the Minister that he was going to Alberta to explain away ManOil. That is, I think, the least of the Minister's concerns. All that the Minister is interested in doing, the government is interested in doing, is encouraging oil development in Manitoba, and if the Manitoba Oil and Gas Corporation, when formed, assists in instrumentally establishing further oil development in Manitoba, so much the better.

HON. S. LYON: The First Minister, I take it then, does not regard ManOil as being in the eyes of the private sector, that is the entrepreneurial people in the oil industry, as a prejudice to their continuing operation in Manitoba.

HON. H. PAWLEY: Mr. Chairman, not if it's on the basis of a voluntary joint venture. Indeed, it may be that in the case of some of the smaller companies that they would welcome the participation of Manitoba Oil and Gas. They might be unable to proceed on their own otherwise. The oil companies have certainly, this last while, been having some increasing difficulty, capital accumulation wise.

HON. S. LYON: Mr. Chairman, we are all agreed that the cash flow of oil companies from, I guess, Dome on down is something that Mr. Trudeau's national energy policy has prejudiced in a very severe way. The further question arises, given the words of support that are uttered from time to time by members of this government about PetroCan, has any direct or indirect entreaty been made to the Prime Minister or any of the Ministers of the Government of Canada with respect to PetroCan joining in oil exploration in Manitoba with either ManOil or as a partner of some yet to be born agency funded by taxpayers' dollars?

HON. H. PAWLEY: Just so that I can be quite accurate, insofar as the reporting on this, and since the Minister is present, I would ask the Minister if he would respond to that question.

MR. CHAIRMAN: The Minister of Energy and Mines.

HON. W. PARASIUK: Yes, when I met with the Federal Minister of Energy, I indicated to him that PetroCan was involved in oil exploration and development in other parts of Canada and that they hadn't been involved to date in Manitoba, and we asked if they would give consideration to being involved in Manitoba. That communication has been passed on to Petro-Canada. They are a Crown corporation. They, I hope, are considering it. I don't know if they will be

moving or not, but they indeed have something in the order of a \$900 million budget for this coming year and we certainly would like to have some of that spent in Manitoba, rather than having it all spent in Nova Scotia or Newfoundland or the Beaufort Sea or Alberta or Saskatchewan. We believe that we have some potential here in Manitoba as well, so we have asked them to consider doing some exploration work in Manitoba, just as we've asked some of the large companies to consider doing some exploration work in Manitoba.

We haven't received any definitive answers from any of them yet, but I am hoping over the course of the next six months or nine months or a year that we will, in fact, receive some definitive action from some of these large companies, be they a Chevron or an Esso or a Petro-Canada.

HON. S. LYON: The Minister may not be aware of the difference between Chevron, Esso and Petro-Canada, but many of the people of Canada are. They're becoming more and more aware of it, as interest rates remain high, as part of the price for Canadianizing the oil industry, which the Federal Government has gotten into. If my honourable friends wish any further corroboration of that may I suggest that they read the recent address given to the, I think it was, the Canadian Club in Toronto by the President of the Bank of Montreal. It will maybe make socialist hearts feel warm and fluttery to see maple leaves all over gas pumps in Canada, but it's at a price; and part of the price, of course is the maintenance of high interest rates in Canada because it has led to transference, as Mr. Mulholland and others have tried to point out, a transference of foreign equity into foreign debt, which has had a very bad effect on our foreign exchange situation, and has directly contributed to the maintenance of high interest rates, against which all members of the NDP Government allege they are opposed.

That being the case, or that being an aside I should say, did the First Minister, Mr. Chairman, have direct conversations with the Prime Minister about Petro-Canada and his willingness to want Petro-Canada to explore for oil in Manitoba?

HON. H. PAWLEY: Mr. Chairman, I didn't have any direct conversations with the Prime Minister in connection with the involvement of PetroCan, but as is earlier indicated, we would still welcome participation.

HON. S. LYON: Does the First Minister, Mr. Chairman, feel that it's necessary to offer any special incentive for PetroCan to come and explore in Manitoba?

HON. H. PAWLEY: No. I would expect that they would, if interested, come on the same basis as any other company that might be interested in participating on a joint basis with Manitoba. Also, I would hope that, at some point, they would consider development on their own, in their own right, just as any other oil company.

HON. S. LYON: Has PetroCan ever bid on any of the oil leases that are up for bid in Manitoba?

HON. H. PAWLEY: No, they haven't, not to this point.

HON. S. LYON: They have the same freedom as any other company in Canada. If they expressed an interest or if they had an interest in Manitoba, to come here and bid for oil rights the same as Omega or any of the other smaller companies that are doing quite well in southwestern . . .

HON. H. PAWLEY: Or Saskoil that has done successfully.

HON. S. LYON: They have the same right?

HON. H. PAWLEY: Yes.

HON. S. LYON: Yet, they haven't seen fit to do it.

HON. H. PAWLEY: No. There are other companies that haven't seen fit to, to the present time. I gather Esso and some of the other large companies haven't to this point.

HON. S. LYON: Isn't it a fact that Shell and Gulf and some of the companies that have had rights for some time in southwest Manitoba, these rights are being taken over by the small companies who are capable of operating 10 to 50-barrel wells a day, and have gained a certain expertise in the exploration and development of these wells and are taking them over and doing things that the large companies wouldn't do, PetroCan included. Isn't that a fact?

HON. H. PAWLEY: I couldn't speak for all cases. Probably, in some cases, it would be and I would hope, Mr. Chairman, that in other cases that the larger companies would demonstrate some interest.

HON. S. LYON: Perhaps, I could ask then the general question, because the Minister, who happens to be here, has said that he has made submissions with respect to PetroCan coming to engage in exploration in Manitoba. What other large oil companies has the Minister made direct contact with in the same vein in order to encourage them to come to Manitoba along with the tax supported company, PetroCan?

MR. CHAIRMAN: The Minister of Energy and Mines.

HON. W. PARASIUK: We have talked to Esso; we have talked to Mohawk; we have talked to Chevron, which has large holdings in Manitoba but which haven't been doing that much to date. We have talked to them and I hope that, over the course of the next one to two years, their activity will increase significantly. I hope to talk to some of the other large companies over the course of the next two to three months.

HON. S. LYON: Is the First Minister or the Minister, in the course of these conversations with the large oil companies, including I presume PetroCan which has to qualify in that category now even though it's a tax supported company; I take it that assurances are being given by the Minister and/or by the First Minister that the royalty system, which the previous government brought into being and which resulted in a large increase in oil exploration in Manitoba and some

development as well, I take it that he's giving assurances that royalty system will be maintained and that there will not be a return to the confiscatory royalty system that obtained in Manitoba prior to 1977 and which saw a virtual drying up of oil exploration in this province?

HON. W. PARASIUK: We have said that we want voluntary joint ventures. If we get involved, we said we're interested in . . .

HON. S. LYON: I'm not talking about joint ventures.

HON. W. PARASIUK: Okay, I'm getting to the answer, though, fine. I also said that we didn't expect any changes in royalties at this particular time; that we were interested in the long-term development, that we felt that a simplified royalty system did have an impact and I had said that before in the committee. I also indicated that I thought that the new oil reference price had a pretty profound impact as well in terms of the exploration. The third factor was that some of the companies discovered oil at levels that they didn't expect to discover oil at and this has created a flurry of new activity as people are now reassessing some of their old seismic tests and some of their old drill sites. All of these factors have contributed to an increase in attention in Manitoba.

One other factor being that oil companies drilling in Manitoba have a probability, if they find anything, of finding oil. That's in contrast to Alberta where they have a probability of finding gas. When companies are strapped for cash flow, finding oil is much preferable to finding gas, so that's why a lot of them are turning their attention. These are some of the factors that I hope to communicate to some of the juniors and even some of the larger companies through the course of the summer and I'm hoping that this will lead to an even greater increase in activity than we have witnessed over the last six months.

HON. S. LYON: That's encouraging, Mr. Chairman, and, given the fact that this interest is continuing in the sale of Crown oil leases, which the Minister himself was heard to be trumpeting a few weeks ago as something that he was very proud of and so on, and pointed out by the Member for Turtle Mountain that this is a program that when it was brought in, however, unless my memory is mistaken, was described in some way as being some sort of a resource giveaway. Does the First Minister still hold that view that the changes in the royalty system for oil - which he, as I recall, voted against - are some sort of a resource giveaway now that he's going to maintain them?

HON. H. PAWLEY: I don't recall the context that the First Minister is referring to. I think that, given the circumstances, that the present arrangement is quite satisfactory and certainly we're not unhappy with it.

HON. S. LYON: Well, isn't it a fact, Mr. Chairman, that when in Opposition the First Minister and his colleagues, when we reverted to the system of Crown land oil lease sales, described that as a form of resource giveaway?

HON. H. PAWLEY: I cannot recall any comments of my own on the subject. Maybe the Leader of the Opposition can refer me to some comments, but I don't recall at that time. In any event, we've had opportunity to examine the system, to witness the result this year of what is happening, the increased activity, and it's my view that it would be less than wise to make any change.

HON. S. LYON: Then I take it that it would be less than wise, verging on foolhardy, to make any change in the royalty structure to cause it to revert back to the confiscatory royalty structure that was imposed by the Schreyer Government of which the First Minister was a prominent member.

HON. H. PAWLEY: Mr. Chairman, I indicated that circumstances change, and I think what we must do, regardless of what party we belong to, is be prepared to recognize those changing circumstances, and certainly the circumstances are much different in many respects now than they were a number of years ago, and we are prepared to recognize that.

HON. S. LYON: I am the first to admit, Mr. Chairman, that circumstances are different than they were a few years ago, because prior to 1977 there was hardly any oil exploration going on under the regime of royalty taxation and under the confiscatory back-in arrangements that that NDP Government had imposed upon the oil industry, with the result that they abandoned Manitoba in terms of exploration. Our government came in and changed it, against the anguished cries of the NDP at that time who talked about resource giveaways and all such sloganeering, and now that they are in office the First Minister is saying, but the system that we have now that we brought in is a good system. Is he prepared to say now that the system that was brought in under the Schreyer Government which resulted in no exploration was a bad system?

HON. H. PAWLEY: No, Mr. Chairman, as I earlier indicated, the circumstances do change. What we do believe though, and which the Leader of the Opposition is not prepared to endorse, is that there should be greater public participation and that's why we are proposing to establish a provincial Crown corporation.

I am more positive toward the joint participation on the part of the public alone or in partnership with the private oil sector than in changing the existing royalty levels.

HON. S. LYON: Well, perhaps we can get another definition changed. My honourable friend uses that ubiquitous term "on behalf of the public." Can we not have an understanding around the Table that when a government expropriates or joins in a joint venture with a company, it is not the public who is engaged in that joint venture, it is the politicians of the day and they are bureaucrats. The public have very little to say about it. That's part of the problem with nationalization, and so if we can just rid ourselves of these euphemisms about the public being involved, then we can get down to cases and understand that the First Minister is still saying, notwithstanding the rather disastrous experience of Manitoba Mineral Corporation

in oil exploration in the period 1969-77, that he still favours joint ventures with taxpayers' dollars going into such a high-risk venture as oil exploration, pray tell on what basis?

HON. H. PAWLEY: Mr. Chairman, this is where I do believe there's a very distinct difference in philosophical and economic approach between the Leader of the Opposition and ourselves on this side. I do not for a moment accept the premise that the Leader of the Opposition has submitted that to be involved in a public way is restricted to the government and to a few top bureaucrats, that a public Crown corporation such as Hydro, such as the Telephone System, such as the Manitoba Public Insurance Corporation is accountable. In the final analysis, the accountability is to the public at large through the elected representatives. If the elected representatives manage the Crown corporations poorly, then it is the public that have the final say as to change in government, the redirection of policy so that there is accountability.

Insofar as the joint ventures, I'm rather surprised to hear the Leader of the Opposition's comments because it seems to me it was the Leader of the Opposition, while Premier, his government that entered into a joint venture pertaining to Trout Lake. I believe it was the Leader of the Opposition, while Premier, along with his Minister of Mines, that was prepared to enter into a joint venture pertaining to potash development, and I'm certainly not critical of that, but I'm rather surprised at the tenor of the Leader of the Opposition's remarks a few moments ago in regard to joint ventures.

HON. S. LYON: Mr. Chairman, I'm rather surprised at the tenor of the First Minister's remarks because he's talking about joint ventures as being the "be all and the end all," whereas sensible people understand that is an instrumentality to which one reverts when there is need in the public interest to do so. It doesn't become a way of life, which I'm sure that the ideological preconditioning of my honourable friend would lead one to believe is desirable, notwithstanding the failures over the last 150 years since the idea was first conceived, but we can carry on that argument at another time so long as my honourable friend can assure, Mr. Chairman, the committee, but more particularly the people of Manitoba, that this Government of Manitoba will not be foraging around with the taxpayers' dollar looking for ways to expend the taxpayers' dollar on high risk oil exploration in Manitoba when there are private companies supported by the private sector, by private investors, who are willing to put their money into such high-risk ventures, who will do that at no risk to the taxpayers of Manitoba, and the taxpayer of Manitoba is still guaranteed that he or she will receive a fair and equitable return by means of a royalty system brought into place by the previous government which is fair, equitable and competitive with other provinces.

HON. H. PAWLEY: I think the only response to that is that the Leader of the Opposition has a fixation insofar as the method of ownership and the method of approach. Certainly, the experiences that Manitoba has had in regard to SaskOil developing lands, oil wells in Manitoba and Crown lands has been relatively

successful. I don't know whether that makes the results any more unpleasant as far as Manitobans as a whole are concerned. There has been oil development taking place. Much of the benefit from that has accrued though to the benefit of the people of Saskatchewan. I see no reason why, if SaskOil participates in modest development in Manitoba, that likewise the Manitoba Government would not want to do some participation especially when we're dealing with our own Crown lands.

HON. S. LYON: Well, Mr. Chairman, we're not here to answer for SaskOil or for its balance sheet.

HON. H. PAWLEY: It's a pretty good example though.

HON. S. LYON: Well, I don't know that it is a pretty good example. There's a Royal Commission that's just been struck in Saskatchewan to look into all of the Crown corps, to tell the facts about them, so we'll find out in due course whether it's a good example or not. In the meantime, I think all we can know for a certainty is that SaskOil bid on certain Crown oil leases in Manitoba, was the highest bidder, was allowed to participate in that bidding along with all other private sector companies and has proceeded with their exploration program. That doesn't mean that we accept unto ourselves the particular ideological fetish of the government which spawned SaskOil.

HON. H. PAWLEY: Well, I think that, in fairness to Premier Devine of Saskatchewan, the Leader of the Opposition should not leave a thought behind that Premier Devine might be intending to dismantle SaskOil because shortly after the election, as I recall his statement, it was one of reaffirmation of the support for all Crown corporations in the Province of Saskatchewan, including SaskOil. So I think the Leader of the Opposition wouldn't like to leave on record any impression that the newly elected Premier of Saskatchewan, Mr. Devine, is intending to dismantle the very successful operations of SaskOil.

HON. S. LYON: I wouldn't want to leave that on the record, Mr. Chairman, any more than I'm sure the First Minister would want to leave on the record his presumption that SaskOil is a successful company.

HON. H. PAWLEY: Well, Mr. Chairman, it appears the Leader of the Opposition and myself have been in somewhat different worlds because the information that I've received is that SaskOil has been quite successful in its oil development work in Manitoba.

HON. S. LYON: In Manitoba, Mr. Chairman, but I can't . . .

HON. H. PAWLEY: I can't talk for Saskatchewan; I'm talking for Manitoba.

HON. S. LYON: Nor can I, and I think that there are other jurisdictions who can look after that better than us, but the fact remains that my honourable friend seems to have this preoccupation verging on a paranoia about Manitoba having its own oil exploration company, realizing as I'm sure he must from what

smattering of business exposure he's had, that the oil exploration business is one of the highest risk businesses going and realizing, if he would look at the figures of Manitoba Mineral Exploration Company in Manitoba, that their venture with about \$1 million, roughly, of taxpayers' money into the oil business during the time he was a member of the Schreyer Government in the '70's and so on, was nothing short of being a failure. Now why would we want to repeat a failure in Manitoba under the name of ManOil or whatever?

HON. H. PAWLEY: Mr. Chairman, all I can say to the Leader of the Opposition, I have much more confidence in the oil potential of Manitoba and the ability of Manitobans —(Interjection)— yes, the ability of Manitobans to collectively maximize their returns from oil development than obviously the Leader of the Opposition enjoys in the future of Manitoba.

HON. S. LYON: Mr. Chairman, my honourable friend is becoming something like the Minister of Finance; he's becoming a master of non sequiturs. Nobody's talking about the oil potential in Manitoba. We all hope that the oil potential in Manitoba will be greater than it is even at the present time. What we differ upon, and my honourable friend surely has the intellectual honesty to admit this, what we differ about is the best method by which to develop that potential so, non sequiturs notwithstanding, I'm not going to be drawn into that kind of childish argument. I merely say to my honourable friend that history, if not the history of the world, if not the history of Manitoba, demonstrates that ManOil, based on the example of Manitoba Mineral Exploration Corp. in the period of the Schreyer years when they got into the business, their intrusion into the oil business was nothing less than a disaster for the taxpayer. Surely to God the First Minister should reconsider so that we won't be repeating socialist disasters after socialist disasters just in order that we may feel ideologically fluttery because we've got an oil company in Manitoba which may make Marx fuel happy, but it does damn little for the taxpayers of Manitoba.

HON. H. PAWLEY: Mr. Chairman, I don't know just where we're heading by way of this argument. Obviously, the Leader of the Opposition and myself, I think we respect each other's views, but we have a distinctly different point of view in regard to the best approach of maximizing returns from natural resources in any given jurisdiction. It's my view that the Crown corporation route can be one of a number of instruments that can be used in given circumstances.

HON. S. LYON: Mr. Chairman, if the Crown corporation route has the effect of causing disinterest among private corporations in the rest of Canada, I suppose that doesn't matter either, does it? Is that why the Minister has to go out to Alberta and explain why we're having a Crown corporation in Manitoba?

HON. H. PAWLEY: Well, Mr. Chairman, unfortunately the Leader of the Opposition must have missed the comments by the Minister of Energy and Mines. There's been a very large increase since the change in

government, so there doesn't appear to be any frightening away or losing interest. There's much more interest, as I understand it, at the present time than there was say a year ago.

HON. S. LYON: Mr. Chairman, in the course of the brief that was presented to the Government of Manitoba by the Manitoba Federation of Labour just a few days ago, there was a suggestion made in the course of the brief - and I'm just trying to put my finger on it here. It seems to be at (1); it seems to be supportive of the position that the First Minister is taking with respect to ManOil, notwithstanding the pragmatic track record of government investment in oil in Manitoba.

Quoting from page 18, the quote reads as follows: "Public investment criteria must oversee the development of the economy if the public interest is to be met. Private enterprise may play a prominent role, but government is the only institution which holds responsibility for the public interest."

Would the First Minister, Mr. Chairman, say that his apparent desire to charge ahead with a state-owned oil company at the expense of the taxpayers is part and parcel of that statement by the MFL that public investment criteria must oversee the development of the economy? Does he not think that in the last 100 odd years this province has done pretty well under the private sector without some super commissar looking after the development of the economy in Manitoba?

HON. H. PAWLEY: Mr. Chairman, it seems to me that in the past 100 years - in fact I think it's true in most parts of Canada - we've had a major injection of public funds and public enterprise. I would hate to think, Mr. Chairman, indeed, what would have been the case if there had been a dogmatic doctrinaire view that, under no circumstances any public investment. Need I refer the Leader of the Opposition to the roads, to the schools, to the Manitoba Hydro System, to the Manitoba Telephone System, to the Manitoba Public Insurance Corporation that are, I think, demonstrating a model example to the rest of Canada by way of coverage of insurance, so that public investment has been a very important instrument of economic development in Manitoba for many decades and I guess it's transcended all types of governments and all political philosophies.

HON. S. LYON: Mr. Chairman, I think the First Minister perhaps, and my reading may be at fault for that, overlooked the operative word in the sentence. Public investment, which nobody argues about, indeed, one of my predecessors as Premier back in 1908 nationalized the Bell Company in Manitoba and I doubt if he could even have spelled "Marx." He did it because it was in the public interest to do it, so we need be read no lecture on the advisability of utilities from time to time being in the public sector. But here is the quote from the MFL which seems to find favour with my honourable friend: "Public investment criteria must oversee the development of the economy" - oversee the development of the economy.

Does the First Minister subscribe to the view that public investment, the decisions that he and his colleagues make around the Table, must oversee the

overall development of the economy in Manitoba?

HON. H. PAWLEY: Mr. Chairman, I'm not interested really in getting into every nuance that's in any given brief presented to us at any given time. I certainly am of the view that government does have a responsibility, a very important responsibility, by way of its mandate to provide economic direction, to provide economic energy and complementing the role of the co-operative and the private sector in the economy. Now, if that is what the MFL is saying, that's what I would say.

HON. S. LYON: That, Mr. Chairman, I take it is another instance where the First Minister didn't interrupt the reading of the brief the other day and say, "Do you really mean that our government should oversee the economic development in Manitoba?"

HON. H. PAWLEY: Mr. Chairman, I wonder what the record would be if we checked whether or not the previous Conservative Government in Manitoba responded to last year's MFL brief? In fact, I've heard some reports that there was no response to that brief on the part of the previous government.

What we were interested in doing, Mr. Chairman, is listening to the submission just as we would listen to any and all briefs. I find that this indeed was quite a comprehensive and well articulated submission. At some given point we will have an opportunity to further review and to respond, but I believe from the reports I have received that the First Minister and his previous colleagues didn't respond to last year's brief.

HON. S. LYON: Well, I'm only going from memory, Mr. Chairman, just to set the record straight and put my honourable friend's mind at ease, my recollection is that last year the MFL didn't do the government and the people of Manitoba the courtesy of coming to deliver their brief, the main reason being that their briefs of previous years had been so full of "can't" and misstatements and they had been responded to in terms of correcting the facts that the MFL, in my estimation and my recollection, couldn't stand the heat of the truth and chose not to come before the government; that's the only reason they didn't come.

HON. H. PAWLEY: Mr. Chairman, I guess here's where we do have a legitimate difference of approach. When a group comes to make a presentation, and I believe it was 10:30, 10:35, and I believe they had one-and-a-half hours to present their brief and, as the Leader of the Opposition can see, it's a brief which covers quite a number of pages, it's my view that the Cabinet is there to listen, to not become involved in an unnecessary hassle and argument; but we're a government that maybe we have learned from previous times - and I would suggest the Leader of the Opposition maybe might as well - that maybe it's more important to do more listening and less hassle in trying to arrive at the truth.

HON. S. LYON: Mr. Chairman, I'm quite happy to accept advice from the First Minister in the spirit in which it's given and I'm sure that he's equally happy to accept advice from me with a little bit more experience

in this business than he has had, and that is this, that any honest man standing still in the face of misstatements which affect the public interest of Manitoba is not serving the public interest of Manitoba, and I'm sure that he'll take that in the same spirit in which he was giving advice to me.

HON. H. PAWLEY: I can't . . .

HON. S. LYON: I "can't" and misstatement have no place.

HON. H. PAWLEY: I am just wondering if the references that the Leader of the Opposition makes to a previous MFL brief as being full of misstatements and "can't," etc., really are not the result of simple differences of opinion that a large public body had with the previous government and, rather than accept it as a difference of opinion, the Leader of the Opposition is not castigating them as having been spreading a misstatement and "can't."

HON. S. LYON: Mr. Chairman, where the Manitoba Federation of Labour says that the private sector has its place and, in their view, it's a very diminished place in the economy of Manitoba, and that governments should not be rushing in to prop up the losers, I believe, is the statement that is made in the course of the brief; I can find it here specifically.

I wonder, when that statement was made, if the First Minister didn't immediately ask the person reading the brief whether or not the MFL had any objection to the Governments of Manitoba and of Saskatchewan, Alberta and Canada giving grants to the CCIL farm machinery company. Do you suppose that was an example of the governments rushing in to prop up losers that they were referring to in their brief or did that example never occur to anyone on that side?

HON. H. PAWLEY: Mr. Chairman, I have every confidence that if the economy is improved overall and we do establish a sane interest rate policy at the federal level that there's no way CCIL is a loser. I have every confidence that the Co-op Implements can be a successful implement company in Manitoba and I regret, indeed, that the Leader of the Opposition is more or less in a blanket way condemning a very important industry in Manitoba as being a loser. I think it's very unfair to that industry and the many thousands of farmers that are members of that particular co-operative.

HON. S. LYON: Mr. Chairman, my honourable friend can continue trying to put words into my mouth. The record will show that those were not my words, but they are the words of the Manitoba Federation of Labour - and I found the quote now on page 20 - "Even worse, they" - meaning governments - "rush in with incentive grants to prop up failing enterprises in a bid to save jobs and end up supporting all the losers in the province. Incentive deals end up passing the risk onto the public shoulders and leaving the profits in private hands. Studies show that public handouts have little effect on the location decisions of most industrial firms. They are little more than a source of extra revenue, a windfall, again."

My very simple question to the First Minister was did he ask the MFL, when they were talking about propping up losers, whether or not they supported the grants given by our government, the Governments of Saskatchewan, Alberta and the Federal Government and the current NDP Government to CCIL; did he bother to ask them, or did he just accept this as an example of their overall wisdom without pointing out that there are occasions when governments have to move in to give assistance to legitimate industries, or did that even occur to him?

HON. H. PAWLEY: No, Mr. Chairman. As I said a few moments ago, I don't consider the CCIL as being a loser and, therefore, why would I ask the question?

HON. S. LYON: Well, perhaps then, Mr. Chairman, when my honourable friend is responding to the MFL he will ask them, as I think somebody around the Table in our government would have, to describe who are the losers? Who are the losers that are being propped up by government? Saunders Aircraft, King Choy Foods; we can think of a few of those.

HON. H. PAWLEY: Mr. Chairman, if the . . .

MR. CHAIRMAN: I would ask the members to wait to be identified because this is being recorded for Hansard and it would be difficult in distinguishing who's speaking.

HON. H. PAWLEY: Mr. Chairman, I am sure the Manitoba Federation of Labour would have been thinking of, for example, the prudence that was demonstrated by the Minister of Economic Development in not submitting to the requests for financial assistance to Sekine. The Chamber of Commerce, by the way, I believe commended us in that approach. I am reminded that it was the Chamber of Commerce that has indeed made similar representations to us as the MFL along this line.

HON. S. LYON: Mr. Chairman, I have no further questions for the moment.

MR. CHAIRMAN: The Member for Pembina.

MR. D. ORCHARD: The First Minister over the past year or so and, I suppose, particularly as speculation of an election was upon all Manitobans, including the now First Minister, during the election the Leader of the Opposition made a number of commitments to agriculture and to the farm community and a number of them appear in their policy directions, the policies of the New Democratic Party. If I might take the First Minister's time, I would like to have him enlarge on some of these promises and commitments that were made to agriculture.

Now, the First Minister made reference to Manitoba farm families being squeezed off the land. I think statistics will show that in the past three months there has been an alarming increase in the number of farms that have been forced to sell out. They have been foreclosed on or they have chosen to go out of business because of punishing high interest rates, another reference that the First Minister has made. The First

Minister made a commitment to those farmers that would not be the case under his government, yet, we see the statistics showing that clearly, since his administration has taken office, there has been a dramatic increase in farm bankruptcies and loss of farms. All indications are that may indeed continue. Where are the policies coming from that are going to save these farm bankruptcies?

HON. H. PAWLEY: Mr. Chairman, unfortunately the Member for Pembina was not here during the very thorough and very comprehensive discussion that we had this afternoon between the Leader of the Opposition and I pertaining to monetary policy. If the Member for Pembina had been present he would have had the answer at that time. Was he present?

MR. D. ORCHARD: You know, I am very sorry that I wasn't here because I would like to have the First Minister tell us just what his government has not been able to deliver that they promised to the farmers of Manitoba, in that they promised that there would be no farm foreclosures, etc. What is it that they have not been able to deliver to the farm community of Manitoba?

HON. H. PAWLEY: Mr. Chairman, this government has not failed to provide anything that it committed itself to do insofar as the farm community is concerned. It is my understanding that we were given a five-year mandate, that we are six months into our mandate and already, it is my understanding - I wish the Minister of Agriculture was here with the exact statistics, but I heard them only a few hours ago - interest rate relief has already been provided to a very large number of farmers in the Province of Manitoba. I am sure during the question period tomorrow, or maybe even before the evening is out, we can obtain that information but there has been a very substantial number of farmers that have received interest rate relief from this government.

Secondly, I would like to emphasize to the Member for Pembina because he may not fully grasp the nature of the commitment, it was to deal with emergency situations relating only to interest rate influences. The Interest Rate Program has been established; it has received applications. I believe the figures - there were 283 farmers have submitted applications and had same approved. So there has been very substantial advance done in respect to that in but six short months out of a five-year mandate.

MR. D. ORCHARD: Mr. Chairman, that's very nice of the Premier to tell us just exactly what he has done. Would he care to tell us how many of the between 200 and 300 farm sales that have taken place in the months, primarily of April and May in the Province of Manitoba in 1982, how many of those 200 - 300 farm sales were caused by high interest rates?

HON. H. PAWLEY: Mr. Chairman, I think the member would have to submit an Order for Return. I don't know whether that is information in the possession of the government or not. We could ascertain whether we could obtain that information.

MR. D. ORCHARD: You see, Mr. Chairman, that is why I am asking these questions of the First Minister, because his Minister of Agriculture does not know that kind of information. I was hoping that the ultimate repository of knowledge was indeed with the Premier, in that he could provide us with that kind of information when his Minister has failed to be able to provide that kind of information for us.

The First Minister undertook a number of commitments to the farm community and it would seem that, in retrospect, those commitments he had no intention of fulfilling. They were simply election commitments made to attempt to sway a certain number of votes and, in fact, after the fact, when we see the number of farm sales this spring, that the First Minister was not really speaking knowledgeably when he said that he was going to develop programs to prevent farmers from being squeezed off the land, as he said in his election promises. Is that not correct, Mr. First Minister?

HON. H. PAWLEY: Mr. Chairman, I understand the obvious disappointment that the former Minister of Transportation and the Member for Pembina has, that this government indeed in six short months has already moved considerably towards achieving its program. A number of steps have been undertaken. The time has been limited, but there have been significant and substantial moves to provide assistance to the farm community. It's regrettable that some of those moves were not taken some time ago, earlier.

MR. D. ORCHARD: I detect a tone in the First Minister's voice that he would like to say that these farm bankruptcies are a carry-over from the previous administration. I hope that is not quite true because he has another, he says, five years of mandate. With the assistance that he is providing to the rural communities, to the farm community, that trend of increasing bankruptcies is going to be with him to haunt the words he is saying tonight because, Mr. Chairman, statistics will be out probably in the next several months that will clearly demonstrate that farm bankruptcies and farm closures increased dramatically this spring, despite the promise by this First Minister and his government that such foreclosures would not occur if they were elected; that they would have an Interest Rate Relief Program that would assist and prevent farm closures from high interest rates.

HON. H. PAWLEY: I don't know where the Member for Pembina has been these past few weeks and months, but there is an Interest Rate Relief Program and I, just a few moments ago, indicated that there had already been 275 to 300 applications that had been received and approved.

MR. D. ORCHARD: Mr. Chairman, that must be more recent information than we got last Thursday night from his Minister of Agriculture because I believe the numbers then were something like 103 approvals.

Now, could the First Minister indicate whether the 30 percent of the farmers who are not eligible for the Interest Rate Relief Program, if any of those would be going out of business because of the high interest rates?

HON. H. PAWLEY: Mr. Chairman, I don't have that information in front of me.

MR. D. ORCHARD: I wonder if the First Minister, along with his Minister of Agriculture, might attempt to provide that information at a later date?

HON. H. PAWLEY: We would have to see what we have by way of information. The Member for Pembina ought to realize and he could indeed help us a great deal by joining with us overall because we have always said this is a limited program at a provincial level to assist us in registering some message to the Federal Government insofar as overall monetary policy is concerned. Maybe the Member for Pembina would be more effective if he would redirect his attention to where the real basic problem exists. In the meantime, we should join together to do what we can in the limited financial and jurisdictional means that we have available to preserve as many farms as we can in the province until we do enjoy some greater degree of sanity in Ottawa in interest rate policy.

MR. D. ORCHARD: Do I determine from that last comment that is where the real problem that the First Minister refers to lies?

HON. H. PAWLEY: I never thought there was much question as to where the real responsibility for the high interest rates rests.

MR. D. ORCHARD: I can only comment how quickly things change from a government of federal co-operation to one of fed-bashing; it's amazing.

HON. H. PAWLEY: Mr. Chairman, I would like to respond to that. I would like to assist the Member for Pembina because he apparently doesn't understand the difference between governments scrapping and quarrelling over useless debates involving jurisdiction and honest disagreements between governments as to basic policy. We will have our differences of opinion with the Federal Government pertaining to fiscal transfer payments, in respect to interest rates, in regard to Crow rate; I don't consider that fed-bashing. I consider that to be freedom of expression within our democratic society as to differing points of view; that is quite different than fed-bashing, provincial bashing, interfering with the delivery of programs.

MR. D. ORCHARD: I hope the Federal Government recognizes that subtle difference that the Premier has alluded to tonight. In the policies of the Manitoba New Democratic Party, the First Minister indicated by statement here that, while the Conservatives sat on their hands, almost 40 percent of Manitoba hog producers left production. Would the First Minister care to give us the source of that information, the back-up that allowed him to make that kind of a statement available to all Manitobans; I assume, a factual statement?

HON. H. PAWLEY: Mr. Chairman, that information could be obtained. We don't have it with us this evening, but that could be obtained.

MR. D. ORCHARD: Mr. Chairman, I would very much appreciate the First Minister providing me with that information that led to this statement in his policy document, because it does contrast quite starkly to the 17th Annual Report for the year ended December, 1981 of the Manitoba Hog Producers' Marketing Board, wherein the Chairman, one Bill Vaags, says, "To my surprise and that of many experts, Manitoba held its production base almost constant." That's quite a difference from the, presumably factual, 40 percent reduction in the production base that the First Minister told all Manitobans was part of his research.

HON. H. PAWLEY: Mr. Chairman, we are dealing with a considerable period of time and I want to tell the Member for Pembina, because maybe he didn't note but I did, that indeed farmers in general in the Province of Manitoba were recognizing the fact that many hog producers had gone out of business over a period of time in the Province of Manitoba. It was not news to the farmers of Manitoba. It may have been to the Member for Pembina, but it certainly wasn't to the large number of farmers that I spoke to over the past year.

MR. D. ORCHARD: It's sort of interesting that great grasp and knowledge of the hog industry that the First Minister has was not shared by Bill Vaags, the Chairman of the Manitoba Hog Producers Marketing Board. It's very interesting that the First Minister has a greater knowledge of the hog industry than the chairman of that industry does.

HON. H. PAWLEY: Mr. Chairman, I didn't think anybody had made any such suggestion. If the Member for Pembina wants to go down some devious courses in his conclusions he arrives at, he's welcome to do so.

MR. D. ORCHARD: Mr. Chairman, I suggest that the devious route was taken by the First Minister when he signed and delivered to all Manitobans policies of the New Democratic Party. I think that was when the devious route was taken, not tonight when I am asking him where he got his facts from, where he says, "40 percent of hog producers left production here," and the Chairman of the Hog Marketing Commission says, "The base remains almost constant." The devious route was taken by the First Minister when he was Leader of the Opposition campaigning for re-election in the province, not by myself.

Mr. Chairman, prior to the election and during the election, the First Minister made a number of statements about the need for a beef income stabilization program and I think, if I can paraphrase some of the often made statements by the Leader of the Opposition whilst he was campaigning and by the Premier-elect after the election, he said that his government would not wait around studying the situation, that there would be a beef stabilization program for the beef producers of the province in a matter of weeks and they wouldn't sit around and wait for months. It would only be weeks before they would have a beef stabilization program.

Now, I full well realize that the First Minister is going to tell us tonight that, yes, indeed, his Minister of Agriculture is in the midst of developing a beef stabiliza-

tion program. But, it has now gone well into six months, as the First Minister says, and he did indicate that it would not go beyond weeks before he had a beef stabilization program.

One of the problems his Minister of Agriculture has with his Beef Stabilization Program is its six-year term, number one, and that isn't the biggest problem. The biggest problem is the compulsory marketing aspect of that Beef Income Assurance Plan. Is the First Minister going to instruct his Minister of Agriculture, after he has had his review group of producers, to drop the compulsory marketing aspect of the first proposed plan so that he can get on with delivering one other promise to rural Manitobans, that being a meaningful beef stabilization program developed in true consultation with the beef producers and not in consultation with Bill Janssen and some of the recycled agricultural bureaucrats of 1977 and prior.

HON. H. PAWLEY: Mr. Chairman, I know that the member for Pembina has his own particular hangups as to the kind of program he would like to see evolve. What the Minister of Agriculture is doing, and I commend him for doing it, is that without delay he commenced consultation with the beef producers in Manitoba. Dear me, there was a long time prior to November 1981 that they should have already commenced that kind of consultation, the unfolding of that kind of program for Manitoba farmers; unfortunately, nothing had been done. We took government November 30th and my Minister of Agriculture, I think, without unreasonable delay commenced a process of consultation. He is now doing his maximum best to work out a program that is fair and satisfactory and equitable to all concerned.

MR. D. ORCHARD: You know, that sort of flies in the face of the immediate action that was promised, not in months but in weeks, by the First Minister, by yourself, immediately after the election. You have already had your Minister of Agriculture hang you out to dry for an additional six months, whilst you promised immediate action. So far, the action of your Minister of Agriculture has been a couple of very interesting things.

First of all, he fired the committee that was studying beef income program; that was the first thing he did. Then the next thing he did was developed a program that the majority of the beef producers don't want anything to do with. My question to you was, Mr. First Minister, are you going to have your Minister of Agriculture drop the compulsory marketing requirement of any beef income plan that he's going to bring in, or are you going to live and die by his insistence on that marketing commission that the majority of the beef producers do not want?

HON. H. PAWLEY: Mr. Chairman, first and foremost, the commitment was to immediate consultation, not to a program within weeks, but immediate consultation. Insofar as the nature of the program, that is the process that is under way at the present time, to develop that program in consultation with beef producers. Obviously, there will always be some disagreement when any government attempts to do anything. I suppose, our best course of action would have been to have sat by and done nothing, like the pre-

vious government did for one year, and then there would be no debate this evening about the nature of the program because there would be none to discuss.

MR. CHAIRMAN: The Minister of Agriculture.

HON. B. URUSKI: Mr. Chairman, it appears that the Member for Pembina, in his usual self, is trying to bring forward not only red herrings but information that isn't quite as one might put it, especially in his terms. Mr. Chairman, the Member for Pembina indicated that the information brought forward, insofar as the constancy of production of hogs in Manitoba, had remained constant in the year 1981.

HON. H. PAWLEY: That's what he said, yes.

HON. B. URUSKI: While one doesn't dispute the figures of the production of hogs being constant, Mr. Chairman, but the Manitoba Hog Producers Marketing Commission during their survey in the first three months of 1981, prior to finally . . .

HON. H. PAWLEY: Is that the same report the member was reading from? Well!

MR. B. URUSKI: . . . finally indicating that while production remained fairly constant the numbers of producers declined substantially. In fact, Mr. Chairman, if one —(Interjection)— Well, he said it remained the same. Mr. Chairman, if one looks at the Annual Report which the member quoted from - I think its the same colored report, the 17th Annual Report - when one looks at the number of units that are quoted in the report shown for 1980, and I quote from that report on page 6, "4,352 active production units in 1980, and a total of 3,759 active units in 1981," Mr. Chairman. These units would have been the family farm units, the smaller units admittedly so, that I am advised that he was talking about, Mr. Chairman.

It is exactly that type of mentality, the Conservative mentality over the four years, that the people of Manitoba really saw through and made sure that their verdict was very clear on November 17th, Mr. Chairman. The Member for Pembina - they finally announced a program in April of 1981 for \$10 million. In fact, the former Minister of Finance is sitting in this committee where, when they announced this \$10 million program and several weeks later, when we were discussing the Estimates, there was no provision for the \$10 million; there was provision for a \$5 million figure. At that moment in time, even before the program was developed and the program didn't come into play until September of that year, Mr. Chairman, until September of 1981 when the program came into being and they announced it in April, and in May, when we were discussing the Estimates, the former Minister of Finance indicated then already that they did not think that they would require the funds as a result; they didn't need those funds.

While they originally made a \$10 million announcement and they were only asking for authority to spend \$5 million, lo and behold, Mr. Chairman, before the end of the fiscal year, this government had to make provision to provide loan guarantees through the Manitoba Agricultural Corporation to, in fact, live up

to the commitments that the Tories didn't live up to, to their own producers, to the producers of Manitoba, in the Hog Stabilization Program that they heralded as being the saviour of the hog industry in this province. They couldn't even get their numbers straight, Mr. Chairman. That is the kind of well thought out, well planned, well financially executed programs that they were delivering, Mr. Chairman.

In 1977, the then Leader of the Opposition, the former Premier of this province, indicated, when there was a vote called on the beef marketing plan in the Province of Manitoba, and told farmers that they were being coerced because they were given a vote on the beef marketing plan. He indicated in 1977 that it would be his government that would come into power and work with the producers, the beef . . .

MR. CHAIRMAN: Point of Order.

MR. B. RANSOM: Mr. Chairman, I'm not quite clear of the procedure that's being followed here. I believe that it's customary, when we are dealing with the Estimates of the Executive Council, that normally members of the Legislature have an opportunity to question the First Minister and others wishing to speak normally get on a speaking list. I believe, Mr. Chairman, that there may be others on the speaking list prior to the Minister of Agriculture.

MR. CHAIRMAN: I believe that the Member for Pembina asked a question in the agricultural field and the First Minister asked —(Interjection)— well, I believe he deferred it to the Minister of Agriculture which I believe is perfectly in order.

The Minister of Agriculture.

MR. B. RANSOM: Further, on the point of order then, Mr. Chairman. The procedure that we're following now, according to your ruling which I believe has not been followed in my experience, is that the First Minister is going to ask the Ministers to respond on his behalf with respect to questions and such as are in the area of agriculture.

MR. CHAIRMAN: The same point of order.

HON. H. PAWLEY: Just on the point of order, I think Hansard will indicate that I didn't ask the Minister to participate, but all members from my recollection and from the Rules are entitled to participate in the Estimates. The Member for Pembina made some serious allegations involving the operations of the Agriculture Minister. Is he surprised that there would be a desire on the part of the Agriculture Minister now to intervene in the debate.

MR. D. ORCHARD: Thank you, Mr. Chairman. The news that the Minister of Agriculture brought us that the First Minister didn't have was rather refreshing.

MR. CHAIRMAN: Point of privilege. The Minister of Agriculture.

HON. B. URUSKI: Mr. Chairman, on a point of privilege. I was not finished my remarks when I was interrupted by the Member for Turtle Mountain. Mr.

Chairman, when the Member for Turtle Mountain rose or indicated a point of order, I was not finished my remarks because the Member for Pembina has made certain statements in this committee.

MR. CHAIRMAN: I recognized the Minister of Agriculture and I believe that, as the Chairman, I can recognize whoever puts up his hand. It very clearly states that I can recognize people with opposing views. I am sure that it would be opposing views from the Member of Pembina and the Minister of Agriculture.

MR. B. RANSOM: On a further point of order, Mr. Chairman, may I ask you then the method of operation that you are using? Normally, in this committee, the past practice has been that the Chairman has maintained a list. When someone wishes to speak they so signal to the Chairman. The Chairman acknowledges it and their name goes on the list and when their name comes up they have an opportunity to speak. If that is not the procedure that is being followed, Mr. Chairman, then I would like to know.

MR. CHAIRMAN: Previously I had kept lists, but this evening there didn't seem to be much participation so I did not keep a list. So I have no list this evening.

MR. B. RANSOM: Mr. Chairman, perhaps you would acknowledge that I had signalled my intention to speak in this debate prior to the Minister of Agriculture coming in?

MR. CHAIRMAN: Yes, I would acknowledge that you raised your hand to participate, prior to the Minister of Agriculture coming in.

HON. B. URUSKI: Thank you, Mr. Chairman.

MR. CHAIRMAN: I had recognized the Minister of Agriculture and I believe he should finish his comments.

HON. B. URUSKI: I am sure that the Member for Pembina will want to continue the debate, Mr. Chairman. As I was indicating in my remarks, that in 1977 the former Premier of this province, the then Leader of the Opposition had promised Manitoba cattle producers that if they turned down the vote on the Beef Marketing Board, it would be his pledge that his government would sit down with beef producers. He was quoted in the paper, in the Winnipeg Free Press, wherein he indicated that he would sit down with the beef producers and work out a mutually acceptable plan for the benefit of beef producers in this province.

That statement, of course, in that program never came about. In fact, in the summer of 1981 when the Member for Arthur, the former Minister of Agriculture, was approached by the Cattle Producers Association asking him for assistance, he indicated to them there was no assistance to be had to the cattle industry and that they were turned down by that government.

MR. D. ORCHARD: Point of order, Mr. Chairman.

MR. CHAIRMAN: Point of order.

MR. D. ORCHARD: Yes, Mr. Chairman, I believe the Minister of Agriculture was attempting to straighten out an indication of 40 percent of Manitoba hog producers left production. He has seemingly done that by reference to this report and I suggest that he is not quite in order to the point he was trying to straighten out on behalf of his beleaguered First Minister. If you would kindly end his conversation - we have heard all this before - so we can get on with the Estimates.

MR. CHAIRMAN: The Minister of Agriculture says he is leading up to the question that you had asked.

MR. D. ORCHARD: On the hogs.

MR. CHAIRMAN: The Minister of Agriculture.

HON. B. URUSKI: Mr. Chairman, the member may not like my comments that I am making today, but the fact of the matter is while the Annual Report is year-over-year - and I will get back to that Annual Report - but I mentioned earlier with respect to the numbers of producers who left hog production in the first three months of 1981, it was in the figure of approximately 1,500 producers had ceased production during that period of time. Those figures were given to us by the Manitoba Producers Hog Marketing Board during the first quarter of 1981. Those are the figures that were used in terms of the numbers of producers who ceased producing hogs in the Province of Manitoba in the 1981 period. There was a net reduction of approximately 600 producers from year-to-year, where they ceased complete year-over-year, Mr. Chairman, but the fact of the matter is that during the first quarter of 1981, approximately 37 percent, almost 40 percent, of producers ceased producing hogs in the Province of Manitoba. Those figures were supplied to us by the Manitoba Hog Producers Marketing Board during the first quarter of 1981.

Specifically, Mr. Chairman, with respect to the firing of the so-called committee dealing with beef that the Member for Pembina made mention of, I want to indicate to the honourable member that no one was fired in terms of the committee. The committee was called during the throes of the election campaign set up by the then Conservative administration to look into the beef industry and make recommendations. The committee was set up as all members of the MCPA and I want to indicate to the honourable member that we have asked for input. They have, in fact, given us recommendations of two members and in fact three members of their association now sit on our Advisory Board, actually an additional member than they had originally recommended to sit on the Advisory Board to work out the beef plan.

So, Mr. Chairman, they are involved in the process. No one was fired, but I did not accept that one committee made up of a single group in society would be the only committee that would be used to develop a Beef Income Assurance Plan in the Province of Manitoba. We wanted the widest representation possible from all groups in the industry and we have, from producers, chosen as good a group as any and as a wide-ranging group, in terms of views, in the industry as any government could to provide him with information in the development of this program.

MR. CHAIRMAN: The Member for Pembina.

MR. D. ORCHARD: Thank you, Mr. Chairman. I have another question for the Minister of Agriculture. How many public meetings have been held to explain this program, number one, to the cattle producers in the different districts, and . . .

MR. CHAIRMAN: I think now we are getting really off the beaten path.

MR. D. ORCHARD: Well, isn't that new, Mr. Chairman? Isn't that new? Mr. Chairman, I take it I am not to ask the Minister of Agriculture any questions?

MR. CHAIRMAN: No.

MR. D. ORCHARD: Thank you, Mr. Chairman. I appreciate that. Now, if I can ask a question of the First Minister as I started out doing tonight?

Mr. Chairman, the First Minister in this election document, "Policies of the New Democratic Party of Manitoba," indicated that Manitoba New Democrats would introduce a program to assist young farmers entering agriculture. Now, my question to the First Minister is that, in view of the fact that there are no longer any applications being accepted from young farmers for the purchase of land by MACC, and I believe that's at the direction of this Minister of Agriculture, would the First Minister assure this committee and the people of Manitoba that he will not allow his Minister of Agriculture, between Sessions, to introduce the Land Lease Program without proper scrutiny and alternate policy development to be presented by the Opposition; that he won't wait for the Session to be over and sneak the Land Lease Program in the back door? Will he give us that assurance tonight?

HON. H. PAWLEY: Mr. Chairman, I think I would be most unwise to make a commitment of that nature to the Member for Pembina. Obviously, it's a time of flux and of change in regard to the agricultural community and I think we have to be in a position to respond to the needs and the requests of the farm community. Obviously, at the same time any program that we do implement of any nature, between now and the commencement of the next Sitting, as long as we have legislative authority for same, we are accountable to the Opposition at that time. So I don't see why I would make that kind of commitment this evening at all, based upon some concerns that the Member for Pembina and his colleagues are expressing this evening.

MR. D. ORCHARD: Then, since the First Minister is unwilling to give this committee and the House that assurance, then would he try to give us this assurance that if his Minister of Agriculture, after the Session prorogues so that he is beyond the scrutiny of question period and members of Her Majesty's Loyal Opposition in the House, if his Minister of Agriculture tries to bring in the Land Lease Program, will the First Minister also insist that he offers a parallel program of long-term mortgage monies available to those same young farmers, with a discounted interest rate which would reflect the kind of subsidy provided by the Pro-

vincial Government in writing down the yearly rental on land-lease lands; and offer that same kind of subsidy in a larger interest rate reduction to those same young farmers because the costs to the people of Manitoba are identical whether it's a subsidized lease of land under land lease or a subsidized interest rate, the only difference being that in the long-term mortgage with the young farmers owning the land? That's the basic difference. The government doesn't own it; the young farmer does.

So would he give us the assurance that if his Minister of Agriculture brings in land lease they will offer a comparable subsidization to the interest rate applied to long-term loans so that the young farmers of Manitoba can choose between the government owning the land and they own the land, all to the same cost to the taxpayers of Manitoba?

HON. H. PAWLEY: Mr. Chairman, I really do believe that it would be less than wise to be tossing together a program tonight or making commitments based upon hypothetical situations that may or may not occur over the next six months.

MR. D. ORCHARD: Mr. Chairman, this is not a hypothetical situation unless the First Minister intends on breaking another one of the promises to Manitobans that he made in this, because he has said in here that Manitoba New Democrats would introduce a program to assist young farmers entering agriculture. There is no such program now because his First Minister has eliminated long-term land mortgages to young farmers. So, if he's going to carry out this promise in this, "Policies of the New Democratic Government," I want the assurance from the First Minister that if he brings in land lease after he's beyond the scrutiny of the Opposition, will he also offer young Manitobans a written-down interest on a long-term mortgage at the same cost to the taxpayer and give the young farmer the choice between the government owning the land and him owning the land? That's all I ask. I don't want any behind the scenes manoeuvring and manipulating by his Minister of Agriculture to the detriment of agriculture and, particularly, to young people entering agriculture.

HON. H. PAWLEY: Mr. Chairman, I will get the statement that I issued during the campaign. In fact, what the member is asking me to do, the Minister of Agriculture will obtain same. What the Member for Pembina is attempting to get me to do is contrary to what I committed myself to do during the campaign. I said in Vita during the campaign that we would not lend money to farmers for purposes of purchasing land. That was during the campaign that I made that statement; it was duly reported.

MR. D. ORCHARD: Then I take it that the only way that the First Minister intends to keep his promise of introducing a program to assist young farmers entering agriculture is via the land lease program then. Is that what he's telling us tonight?

HON. H. PAWLEY: No, Mr. Chairman. It will be of assistance to the Member for Pembina because I do have the statement that was issued during the cam-

paign and the emphasis was upon monies for Debt Consolidation.

MR. D. ORCHARD: Mr. Chairman, Debt Consolidation will be available to those who are already in farming. Your promise, Mr. Premier, and I read it to you again is, "Manitoba New Democrats would introduce a program to assist young farmers entering agriculture," not in agriculture and needing debt consolidation, entering agriculture. Do I read between the lines as to what the First Minister is telling us tonight in that he is going to refuse long-term money through MACC to young farmers - next year, the year after, the rest of this year - and only allow new farmers entering agriculture to do so via the Land Lease Program and not give them the option of owning their own land?

HON. H. PAWLEY: Mr. Chairman, there obviously is some difficulty on the part of the Member for Pembina and what he is reading, what he is understanding. The program announcement involved monies for debt consolidation, monies for operating capital and equipment. Maybe, it would be of assistance to the Member for Pembina that's having some trouble if we went onto something else and I was able to provide him with that statement that was issued during the campaign.

Secondly, I would remind the Member for Pembina that we will not be rushed into a program that the farmers of Manitoba would find not satisfactory, that we will be developing our program over the four years of our mandate, five years of our mandate, which is the commitment that we gave to the people of the Province of Manitoba.

MR. D. ORCHARD: I would like to remind the First Minister that on September 29 of 1981, in a report from the Legislature to his constituents, he indicated, and I would take it that he committed himself, as Premier, to developing a comprehensive Interest Rate Relief Program that would assure that no farm, no home, or no business be lost due to high interest rates. That was prior to the election in a legislative report by the then Leader of the Opposition. During the election campaign, in the constituency of Springfield, whilst meeting with a group of hog farmers and farmers in the area, the press reported that once again the Leader of the Opposition indicated that he would develop, if elected and forming the government, a program to guarantee that no farm, no home, no business be lost due to high interest rates. Now, obviously, the First Minister believed that he could do that sufficiently enough to sign this document. I believe he signed it; the First Minister might want to confirm that's his signature. I believe it's his picture although that's in question sometimes, but he indicated in here, "With ManOil and Manitoba Hydro, we can develop programs to guarantee that no Manitobans lose their homes or farms due to high interest rates."

Now, in view of the fact that the Minister of Agriculture on February 5, 1982, put out a press release in which he said, "Mr. Uruski stressed the program is geared to assisting those homeowners with low or moderate income and smaller businesses and farms in economic hardship as a result of high interest rates." Mr. Uruski went on further to say, "This is

consistent with the government's commitment that we would not be prepared to use tax dollars except in hardship cases," not quite what the First Minister had said in his report from the Legislature, his election promises and in this document. But, nevertheless, that's what his Minister of Agriculture is saying on February 5, 1982. Mr. Uruski goes on further to say, "The program was not intended to provide a general measure of interest rate relief to all, but only to those least able to cope with the current protracted period of high interest rates."

My question to the First Minister is, did you know that your Minister of Agriculture in developing the Interest Rate Relief Program was stabbing you in the back and making your election promises null and void?

HON. H. PAWLEY: Mr. Chairman, I feel rather embarrassed trying to answer those kinds of questions, because I don't know really whether the Member for Pembina is just trying to be cute or is indeed sincere when he asks questions of that nature. I will gladly provide to the Member for Pembina the statement that was issued during the campaign as well. There is no inconsistency between the statement by the Minister of Agriculture and the statement that was issued during the campaign.

I am very pleased indeed, Mr. Chairman, as I mentioned, that substantial progress has been made in a very short period of time to deal with these extreme cases where people are losing their farms or their homes or their small businesses solely due to interest. There has been substantial progress and I would have hoped that, rather than trying to score - I don't know - political points, that the Member for Pembina would be joining with us in providing some constructive proposals, if indeed he has same, as to how the program can be better communicated, how it can be better administered. That would be much more useful than really trying to - it is up to the Member for Pembina as to how he performs - but he might be much more effective as far as being accepted by the farmers of the Province of Manitoba if he would.

MR. D. ORCHARD: The First Minister used a very key word, and I compliment him for it. He used the key word 'sincerity' and that is exactly what we are trying to determine; whether he, as Leader of the Opposition, was sincere when he made these promises. You know, it wasn't members of the Progressive Conservative Party that signed this document. It was you, Sir, as Leader of the Opposition and now Premier of this province that signed this document that said, programs to guarantee that no Manitoban would lose his home or farm due to high interest.

You mentioned sincerity. I am asking you: were you sincere when you signed that, Mr. Premier?

HON. H. PAWLEY: Mr. Chairman, I think the people of the Province of Manitoba will pass their judgment and I have no hesitation as to how they will pass their judgment. In view of the very substantial efforts that we have undertaken to provide assistance - you know, Manitobans are much more sophisticated than the Member for Pembina seems to recognize Manitobans to be. I find them to be very sophisticated, very knowl-

edgeable, very understandable, to know full well the limitations that Provincial Government is up against. I find also that they are very appreciative of the efforts that we are undertaking against very extreme odds to provide this kind of assistance. I also know that Manitobans are generally rather pleased that already some significant progress has been made.

Often, governments will leave commitments to the second, third, fourth or even the fifth year to fulfill. This government has already made substantial progress in the first six months. In fact, I think if there is any criticism, maybe in some ways we have attempted to move too quickly on some of our commitments.

MR. D. ORCHARD: You know, I won't belabour the points, but the Minister still hasn't indicated whether he was sincere when he signed this document, and I don't suspect he will if he's . . .

HON. H. PAWLEY: Mr. Chairman, all I need say to you, I am not depending upon the Member for Pembina to judge my sincerity or lack of sincerity. I will depend upon the people or the Province of Manitoba to make that sort of judgment.

MR. D. ORCHARD: The First Minister also called upon me to provide him with some constructive criticism. I would do that right now and I hope he takes it to heart.

Please, Mr. First Minister, open up your Interest Rate Relief Program to farmers to include the majority of the 30 percent of the farmers in Manitoba that you have excluded by your criteria. That would be my first suggestion to you. Secondly, in developing your beef marketing program, drop your insistence on a compulsory marketing commission for all those enrolled in the program. Those are my two suggestions.

Mr. Chairman, I have one other question of the First Minister. Once again, it follows up from a commitment made by the First Minister in the "Policies of the New Democratic Party." The policy basically is to take steps to relieve the interest burden facing families buying a home. When can we expect assistance of interest relief to Manitobans buying a home?

HON. H. PAWLEY: Mr. Chairman, that is a subject that is under review by the Minister responsible for Housing.

MR. D. ORCHARD: Then we can possibly expect an announcement in the near future on that type of assistance . . .

HON. H. PAWLEY: I wouldn't establish any date. We are working on putting together an economic and social thrust within the best of our means and our commitments and that we are doing.

MR. D. ORCHARD: Mr. Chairman. I have no further questions at the moment.

MR. CHAIRMAN: The Member for Turtle Mountain.

MR. B. RANSOM: Thank you, Mr. Chairman. I realize that the First Minister is a bit reluctant to go back and deal with some of these statements that were made

during the election, but on the other hand I know that he is interested in sincerity and dispelling cynicism that sometimes develops in the political arena. That is why we are interested in questioning the commitments that were made, knowing what was meant by them and how they are intended to be carried out. There are a few areas that I would like to give the First Minister an opportunity to clarify for my benefit, and perhaps for the benefit of others, just what was meant by some of the statements which he has made.

The first one that I would like to start with, Mr. Chairman, has to do with the deficit and the presentation of the accounts of the province. Shortly after assuming responsibility for government, the First Minister said that he expressed great concern at the size of the projected deficit. He said or was quoted in the paper as having said, "Certainly, the public was misled." Mr. Chairman, I just would like to ask the First Minister how the public had been misled. What was the basis for that statement?

HON. H. PAWLEY: Mr. Chairman, I certainly think there was not a general impression amongst the public at large as to the extent of the deficit that we were inheriting.

MR. B. RANSOM: Mr. Chairman, could I ask the First Minister, was he aware that the projected deficit in the Budget of 1981-82 was \$219 million?

HON. H. PAWLEY: Yes. It was considerably more than that when we inherited government.

MR. B. RANSOM: Mr. Chairman, is the First Minister now suggesting that the misleading of the public took place somewhere in that range of difference between the \$219 million that was projected in the deficit and the 252.8 that was projected at the end of the second quarter, bearing in mind that the first Quarterly Report has not, in our practice, included a projection of the deficit for the year?

HON. H. PAWLEY: Mr. Chairman, dealing with the very department that we're on, there are certain items that had to be obtained by way of Special Warrant that weren't in the printed Estimates. I made reference earlier - I don't know whether the member was present - to \$700,000 by way of Advertising that was not included in the original printed Estimates, a further 120 - a further considerable sum under Other Expenditures, 2.(c). As well, there were substantial sums under the Health Department that were not included in the printed Estimates.

MR. B. RANSOM: Mr. Chairman, has the First Minister had an opportunity to examine the Quarterly Financial Report for the six months, April to September, 1981?

HON. H. PAWLEY: I have not had opportunity to review that.

MR. B. RANSOM: Perhaps then, Mr. Chairman, I could just draw to the First Minister's attention the fact that that Quarterly Report, which was the last one put out by our government, projected a deficit

of \$252,800,000.00.

Mr. Chairman, I could also draw to the First Minister's attention the fact that the Budget tabled in this House a few weeks ago, tells us now . . .

HON. H. PAWLEY: Mr. Chairman, if I could just for a moment, could I ask the honourable member when that Quarterly Report was released to the public?

MR. B. RANSOM: Mr. Chairman, the Quarterly Report was released to the public at approximately the end of November, which is the normal . . .

MR. H. PAWLEY: After November 17th, yes.

MR. B. RANSOM: . . . is the normal time for the release of the Quarterly Financial Report and the . . .

MR. CHAIRMAN: Order, order. Order. Are you finished your comments, Member for Turtle Mountain?

MR. B. RANSOM: No.

MR. CHAIRMAN: The Member for Turtle Mountain.

MR. B. RANSOM: Thank you, Mr. Chairman. I would draw to your attention then on Page 11 of the Budget, Mr. Chairman, where the projected deficit, which the Minister of Finance has now informed the House what the projected deficit will be for '81-82, is in fact \$252 million. So the Quarterly Report projected \$252.8 million; the Minister of Finance now informs us that the final deficit is expected to be \$252 million.

Mr. Chairman, it strikes me that those two figures are very close together, and that the talk about some \$80 million of Special Warrants being required to be passed by the new government is simply misleading, because the First Minister apparently is not aware and perhaps even the Minister of Finance was not aware, that in the projections for the spending of the government, the anticipated requirements are taken into consideration when the approval for the spending is given by Treasury Board. The Special Warrant is not passed until the money is actually required and any transfers within the appropriations has taken place, then the Special Warrant is required. That is why, Mr. Chairman, the Quarterly Financial Report estimated a deficit of 252.8 and the final figure is likely to be 252, because far from not taking that 80 million into consideration, the 80 million had been taken into consideration before.

I would like to ask the First Minister one further question in this area, Mr. Chairman. What does he now anticipate that the final deficit figure for 1981-82 is going to be?

HON. H. PAWLEY: For '81-82, I wouldn't be able to provide that information tonight. I would have to . . .

MR. B. RANSOM: Does the First Minister then accept the figure which appears in the Budget which says that the year end deficit will be \$252 million?

HON. H. PAWLEY: I would have to check that out. Mr. Chairman, insofar as the 252 million, the member acknowledged himself that the quarterly statement

did come out after the election, and there's no question as to the fact that there were substantial sums of monies that were not in the printed Estimates re Health, re my own department, many other areas - I can obtain all that - and certainly the amount of the projection was exceeded by a substantial sum of money, unless the member discounts \$35 million, \$40 million as not being a significant sum of money.

MR. B. RANSOM: Mr. Chairman, concerning the \$252 million, it is a question of whether or not the First Minister accepts that. I see some question in his mind now whether he accepts that or not. I think the Finance Minister has assured us this will be the approximate figure, but the First Minister persists, I think as recently as two or three weeks ago, of using a figure of \$300 million for the deficit for 1981-82. I would appreciate the First Minister then examining and looking into the facts to see whether the Finance Minister's projection is correct, that the deficit will be \$252 million, or whether the figure of some \$300 million is the correct one.

Mr. Chairman, I would like to ask the First Minister then to substantiate what he considers to be any misleading statements by the previous government with respect to the deficit. Can he clearly identify any misleading information?

HON. H. PAWLEY: Mr. Chairman, first, the former Minister of Finance ignores the fact that a once-only, 25-point-some million dollars was taken out of the Municipal Reserve Fund. If that had not been done, we would have been looking at a deficit in the range of \$275 million to \$280 million, 25 point-some onto 252 million.

Mr. Chairman, unfortunately the false impression was created when the previous Conservative Government was elected in 1977, they accused the then Schreyer Government of spending money like arsonists, and then others suggested we were spending money like drunken sailors, and there was a great deal of moral commitment certainly by way of the speeches that were given that in some way or other the new Conservative Government would balance the Budget and it would run a very tight ship. This was the commitment and the understanding that was given by the then Conservative Party when it formed the government in 1977. Unfortunately during the four-year period of time, those commitments that were given by the previous Conservative Government to Manitobans were not honoured - 1978, 1979, 1980, 1981 - we experienced ever-increasing deficits.

Now I want to very quickly — (Interjection) — if the Leader of the Opposition can show me any one of those years where there wasn't a deficit, I'd be quite interested . . .

HON. S. LYON: I can. Those weren't increasing deficits. They were decreasing deficits . . .

MR. CHAIRMAN: Order. Order.

HON. H. PAWLEY: There is no question that at the end of the term of the Conservative Government, their deficit was a record deficit; it was higher than anything that had existed prior to and including the first

year they assumed office.

Now, Mr. Chairman, I want to emphasize a point though, so that I'm not misunderstood. We have never said that there is anything wrong with deficit financing given any economic circumstance at any particular time as a party. It has not been our party that has claimed there is something virtuous in a balanced Budget situation regardless of the economic situation.

What we criticized was for a party to promise to make a commitment to the public of the Province of Manitoba that in some way or form they would balance the Budget, that they had some sort of monopoly on effective management of the affairs of the province, finances of the province, and then to so completely and totally permit that expectation to deteriorate. So there is a clear philosophic difference between our party and the previous Conservative Government. We never for a moment have indicated that there is anything virtuous in a balanced Budget each and every year.

By the way, excuse me, if I could just very very quickly - I have the release of November 5, 1981, dealing with the questions raised by the Member for Pembina and in that release that was issued just a few days before the election, it states: "It is a waste of limited provincial funds to duplicate the Federal Farm Credit Corporation. We will provide young farmers with MACC funds for the activity which is not adequately supported by other programs. Specific aspects of the new program will include purchases of livestock, buildings, other permanent improvements, land improvements, purchase of equipment, start-up costs and grants for development of a farm plan. The program will be part of a family farm act." And I also said here: "It will replace the Conservative focus on MACC activity on loans for the purchase of farmland since the Federal Farm Credit Corporation provides land purchase loans."

So to the Member for Pembina, I'm just a little surprised that this evening he would try to wring from me an agreement to do the very opposite, to breach a commitment that I gave very clearly on November 5, 1981. I'm just a little puzzled by the double standard that the Member for Pembina seems to be injecting into the Estimates.

MR. CHAIRMAN: The Member for Turtle Mountain.

MR. B. RANSOM: Mr. Chairman, the First Minister tries to make this into a philosophical debate about the pros and cons of deficits. That's not the question at hand, Mr. Chairman.

The question is that there was an allegation that the people had been misled, and this was not even an allegation that was made during the election; this was an allegation that was made after the election. The First Minister was then the First Minister. He had an opportunity to consult with his Minister of Finance and with staff and he made the allegation that the public had been misled. Now I think that is a rather serious charge to be made and I think it's one that needs to be substantiated and so far, Mr. Chairman, I haven't seen any substantiation presented.

He makes reference to a \$25 million Special Municipal Loans Fund. Mr. Chairman, the House was never misled about the \$25 million Special Municipal Loans

Fund. It was first raised in Public Accounts and I believe the Member for Lac du Bonnet was there. The Member for Seven Oaks raised the question: how does the government intend to treat this \$25 million in the Special Municipal Loans Fund? The Deputy Minister of Finance answered at the time: it would be my intention to recommend to the government that money be taken into general revenue, and there the subject dropped for the sake of Public Accounts. Subsequently, that was done in the Budget. It was presented forthrightly. There was never any misunderstanding, never any attempt to mislead anybody.

Now, the charge has been made that there was an attempt made to mislead and I simply would like to know, specifically, whether there were things to which the First Minister was referring, or was he simply engaging in allowing the election to lapse over a little bit into the post-election period and perhaps his rhetoric had gotten away with him a bit.

HON. H. PAWLEY: Mr. Chairman, I don't know whether the Member for Turtle Mountain and myself are looking at the same figures, but certainly the projection is of the Budget of 1981 and the information that we had as of the date of the election, November 17th, and finally the Quarterly Report, which was issued after the election - not before the election, but after the election. I'm not saying that the Quarterly Report was issued at a time that it should not have been, but certainly Manitobans were not advised during the campaign that we are overspending by X amount beyond that which we had anticipated during the Budget of '81, that the projected deficit of X amount is being exceeded by Y, so that Manitobans were not aware that there was a substantial difference between the budgeted deficit and the final Budget during the campaign.

MR. B. RANSOM: Mr. Chairman, are we to assume then that with the present government we will get an up-date on the projected deficit of the government perhaps every month so that we will not be in a position of being able to say that the government was misleading the people in terms of the . . .

HON. H. PAWLEY: Mr. Chairman, it's our intent to issue the Quarterly Reports as has been the practice.

MR. B. RANSOM: Mr. Chairman, I think the First Minister will be aware that the first Quarterly Report doesn't contain the projection of the deficit. It's not possible to do that in any accurate way at the end of three months. So if he is going to pursue the same practice as was followed by the previous government, which I happen to think was a good one, the First Minister termed that as misleading. Now, if the same practice is going to prevail then I assume that the same tag can be applied to the Estimate then.

HON. H. PAWLEY: Mr. Chairman, again I must remind the Member for Turtle Mountain because he may have missed this information; the very department that we're dealing with, not having to look at any other department, we have a total of some \$850,000 by which the printed Estimates were exceeded by actual expenditures. Advertising alone was close to \$700,000

that wasn't covered in the printed Estimates that had to be recovered by way of Special Warrant. Maybe the Member for Turtle Mountain isn't conscious of that. This is one of the smaller spending departments alone; \$125,000 that had to be obtained by way of Special Warrant under 2.(c) in the very department that we're dealing with. So right within this department, we're dealing with \$850,000 approximately, that was not covered by way of printed Estimate in the smallest department spending-wise, of the entire government. You have that example confronting you; the very department that's relevant to our discussion now.

MR. B. RANSOM: Is that what the First Minister considers to be misleading?

HON. H. PAWLEY: Let's deal, for instance, with this particular item if we could - 2. dealing with Other Expenditures: the 1981-1982 vote was 127,300; whereas the year before, the level had been 225,500. We had to Special Warrant \$126,300 to bring that up with the expenditures, where it ought to have been very, very clear that there would have been no way that Other Expenditures would have been halved. You know, this is an example that you have right in front of you in this very department without looking to any other department.

MR. B. RANSOM: Mr. Chairman, my question then to the First Minister is, does he consider that to be misleading? Was that a misleading accounting practice, financial practice, followed by the previous government?

HON. H. PAWLEY: I certainly think it is very misleading if you have an expenditure in one year, that's 1980-81, the year of the election. Then when it comes in after the election, you find you have this Special Warrant for monies that were spent that one should have expected would have been spent on the basis of the previous year's spending. I don't know what you would call that.

MR. B. RANSOM: How much money was involved there, Mr. Chairman?

HON. H. PAWLEY: Dealing with this very department, 50 percent in that item alone.

There's another item dealing with Advertising where we had to Special Warrant - there was two. Here I'll give more benefit of the doubt because I don't know whether it was, I suppose, anticipated that only 2.3 million would be needed. It turned out, I guess because of other demands during that election year, 683,000 had to be obtained by way of Special Warrant in order to meet the expenses from the advertising for the fiscal year in question. So add 683,000 up, which might be somewhat questionable as to whether it should've been reasonably anticipated, and the \$125,000 that ought to certainly have been anticipated, you're looking at a substantial sum in a very small spending department.

MR. B. RANSOM: Mr. Chairman, then what the First Minister is referring to as misleading are items that

have been underestimated in the estimation of expenditures?

HON. H. PAWLEY: In the one case, I think it's quite clear. Leave it to the member's judgment.

MR. B. RANSOM: I wanted to know, specifically, is that what he is referring to? Is the charge of misleading? I want to know. Is that what he's referring to, that it's a situation where the spending of government was underestimated? It subsequently turned out to be larger. Is that, in the First Minister's view, misleading?

HON. H. PAWLEY: Mr. Chairman, the artificial keeping down of expenditure levels is misleading. People certainly anticipated that the printed Estimates would be roughly equivalent. Health was a major area where there were millions of dollars by way of Special Warrant.

MR. B. RANSOM: Mr. Chairman, the First Minister then is saying that the Estimates of the Health Department were kept down artificially. Mr. Chairman, is the First Minister aware of what the extra money was required for in the Health Services Commission?

HON. H. PAWLEY: Mr. Chairman, I can get that breakdown if it's necessary to do so. Obviously, the Health expenditures were not accurately projected.

MR. B. RANSOM: Mr. Chairman, then is it fair to say that it can be considered misleading if there are extra expenditures come in this year in the Manitoba Health Services Commission or extra money comes in for the settlement of the salaries of the Manitoba Government Employees' Association? Will that be misleading too?

HON. H. PAWLEY: Mr. Chairman, one must examine the circumstances. We had three — (Interjection) — I wonder if I can finish my remarks?

MR. CHAIRMAN: Order.

HON. H. PAWLEY: We had three years by which the projected deficit was, indeed, less. In the fourth year, an election year, the projected deficit was exceeded considerably. That information was not found out until after the election, contrary to what had been the pattern during the first three years. Mr. Chairman, it's rather peculiar to me, if there were three years that there was, in fact, overstating of the deficit to be followed by a smaller deficit than what had been anticipated. In the fourth year, we appear to deviate from the pattern significantly.

MR. B. RANSOM: Mr. Chairman, the deficit in 1977 was on Current account - it was a division between Current and Capital - was projected to be about \$25 million in the projection that was made at the time the Budget was brought down. That is the position that the Minister of Finance continued to put forward through the summer and through the election, when questioned. It subsequently came to our attention on assuming responsibility for government that the pro-

jected deficit on the current side was \$125 million. Would the First Minister consider that was misleading?

HON. H. PAWLEY: Mr. Chairman, there are a number of factors that are reflected in the 1977 situation as I recall —(Interjection)— it's the Member for Turtle Mountain that wants to go back five years. As I recall, certainly it was called misleading by the then Conservative Party.

In addition, it seems to me that a great deal of the difference consisted of miscalculation on the part of the Federal Government insofar as revenue flows from the Federal Government to the province. Also, there were monies that had to be expended because of the unemployment situation that was developing in '77. That was clear on record. Programs were announced, as I recall, for all and sundry to know that monies had to be spent on unemployment and there were other factors that - I regret that the Member for Inkster is not present who had done considerable research as to transposing that took place.

MR. DEPUTY CHAIRMAN, A. Anstett: The Member for Turtle Mountain.

MR. B. RANSOM: Mr. Chairman, I am not debating why these things occurred. I'm simply pointing out that, under those circumstances, the Minister of Finance of the day continued to insist that the projected deficit was the same as he had projected in his Budget right through until the time of the election.

I would point out for the record, Mr. Chairman, that during the past election, the issue was never raised with myself as Minister of Finance as to what the deficit was. No member of the media inquired as to what the deficit would be and it was not a subject of political debate during the election.

One or two other questions in respect to deficits, Mr. Chairman. There was a leaflet put out by the Leader of the New Democratic Party in April of 1981 in which he said, among other things, "Four Conservative Budgets have produced four deficits compared to only one deficit in eight NDP Budgets." I wonder if the First Minister could tell us which year of the eight NDP Budgets in the Schreyer years, in his view, had a deficit?

HON. H. PAWLEY: I don't have that information in front of me.

MR. B. RANSOM: Perhaps, Mr. Chairman, then I could place it on the record that in 1971-72, the deficit was 16.4 million; in '72-73, it was 17.9; in '73-74, it was 4.3; in '74-75, it was 52.7 million; in '75-76, it was 93.6 million; in '76-77, it was 76.6 million and in the year in which we took over responsibility for government, it was 191.3 million. —(Interjection)— yes, that's on a combined Current and Capital.

HON. H. PAWLEY: Mr. Chairman, I do want to say . . .

MR. DEPUTY CHAIRMAN: Order. Order please. The Member for Turtle Mountain has the floor.

MR. B. RANSOM: Mr. Chairman, that is on a combined Current and Capital basis, which is the way that

the deficits are being calculated now. It is the only comparable way to show figures from that period or from the four years to our government or from the period of this government.

Was the First Minister aware at the time that, indeed, there were deficits during more than one year of the previous government, compared to the three or four years of the Conservative Government to which he was making a comparison at the time?

HON. H. PAWLEY: Mr. Chairman, what the Member for Turtle Mountain hasn't pointed out, of course, without being responded to by him from questions that his calculations are based upon the combined Current and Capital. The method of calculating deficit in the period 1969-77 was on a split basis, Capital and Current. That was the approach that was used during that period of time. The honourable member now can't go all the way back through the previous Budgets and ascribe now a different deficit to each Budget than that which was ascribed during the year in question. We could do that back through the Roblin period when then Premier Roblin very adequately defended the basis of ensuring that Current and Capital accounts were separated.

MR. B. RANSOM: Mr. Chairman, is the First Minister now saying then that it's comparable to use figures that in the one case separated out Capital from Operating and in the other case combined them? If that's so, does he now intend to separate Capital from Operating again so that he can once again show a lower deficit for his administration as compared to the four years of the Conservative administration where normal accounting procedures and accepted accounting procedures for most of the provinces of Canada were followed?

HON. H. PAWLEY: There has been no decision to do that, but I must say to the member I have considerable sympathy for the arguments as presented by the former Premier, Duff Roblin, as to the rationale for separating Current and Capital accounts. It seems to me, Mr. Chairman, that it is rather unwise to include within the deficit the Capital portion of the deficit which is indeed monies that are being spent, not just for the benefit of one current year, but for a number of years. Now, we have not even made any decision, but I have been impressed by the logic that was then expressed by the former Premier, Duff Roblin, of this province when he explained why he felt the present system of accounting was indeed not accurately reflecting proper financial reporting.

MR. B. RANSOM: Mr. Chairman, does the First Minister acknowledge that the system of accounting introduced by the Conservative Government was that which was called for by the Provincial Auditor?

HON. H. PAWLEY: I am not aware whether the Provincial Auditor requested the change in 1977-78. It is my understanding that the Provincial Auditor is prepared to accept either form of accounting, depending upon the reporting system that's utilized.

MR. B. RANSOM: I wish I could refer the First Minis-

ter then to the Auditor's report from the years prior to our government and to the discussion of it in Public Accounts this year.

Mr. Chairman, the First Minister has also made statements to the effect that the financial capacity of the government was impaired during the four years of the Conservative administration. I wonder if the First Minister would elaborate a bit on that position.

HON. H. PAWLEY: Mr. Chairman, there are a number of areas that I would draw the honourable member's attention to in that respect. Firstly, they had made a commitment that I think was seriously taken by Manitobans on the whole that they would be balancing the Budget during their term mandate. That did not take place. I would think that in any assumption of responsibility, a commitment of that nature being made does to a considerable degree impair credibility, yes.

Secondly, the kind of programs that flowed from the first two years, at least two years if not part of the third year, of the former Conservative Government also contributed towards an impairment of the financial circumstance of the Province of Manitoba. A more stimulative approach during that period of time would have prevented some of the slide which took place overall.

MR. B. RANSOM: Could the First Minister give me some indication of how the financial capacity of the government was impaired? In what areas was the financial capacity of the government impaired? I am not talking about the economy; I am talking about the financial situation with respect to the Government of Manitoba.

HON. H. PAWLEY: Mr. Chairman, you can't separate the economic and the financial. The economic has an influence upon the financial affairs of the province. Certainly, the economic operations of the province adversely affected the financial.

MR. B. RANSOM: Mr. Chairman, the First Minister has said on numerous occasions since the election, that his ability as a government to do things, to be active and to take initiatives is impaired because the financial capacity of the government had been impaired by the previous administration. I am seeking information as to how the capacity of the government was impaired; how the government was in a less advantageous position to respond when the New Democrats assumed government in 1981, as compared to when the Conservatives assumed responsibility for government in 1977.

HON. H. PAWLEY: Mr. Chairman, there have been three areas that have made it much more difficult for the new government to undertake its efforts and I think Manitobans in general recognize the three factors that have made it much more difficult. One is the inheritance of a very large deficit and the deficit, in itself, I'm not criticizing the previous government for as per my original statements, but it is a sizable and a large deficit that the new government has inherited. Number two is the fiscal transfer cutbacks and three is the state of the economy and the reduced flow by way of income and corporate tax revenues to the Provin-

cial Government.

Mr. Chairman, my statements about impairment have related to all three factors: (a) the deficit that the new government inherited; (b) the very, very sharp fiscal transfer cutbacks from Ottawa in the nature of some \$700 million more than would have been the case under the old agreement, and (c) the sharply reduced flow of cash as a result of the deepening economic recession. I don't think there is any question that the ability of the new government to do that which it would like to do has been impaired by these three factors combined.

MR. B. RANSOM: Mr. Chairman, was the First Minister aware prior to the election, that there were likely to be cutbacks in federal transfers?

HON. H. PAWLEY: There was speculation that there would be, as I recall. I do not recall, Mr. Chairman, any information as to the extent of those cutbacks at all and I must say that I was quite surprised when Mr. Miller returned from the Finance Ministers' meeting shortly after our being sworn into office and advised us as to the extent of the cutbacks. I would be curious as to whether the former Minister of Finance was aware before the election was called as to the extent of the cutbacks. He was in a much better position to know than those of us that were then in opposition.

MR. B. RANSOM: Mr. Chairman, if the First Minister would care to refer to the Budget of a year ago, he will see where reference is made and a warning is given. The figure is perhaps not as high because the Federal Finance Minister would not indicate until his Budget on the 12th of November, as to what the package would be, but there was ample warning given that there would be cutbacks in the area of health and post-secondary education funding from the Federal Government. It strikes me as unusual if that should have come as a surprise to the First Minister, because I think everyone else was aware of that, Mr. Chairman.

HON. H. PAWLEY: Mr. Chairman, then I

MR. DEPUTY CHAIRMAN: The Honourable Member for Turtle Mountain I think

MR. B. RANSOM: I'll let the First Minister respond.

HON. H. PAWLEY: Mr. Chairman, I indicated the extent was a surprise. I don't know just to what extent the Member for Turtle Mountain was privy to more detailed information and hard facts after the speculative comments in his own Budget in the spring, what additional information he had by the time the election was called. I leave that to him if he wishes to respond.

MR. B. RANSOM: Mr. Chairman, I can tell you there was no additional information, but it turns out that the information of the projection given in the Budget of a year ago was approximately accurate for the first year, but not over the long run of the five years because that wasn't known. We were speaking at that time of a two-year cutback.

HON. H. PAWLEY: Mr. Chairman, we would have

been very happy if the projection for the first year had indeed been all that we had to be confronted with, rather than the \$700 million for the five years that we have short-failed from the original agreement.

MR. B. RANSOM: Mr. Chairman, the First Minister said that the deficit which he inherited was a larger deficit than we had inherited. Would he acknowledge that to be comparable, to be able to weigh the one against the other, that it really would be necessary to take inflation into consideration and look at the purchasing value of the dollar, 1977 to 1981, and that it should be looked at relative to the size of spending, that sort of thing?

HON. H. PAWLEY: Mr. Chairman, there are other factors. I must say to the Member for Turtle Mountain, given the economic circumstances of 1977, as a government I would have preferred to have those economic circumstances along with that deficit of '77 as to the deficit that we inherited with the very grim economic circumstances accompanying same.

MR. B. RANSOM: Mr. Chairman, it becomes more and more evident that perhaps the First Minister is not especially conversant with some of the economic figures that prevailed. I could point out to him, for instance, that in 1977 the Conference Board still estimates that the growth in the Manitoba economy was 0.8 percent; whereas their most recent estimate for 1981 is 3.6 percent. I could also point out that placing the deficit on a comparable basis in terms of making the 1977 dollars comparable to 1981 dollars that the deficit of 252 million in '81-82 put the '77 deficit on the same basis; it comes to 275 million. So by any kind of reasonable measure, the deficit that we inherited in 1977 was \$275 million as related to the deficit of 1981-82.

I can also point out, Mr. Chairman, that of that 275, if you put it on that comparable basis, 57 percent of that was for Current - that percentage doesn't change no matter what the figure was - 57 percent of the deficit in 1977-78 was to cover current expenditures. Of the \$252 million deficit this year, only 25 percent is to cover Current expenditures. The deficit, as a percentage of the government's expenditure in 1977, was 12 percent. As a percentage of expenditures in 1981-82, it's 10 percent. The debt, as a percentage of the gross provincial product in 1977, was 42 percent and is now 36 percent in 1981.

So, Mr. Chairman, my question to the First Minister is, what areas really was the government finding that the financial situation of the government had been impaired by the Conservative Government. Now, this is the charge, Mr. Chairman. We didn't hear much about Mr. Reagan or Mr. Trudeau having an effect. It was the Progressive Conservatives in Manitoba. Perhaps he'd just like to clear up some of those points.

HON. H. PAWLEY: Mr. Chairman, again I have to repeat my earlier answer. Our reference has been persistent throughout that the ability of the Province of Manitoba to undertake the kind of social programs that I think Manitobans would like to see extended have been handicapped by way of a number of factors, a number of economic and financial factors.

Number one, as I mentioned, is the deficit that we inherited. Well, Mr. Chairman, by way of dollars, it is a large deficit and again, so I'm not misunderstood, I have never said that a deficit in itself is necessarily a bad thing. I don't want to be misunderstood on that, but, when you couple a record deficit — (Interjection) —

MR. DEPUTY CHAIRMAN: Order please. The members of the Committee, please allow the First Minister to complete his remarks.

HON. H. PAWLEY: When you couple the record dollar deficit, which may not seem like a large deficit to the Member for Turtle Mountain, with substantial fiscal transfer cutbacks . . .

MR. DEPUTY CHAIRMAN: Order please. I realize that some members may be concerned about the hour and tempers may be wearing slightly, but I think the committee would like to hear the Honourable First Minister's answer to the question.

HON. H. PAWLEY: Coupled with the fiscal transfer cutbacks, \$700 million cutback, and then you couple that with the decreased flow income in corporate tax revenues and, Mr. Chairman, I want to just add to that the uncertainty that I am sure that each Manitoban must feel as to what will occur over the upcoming year pertaining to the economic performance of the economy. There's no question that the new government is handicapped as to presenting and delivering upon the kind of programs it would like to see delivered: inherited deficit, fiscal transfer cutbacks, decreased flow of revenues as a direct result of the recessionary situation which is directly attributable to the monetary policies practiced in Ottawa, copied from Washington, D.C.

MR. B. RANSOM: Mr. Chairman, my position simply is, and I believe the figures show it, that the government was in a sounder financial situation when this New Democratic Party took over government in 1981 than it was in 1977. By any comparable measure, the financial condition of the government was more sound in 1981 than it was in 1977. The government's ability to act was greater than was the ability of our government to act in 1977. The tax system in 1981 is much more competitive than it was in 1977, so there is more opportunity for the government if they wish to impose additional taxes - but if they wish to move back into the areas that had been vacated by the previous government.

So, Mr. Chairman, I don't for a minute say that times aren't difficult and there isn't an impact by the transfers from the Federal Government and that factors elsewhere in the world don't have an effect, but let's be realistic, let's be fair about what the facts really show in terms of the fiscal capacity of this government to respond.

Mr. Chairman, one of the areas that was dealt with at great length during the election and prior to the election was the charge by the New Democratic Party that the Conservatives were giving away Manitoba, that they were giving away the resources of the province. I think that you all had seen the election material and seen the ads showing the province being cut up and

given out and such.

MR. DEPUTY CHAIRMAN: The First Minister on a point of order.

HON. H. PAWLEY: Mr. Chairman, just on a point of order, I see the Member for Turtle Mountain is entering a new area. I'm wondering, since obviously we're not going to finish in reasonable time, if we ought not to adjourn and come back tomorrow afternoon. You're entering a brand new area, I can see.

MR. DEPUTY CHAIRMAN: If it's the will of the Committee, I'll entertain a motion.
Committee rise.

SUPPLY - GENERAL SALARY INCREASES

MR. DEPUTY CHAIRMAN, P. EYLER: The Committee will come to order. We are considering the Estimates for General Salary Increases. Does the Minister have an opening statement?

HON. V. SCHROEDER: Mr. Chairman, this item had been discussed previously, briefly, under the Department of Finance Estimates as well as the Civil Service Commission Estimates. We've been aware of the numbers for some time. It is an amount which was set aside some time ago before we knew the amount of the MGEA settlement. It was well known at the time that it was probably somewhat on the low side. For an historical perspective, I would tell members opposite that the last time we were in a similar position two years ago, the previous government had estimated the similar cost at \$7.5 million.

INTRODUCTION OF GUESTS

MR. DEPUTY CHAIRMAN: If I could interrupt proceedings before we get into this, I'd like to draw the attention of members to a group of Vietnamese students from Steinbach with their teacher, Mr. Jacob Siemens, who are in the gallery to my right.

SUPPLY - GENERAL SALARY INCREASES (Cont'd)

MR. DEPUTY CHAIRMAN: The Member for Turtle Mountain.

MR. B. RANSOM: Mr. Chairman, I'd be interested in hearing the Minister's explanation of just how he arrived at the \$10-million figure.

HON. V. SCHROEDER: Mr. Chairman, this amount was arrived at in a totally arbitrary fashion before we got into a position where we had an idea as to the amount of the settlement. Quite frankly, I don't think it's any secret that we knew that the settlement would be for more than what we have provided for in these particular numbers and that's why I indicated previously that, just in comparison, there was a \$7,500,000 amount estimated two years ago.

MR. B. RANSOM: Mr. Chairman, I believe that the Minister had said at some time previously that the \$10

million would represent approximately 3.5 percent of the salary of the MGEA.

HON. V. SCHROEDER: Yes, that would be approximately the amount. The total salaries for MGEA members for '82-83 prior to the increase was expected to be \$333 million; \$10 million would be somewhere in the neighbourhood of 3.5 percent of that.

MR. B. RANSOM: Mr. Chairman, I believe then that the increase, if the MGEA accepts the present proposal, will be approximately 13 percent on the average?

HON. V. SCHROEDER: Yes, Mr. Chairman, that's correct and I know the member is wondering how we've arrived at a net additional cost to the province of between \$5.4 million and \$8.7 million, so I might as well explain that. I am advised by my department that there is an estimate of the staff turnover, retirements, positions not being filled as early as anticipated and other such circumstances which, if the normal course of events is followed, will result in an average annual vacancy rate of somewhere between 7 and 10 percent. There is some staff turnover, in fact, built into the department's budgets and therefore the rate used is between 7 and 8 percent which works out to between \$23.3 million and \$26.6 million off the gross cost of the settlement.

That doesn't mean that the settlement doesn't cost that much, it just means that in terms of additional funds above what we've already voted, the \$333 million, plus the \$10 million we're talking about now - and we'll talk what we need in addition to that later - is somewhere between \$5.4 and \$8.7 million.

MR. B. RANSOM: Does any kind of freeze exist in the Civil Service on positions now?

HON. V. SCHROEDER: There is no freeze of which I am aware. —(Interjection)— well, Mr. Chairman, it may well be that in certain Crown corporations, in certain other operations, there might be something temporary. I do know that each position is being looked at very very carefully before it is filled. In my department, I've held a number of positions open for quite some time while I am reviewing those and I would be surprised if there weren't those positions in each department as we are looking over in what direction we expect our departments to head.

MR. B. RANSOM: Mr. Chairman, the Minister makes reference to Crown corporations. Is he indicating that some Crown corporations are included in this figure?

HON. V. SCHROEDER: No, Mr. Chairman.

MR. B. RANSOM: Then I assume that any reference to Crown corporations was simply a bit of extraneous information intended to throw us off any trail, Mr. Chairman.

HON. V. SCHROEDER: I just want to give you as much information as possible.

MR. B. RANSOM: Mr. Chairman, if, in fact, there was a payroll of \$333 million and there's a 13-percent

increase, that comes to approximately \$43 million. The Minister is telling us that really it isn't going to cost \$43 million. It's only going to cost somewhere between \$15.4 million and \$18.7 million in total. Now, I assume, Mr. Chairman, that in the \$333 million last year, the Civil Service was also running at a vacancy rate somewhere close to the figure that exists at the moment. Is the Minister suggesting then that year after year after year when the settlement is voted that the figure to achieve that settlement, the cash figure to achieve that settlement, is going to be somewhere in the range of a third of the total dollars that would, on the surface, seem to be required?

HON. V. SCHROEDER: Mr. Chairman, just for example, two years ago the settlement was - I don't have the exact numbers - but it was in the range, I believe, of more than \$20 million, certainly. The net impact, after the \$7.5 million which had been voted in addition, was an approximate additional \$7.5 million of Special Warrants in that particular case. So this is something that isn't unusual. It is something that has happened in the past and it's something that's happening now. I am not suggesting that the settlement isn't costing the kind of money that the member is talking about, although my figures show \$42 million which would indicate that it would be just a touch —(Interjection)— I'm sorry. Actually, I had somebody do it for me and usually they're right. I hope they are right tonight.

So my staff tells me that, based on previous years and not on some change in policy that might be in existence or might be expected to be put in existence between now and the end of this fiscal year, we can expect underutilization of the amounts already voted, of in the range from \$23.3 million to \$26.6, and if you deduct that from the \$42 million, that leaves somewhere between \$18.7 million and \$15.4 million that we would be short. We are tonight talking about the other \$10 million, which brings us down to between \$5.4 million and \$8.7 million.

MR. B. RANSOM: Just so that I am absolutely certain I understand that, we're talking about a total 10 million plus another 5.4 million to 8.7 million and, Mr. Chairman, there is some problem with that, because it is not at all clear to me that it is possible to make that kind of settlement and continue year after year to be able to have a dollar figure that is that much less than the settlement figure would seem to call for. Mr. Chairman, if I can refer back to the statement which was made when the Estimates were tabled in February of 1981 - they were tabled by a Finance Minister that I generally regard as being reliable - and the quotation was "For the information of members, it is estimated that general salary increases next year in excess of those resulting from promotions, increments and other adjustments, will total approximately \$20 million more than the \$7.5 million contingency amount included in the 1980-81 Estimates."

Mr. Chairman, last year, because there was an agreement in place already and we were going into the second year of a two-year agreement, we did not use the method of putting in a contingency amount because we knew what the actual amount would be. Mr. Chairman, the comparable amount of money then, according to that quotation which, as the Minis-

ter knows, would be provided by the departmental staff, was \$27.5 million to accommodate a smaller percentage increase on a smaller base.

Now, the Minister is telling us that with a 13 percent increase on a larger base, he's going to project a settlement that will cost the taxpayers in the range of \$15.4 million to \$18.7 million. Mr. Chairman, there is something that doesn't wash there; something has changed; the system of calculating it has changed. The government has placed a freeze on hiring, or some kind of factors in the equation have changed, because last year the cost was \$27.5 million, a comparable figure. There are approximately \$10 million more. Could the Minister give us any indication that might have been made to him of anything that could account for that kind of difference?

HON. V. SCHROEDER: Mr. Chairman, I know of no changes in calculation. There are no freezes in effect of which I am aware and, in fact, I would have to say that probably the very same computers and individuals operating those computers are the ones who have been giving me the numbers who were giving that previous Minister of Finance the numbers a year ago.

MR. B. RANSOM: Mr. Chairman, I would like to see if the Minister would undertake to get an explanation from the staff in view of the seemingly conflicting positions in the presentation of information that was put forward, because \$10 million is not exactly peanuts. That's a fairly significant amount of money. The Minister of Agriculture probably could have made something worthwhile for his interest rate program or his beef program if he had that kind of money and was able to listen to the people out there in the country that might be on the receiving end of it. So perhaps the Minister would agree to undertake that.

Also, Mr. Chairman, during the Minister's Estimates review in the Department of Finance, the Minister undertook to provide answers to a rather significant question in terms of presentation of information on growth rates of the provincial economy; how the growth rate figures, from the prospectus filed in June to the prospectus filed in December, had changed in some cases by 100 percent moving from 1.4 to 2.8 or vice versa, that sort of thing. The Minister had undertaken at that time, to get a detailed explanation of why we saw those changes. Perhaps he could give me an indication now how he is progressing with that.

HON. V. SCHROEDER: Mr. Chairman, just first to answer the second question. My recollection is that we did, in fact, deal with that during the Finance Estimates. I did explain the background to that to the honourable member and just going from memory now, my recollection is that the new numbers which the member showed me and I hadn't noticed previously were as a result of some changes in the local system. I can't recall the specific changes. I do recall, however, that I've mentioned previously that they had been examined by the people involved in New York and they were satisfied with those particular explanations. That may not satisfy the Member for Turtle Mountain. Quite frankly, I can't say that I blame him very much. I will get that information. I don't know whether we can get it this evening, but if that is possi-

ble then certainly I'll get the paper back on it and explain it again.

With respect to the first portion and going back two years, there was a \$7.5 million item referred to in the Estimates and then, later on, there were a further \$7.5 million required for, as I understand it, the total settlement including MGEA and those who are outside the contract. That would have amounted to \$15 million on a total of - I don't know what, \$25 million? - whatever. This time we're talking about - I've already given the numbers in terms of MGEA, I'm told that the figure of 27.5 million, 20 plus 7.5 referred to in 1981, was a gross cost of the settlement. The \$27.5 million was reduced by surpluses resulting in a figure of approximately \$15 million; \$7.5 million provided from the Supply Vote and the balance from Special Warrant.

MR. B. RANSOM: The Minister said that it was a gross figure that was included in last year. It was, in my understanding, included in the total spending Estimates of the department and contributed to the projected deficit of \$219 million. In his information which the Minister received, does he have any indication of how that could be reconciled then with the way that it's being put forward this year?

HON. V. SCHROEDER: No, Mr. Chairman, I'm simply told that figure which the honourable member referred to earlier had been, first of all, a gross cost and it had been reduced by surpluses - I take it those are within the various departments - resulting in a figure of approximately \$15 million.

MR. B. RANSOM: Mr. Chairman, if it had been reduced by a further amount at the end of the year, then I assume that's money that would lapse. Has the Minister now then made further adjustments in his projections so that he's taking into consideration an amount of money which he expects to lapse if that is the case? It may well work out that way, but I would suggest that it is, in fact, a change in the way the figures are being presented.

HON. V. SCHROEDER: Mr. Chairman, again, it is my understanding - we're just talking about 1981 - in 1981, we didn't have a settlement. So to go back to a year that was similar to this one, you would have to go back to 1980. In the year 1982, as I had indicated, there is an expectation at this time that of the amounts voted in the various Estimates, including the \$10 million we're talking about tonight, an amount of - I don't have the number just on top here again - somewhere in the area of \$22 million or \$23 million would not have been used without the increase in salary. In addition to that, we are asking for the \$10 million, leaving somewhere between \$5 million and \$8 million as the amount in addition that we will require later on. If that is a change from the method of calculation in 1980, then I was not aware that it was a change in method from then.

MR. DEPUTY CHAIRMAN: The Member for Morris.

MR. C. MANNES: Thank you, Mr. Chairman, I'd like to ask the Minister for further clarification using the same numbers that he, in fact, has given us. You seemed to indicate that subtracting the 8-percent fig-

ure, which he claims is an unused portion of those funds directed towards government employees, subtract that number from a 13 percent, you come out with a difference of 5. If you apply that 5 percent against the total base of \$333 million, you come out to somewhere around \$16.5 million. I realize that's not the approach probably used or is it?

MR. DEPUTY CHAIRMAN: The Minister of Finance.

HON. V. SCHROEDER: If I could just go over that again. We start off with, before an increase in salaries, an expected salary expense of \$333 million, which is in the Estimates plus the \$10 million we have here, \$343 million, then we expect that as a result of staff turnover, retirements and positions not being filled as early as anticipated, in the area of between 7 and 8 percent will be coming off of that amount. That's where we take between 23.3 and 26.6 off of the \$333 million and you can work your way down from there.

MR. C. MANNES: Thank you, Mr. Chairman, that's exactly what I did, as a matter of fact, and like the Minister claims, the 8 percent on that figure of now \$343 million does come out to \$27 million roughly or somewhere in that area. Of course, subtracting that \$27 million from the increase resulting from a 13 percent increase on the base of some \$43 million comes to the \$16 million, \$17 million figure. I realize that's how it was done, but the same result, you can also achieve that same end by subtracting 8 percent, I submit, 8 percent from 13 percent and taking 5 percent over the base which also gives you \$16.5 million, \$17 million. The result is the same.

Now the question I pose is that obviously then for another year, for '83-84 if, in fact, the cost of living - I can't remember exactly what the agreed-upon terms are for the second year of this agreement, whether it is a cost of living plus 1.5, I think that's it. If indeed that's the case, then if we can bring inflation down in this country to 10 percent, then I would assume for rough calculation purposes that the increase in next year's Estimates would be, using the same logic that the Minister has given us, some 12 percent minus 8, or 4 percent on the new base. Would that logic still fall into place? If that is the case, what the Minister is then telling us is that if ever we bring inflation below 8 percent that there will never be an increase to the base. Can he confirm or deny that?

HON. V. SCHROEDER: Mr. Chairman, I wish that wonderful day would come. I would point out to the member however, that although it may have worked this time in terms of what he's done, he's used a completely different formula to arrive at the same number and then what he's saying is that therefore this different formula would work a year from now. I have no idea; I wouldn't want to warrant his formula at all. It may work; it may not. Next year we will be coming forward with Estimates of spending for Civil Service salaries which would be taking into account the 333 million, the 10 million and the 6 to 8 million and, hopefully, inflation will be at 7 percent so we would add on, I would presume, 8.5 percent. I suppose that there would be some amount of attrition again next year off that total amount of increase, because there

will be retirements, there will be various other items occurring, but I certainly wouldn't say that you can take 5 percent off. because the logic of that would be that at some point where you had no inflation - well, I would say, if you have no inflation and no wage increases - then in all likelihood, you would have probably some fluctuations from year to year because of your ups and downs in terms of the numbers of positions being filled and where people are on the Civil Service ladder in a particular year. We're not saying that each year you're going to have a certain number of people in a certain position, but what the Finance people have done is projected historical data forward and it appears so far to have worked.

MR. C. MANNES: Well, Mr. Chairman, I submit there's nothing outlandish about the formula I've used. There's nothing really different or completely out of line with it at all. I don't care what base you use. If, in fact, 8 percent of that appropriation is not being used for whatever reason and the cost of inflation is below 8 percent, then there should be no addition to the base. It's just sound logic. It's beyond mathematics.

Not knowing the history of what the Member for Turtle Mountain indicated was the approach or the techniques used in other years, I suppose I, again, have to ask the question whether there is a new concept being brought into this whole area or whether there's a new accounting technique?

HON. V. SCHROEDER: Mr. Chairman, there are no changes this year in terms of accounting or numbering from previous years. I should say again that the estimating process as well with respect to lapses, and lapses have always been incorporated in fiscal year projections, the estimating process this year will not be handled any differently than in past years. Surpluses were employed previously and I understand that is standard procedure. Surpluses were employed previously to reduce the gross MGEA salary requirements and lapses have ranged from 50 million to 60 million on average, but have been as high as some \$80 million to \$85 million and I take it those are total lapses.

MR. DEPUTY CHAIRMAN: The Member for Virden.

MR. H. GRAHAM: Thank you, Mr. Chairman. Mr. Chairman, I've listened to the explanations given by the Minister of Finance. I've listened to the questions asked by the Honourable Member for Turtle Mountain and the Honourable Member for Morris and this figure of 8 percent keeps cropping up from various sources, from the Minister, from the Member for Turtle Mountain, the Member for Morris, and I think there is a logical reason for it.

We are now seeing the government negotiating with the MGEA who are going to the membership to ask for a vote and whether or not to accept this wage package, but the Minister is telling us tonight that there will be an 8 percent reduction. The only way that's going to occur is by massive firings as soon as this Legislature ceases to sit and that is the way that he is going to accomplish that 8 percent reduction. If there's a change in that, let him tell us that now, but the indications are certainly there that if they are going to

change it, it's going to be because of seniority and various other aspects, but obviously they're going to bring that figure down so it fits into their projections that they're putting forward here and the only way that can occur is by a reduction in seniority and a massive change in the Civil Service in this province.

So I suggest to all members of the Manitoba Government Employees' Association to be careful because this Minister has served warning on this House tonight that he is intending to live within the figures that he has projected here which don't make sense unless there is that massive change in personnel which would be the only logical rationale for the figures that he has produced.

MR. DEPUTY CHAIRMAN: 1.—pass. Resolution No. 129.

THEREFORE BE IT RESOLVED that there be granted to Her Majesty a sum not exceeding \$10 million for General Salary Increases, estimated cost of General Salary Increases in several Departments of Government for the fiscal year ending the 31st day of March, 1983.

That concludes the Estimates for tonight.
Committee rise.