

First Session - Thirty-Eighth Legislature
of the
Legislative Assembly of Manitoba
DEBATES
and
PROCEEDINGS
Official Report
(Hansard)

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MANITOBA LEGISLATIVE ASSEMBLY
First Session—Thirty-Eighth Legislature

Member	Constituency	Political Affiliation
AGLUGUB, Cris	The Maples	N.D.P.
ALLAN, Nancy	St. Vital	N.D.P.
ALTEMEYER, Rob	Wolseley	N.D.P.
ASHTON, Steve, Hon.	Thompson	N.D.P.
BJORNSON, Peter	Gimli	N.D.P.
BRICK, Marilyn	St. Norbert	N.D.P.
CALDWELL, Drew, Hon.	Brandon East	N.D.P.
CHOMIAK, Dave, Hon.	Kildonan	N.D.P.
CUMMINGS, Glen	Ste. Rose	P.C.
DERKACH, Leonard	Russell	P.C.
DEWAR, Gregory	Selkirk	N.D.P.
DOER, Gary, Hon.	Concordia	N.D.P.
DRIEDGER, Myrna	Charleswood	P.C.
DYCK, Peter	Pembina	P.C.
EICHLER, Ralph	Lakeside	P.C.
FAURSCHOU, David	Portage la Prairie	P.C.
GERRARD, Jon, Hon.	River Heights	Lib.
GOERTZEN, Kelvin	Steinbach	P.C.
HAWRANIK, Gerald	Lac du Bonnet	P.C.
HICKES, George, Hon.	Point Douglas	N.D.P.
IRVIN-ROSS, Kerri	Fort Garry	N.D.P.
JENNISSEN, Gerard	Flin Flon	N.D.P.
JHA, Bidhu	Radisson	N.D.P.
KORZENIOWSKI, Bonnie	St. James	N.D.P.
LAMOUREUX, Kevin	Inkster	Lib.
LATHLIN, Oscar, Hon.	The Pas	N.D.P.
LEMIEUX, Ron, Hon.	La Verendrye	N.D.P.
LOEWEN, John	Fort Whyte	P.C.
MACKINTOSH, Gord, Hon.	St. Johns	N.D.P.
MAGUIRE, Larry	Arthur-Virden	P.C.
MALOWAY, Jim	Elmwood	N.D.P.
MARTINDALE, Doug	Burrows	N.D.P.
McGIFFORD, Diane, Hon.	Lord Roberts	N.D.P.
MELNICK, Christine	Riel	N.D.P.
MIHYCHUK, MaryAnn, Hon.	Minto	N.D.P.
MITCHELSON, Bonnie	River East	P.C.
MURRAY, Stuart	Kirkfield Park	P.C.
NEVAKSHONOFF, Tom	Interlake	N.D.P.
OSWALD, Theresa	Seine River	N.D.P.
PENNER, Jack	Emerson	P.C.
REID, Daryl	Transcona	N.D.P.
REIMER, Jack	Southdale	P.C.
ROBINSON, Eric, Hon.	Rupertsland	N.D.P.
ROCAN, Denis	Carman	P.C.
RONDEAU, Jim	Assiniboia	N.D.P.
ROWAT, Leanne	Minnedosa	P.C.
SALE, Tim, Hon.	Fort Rouge	N.D.P.
SANTOS, Conrad	Wellington	N.D.P.
SCHELLENBERG, Harry	Rossmere	N.D.P.
SCHULER, Ron	Springfield	P.C.
SELINGER, Greg, Hon.	St. Boniface	N.D.P.
SMITH, Scott, Hon.	Brandon West	N.D.P.
STEFANSON, Heather	Tuxedo	P.C.
STRUTHERS, Stan	Dauphin-Roblin	N.D.P.
TAILLIEU, Mavis	Morris	P.C.
TWEED, Mervin	Turtle Mountain	P.C.
WOWCHUK, Rosann, Hon.	Swan River	N.D.P.

LEGISLATIVE ASSEMBLY OF MANITOBA

Monday, September 15, 2003

The House met at 1:30 p.m.

PRAYERS

ROUTINE PROCEEDINGS

MATTER OF PRIVILEGE

Hon. Jon Gerrard (River Heights): Mr. Speaker, I rise today on a matter of privilege. I rise because the Minister of Agriculture (Ms. Wowchuk) misled the Legislature when she made statements in Question Period last week with regard to agricultural programming important for producers affected by the discovery of a case of mad cow disease in Canada.

The Minister of Agriculture misled the House on four separate points. First, the Minister of Agriculture said on Monday in Question Period that the federal Minister of Agriculture had said nothing positive about cash advances for producers affected by the discovery of mad cow disease in Canada, when the Agricultural Policy Framework and the accompanying bilateral agreements will provide cash advances, as the honourable Member for Swan River (Ms. Wowchuk), our provincial Minister of Agriculture, was admitting by the end of the week.

Second, the Minister of Agriculture said on Monday that interim payments, also known as cash advances, would only be available when 50 percent of the provinces sign on to the Agricultural Policy Framework, not mentioning that such cash advances could be available under bilateral agreements or as the minister has called these later in the week, mirror agreements which are also bilateral agreements.

Third, the Minister of Agriculture misled the House when she indicated on Tuesday that under the Agricultural Policy Framework itself, the formula requires 50 percent of provinces. Later in the week she was admitting that she was wrong and the criteria for the Agricultural Policy Framework coming into force are 60 percent of

the provinces, representing 50 percent of eligible net sales.

Fourthly, the Minister of Agriculture said on Tuesday that the federal Minister of Agriculture had changed his mind in providing bilateral agreements when in fact by the end of the week the Minister of Agriculture, the Member for Swan River (Ms. Wowchuk), was acknowledging that she was preparing to sign a bilateral agreement as well as the Agricultural Policy Framework in the next few days and that the bilateral agreement would provide for the cash advances that the federal Minister of Agriculture indicated in his August 12 news release.

If there had been one misleading statement, it might have been excusable as a misleading comment made in error in the heat of Question Period, but there were four misleading statements. Either the Minister of Agriculture was deliberately misleading the House or the Minister of Agriculture was herself incredibly poorly informed as to the facts surrounding the negotiations between the Province and the federal government with respect to cash advances to producers flowing as a result of the mad cow crisis.

In my view, Mr. Speaker, it is very important to go into some of the details of these allegations which are very serious, which I am making today, and to show how it infringes on my ability as a member of the Legislative Assembly to do my job in representing constituents and people around the province when I am not receiving proper and correct information from the Minister of Agriculture (Ms. Wowchuk).

Mr. Speaker, on Monday, first on the issue of whether the Agricultural Policy Framework or bilateral agreements can provide cash advances. In Question Period on Monday I asked the minister as follows: It is my understanding that the Agricultural Policy Framework provides for the provision of substantial cash advances. Can the

Minister of Agriculture tell us about how this is going to work and when such cash advances might be available?

* (13:35)

In response to my question about cash advances, the minister replied: I have had many discussions with the federal minister with regard to all the assistance we are looking for for producers across western Canada to deal with the BSE crisis, including, and here the minister mentions several items, one of which was looking for cash advances for producers. The provincial Minister of Agriculture then said: We have had no response from the federal minister to be positive on any of those questions.

The Minister of Agriculture provincially directly contradicts the information in the press release from the federal Minister of Agriculture on August 12, which said disaster assistance will be advanced to producers under bilateral agreements with provinces that have already committed funding. These advances constitute a transmission measure until new business management programming is fully implemented. The federal minister clearly talks about cash advances, and these advances or interim payments were later in the week being mentioned in a positive fashion by our provincial Minister of Agriculture. Indeed, I quote the provincial Minister of Agriculture's statement in Estimates on Thursday when she said: I have that news release from the federal minister put out on August 12 that indicates there will be a cash flow this fall before the new year. That is spelled out. The Minister of Agriculture clearly has indicated that her comment on Monday was in error. The minister clearly admitted she misled the House in her answers to questions on Monday, September 8.

The Minister of Agriculture on Thursday in Estimates further clarified this when she said and I quote: The federal government has given their commitment to ensuring that there is a cash flow, and they have said that this money will flow quickly to those provinces that have signed on to the Agricultural Policy Framework. Yes, it will have to be an agreement outside the Agricultural Policy Framework, the bilateral agreement or mirror agreement, but they have

given their commitment that this is what is going to happen. We have also had the minister give his word on this matter on conference calls that we have had. That is the Minister of Agriculture provincially speaking.

The Minister of Agriculture, the Member for Swan River (Ms. Wowchuk), misled the House on Monday when she said there was nothing positive about cash advances from the federal minister. Indeed, as indicated by the end of the week, the minister herself was speaking very positively about these cash advances or interim payment to be provided either through the Agricultural Policy Framework or through these bilateral or mirror agreements. As the provincial Minister of Agriculture knows and has so indicated later in the week, there has been some delays in provision of the cash advances or interim funding through the bilateral agreements but we understand that it is now likely that when the minister signs the Agricultural Policy Framework she will also sign a bilateral or mirror agreement and that it is hoped that money will flow with reasonable speed once this agreement is signed. Thus the first time the Minister of Agriculture misled the House was when she indicated that the federal Minister of Agriculture had not provided anything positive with regard to cash advances.

The second point on which the Minister of Agriculture misled the House was on whether bilateral agreements were possible. On Monday the Minister of Agriculture said: When there are enough provinces that have signed on to the program, the Agriculture Policy Framework, the federal minister has said there will be an interim payment that will flow. On Monday the Minister of Agriculture was either unaware that the situation had changed on August 12 or deliberately misled the House when she indicated that there was a mandatory requirement for so many provinces to sign on before the cash advances or interim payments can flow. The minister reiterated this position on Tuesday when I asked for clarification of the requirements for cash advances or interim payments to flow. The minister said very clearly: There has to be 50 percent of the provinces signing on.

By the end of the week, the Minister of Agriculture was talking about the importance of

these bilateral or mirror agreements and indeed was providing an indication that she was preparing to sign such a bilateral agreement at the same time as she signs the Agricultural Policy Framework. I give as an example, the minister's statement in Estimates on Thursday afternoon: Provinces are now working under bilateral agreements, so what the federal minister said is for those provinces that have signed on. Until such time as the full framework is implemented, he will put in place transition measures, that is, through the bilateral agreements.

The third point on which the Minister of Agriculture misled the House was on the criteria for the Agricultural Policy Framework to come into effect.

* (13:40)

On Tuesday in Question Period, the Minister of Agriculture said in respect to the Agricultural Policy Framework that there has to be 50 percent of the provinces signing on. Indeed the criteria, as the minister herself admitted later in the week, is that there need to be 60 percent of the provinces representing at least 50 percent of net sales. At least those were the criteria as we were told later in the week.

On Tuesday in committee the minister was able to issue a clarification. In her first try she got closer to the formula but did not get it right. She said it will need either six provinces to sign on or 50 percent of the producers. This was wrong, both in fact that the actual requirement is not an either/or, but both of the thresholds to be met. The second threshold was not 50 percent of producers, but 50 percent of eligible net sales.

Finally, later on Tuesday, we were given an accurate answer by the Minister of Agriculture. Indeed on this point it was in fact accompanied by apology. I am sorry, said the minister. It is six provinces and 50 percent of eligible net sales.

The fourth point on which the minister misled the House was with respect to the ability of the federal government to provide cash advances through bilateral agreements. On Tuesday, September 9, in Question Period I asked the minister: Is she not aware of the federal government's commitment of August 12, which indicates very

clearly that the federal Agriculture minister can indeed flow the cash advances or interim payments once the bilateral agreements are in place?

The Minister of Agriculture, the Member for Swan River (Ms. Wowchuk), said in her reply: The federal minister did put out a press release saying he could flow the money and then he changed his mind on that. He is not flowing bilateral money. Those were the words in Hansard from the minister and as I heard them.

Mr. Speaker, by the end of the week the Minister of Agriculture was admitting that the federal Minister of Agriculture was preparing bilateral agreements or mirror agreements, as she has called them, for Manitoba and Canada to sign and that the signature of the government of Manitoba on this agreement, together with the signature, as I understand it, on the Agricultural Policy Framework will allow the federal government to provide cash advances to Manitoba producers affected by the discovery of mad cow disease in Canada.

I quote, for example, from Estimates on Thursday afternoon from the Minister of Agriculture: On this side agreement or mirror agreement that we will be looking at, it will result in money flowing to the producers.

She is admitting that what she said on Tuesday was wrong. She also said on Thursday in Estimates, I quote: "If you look at the next page of the news release, it says funds will be available in September and payments are expected to reach producers in early October. The federal minister has told us this money will flow to cattle producers." Again, direct refutation of what she had said earlier on.

She said: "Madam Chairperson, this is an opportunity for us to get cash flow." Again, a refutation of what was said earlier in the week.

Mr. Speaker, I find it extraordinary that the Minister of Agriculture, in her answers in Question Period last Monday and Tuesday, should have misled the House four times. This is a very serious matter, since we are dealing with a crisis, the mad cow crisis, which is having dire effects on many Manitoba producers.

I could read letters and e-mails I have received from those affected by these tragic circumstances in Manitoba, but I know that all members of the House are aware of the very difficult situation with cattle, sheep, elk and bison producers in Manitoba. Indeed, as the *Free Press* said on August 21, this is an economic crisis unparalleled in recent history. It is very serious.

* (13:45)

We should expect in times of crisis to have clear and accurate statements from the Minister of Agriculture. To have four statements in two days from the Minister of Agriculture which turn out to be misleading is of very great concern. To have erroneous information provided with respect to the availability of cash advances, which was the very critical issue being debated on Monday and Tuesday, as you will recall, makes this all the more extraordinary.

I will now move to why, Mr. Speaker, I believe that the prima facie question of privilege exists. A prima facie question of privilege must be brought before the Legislature at the earliest possible time. I bring it forward now because it was only at the very end of Estimates on Thursday that it became clear the extent to which the Minister of Agriculture had misled the House on Monday and Tuesday. This is now the earliest possible time.

Mr. Speaker, it is also important to demonstrate that a prima facie question of privilege exists. In this context, I would refer the Speaker to the debates in the House of Commons on January 31, 2002, and February 1, 2002, which refer specifically to a similar case in which a minister of the Crown misled the House of Commons. In the case referred to, this was an instance in which Art Eggleton, then-Minister of Defence, had, similar to the Minister of Agriculture (Ms. Wowchuk) last week, made statements to one effect on one day and then to a different effect on subsequent days.

The case is very similar in that the national Minister of Defence had clearly provided misleading information to the House of Commons, whether deliberately or not. In the case of Mr. Eggleton, evidence was provided consistent with page 234 of the second edition of Joseph Maingot's *Parliamentary Privilege in Canada*,

which explains that in order for the Speaker to find a prima facie case of a matter involving a misleading statement, there must be an admission by someone in authority, such as a minister of the Crown or an officer of the department.

In the case of Minister Eggleton, there was evidence of two contradictory statements by the minister recorded in Hansard. In the case of the Minister of Agriculture, the Member for Swan River, we have evidence in Hansard of a series of contradictory statements.

With respect to precedent, it is also important to refer to *The Question of Confidence in Responsible Government* by Eugene Forsey and G.C. Eglington. I am sure the Chair is familiar with this publication. It was used extensively in the McGrath commission. On page 19, it reads as follows: The cornerstone of our Constitution is the sovereign whose government is carried on under several realms.

Mr. Speaker, it goes on to say that government is a trust which the sovereign discharges. It is a trust that cannot be thrown up or ignored by some nihilistic whim. In the same publication, speaking of responsibilities of ministers, the authors write: It entails frankness and openness with the sovereign or her personal representative and a proper respect for the Royal or Vice-Regal right to warn and advise. This pertains directly to the information that members of Parliament should expect in all statements and information passed by ministers to this Legislature. The Chair would surely be familiar with the phrase: The trust is the coin of the realm.

In all frankness, I would submit that based on the behaviour of the Minister of Agriculture that this Legislature can no longer trust the minister because of the contradictory statements on very critical issues provided last week and the fact that the minister misled the House four times.

The discussion on January 31 and February 1 in the House of Commons refers to an incident also in 1963 when the House resolved that in making a personal statement which contained words which he later admitted not to be true, a former member had been guilty of contempt. I would refer this to the Speaker.

I would also mention that in *Beauchesne's Parliamentary Rules and Form, Sixth Edition*, page 25, under section 92, Interfering with Members, it states: A valid claim of privilege and respect to interference with a member must be related to that member's legislative duties.

I would suggest in the strongest possible terms that members of the Manitoba Legislature must be able to rely on information they receive in response to questions placed to ministers in this forum, in this Chamber. This, Mr. Speaker, goes to the very cut and thrust of the responsibilities of ministers in the Manitoba Legislature. A high standard has to be met. That standard has not been met by the Minister of Agriculture.

* (13:50)

Very often, according to Marleau and Montpetit on page 433, in a case such as this one the Speaker has ruled that the matter is a disagreement among members over the facts surrounding the issue. As such, these matters are more a question of debate and do not constitute a breach of the rules or of privilege.

This case, Mr. Speaker, is different. It is not a case of disagreement. The facts are that the minister misled the House on four separate occasions. It is recorded in Hansard. Even if one might argue that one or two of these could be disputed as different interpretations of what was said, this certainly cannot be used to apply to all four instances.

This question of privilege therefore differs fundamentally from the situation where some members think one way and other members think another. The facts are there. The fact is that the Minister of Agriculture made four claims in this Chamber on Monday and Tuesday and then later on she provided facts which were completely different from her answers on Monday and Tuesday.

Mr. Speaker, these are not ordinary times. Our province is facing very unusual and exceptional circumstances in the mad cow crisis. We are involved in a situation where many farmers are facing extraordinarily difficult circumstances. It is not just us in the Legislature, but those whose livelihoods are hanging in the balance who must be able to rely on the support of a minister who is strong, who is clear about

the situation and provides accurate information from a government perspective.

Mr. Speaker, in the ruling made by the Speaker of the House of Commons in the case of Art Eggleton, the Speaker said: The authorities are consistent about the need for clarity in our proceedings and about the need to ensure the integrity of the information provided by the government to the House. The Speaker also referred to the importance of the integrity of information at critical times, as we have today in dealing with the BSE crisis and its effect on Manitoba's agricultural community.

In making his ruling on February 1, 2002, the Speaker referred to the fact that the then-Minister of Defence indicated he had not deliberately misled the House of Commons. The Speaker, however, referred to Marleau and Montpetit, on page 67: There are affronts against the dignity and authority of Parliament which may not fall within one of the specifically defined privileges. The House also claims the right to punish as a contempt any action which though not a breach of a specific privilege tends to obstruct or impede the House in the performance of its functions, obstructs or impedes any member opposite of the House in the discharge of their duties. On the basis of the arguments presented by honourable members and the view of the gravity of the matter, the Speaker concluded the situation before him February 1, 2002, where the House was left with two versions of event, is one that merited further consideration by an appropriate committee.

I now therefore move, seconded by the Member for Inkster (Mr. Lamoureux), that this matter of privilege I have raised be referred to the Standing Committee on Legislative Affairs.

Mr. Speaker: Before recognizing any other members to speak, I would just like to remind all honourable members that a matter of privilege is a very serious matter and it has to be heard word for word. So I ask the co-operation of all honourable members, please.

Before recognizing any other member to speak, I would remind the House that contributions at this time by honourable members are to be limited to strictly relevant comments as to

whether the alleged matter of privilege has been raised at the earliest opportunity and whether a prima facie case has been established. As my practice I have always gone from one side to the other side, so I will recognize the honourable Government House Leader.

Hon. Gord Mackintosh (Government House Leader): Mr. Speaker, first of all, we have to remind ourselves that a question of privilege is rarely to come up in the House, that set out in *Beauchesne*. Of course, Speakers have always said that is the case in Manitoba. The first question is: Was the matter raised at the earliest opportunity? The member himself states that the matters actually arose on Monday and Tuesday of last week, and we would make the argument that it is too late to raise it at this point.

* (13:55)

Second, Mr. Speaker, on the question as to whether there is a prima facie matter of privilege, it has been ruled time and time again in this House that allegations as to facts do not fulfil the conditions of parliamentary privilege. Just to make that point clear, it was put into the new rule book with the consent of the member who raised this issue. There are issues being debated quite frankly in his presentation. These are matters that are more properly the subject of question and debate which we would encourage the member, of course, to pursue rather than a purported matter of privilege.

Finally, I will just say that when it comes to allegations that a member has misled the House, that has never constituted a condition for parliamentary privilege. One must show not only, first of all, that there was a deliberate misleading, not just a misleading, but that has to be accompanied according to ruling after ruling in this House of evidence that is so conclusive that there can be no question as to motive. Usually what that depends on then is the member under question having admitted to deliberately misleading the House and that certainly is not case. This is simply a debate.

Mr. Leonard Derkach (Official Opposition House Leader): I think all of us in this House would acknowledge that a matter of this nature is extremely serious especially when this

province is faced with, I think I would use the term, horrendous potential tragedy that exists in the rural part of this province with regard to the BSE issue. But coming back to the case, it is true that in this House the minister has made statements on Monday and Tuesday which she later changed on Thursday. I think the member, the Liberal Leader (Mr. Gerrard), indicated in his remarks late Thursday that in fact he learned what the minister's position was, and it was different than it was on Monday and Tuesday.

In consulting with the critic for Agriculture, I am informed in fact that is the case, that the minister's position did change and her message did change in the Estimates process on Thursday afternoon as compared to Monday and Tuesday. I think it is the minister's obligation, at that point in time, if she has misled this House in answers in any previous time, it is incumbent upon that minister to rise in his or her place and then to set the record straight before members of this Assembly go out to their constituents and go out to the interest groups and relate the message that has been given in this House by the minister.

This is a serious matter because, throughout the week, members on this side of the House questioned the Government on the position this Government has taken with respect not only to the APF program but in a matter of dealing with the crisis that is before us. In asking our questions, from both the Liberals and from the Official Opposition in this House, we made it very clear that given all the situations that exist in the province, this is probably the most serious situation that faces this province. It is for that reason we need clarity in the responses we get from the Government and we need statements made by the Government to be accurate and not misleading. I think the Liberal member is right, that the minister has misled this House in a very serious fashion and that indeed, although she changed her position at the end of the week, she has not retracted the statements that she made in the beginning of the week.

This is what is so serious, Mr. Speaker. I can show other examples where she and her Premier (Mr. Doer) have been on the air and have put figures in front of the Manitoba public which are not true, which did not exist and which do not reflect what the situation in this province is

really like. So the Liberal member today rises in this House to raise attention to the matter that we have a very serious situation in this province and yet we have a government that does not appear to be managing this in a very serious manner. As a matter of fact, they mislead, not only this House, but they mislead the very people that they are supposed to be helping in a very serious and potentially tragic situation.

Mr. Speaker, I think you as Speaker have a very serious obligation as it relates to this matter. I think the comments that have been put on the record by the leader of the Liberals need to be taken seriously. I think there is evidence in what the member has put on the record that would show this is a prima facie case to begin with, and indeed he has indicated he has brought this to the attention of the House at the earliest possible time.

I have consulted with the Opposition critic for Agriculture who was at the committee on Thursday afternoon and he concurs that, yes, this is probably the first time this matter could have been raised in this House. And so, Mr. Speaker, I would seriously support what the Leader of the Liberal party is saying and, secondly, I would very seriously ask you to consider this matter in its utmost seriousness and with some expediency because of the nature of the crisis that is facing the rural part of our province today. Thank you.

* (14:00)

Mr. Speaker: A matter of privilege is a serious concern so I am going to take this matter under advisement to consult the authorities, and I will return to the House with a ruling.

TABLING OF REPORTS

Hon. Ron Lemieux (Minister of Education and Youth): Mr. Speaker, I am pleased to table the 2002 Annual Report of the Teachers' Retirement Allowances Fund of Manitoba.

Hon. MaryAnn Mihychuk (Minister of Industry, Trade and Mines): I am pleased to table the Annual Report for the 2002-2003 fiscal year for the Manitoba Development Corporation.

Hon. Greg Selinger (Minister of Finance): Mr. Speaker, I would like to table the following: the Crown Lands Review Final Report of July 2003.

Hon. Steve Ashton (Minister of Labour and Immigration): Mr. Speaker, as Minister of Labour and Immigration, I would like to table the Supplementary Estimates Information for the Department of Labour.

ORAL QUESTION PERIOD

Bovine Spongiform Encephalopathy Cash Advance for Producers

Mr. Stuart Murray (Leader of the Official Opposition): Mr. Speaker, the previous government had to deal with the flood of the century, the second-worst recession in our province's history, widespread forest fires and drought. They also had to deal with the reduction of hundreds of millions of dollars in federal transfer payments.

Through it all, the Government had to make difficult decisions in order to deal with all those crises. Yet, as the Premier (Mr. Doer), this Premier fumbles his way through the BSE crisis, the only difficult decision he seems to be making is to not help our farm families in crisis by refusing to provide them with a much-needed cash advance. This is not a difficult decision. It is a heartless one.

I would ask the minister how much longer she is going to make these Manitoba families suffer before she finally agrees to give them a cash advance, or has the minister been told to hold off until the Premier can be the supposed white knight when it suits his political calendar?

Hon. Rosann Wowchuk (Minister of Agriculture and Food): Mr. Speaker, I want to tell you that our Premier, today, is dealing with this very important issue. He is meeting with western governors and western premiers addressing the very important issue of border opening because it is the border opening that is going to make a difference for our producers.

Mr. Speaker, we addressed this issue long before the member thought about it although he did say we should put in place low-interest loans. There is cash available in producers' hands. I can tell you I talked to producers last weekend. I do not know whether members

opposite did, but I talked to many producers. They told me the program is working. They know the program is there when they need the cash flow. Those that need the cash flow are using the programs. Others are planning to use it if they need a cash flow.

Mr. Murray: Mr. Speaker, what we are talking about here is helping 12 000 families and saving a beef industry that in Manitoba was worth half a billion dollars in 2001. Today is the 119th day of this crisis. Manitoba has lost \$119 million. That is a fifth of what the entire industry is worth to our economy.

Last Thursday the Premier said his Government was, and I quote, making decisions every day in Treasury Board where not to fill a position, to not fund a program, to not proceed with something, but he refused to provide specifics. This Government is delaying programs and projects and making spending cuts on a daily basis to free up money to deal with the BSE crisis. Would the Deputy Premier please tell us what those cuts are and how much has been saved?

Ms. Wowchuk: What I can tell you, Mr. Speaker, is that from that case, where that first case of BSE was diagnosed, that one and only case, our Government has been working on it. As of Friday there was in excess of \$180 million that we have put into programs for Manitoba cattle producers; \$100 million in low-interest loans, much lower than interest in other provinces; \$15 million for the BSE slaughter feed program; \$2 million to improve slaughter capacity; and on Friday we announced \$12 million to assist in moving feed into those areas where there is a shortage of feed and then \$10 million to extend the beef slaughter program. We are there with the producers and we are offering better programs than are offered in other provinces.

Mr. Murray: Once again, only that heartless, uncaring government would applaud programs that are not working.

Mr. Speaker, on June 3, the Premier's candidate in Arthur-Virden told the *Brandon Sun* that the Doer government's failed agriculture policy is what hurt his chances in the recent provincial election, saying, and I quote, I do not

think the Government has been strong in agriculture in the last term.

Mr. Speaker, Mr. Kalyniuk did not think the Premier had an effective agriculture policy in the last term. He must be extremely disappointed in the Doer government today. The Premier refuses to provide any specifics. Last week he told reporters he was spending program cut decisions in the dollar ranges of \$100,000 for each one of those decisions. If the Doer government has truly made such decisions, will the Deputy Premier please tell the House today what are they?

Ms. Wowchuk: Well, I think, Mr. Speaker, it is the policies of that government that hurt them in the last election. There is no doubt about it.

Mr. Speaker, this is a very serious issue and one that we have been working in very close consultation with people involved in the agriculture industry. We have put in place over \$180 million to help producers in this province. We have \$100 million in low-interest loans, loans that are lower than in any other province; \$15 million into the BSE slaughter and feed program; \$2 million to enhance our slaughter capacity that was neglected by the previous government—

Bovine Spongiform Encephalopathy Cash Advance for Producers

Mr. John Loewen (Fort Whyte): Mr. Speaker, while other provinces rushed to the aid of their cattle producers, this Government refused to do anything that would provide meaningful relief to people in Manitoba.

Mr. Speaker, cattle producers in Manitoba have been left out in the cold by this Doer government. I would ask the Minister of Finance why he has not argued to implement a cash advance program but instead has sat back and twiddled his thumbs while his Government has set up ineffectual programs which, at the rate they are going, will take years to flow any cash to the farmers in Manitoba.

* (14:10)

Hon. Greg Selinger (Minister of Finance): If the member wants the answer, he might start by

talking to the Opposition Leader (Mr. Murray). In his letter of July '03, he said: Low-interest loans are loans without any interest attached to them. He emphasized the loans program. We have offered a \$100-million loans program. We have offered the lowest rate of interest in western Canada of all the provinces that are offering loan programs. We are making sure that producers have access to cash flow when they need it.

Mr. Loewen: Mr. Speaker, the Finance Minister should be aware that only 104 out of 12 000 families have been able to access this program. It is not working. In 1997, the Leader of the Opposition repeatedly demanded that the Government flow funds to families who were affected by the flood immediately. Today he is refusing to act on behalf of the cattle producers and farmers in rural Manitoba who are facing this crisis. This is a double standard. I would ask the Minister of Finance to explain and to insist that a cash advance program be set up by his Government immediately to provide meaningful support. By that I mean by getting money into the hands of the farmers that need it. Will he insist that program get set up immediately?

Mr. Selinger: The member from Fort Whyte indicates the program is not working. The only thing that is not working is his research. It is 170 people that have received loans, not 104 as the member indicated. It is always helpful if the member gets his facts right.

The Manitoba Agricultural Credit Corporation has the expertise in handling loans programs. They are working overtime to process these loans. They are ensuring that people who have the need will get the cash in order to carry them until we have a federal partner that is prepared to contribute to their portion of the needs under the Agricultural Framework program to ensure that farmers get access to the risk management programs that we have agreed to sign on to with the federal government.

Mr. Loewen: Mr. Speaker, 104 on Friday, 170 on Monday, 66 a day. It is going to take years. The cows will all be dead before these people flow money to the cattle producers in Manitoba. A cash advance program will only cost this Government \$20 million, less than one-third of 1

percent of the provincial Budget, a small price to pay to provide struggling families with the relief they need and to save an industry.

Mr. Speaker, I would ask the minister: Is he telling farm families that he has mismanaged provincial spending so badly that he cannot find the funds to provide support during this crisis or is his Government just that coldhearted that they are refusing to care?

Mr. Selinger: Mr. Speaker, perhaps the member has forgotten what has been announced. There is a \$100-million loan program with low-interest loans, 3.25 percent for farmers over 40, 2.25 percent for farmers under 40, the best interest rates in western Canada. We have moved on the \$43 million—

Mr. Speaker: Order. I think it is only fair in this House when an honourable member asks a question, for other members to have decorum in the House so the honourable member can hear his answer. It is very difficult to hear when everyone is shouting back and forth, back and forth. I ask the co-operation of all honourable members, please.

Mr. Selinger: Mr. Speaker, it is pretty clear that this Government responded with a loans program advancing the Agricultural Framework agreement. Friday, there were announcements on freight assistance as well as a slaughter program that complemented the slaughter program we put in place during the summer. This Province is working on a daily basis to improve resources for producers that are cash strapped.

These members opposite change their minds from day to day. In July they want one program, in September they want another. I suggest they get their caucus together and come to some consensus about what they really stand for.

Bovine Spongiform Encephalopathy Cash Advance for Producers

Mr. Jack Penner (Emerson): Mr. Speaker, whether it was the BSE recovery program, the slaughter program, the feed program or the loans program, this Government has been a day late and a dollar short when dealing with the BSE crisis. A feed transportation program has just been announced, but many local producers do

not even have the money to buy the feed or the groceries. When will this Minister of Agriculture announce a cash advance program that will function and work?

Hon. Rosann Wowchuk (Minister of Agriculture and Food): Mr. Speaker, again the member is completely out of touch. He does not understand that producers have moved their hay and they have told us that they are very happy with the freight assistance program. It is what they asked us for—

An Honourable Member: Betty Green.

Ms. Wowchuk: Yes, in fact Betty Green said that the freight assistance program was a good program.

Mr. Speaker, the members continue to ask for a cash advance when in fact the cash is on the table. The difference between our programs and other provinces is that ours is at a lower interest rate. In Alberta, the interest rate of the program is 5 percent. In Ontario, there is no program. In Saskatchewan, the interest is at commercial rates.

What we really need is a national program, and we have been calling on the federal government to show leadership here and put in place a national program so that provinces would not have to put together their own program.

Mr. Penner: Well, Mr. Speaker, it is clear that the Government has no plan to deal with the BSE crisis other than to hold photo ops for plans that do not work. Well, photo ops do not buy feed, they do not pay fuel bills, they do not pay school taxes and they do not put food on the tables of 12 000 farm families that are hungry and do not know where to turn for money.

When will this minister recognize that the farmers' wallets are empty? There is no money. How can she portray the agricultural industry—

Some Honourable Members: Oh, oh.

Mr. Speaker: Order.

I am sure all members are aware that we do not allow exhibits to be used in the Chamber. I

ask the co-operation of all honourable members in the future.

The honourable Member for Emerson, to finish his question.

Mr. Penner: Will the minister today announce a cash advance program so farmers can get on with their lives?

Ms. Wowchuk: Mr. Speaker, we announced the program and it is a low-interest loan program. I am going to tell you what I heard from farmers on Friday when I visited them. I stopped at one farmer's place who said he had picked up the application form, he had filled it out and taken it to the bank and the bank said: You do not need the loan. I will carry you.

So it is working. We are getting the banks to stay with the producers. I talked to another producer, Mr. Speaker, who said he does not need the cash flow right now but he knows the program will work for him if he needs it later in the fall. I talked to another producer who filled out the forms and he has his money.

Mr. Speaker, the program is working. As of today, over \$6 million has been approved for producers in this province and more are applying. I only wish the other members would get on board and recognize this program—

Mr. Speaker: Order.

Minister of Agriculture and Food Resignation Request

Mr. Jack Penner (Emerson): Mr. Speaker, the Government clearly has not been listening to struggling Manitoba farm families. They need a cash advance to buy feed, to pay bills and to keep a roof over their families' heads. Our family farms are hurting and facing a mounting stress and a mounting crisis, yet this Government seems oblivious to their dilemma.

Mr. Speaker, will this minister now do the right thing and resign?

Hon. Rosann Wowchuk (Minister of Agriculture and Food): Mr. Speaker, when this issue arose, farmers and provinces asked the

federal government to put forward a loan program or a cash advance. We asked the federal government for that. They refused to do that, so provinces then took this on and we in Manitoba put in a hundred million dollars in low-interest programs.

In other provinces there are loan programs. They are at a higher interest rate. Our program is working, money is flowing into farmers' hands. I know more money will flow into farmers' hands, but ultimately the farmers want to get their money from the marketplace and we have to work to get that border open. We have to get cattle moving in this province. That is what farmers want us to do.

* (14:20)

Bovine Spongiform Encephalopathy Cash Advance for Producers

Mr. Glen Cummings (Ste. Rose): Sadly, Mr. Minister, this Minister of Agriculture is floundering in her response to the BSE issue in rural Manitoba. The loan program is hard to administer, and, despite her best efforts to defend it, it is not working well. Certainly, a perfect example of their floundering is to start the feed assistance program, withdraw it and then start it again.

Mr. Speaker, this confusion and lack of leadership is leaving a lot of cattlemen in an absolute state of despair. In fact, the crisis line people confirm that there are people who are literally being driven to suicidal thoughts about this serious, serious situation that the industry is in.

When will this minister move to a more appropriate cash advance?

Hon. Rosann Wowchuk (Minister of Agriculture and Food): Mr. Speaker, it is interesting that the member will quote statistics from the rural crisis line which their administration cancelled. It was this administration that put the service back for people of rural and northern Manitoba. We put the service back.

The \$15 million that was a BSE slaughter program was not working in Manitoba. We changed it to a feed program to work within the \$15 million that was available. This was at the

advice of the Manitoba Cattle Producers. We worked with the industry.

I can tell the member he is wrong. We did not reinstate the feed assistance program, Mr. Speaker. What we did was reinstate the slaughter program so that Manitoba producers are not at a disadvantage to other provinces.

Mr. Cummings: Mr. Speaker, that is a perfect example of how this minister announces and then brings details in later. She has not provided any details on her transportation program. People are looking at the Government and saying, have they forgot that harvest is over. Sixty days ago is when I should have been making plans about firing that straw if I would have known there was a program that would have assisted me and would have made it so that I could afford it. It is gone.

Mr. Speaker, will this minister now provide some details on her transportation program?

Ms. Wowchuk: Mr. Speaker, I give farmers more credit than that member does because farmers have been making decisions all summer. Farmers have been rolling up straw, farmers have been moving that straw. There is very little straw left on fields because farmers made decisions. They moved the straw. We were working with them, we told them we would put in a freight assistance program. That freight assistance program is retroactive. It will cover their costs and details of the program will be available within a few days.

Minister of Agriculture and Food Resignation Request

Mr. Glen Cummings (Ste. Rose): Mr. Speaker, there is the perfect example of announce now, plan later. Try and get the weekend headlines in the media and then the people out there who need to be dealt with, they can wait for the details. The minister has just confirmed that she is incompetent, unwilling to provide leadership, and the only way she can fix this is to resign.

Hon. Rosann Wowchuk (Minister of Agriculture and Food): Mr. Speaker, the member did not ask a question, but I will provide him with a little bit more information.

What we said on Friday was that we were putting a freight assistance program in place. It would be administered by Manitoba Crop Insurance and the details of the program would be available at the offices later this week.

Mr. Speaker, we have talked to producers. Producers are quite comfortable with the idea that they are going to be getting some freight assistance because it is exactly what they asked for. It is unfortunate the member does not understand that. The details will be in the farmers' hands very soon and they will be compensated for part of their costs for moving their feed, supply their hay and straw as they had asked for. This is what producers asked for. This is what we have worked through with them and this is what we have put in place.

Bovine Spongiform Encephalopathy Cash Advance for Producers

Mrs. Leanne Rowat (Minnedosa): I am hearing the devastation many families are going through and are facing and I worry that the ones who are the most desperate are not reaching out for help. Will the Minister of Agriculture now listen to the families in need and put in place the cash advance program they need so desperately before it is too late?

Hon. Rosann Wowchuk (Minister of Agriculture and Food): What we have asked for is a national plan here to deal with a national disaster. When we were not getting national leadership, provinces put in their own programs and there has been leadership from the provinces. Alberta has put in a loan program at an interest rate of 5 percent. Saskatchewan has put in a loan program at commercial rates. Saskatchewan's is a loan program at commercial rates. Our loan program is at 3.25 percent and 2.25 percent. The money is flowing to producers. Producers are taking advance on their cattle. Over \$6 million has flown out already. More will flow as producers make their application.

Members continue to talk about cash advance versus low-interest rate loans. They were the ones that suggested a low-interest rate loan, as had some of the cattle producers also suggested and they want to change their minds

and go to a cash advance. The money is flowing to producers.

Mrs. Rowat: Mr. Speaker, the farm families need some answers. They do not need the bickering of no answers. The BSE crisis continues to take an incredible toll on the farm families and the financial pressure and the emotional stress is at a crisis level. It is apparent that the program the Government has put forward is not working. Will the Minister of Agriculture please put in place a cash advance program today before it is too late?

Ms. Wowchuk: Mr. Speaker, I would like to tell the member that we are very concerned about farm families and that is why we have put over \$180 million in place for producers, and the programs are working. I am very pleased that our interest rates are lower. If the cattle start to sell and people want to pay off their loans, they can pay them off just as they would pay off their cash advances. This is no different. It is working, and I would encourage the member to talk to her producers and explain to them that they can use this as a bridge. They can use this money as a bridge until such time as the federal government flows the \$600 million that they are holding or until such time as the federal government flows the interim payments that they are talking about after we sign the APF. There are things, but they should use this money as a bridge to get them through until they can sell some cattle, till the border opens or other money flows.

Mrs. Rowat: Mr. Speaker, I am talking to the farm families in my constituency and ones that are living in the areas that I have grown up in and you are not helping the situation. You are not working with the farm families. You are not listening.

Farm families do not know how they will survive and that fear raises stress levels even higher. With the co-ordinator of the crisis line indicating that suicide is on the cattle producers' minds, my question is to the Minister of Agriculture: Will you avoid potential tragedy with the farm families and help put in the cash advance program, please, today, before it is too late?

Ms. Wowchuk: Mr. Speaker, the situation facing farm families is very critical and that is

why we had a team of people, that is why we have ag reps and farm management specialists who are out there to work with people. That is why we have the Manitoba Agricultural Credit Corporation there to take applications and work through the people with their application, with the producers. I can tell you that there have not been any denials up to this point of people who have made application. Those people who have made application for loans, the ones that we have worked through, have been approved. So I would encourage the member to talk to the producers that are in very serious crisis, to look at taking the \$50,000 to use as a bridge, to use as a bridge until other programs kick in or until such time as the border opens, because ultimately the opening of the border is the most important thing we can think about.

* (14:30)

Bovine Spongiform Encephalopathy Cash Advance for Producers

Mrs. Myrna Driedger (Charleswood): Mr. Speaker, the cardiac surgery program was in serious trouble for several years and despite warnings that patients might die, the Minister of Health brushed off these warnings and patients did die.

I would like to ask the Minister of Agriculture (Ms. Wowchuk) if she would do better than the Minister of Health, listen to the warnings related to the BSE crisis and commit to a cash advance.

Hon. Dave Chomiak (Minister of Health): I think it is very important that members opposite recognize that as Doctor Koshal said in his report: For 20 years reports had been received by various governments, of which members opposite were government, that they did not act on with respect to the cardiac services. I remind members that several years ago, Mr. Speaker, when we announced our cardiac revitalization program, members opposite, and I can name you because I know where they were sitting, opposed our cardiac revitalization program. I urge members to get on side with us to support the 42 recommendations of Dr. Koshal to ensure that what happened can be improved as Dr. Koshal said.

Mrs. Driedger: Mr. Speaker, nine cardiac surgery patients died waiting for care under the

watch of this Health Minister. They died waiting before this Government acted. I would like to ask the Minister of Agriculture to act now and to put forward a cash advance before the threat of suicide on the rural farm stress line becomes a reality.

Mr. Chomiak: First, we do not know how many people were on the waiting list prior to 1999 because there was no waiting list, Mr. Speaker, prior to 1999 by members opposite over 11 lean years when they cut back programs.

Second, Mr. Speaker, I remind members that one baby, two babies, three babies, four babies, five, up to twelve died before members even started to put in place programs. We took those recommendations. We did not blame members opposite as they are doing. We said we would work in improving that situation and we did.

Third, Mr. Speaker, I might add it was members opposite that cancelled the rural and farm stress line when they were government, and they have to account for that.

Mrs. Driedger: Mr. Speaker, this Government is playing a dangerous game. I would like to ask the Minister of Health to tell us how many people are going to have to die before this Government does the right thing.

Mr. Chomiak: Mr. Speaker, every single day in this Government since we were elected to office, we have worked hard to improve the situation.

Mr. Speaker, there are 15 million contacts between physicians and patients every year in this province. There are 10 million diagnostic tests between patients and physicians. There are tens of millions of contacts between nurses and patients. We have put in place more resources and improvements. A member only has to look to some of the reports that rank Manitoba.

It is very funny how members opposite can talk about concern but when Maclean's ranks the WRHA as No. 3, versus members opposite, there is not a peep from members opposite.

Yes, people have problems in the system. We work at it every day. The public knows we are improving it, and I suggest that is one of the

reasons they have more confidence in the program that we have introduced in terms of health care than the 11 lean years of cutbacks and firing of nurses and other professionals.

Crown Lands Report Release

Hon. Jon Gerrard (River Heights): To the Minister of Finance (Mr. Selinger).

Mr. Speaker: Order. The honourable Member for River Heights has the floor.

Mr. Gerrard: The Government released last Thursday a report on the independent review of Crown lands. The minister waited to table this report in the Legislature until today, four days after he released the report to the press.

Mr. Speaker, my office tried repeatedly on Friday and this morning to obtain a copy of the report. I ask the minister why the Government was so eager to release the report to the media and so reluctant to release it to the members of this Legislature. Can the minister also enlighten the Legislature as to the problematic situations referred to in the report?

Hon. Steve Ashton (Minister of Conservation): Mr. Speaker, I appreciate the member's question. I know he has raised questions in regard to Hecla and I think he would appreciate that this report was an internal report that was commissioned in 2001, having recognition by the former Minister of Conservation of the need for structural changes.

We are quite pleased to make this report public, even though it is essentially an internal report, because we are committed and have been committed as a government to try and deal with the clear deficiencies not only at Hecla Island but in terms of Crown land transactions. Even though it was an internal report we think it should have been shared, yes, with the media, and today it was tabled by the Minister of Finance in this House. That is the appropriate thing to do.

Mr. Gerrard: Mr. Speaker, the Crown Lands report emphasizes the need for procedures to ensure that opportunities for the sale or lease of Crown lands are available to all Manitobans on

an equal basis. I ask the minister: Does this mean that situations other than the one on Hecla occurred where the lease or sale of Crown lands was not made available to all Manitobans on an equal basis?

Mr. Ashton: Mr. Speaker, the member raises a very important question, because for many years that indeed was not the policy. In fact, my predecessor stopped, for example, the leasing of remote cottages without any type of process to ensure it was transparent and accountable to all Manitobans.

As part of our clear commitment to make sure we have transparency and accountability with Crown lands, I have directed that there be a review of all Crown land transactions. In fact, we are going to go back to 1990 to make sure, Mr. Speaker, that there were not other circumstances like Hecla, and if there were indeed circumstances like Hecla, we will take the same action that we are doing with Hecla, something that was never done in 1997. We will make sure it is referred to the appropriate legal counsel because we want to clean up the handling of Crown lands in Manitoba.

Provincial Nominee Program Preferential Treatment

Mr. Kevin Lamoureux (Inkster): My question is for the Minister of Labour and Immigration.

Mr. Speaker, the Provincial Nominee Program is a program that was established in 1998. It is an excellent program. Manitoba has economically and socially benefited by this program where thousands of immigrants from abroad have come to our province and made our province their home and have contributed in very many ways.

I am greatly concerned, Mr. Speaker, that allegations of preferential treatment have been laid against members or individuals within the former minister's staff.

My question to the Minister of Immigration today is: Is the Minister of Immigration aware of any inappropriate behaviour from former ministerial staff from the Department of Immigration?

Hon. Steve Ashton (Minister of Labour and Immigration): I am pleased the member raises a

question about the Provincial Nominee Program, because it is one of the success stories, Mr. Speaker, of this Government and this province because it is a very important initiative. In fact, we have seen steady increases. We have the most successful program in Canada.

I will be as Minister of Labour and Immigration announcing further enhancements in terms of our immigration policy that we believe will lead us to the point where this year we have 4700 immigrants and we will be able to increase it. I would urge the member, if he has any concerns about any individual immigration case or any further information he would like to share with me, I take very seriously both the program and maintaining the integrity of the program and would urge the member to raise any concerns with me either in this House or directly. I will make sure I follow up on that.

* (14:40)

Physician Resources Rural Manitoba

Mr. Stan Struthers (Dauphin-Roblin): Mr. Speaker, my question is for the Minister of Health. Many rural communities face difficulties in attracting and retaining doctors. Can this minister tell the House what actions he is taking so that rural Manitobans have access to service of doctors?

Hon. Dave Chomiak (Minister of Health): Mr. Speaker, I am very pleased to report that every year since this Government has taken office there are net more doctors in Manitoba than at any other time.

In addition, there are clearly difficulties in terms of some rural doctors. I note that, in the *Brandon Sun*, one of the doctors who is leaving says he is even going for a pay cut because of the rota and says: I want to go to a place that does not have the on-call and the difficulty we have in rural Manitoba.

Notwithstanding that there are more doctors in rural Manitoba today than when we came to office in 1999.

In addition, Mr. Speaker, I have asked Doctor Cram, who is a well-respected doctor in

rural Manitoba, lived, grew up and practises in rural Manitoba, to undertake an immediate look at some of the situations and see if there is anything even more that we can do to improve the situation in rural Manitoba.

Bovine Spongiform Encephalopathy Loan Program

Mr. Mervin Tweed (Turtle Mountain): Today, Mr. Speaker, the Minister of Agriculture confirmed what all cattle producers in Manitoba know, that her loan program does not work. She has acknowledged the fact that less than 2 percent of the producers in this province have qualified for a loan.

I want to ask the Minister of Agriculture: Does she believe that 2 percent or less than 2 percent is a satisfactory number for Manitoba cattle producers?

Hon. Rosann Wowchuk (Minister of Agriculture and Food): Mr. Speaker, the member has said that only 2 percent of the producers qualified. That is not accurate. What I have said, that their loans have not been denied. People who have made applications have been given their loans. It is not that they do not qualify, but there has been a slow application; 170 applications have been approved and over \$6 million has been approved.

Mr. Speaker, I would encourage the member, rather than trying to point at the program and say it is not adequate, they should be working with producers and telling them that there is cash here. Those producers they refer to as having difficulty paying bills should be encouraged to take this \$50,000 and bridge them through until other money starts to flow.

Mr. Speaker: Time for Oral Questions has expired.

MEMBERS' STATEMENTS

École Christine-Lespérance

Ms. Theresa Oswald (Seine River): It is my pleasure to rise today to celebrate the achievements of the communities surrounding École Christine-Lespérance. This school is a strong Francophone centre in our community. The

teaching and learning environment is second to none, from the vibrant and creative pre-school class to the strong academic, athletic and musical achievements in junior high.

J'aimerais reconnaître le comité de parents qui, au courant des quatre dernières années, a travaillé inlassablement afin d'amasser des fonds pour bâtir un terrain de jeux formidable.

Les administrateurs de l'école, l'ancien directeur Maurice Landry, présentement à la retraite, et la directrice adjointe Dolorès Beaumont, ont encouragé et appuyé les activités du comité de parents très actif. La présidente du comité de parents, Madame Gisèle Bazin, et l'inlassable présidente du comité du terrain de jeux, Madame Lynn Guertin, ont coordonné les efforts de demandes de subventions et la levée de fonds communautaires.

Ces efforts ont donné de très bons résultats, notamment en amassant assez de fonds pour compléter les deux étapes de construction du terrain de jeux, mais aussi en réunissant les gens du quartier dans un but commun.

Les efforts extraordinaires de Madame Guertin ont été reconnus quand elle a reçu un certificat de mérite du prix du Premier ministre pour service bénévole en 2002.

Translation

I would like to recognize the parent committee which, for the last four years, has worked tirelessly to collect funds to build a fantastic playground.

The school administrators, the former principal, Mr. Maurice Landry, now retired, and the vice-principal, Dolorès Beaumont, have encouraged and supported the activities of this very active parent committee. The chair of the parent committee, Mrs. Gisèle Bazin, and the tireless chair of the playground committee, Mrs. Lynn Guertin, co-ordinated the efforts to apply for grants and to fundraise in the community.

These efforts have yielded very good results specifically by raising enough funds to complete the two phases of the playground construction,

but also by uniting the people of the neighbourhood around a common goal.

The extraordinary efforts of Mrs. Guertin were recognized when she received a Premier's Volunteer Service Award certificate of merit in 2002.

English

The school and community celebrated its success by holding a grand opening for the play structure on June 19. A barbecue was held. The soccer pitch was loaded with active participants, and children's entertainer Jake Chenier was on hand to delight the crowd with his music and unflinching sense of humour.

Félicitations à tout le monde.

Translation

Congratulations to everyone.

Canada Foodgrains Bank

Mrs. Mavis Taillieu (Morris): Mr. Speaker, I am pleased to put a few words on the record today about a Domain-area harvest that took place recently as part of the Chipin Growing Project in support of Canada Foodgrains Bank.

The Canada Foodgrains Bank was created by a group of churches and various Christian organizations as a response to the hunger crisis within certain countries. This collaborative effort involves the donation of time, money and harvested grain in order to help people in countries less fortunate. The Foodgrains Bank provides assistance to poverty-stricken areas while allowing local groups to partner together and build bridges between Canadians and other members of our global economy.

Today, I would like to focus more specifically on Manitobans who have participated in this project, the farmers in and around Domain. For about five years now, these farmers, Christian and non-Christian alike, have believed their efforts can contribute to the common good, so they put their time and machinery to work. This growing season they planted and tended a 276-

acre patch of spring wheat in order to donate that crop to the Chipin Project.

I am proud to say this Chipin Project is an excellent example of the spirit of Manitobans. Setting their priorities aside, hardworking people take the time to focus on the needs of others and work together to achieve a common goal.

It is my privilege today to acknowledge the kindness and generosity of these citizens within my constituency. In contributing to the Chipin Foodgrains Bank Project, the farmers of Domain and area have extended a compassionate hand to those in need. It is projects like these and the farmers of Domain that have contributed to Manitoba's honourable reputation for being among the most generous volunteers in Canada. These farmers deserve our recognition for their hearty effort and unsparing contribution to those less fortunate. Thank you to all involved in the Chipin Growing Project for demonstrating your generous spirit and congratulations on your contributions to such a worthwhile cause.

Sarb Sanjha Dashmesh Tournament

Mr. Cris Aglugub (The Maples): I rise today in the House to tell you about the Sarb Sanjha Dashmesh Tournament and a particular sport in the tournament called kabaddi. I was pleased to attend this tournament with the MLA for Radisson (Mr. Jha) on August 7, 2003, at the Maples Community Centre.

This annual two-day tournament is unique to the Indo-Canadian community and is arranged by the local tournament committee chaired by Kulwant Singh Brar. The competitors and spectators come from across Canada to compete in various activities such as soccer, volleyball, basketball and more traditional sports such as kabaddi. Various kabaddi teams were invited from Calgary, Edmonton and Toronto to compete in these games.

One sport that caught my attention is called kabaddi in Indo-Canadian terms. Kabaddi combines both rugby and wrestling. The teams compete for points by capturing or touching the players of the opponent teams. It begins by one team sending a raider into the opponent's side, all the while chanting "kabaddi, kabaddi." The

aim of the opposing team is to hold the raider and to impede him from returning to his own court until he takes another breath. It is certainly incredible to watch the skill and power of the players and the strategies employed for self-defence and counterattack by the players. Overall, the experience of the event and the traditional game of kabaddi was an exhilarating and a learning experience for me.

Mr. Speaker, I would like to thank the Indo-Canadian community for hosting the tournament, especially the non-profit and religious organizations such as the Singh Sabha of Winnipeg, the Sikh Society of Manitoba, the Kalgidhar Darbar, the Khalsa Diwan Society of Manitoba, the Guru Nanak Darbar and the Ramgharia Society of Manitoba. Through their influence and immense effort, they raised the needed funds to make this tournament a successful event.

* (14:50)

Canadian Fly Fishing Championships

Mr. Leonard Derkach (Russell): Mr. Speaker, this past weekend, I had the pleasure of attending the Canadian Fly Fishing Championships hosted in the Russell and Roblin area. I am pleased to say that the Minister of Culture, Heritage and Tourism and of Sport (Mr. Robinson) was in attendance at the closing ceremonies. It was an excellent evening.

Organizers of the event made an excellent choice of location, selecting East Goose Lake, Tokaryk Lake, Gull Lake, Shell River and Pine River as the fishing competition sites, all well known for their trout population. The championship ran from September 6 to 12, and proved to be an exciting time to remember for competitors and volunteers alike.

The Canadian Fly Fishing Championships hosted approximately 100 competitors, all hoping to fill the three remaining spaces on the Canadian team headed to Slovakia for the international championship next year.

A few festivities that accompanied the championships were a symposium, a medal ceremony and a banquet at the Russell Community

Centre. The Fly Fishing Championships brought fishermen from all across Canada and even attracted a few enthusiasts from overseas. This was an excellent way for our local businesses to gain some exposure and give visitors a taste of the friendly Manitoba hospitality.

This was also a unique opportunity to demonstrate the beauty of the Parklands area and to boost it to the local tourism industry. Mr. Speaker, it has been my privilege to share with the Assembly the excitement of this weekend's Canadian Fly Fishing Championships.

Mr. Speaker, I would like to thank Dr. Vern Rosnoski, the chair events co-ordinator whose organizing committee and all those who volunteered many hours of their time and the talents that they have to make this weekend a success. I would also like to express my appreciation to all area residents who had the vision for these lakes and who have helped create some of the best fishing opportunities in North America.

On behalf of the Assembly, I would like to acknowledge the efforts of these fine folks whose service to the competitors and our guests of the event made this an impeccable event. It was a pleasure to attend this sporting event, hosted by Russell, Roblin and surrounding areas and a true joy to spend some time in the great outdoors of this beautiful province.

Canadian Forces Firefighters

Ms. Bonnie Korzeniowski (St. James): I would like to pay tribute to the over 300 soldiers from Manitoba, both regular and reserve forces, who have been and who are still battling the forest fires in British Columbia. Manitoba men and women from the 38th Canadian Brigade Group from Charlie Company of Winnipeg's Second Battalion Princess Patricia's Canadian Light Infantry and the First Regiment, Royal Canadian Horse Artillery from CFB Shilo have been a part of what is currently the Canadian Forces' second largest deployment of forces after their contribution to the security force in Afghanistan.

Mr. Speaker, they have been performing extremely demanding work up to 12 and 14 hours per day under perilous conditions to support the B.C. Forest Service in protecting local

communities and infrastructure. Our forces have been deployed in the most fire-ravaged areas, including Kamloops, McClure, Barriere, Cranbrook and Kelowna.

Despite the heat, dirt and danger, they have kept their morale high. We are very proud of their dedication and professionalism. I would also like to acknowledge the voluntary support of employers who granted leave to reservists to take part in the operation. Our thanks should go as well to the Honourable Pearl McGonigal who, as the Manitoba chair of the Canadian Forces Liaison Council, has done much to garner this support.

We are especially grateful to the families of the soldiers. It has been a trying and painful experience for them to see their loved ones leave for an area that some have likened to a war zone. During this emergency in B.C., Manitobans are reminded of the help that Manitobans received from Forces personnel across Canada during our time of crisis in the 1997 flood of the century and the help that Québec and Ontario received during the ice storm of 1998.

On behalf of my colleagues, I would like to acknowledge our deep gratitude to all the Manitobans who have come to the aid of our fellow citizens in the British Columbia interior. Thank you, Mr. Speaker.

ORDERS OF THE DAY

GOVERNMENT BUSINESS

Mr. Speaker: The House will now resolve into Committee of Supply.

COMMITTEE OF SUPPLY (Concurrent Sections)

EDUCATION AND YOUTH

*(15:00)

Mr. Chairperson (Harry Schellenberg): Will the Committee of Supply please come to order. This section of the Committee of Supply meeting in Room 254 will now resume consideration of the Estimates for the Department of Education and Youth.

As has been previously agreed, questioning for this department will follow in a global manner. The floor is now open for questions.

Mr. Ron Schuler (Springfield): I would like to ask the minister a series of questions in regard to the Sunrise School Division, River East Transcona amalgamation. I take it the minister is aware of some of the concerns parents have in regard to services that are provided in the various school divisions.

Has he had an opportunity to meet with various councils, in particular, the Springfield parents council?

Hon. Ron Lemieux (Minister of Education and Youth): Thank you for the question. I thank the Member for Springfield for that.

I have had a chance to meet with the president of the parents councils association. I believe she is from Oakbank, and I think also the president is as well, from the area. Our discussions did not really involve any issues around amalgamation that affected the old Transcona-Springfield School Division.

Mr. Schuler: Would the minister entertain myself giving him a map that, when I ask questions, it would be a little bit clearer for him? Would he entertain that?

Mr. Lemieux: No, I thank the member for the offer, but I know the old boundaries and where they went and what communities. No, I am fine. Thank you.

Mr. Schuler: That is quite surprising that the minister would turn down some information, slightly unbecoming of an educator, but we will move on from there.

Is the minister aware that Springfield students have lost access to three out of four of the high schools they had formerly access to when they were part of the Transcona-Springfield School Division?

Mr. Lemieux: Just with reference to the previous at least suggestion that the Member for Springfield made that I should have a copy of the map, I am very much aware of the southeast

region. I think I am fairly knowledgeable as far as where the old Transcona-Springfield boundaries were and also where the Agassiz boundaries were previously, but I thank the member for the offer for that.

With regard to his question, I understand that, with the agreement that was made with regard to services, I understand there should not be any loss of programming for any children. At least that is what I have been advised, and that is what I believe is the result.

Mr. Schuler: Well, then the minister is getting poor advice.

I would like to ask the minister: Is he aware that there is now only one high school in the Springfield area?

Mr. Lemieux: I understand that there is a high school in Oakbank and that certainly for students who want to have bilingual services or immersion services that is also available for the students in the area.

Mr. Schuler: I do not know if the minister has any idea what he means by in the area. Where would Senior 1 to 4 students go for immersion courses close to Springfield?

Mr. Lemieux: I thank the member for the question. My understanding is that Pierre-Elliott-Trudeau is the school that the students would go to. The Senior 1 to Senior 4 students, if they wanted to receive instruction in immersion, would travel from Dugald or Oakbank and would travel into Transcona. This is all part of the agreement that was, well, I am not sure if grandfathering is the correct terminology, but certainly the agreement allowed students to travel and continue getting their education in immersion, a very good one, I might add, at Pierre-Elliott-Trudeau.

Mr. Schuler: Is the minister aware that that grandfathering runs out in 2005?

Mr. Lemieux: I believe it was a three-year agreement that was entered into. I understand that all the parties participated. There was a lot of give and take and exchange with regard to the services, but my understanding is that the school

division is certainly pleased with the services they are getting, at least what I have been advised, from Pierre-Elliott-Trudeau.

Mr. Schuler: To the minister, yes, the parents are very pleased with the continuation of their education at Pierre-Elliott-Trudeau when it comes to French immersion. However, that does come to an end in 2005. Busing will no longer be provided. Then it becomes a decision of the River East Transcona School Division if they want them there. The grandfathering runs out in 2005, at which time then it becomes the responsibility of Sunrise School Division. Perhaps the minister could tell this committee where, then, the Springfield students could find French immersion in the new Sunrise School Division.

Mr. Lemieux: My understanding is part of this agreement allows the parties to come together at the conclusion or prior to the conclusion of this agreement. If the agreement wants to be extended by Sunrise, then it is something that would have to be certainly discussed with River East Transcona on whether or not that agreement is extended or not. I mean, the parties would certainly have to discuss that to arrive at some agreement if Sunrise wishes to extend that agreement.

Mr. Schuler: Has the minister been given any indication if there is any interest on the side of any party to continue that agreement?

Mr. Lemieux: The member from Springfield mentions that it is 2005, I believe, that the agreement ends. It is somewhat premature I think to be looking at whether or not to extend the agreement. I think all parties are observing whether it is working for them or not. I think they are observing to find out whether or not this will actually work. I think it is somewhat premature for them to be entering into discussions, either one way or another, on the issue.

Mr. Schuler: Actually the minister is quite wrong there, and, as an educator, the minister should choose his words a lot more carefully before he makes comments like that, because that is not the case, Minister, not in the least. If parents want to put their children into an elementary school or a middle school, they want

to know now where their children will be going for Senior 1 to Senior 4, not 15 minutes before they enrol them in Senior 1. That is quite irresponsible on behalf of the minister to suggest that now is not the time for the parties to get together and start making those discussions and making those decisions.

The parents have very serious decisions to make about their children. Maybe the minister has forgotten what it is like to have little children going into the school system and deciding for their children where they should be going and what kind of programming. This is what is harming the Dugald elementary school, which is the immersion school, the catchment area school for French immersion in the Springfield area.

I would suggest to the minister that in fact, no, it is not in a year from now and it is not in a year and a half from now that the school divisions should be getting together. It is now, so that parents have some kind of stability when they start making decisions insofar as where they want to go with programming.

So I ask the minister: Has he been given any indication, at this point in time are there discussions between the two school divisions in regard to if there is going to be a continuation of students being allowed to go to French immersion at Pierre-Elliott-Trudeau?

Mr. Lemieux: Well, there is nothing prohibiting parents speaking to their school boards or their school boards speaking to each other. They certainly do not contact the Minister of Education every time they have a meeting and have a discussion, no matter what or how important the issue is. It might be a good idea for them to contact the department and have discussions about a lot of issues, but they certainly do not. They are duly elected, and they have a responsibility to govern their school divisions accordingly. There may be discussions taking place at this moment, as we speak, with regard to services, whether or not students go to Lorette, for example, to get their immersion education or whether or not they continue doing what has certainly taken place over the last while.

Certainly, I would say that I am not aware of whether or not there are any discussions taking

place between the parents, their school division, or whether the two school divisions are meeting on a regular basis to make that determination. I am letting the member know that they certainly are observing to see whether or not the system is working right now, and, if they wish to renegotiate an agreement, whether or not they want to change that agreement slightly or do a major change with regard to their agreement.

So I am just saying to the member that I am not aware if they are meeting right now as we speak or have met with the agreement expiring in 2005 and what is going to happen to the children who may be currently in Grade 6 right now, are looking three years down the road and going into Grade 9. I am certainly not aware of it.

Mr. Schuler: Mr. Chairperson, this minister speaking about duly elected school boards is black humour at best when it was this Government that absolutely trampled over every school division and every duly elected school board member with threats and bullying when dealing with the school boards. So the minister talking about duly elected is an insult at best.

Mr. Chairperson, I would like to point out to the minister that right now I am not asking the parents and I am not asking the school divisions, I am asking the minister. I will rephrase my question: Is his department, if the minister is not, is his department aware of any discussions between Transcona-Springfield and Sunrise School Division in continuing or discontinuing the joint services agreement or whatever it is called, insofar as regarding vocational and French immersion students going into the Transcona part of River East Transcona?

Mr. Lemieux: I thank the member for the question.

Once again, I believe the department is not aware of any conversations taking place. It is in the very infancy of this agreement. I realize children who are in Grade 6 in three years will be entering Senior 1 or Grade 9, but the agreement itself, it is in its early stages. Whether or not these school divisions are entering into discussions at this stage or not, I believe and my department believes, well, certainly we have not

been included in any of those discussions in one way, shape or another. It is up to the divisions. If they want to pursue it that is fine. If they want to enter into any conversations they want, they are certainly free to do so.

Mr. Chairperson, with regard to the comments about trampling over rights of school divisions, there are a lot of conversations that took place with a lot of divisions that wanted to amalgamate. Their rights were not trampled over, and a lot of discussions took place with regard to amalgamation.

The member certainly is open to pass his views on to Sunrise School Division, can certainly speak at any time to River East Transcona. I understand he knows a couple of members on that board. He is welcome to speak to anyone he wants about maybe they should get their act together and get moving, if that is the way he feels. If he feels strongly they should be talking about issues three years down the road and get moving on it, I encourage him to do so.

*(15:10)

Mr. Schuler: This whole project was born out of politics. It has been wrought with politics from day one, from the Premier's office, from the Cabinet office on down, and that is the problem with this whole issue. It was the problem from day one.

The Norrie report was never followed. It was used to some degree, abused in most cases and the minister at that time used it as a smoke screen to push a political agenda. That is very unfortunate.

I would like to ask the minister: If the agreement is not continued in 2005, seeing my generous offer to provide him with a map, which he stubbornly refused, which is unfortunate, can he tell me within the Sunrise School Division, where would the students then go, if they are not going to be given access to Pierre-Elliott-Trudeau. Where would they then go for French immersion education in the Sunrise School Division?

Mr. Lemieux: It sounds like a hypothetical to me.

Mr. Schuler: It is not.

Mr. Lemieux: I thank the member for the question. It is somewhat hypothetical, but I would like to try to pass on some comments to the Member for Springfield on the individual we had working with, and who is highly respected, a member of the Manitoba Association of School Trustees, who, for a number of years, worked with MAST and was highly respected by a lot of school divisions, went around and talked to all the school divisions and asked the school divisions what they felt about amalgamation, questions like: What areas of success or accomplishments should be noted, do you think, as a result of amalgamation?

Well, technology has been a big improvement for their division. They think Sunrise having the amalgamation take place that technology will really improve as a result. Board relations, they felt, would certainly improve having Agassiz and the old part of Transcona, the Springfield part, getting together, planning process, relationships among people within the division.

I just want to say it is somewhat hypothetical to think of what a parent is going to do in three years' time or what the parents are going to do in three years' time or where they are going to send their children. They may continue to send their children to Pierre-Elliott-Trudeau, which I understand their staff is a tremendous staff with regard to the service they provide as educators. My understanding is that Sunrise is really pleased with the services they get from Pierre-Elliott-Trudeau.

I know the Sunrise School Division is working extremely hard trying to co-operate and trying to make this issue, trying to make, not just the issue, but make this agreement work. I have no idea. I would like to re-use the word of "hypothetical," but certainly three years down the road it is difficult to say what the parents would choose or what direction they might want to go.

Mr. Schuler: Minister, if, 2005, this contract runs out, and we happen to be in 2003, would that not leave two years?

I think the minister should be careful with his numbers. There are not three years left. We

are so far into the pike that this is no longer hypothetical by any stretch of the imagination. Parents now have to plan what they are going to do with their children's education for the next, not two years, not three years, for five years, six years, seven years, eight years, depending on where they are, whether they are entering into the school system in kindergarten, whether they are in Grade 3, whether they are in Grade 6. They cannot wait for the minister to dilly around and hear no evil, see no evil, do not care less attitude and all of a sudden 2005 comes around and we have the problems. I will help the minister out. Clearly he does not know the answer and he should not have refused the map. Then at least he would have had the answer.

Where they would have to go is Powerview, Manitoba. I am sure the minister, in all his wisdom, has a clear idea where Powerview, Manitoba is. Could the minister tell us, from Dugald elementary school to Powerview, Manitoba, about how far that would be?

Mr. Lemieux: Thank you very much. I am just going back to my coaching days, coaching ringette and coaching hockey. I would say it is about, probably certainly an hour's drive, I would think. Thank you.

Mr. Schuler: I will lay this out for the minister. Dugald is actually the kindergarten to middle school immersion school for Springfield. Currently, from Dugald elementary school to Pierre-Elliott-Trudeau is 11 kilometres. If that agreement fails, from Dugald to Powerview, Manitoba, will be 91 kilometres. I hasten to add to the minister that a bus would not go direct 91 kilometres. It has to pick up other students. You have to factor in weather. You have to remember that it is not like a car, it does not have the same maneuverability. These students do not have air conditioning, nor would they have seat belts. They would drive to Powerview, Manitoba, which is 91 kilometres one way.

Does the minister feel that that is acceptable for parents to be looking at as an option for their children when deciding whether or not they will go with French immersion?

Mr. Lemieux: I am not sure why the member from Springfield raises Dugald to Powerview,

but my understanding is that there are immersion schools in Beausejour, which is a lot closer than Powerview. There is an English and immersion school located at Edward Schreyer School in Beausejour, and also Beausejour Elementary has an immersion program as well.

No one likes to see children riding on buses for a long period of time. My children were very fortunate. We lived not too far from a community where they had to be on the bus for about approximately a half hour. Within my own constituency I have children riding on the bus for an hour and 20 minutes or so from Falcon Lake. They go to high school in Steinbach, and they are on the bus for about an hour and 20 minutes one way. No one says this is right. This is not ideal possibly, but this is what is happening to many students around the province.

Certainly I would say it is a little bit premature to say that this agreement may not be extended. We are looking at a couple of years, two to three years down the road now, depending on which way you look at the school map. But it is slightly premature. I am sure Sunrise School Division, if they feel that is in the best interest and are listening to the parents of that school division, they want their children to go to Pierre-Elliott-Trudeau, which is, I understand, around 12 kilometres away.

I just want to say that the member from Springfield, I do not know if the member from Springfield wants me as the Minister of Education to be, as he put it, steam-rolling over the parents and telling them which school they should go to or somehow look into a crystal ball and determine what is going to happen in two to three years with regard to planning.

I have a great deal of trust not only in the superintendents of those divisions, but also in the school trustees to work these issues out, and I believe they will in the best interests of the children. Thank you.

* (15:20)

Mr. Schuler: I am actually appalled at the minister's answer. First of all, the French courses that are offered at Edward Schreyer School do not constitute an accredited immersion program.

The minister and his department should know that. It is not an accredited program. It is not a French immersion. The only accredited French immersion program in the Sunrise School Division right now is in Powerview. For goodness' sake, you would think the department and the minister would know that. That is why right now the agreement is until 2005 that the students go from Dugald, which is the elementary and middle schools catchment school, to Pierre-Elliott-Trudeau. I would suggest to the minister there are some discussions taking place that Beausejour, classes be added on and that it become an accredited immersion program.

If the minister would have followed the debate and the former minister can tell today's minister that that was the problem with Beausejour, that it did not have an accredited Senior 1 to 4 immersion program. It is not accredited immersion. I am quite surprised.

Currently, it is 91 kilometres one way to Powerview, Manitoba. That is the only accredited immersion program currently in existence in Sunrise School Division. I would like to have the minister clarify that point for the record.

Mr. Lemieux: Well, Mr. Chairperson, if the member from Springfield is making reference to somehow there are problems with the immersion program in Beausejour, that is something the Sunrise School Division should certainly look at and improve the program within Beausejour, within their own Springfield School Division.

I just want to quote a paragraph out of the agreement for the member from Springfield. Hopefully, he will bear with me here. It says: "This agreement shall be reviewed annually in April by the participating school boards. The agreement may be extended or revised by mutual agreement of all parties involved. Any changes with implications for Manitoba Education Training and Youth require the concurrence of the minister."

This is something that, as the member mentioned, and I do not know whether or not he was certainly doing it on purpose, but he said that discussions are taking place. I am pleased to hear that. If parents are talking to their school

board and talking about their plans down the road, I think that is excellent, as I mentioned. The member should be encouraged to pass on his views to parents and others about their education options in two or three years down the road.

I just finished quoting from the agreement, which says that these are being reviewed. Now, if Sunrise School Division wants to improve the immersion program in Beausejour, that is probably something else that they should be discussing internally. I do not want to in any way suggest that they have to do that, but I am sure they probably are looking at that, looking at their own immersion program within their own school division. Thank you.

Mr. Schuler: I would point out to the minister there is nothing wrong with the French being taught at Edward Schreyer School. The only thing is it is not an immersion program. The minister should know that, after he put on the record that it was. I suggest to the minister that he is floundering right now on this issue. That is most unfortunate, because parents are looking for answers and not for the minister to flounder.

I would point out to the minister that there is another component to this. Currently, there is no vocational high school in Springfield. Can the minister point out where in the Sunrise School Division is there currently a vocational high school?

Mr. Lemieux: The member from Springfield talks about floundering. The fact of the matter is, if the member from Springfield knows anything about immersion programs in the province, he will know that there are gaps in immersion throughout the province. Whether these are a lack of science teachers, math teachers, there are gaps.

Now, if the Sunrise School Division wants to strengthen the immersion program in the Sunrise School Division, certainly they can do everything under the sun possible. They can look for French immersion teachers in science, in math and do whatever they can to strengthen their program, whether it is in Beausejour or in other communities.

Now, that is something that they are aware of already, and I am sure they are looking at that as their option, or they can re-negotiate the options that they have when this agreement expires. So all I would mention to the member from Springfield is that whether a division is amalgamated or not, there are some gaps in immersion programs throughout the province, in Manitoba. This is not necessarily a good thing, I agree, but what we are trying to do certainly is we are trying to get a better handle on what is going on with regard to immersion programs and the importance of immersion programs in Manitoba.

But the immersion program in Beausejour at the elementary level is absolutely rock solid, rock solid. There are a few gaps at the high school level which I understand they are also trying to do something about. Now, this is something for which we have been prepared all along, and the department works closely with the communities. It is not, I believe, that there is not a will from Sunrise to do something about immersion. I think that there is a high need for an immersion program in the Sunrise School Division.

So they have some options. Either they can work hard to improve the immersion program in their school division, or they can renew or work towards renewing the agreement that they have with River East Transcona. Thank you.

Mr. Schuler: Suggesting that the minister is floundering on this issue, Mr. Chairperson, was being kind. I am not suggesting that there is not good immersion programming in Beausejour. In fact, I know it is good. It is very good immersion programming. The problem is that right now, as it stands, there is no immersion programming at the senior years, and I believe it will take the addition of seven classrooms and considerable extra money.

Is the minister prepared to fund Sunrise School Division to get this program up and running by the time the contract of 2005 expires, so that this program can be put into place? Has the department been approached in regard to the funding of an immersion program in Beausejour, and is the minister prepared to forward the funding?

Mr. Lemieux: Well, I do not want to say that the member from Springfield does not know how the funding formula works. I would be the last one to suggest that. But if the numbers are there, if the students are there, the funding formula, certainly a good part of it is based on the number of students.

So if they have a high need, students wanting to go to Beausejour to the immersion program, the funding will accompany those students.

Mr. Schuler: But then you have the school division caught between a rock and a hard place, because until 2005 there is no great demand for it because those students are currently being bused to Transcona.

So what the minister is suggesting, you have to wait for the contract to expire. Then all of a sudden you have the need, and then over the next five or six years, somehow a program will be developed which at that point in time, I might suggest to the minister, the need may not be as great because by then people will have looked elsewhere, at other programming, or they will have left.

This is where this entire amalgamation issue was not thought out. We laid these issues in front of the former minister. He acknowledged all the problems and very little was done to deal with them. Now is the carnage. Now parents sit there and do not know what they are supposed to do in regard to their children's education.

I ask the minister a question in regard to vocational high schools. Unfortunately he did turn down my map, which was unfortunate for him. Can he tell us in which towns currently vocational high schools exist within the Sunrise School Division?

* (15:30)

Mr. Lemieux: With regard to the programming that the member is asking about, my understanding is that the children currently or the students certainly go to, I believe, Transcona, to receive some of the programming as well as to Lord Selkirk School Division.

Just to touch on that a little bit, I just want to add that this has gone on for many, many, many, many years, long before amalgamation ever took place and continues all over the province with school divisions that do not offer either industrial arts or programs that they cannot provide. They send those children to other school divisions. They have agreements between them to do so. They are looking at the dollar and they are trying to save a dollar and use taxpayers' dollars wisely, because the numbers do not warrant it.

What they do is they send children to other school divisions that offer those programs. This is happening all over the province, whether or not the amalgamation has taken place or not, and has for years and years and years and may continue to do so. There is a declining enrolment in a lot of school divisions throughout Manitoba. A lot of the schools just feel that they had to be very careful in what programs they offer because they just do not have the student base, student population to do so. So, they have arrangements with other school divisions.

This has happened for years and years and will continue to happen. It happened certainly during the 1990s when the member from Springfield's party was the government. It happened in many, many school divisions. In fact, Agassiz School Division used to send their students to Lord Selkirk long before amalgamation ever took place. What they are trying to do is they are trying to make best use of their taxpayers' dollars and being very prudent on how they spend it. They are not always easy decisions, but those are the ones that are made by the local school divisions.

Mr. Schuler: Mr. Chairperson, I am pleased the minister actually got one right. He is absolutely correct. There are no vocational schools currently in Sunrise School Division. Until this point in time, actually the students from what used to be Agassiz School Division were bused to Selkirk. In fact, on the other side, I have taken a central town, the highest concentration of students, the students from Oakbank, were bused to Murdoch MacKay.

Just so everybody knows the distances, Oakbank to Murdoch MacKay is 17 kilometres. The concern that parents have is that if River

East Transcona will not renew the contract or Sunrise School Division and River East Transcona do not get to some kind of agreement, Oakbank to Selkirk is 29 kilometres. That is again a substantial addition on to the time, because, again, you do not drive straight as the crow flies. The bus, of course, has to go up and down roads, picks up students or whatever the case may be, and takes them to Selkirk. There is another possibility, and that is Steinbach, which is 52 kilometres away and clearly is not reasonable.

Again, what this is all about to the minister is there is not a lot of thought that went into the amalgamation issue. It is the parents that are struggling with decisions to make for what they think is the best interests of the their children. Perhaps the minister would like to comment on if the 2005 agreement is not renewed, does that then mean that all vocational students would have to be bused to Selkirk, Manitoba?

Mr. Lemieux: What I would like to do is when the member talks about not very much thought, there was a lot of thought given to amalgamation. There will be a lot of other school divisions that will be amalgamating, but it will be on a voluntary basis. In years to come, because of declining enrolment, school divisions will get together and they will definitely want to amalgamate as a result for a lot of reasons.

The gentleman that we had working with amalgamated divisions asked a lot of questions of the different divisions. They came up with a number of answers saying, what are the benefits of amalgamation. Improved access to programs and services for students; more efficient use of fiscal resources; creation of new collaborative principal centre organizations; adoption of best educational practices on research; technology and many other different areas that amalgamation will prove a true benefit to all the students. The parents will be able to see that. No one expected it to happen overnight and it will not happen overnight.

It is truly hypothetical to think of what the school division is going to be doing in two to three years as to what they want to do on their programming. A lot of those school board members, if they are in conversation with the parents

now, and if they have their finger to the pulse of what is going on in their area, their region, we will get a pretty good idea from their parents on what they would like to see happen.

If the parents in Dugald or Oakbank want to see strengthening of programs in their area, well, it is incumbent on the school division to be addressing that. If they want it continued as it was in the 1990s and continue that kind of programming, that is fair too. It is a decision of that school division, but it is a difficult decision that the parents, along with their elected officials in that area, are going to have to make, granted.

That is something that they will have some time to do. As the member from Springfield has commented on, I have no way to verify this one way or another, but I understand, as he mentioned, that there are conversations taking place right now as to what is going to happen in three years. I see that as a real benefit. Thank you.

Mr. Schuler: Can the minister tell us: Does his department currently fund part of the costs of the transportation of students from Springfield into the River East Transcona schools?

Mr. Lemieux: I am sorry, could I have the member from Springfield just repeat the question, please. I am sorry, I did not catch it all.

Mr. Schuler: Does the Department of Education currently fund in part or in whole the cost of transporting the students from the Springfield area to programming in River East Transcona?

Mr. Lemieux: I have been advised, Mr. Chairperson, that it is in the agreement where it talks about transportation currently available for eligible Springfield students attending Transcona schools will continue to be provided. The Province will provide funding for busing these students, including local costs, until June 30, '05.

Mr. Schuler: I believe the challenge for this Government is to ensure that the Springfield students no longer suffer the loss of educational and career opportunities that resulted from the split of their school division.

I would like to ask the minister: Is he prepared to create permanent access for students

of Springfield to the high schools in Transcona and continue to fund the cost of transportation for these rural students?

Mr. Lemieux: Well, I thank the member for the question, Mr. Chairperson. I just wanted to comment with regard to, not necessarily overall programming, but the education that is received from the students in Sunrise. The new Sunrise School Division I believe is a quality education. I think a lot of the parents would comment on that. I do not think they believe they are getting a lesser education as a result of, for example, the immersion parents would comment that they are not getting a lesser education as a result of going to Pierre-Elliott-Trudeau. I would also second that.

I believe that is important to put on the record because the teachers and staff are working very, very hard to ensure the quality education those students are getting is the best it possibly can be in Manitoba. I know when this agreement ends, and as the member mentioned from Springfield, there are discussions taking place now, I do not want to speculate on what is going to happen by the end of June '05.

I believe those conversations that are taking place now will contribute to that decision, but it is imperative that the parents let their school board know what they want.

If they feel very strongly about immersion programs, they had better start recruiting and working hard to get teachers in those specialty areas, like math, for example, or science that are a challenge all over Manitoba with regard to immersion. It is not just as a result of amalgamation, but it is as a result of teachers going through the system that are able to teach immersion, whether it was in the 1990s when the member's colleagues were the government of the day.

Those are the challenges they faced then, as we face now. It is getting more professionals who are able to teach those specialty areas that is a real challenge for us.

I do not want to speculate on what is going to happen in '05 and what is going to happen

with regard to the agreement, but I know that part of the agreement now is transportation.

We are working with the division to provide \$50 a head per child with regard to amalgamation. There are many different areas we are working to assist not only the division, but also we continue to provide a person in an advisory capacity to work with the department in any challenges they might face.

As a department, we are very supportive of the Sunrise School Division, of amalgamated school divisions, and we have heard that anecdotally back to us that they appreciate all the work we are doing. Also, the administration should be really thanked for all the hard work they have done to ensure that amalgamation is going to work.

We are not going to turn the clock back to the 1990s, heaven forbid, where you have tax increases of 149 percent in Agassiz. Maybe that is why they are having a hardship in providing those immersion programs now in Beausejour when they got hammered by almost a 150% increase, whereas our Government has provided an unbelievable amount of funding to those divisions, not only for capital projects but also for funding those divisions.

I thank the member for the question. We do not want to be speculating on what will happen two or three years down the road.

* (15:40)

Mr. Schuler: Again, this minister and his Government never get the point. At no point in time did anybody talk about the quality. This is all about how long children have to sit on a bus and be bused somewhere to get the programming they had readily accessible before. The minister misses the point entirely.

To sit there and be so callous as to say, well, they have really good education and it is good quality. Yes, absolutely. Powerview has a great program, but 91 kilometres to have it accessed by students from Springfield, that is not reasonable, especially when you think it is 11 kilometres away. Yet, unless the minister is ready to answer some of the questions I have asked they

will be going 91 kilometres, but it will be more than that because the bus, of course, does not go straight 91 kilometres.

The Government has proven that the whole amalgamation issue was about punishment politics. They have gone through with it. I guess they could argue that it worked. The electorate gave them their majority. The kind of nasty politics that they ran. It worked for them. The children suffered. This is about transportation time. Rather than going 11 kilometres to Pierre-Elliott-Trudeau, they now go 91 kilometres to Powerview. Instead of going 17 kilometres for vocational education at Murdoch Mackay, they now have to go at least 29 kilometres to Selkirk. It is about the busing. It is about all of those costs. Will the minister commit that he will continue to fund and ensure that the students in French immersion and vocational education continue to get access which is very close for them in River East Transcona and will he continue to fund them as compared to them having to go anywhere from an extra 20 to 70 kilometres one way every day to get the same education?

Mr. Lemieux: I thank the member for the question. There are two points I would like to make. Yes, we are committed to a funding at the rate of economic growth and will continue to do so. It will not be minus, minus, plus one, minus two, plus zero. What we will do as a government, we made a commitment to fund at the rate of economic growth, and all the school divisions certainly appreciate it. I am glad the member from Springfield admitted how difficult it was in the 1990s when children from Falcon Lake had to travel an hour and 20 minutes all the way to Steinbach to go to high school. I do not want to be too political with regard to the answer, but these challenges lay in the 1990s with the previous government. They certainly are challenges for us as a government. Yes, it is a difficult one. No one likes to see their children be on the bus more than a half hour or 45 minutes. It is very difficult for children. When you start to get to Grade 9, maybe less so for children that are in high school, but it is still a challenge no matter what as a government that we continually face.

Safety was an issue with regard to busing. We provided monies for strobe lights. We are

trying to assist on the safety end of busing. All of those issues are very important because we know that children will continue to bus. We cannot provide a bus for every child that wants a ride less than a kilometre and a half away from their school. We are not going to be providing a bus for every child that wants a bus from a block away from their school. No. The Province of Manitoba cannot afford it. Let me get this straight. The Member for Springfield wants us to spend millions of dollars on new buses and add to the strain on the provincial purse strings. Is that correct?

Mr. Schuler: To the minister. What reality does this individual live in? What I am suggesting to the minister is save money. Rather than bus students 91 kilometres, bus them 11 kilometres. I am absolutely astounded at this minister who cannot get the fundamentals of math right. We are talking, rather than busing them 91 kilometres, let them be bused just 11 kilometres.

The minister should not have turned down the math. He should educate himself. After all, he is the Education Minister. For how long, we do not know. Rather than busing students 29 kilometres to Selkirk, let them be bused 17 kilometres to Murdoch Mackay. It is cheaper. Figure out the fundamental basic math that you save money this way, Minister. Instead of 91 kilometres, you bus them 11. It is far cheaper.

The minister asked about Beausejour. I will give him the numbers for that. From Dugald to Pierre-Elliott-Trudeau, 11 kilometres. Dugald to Beausejour, 43 kilometres. Do the math, Minister. It would be far cheaper to keep busing them 11 kilometres one way than 43 kilometres and much cheaper than going 91 kilometres. That is what this issue is about and the minister should stop talking about 0.5 kilometres and 1.2 kilometres because he knows nothing about what he is talking about and he has proven so far that he has very little knowledge about his department. I would say shame on this minister.

We are talking about saving a lot of kilometres. Try 80–11 kilometres as compared to 91. It is far cheaper going to Pierre-Elliott-Trudeau than going to Powerview. Far cheaper going to Pierre-Elliott-Trudeau than going to Beausejour. Should I give him the other ones? Murdoch

Mackay, 17 kilometres, Selkirk, 29. There is a considerable saving if they go to Murdoch Mackay. Yes, Minister, that is what I am suggesting.

Am I suggesting new buses, new bus routes? No, I am not, Minister. The buses exist right now, and they should continue to use them. So the minister should stop putting false information on the record. That is shameful what he is doing, trying to twist that somehow busing children 91 kilometres is cheaper than busing them 11 kilometres. The minister should have a little bit more responsibility.

Mr. Lemieux: First of all, I do not believe anyone is being bused 91 kilometres from Dugald to Powerview. Number two, it is all hypothetical. This member from Springfield is living in a hypothetical world. No one knows whether or not this agreement will be extended, whether or not people want to work, with all due respect to the member. No one knows whether or not people want to continue this agreement, whether or not they want to improve services themselves locally in Beausejour.

The member is hung up on amalgamations and somehow that is such a terrible thing. It has not been. The feedback we are getting is that there are many positive reasons for amalgamation. Those board members are certainly anecdotally letting our people know this. Yes, there are some challenges, but that agreement ends in '05. The school board should be having that discussion. As the member suggested, maybe they are now discussing what they should be doing with regard to services. Those services took place long before amalgamation. Sending students to Selkirk, which Agassiz did. The connection between is lost. Improving their services is a different question.

The member from Springfield continues to want to turn the clock back and have it the way it used to be. I do not think the taxpayers of Agassiz want to see it go back on the taxes that they were paying and the increases that they had in the day. I would suggest to the member from Springfield that, if he has any suggestions, I hope he works with the local parents and passes on his suggestions to them of improving the services in Beausejour and talking to the board members there.

Right now, I have been advised that the education that those students are getting is an excellent one in Pierre-Elliott-Trudeau. I am sure that the school board members are also receiving the same information, the same feedback. If they want to make some changes and they do not want to continue the agreement in '05, as was mentioned by the member from Springfield, maybe they should be having other discussions on how to improve the immersion programs and deal with those specialty teachers that deal with math and science and improve the services in Beausejour.

I would certainly want to add that this department, the Department of Education, works very hard with all stakeholders in the province of Manitoba in continually trying to address all of the challenges that they face. I am certainly open to any other questions the member from Springfield has, but with regard to services, the services they are getting right now are excellent.

*(15:50)

Mr. Schuler: Again, a weak minister floundering in his portfolio. It is unfortunate. Just for the record, at no point in time did I suggest that school divisions are talking. I know that serves the minister's political spin, but that is not the case.

I would like to ask the minister about parent councils. I think we all appreciate they are a very valuable part of our education. They contribute a lot to our schools. Can the minister tell this committee, parent councils, under legislation, are they supposed to have their own account, like a chequing or savings account? The monies collected by the parent councils, how is that money supposed to be treated? Is it part of the school or is it part of the parent council?

Mr. Lemieux: Just to try to address the question with regard to funds, I have been advised that the principal is ultimately responsible for any dollars, any funds coming into the school. Now, in 99.9 percent of the cases, where a parent council does fundraising and brings money into the school, the majority of parent councils and principals work very, very closely together, hand in glove, in a co-operative, consultative fashion. That is something that should be encouraged,

and 99.9 percent of the time that happens. So if any dollars flow into the school, the ultimate responsibility is the principal's.

Now, it is something where people are able to work these things out, whether it is a parent council that brings in money through fund-raising, whatever it might be, generally there is an agreement on how those dollars can be spent. But the bottom line is the ultimate responsibility is with the principal on dollars coming in. In fact, even those parent councils meeting in schools, the responsibility of it is the principal's.

Mr. Schuler: Again, I just want to be clear on this. So, actually, the monies are supposed to go into the school account?

Mr. Lemieux: Just to answer the question, they do not have to have a separate school account. They can have a separate account as far as the school, the parent council goes, but there has to be some type of accounting principle in place. Because the principal is ultimately responsible for that account and those dollars, there should be a process put in place, something put in place that lets the principal know how those dollars are being spent and the parent council should be open and forthright with regard to those dollars and letting the principal know how those dollars are being spent.

Mr. Schuler: Is it plausible that the money raised—there is a lunch school program, \$2,000 is raised—could go into the school's account. Would it then have to be line-itemed somewhere that that actually was parent council money or can it just go into the general revenue of the school?

Mr. Lemieux: The issue of dollars coming into the school, whether or not it is the school's account or whether or not it is the parent council's account, there has to be some kind of identification of whose dollars they are. Even if a school were to use those dollars to purchase, for example, computers, somewhere in their list of purchases it would show that those dollars were parent council monies used to buy computers.

In other words, something would be identified, and if a school has an account in a local caisse populaire or a local credit union, whatever the banking institution may be, you would think

that when you are making deposits or withdrawals, something there would identify whether or not it is parent council money. I mean, there has to be some transparency to it.

The ultimate responsibility is the principal's. It falls within the principal's jurisdiction, and the principal has to be made aware of how those dollars are being spent and so on.

* (16:00)

Mrs. Mavis Taillieu (Morris): Mr. Chairperson, just to go back to questions I had asked earlier, just on a couple of things, I believe the policy was that seats would be available for all children having to travel more than 1.6 kilometres to the school.

Mr. Lemieux: Transport policy.

Mrs. Taillieu: But then you also said only to the designated school?

Mr. Lemieux: I will try to read something into the record. Maybe a point of clarification will help. It says under the transportation guidelines: For purposes of calculating transportation support, a transported pupil is defined briefly as a pupil who is being transported by the school division, is included in the eligible enrolment and lives further than 1.6 kilometres from his or her designated school.

Generally that is within the catchment area but it is: lives further than 1.6 kilometres from his or her designated school.

Mrs. Taillieu: Could the minister tell me how schools are designated or how families are designated to a school?

Mr. Lemieux: I thank the Member for Morris for the question. I have been advised that in most cases, the majority of cases, it is the school division that makes that determination. They are in contact with the parent, and essentially the parents understand that that is their designated school.

Under different circumstances, that may change. If a school has closed, if it was the designated school and may have closed, then a

student may go to a different school, but it is the school board that gives that determination of a designated school.

Mrs. Taillieu: Then I understand that if a family within a school division chooses a school other than the designated school, they are not guaranteed a seat on the bus. Is that correct?

Mr. Lemieux: I thank the member for the question and thank you, Mr. Chairperson.

I understand that that is generally the case. If they do not send their children to that designated school, busing is not provided; transportation is not provided.

Mrs. Taillieu: Mr. Minister, I believe, then, that that is discriminatory, that some families can get a seat on the bus and others cannot unless, of course, they pay for it. Is that correct?

Mr. Lemieux: With regard to transportation, I thank the member for the question. Children are transported to their designated school, but if a child is not going to the designated school, some divisions will transport the child; other divisions will not. Some will also transport the child but will charge the child.

So it varies from division to division, and it varies with the circumstances.

Mrs. Taillieu: This is a policy, then, that can be set by a particular or individual school division?

Mr. Lemieux: Yes, it is.

Mrs. Taillieu: One further question. We discussed earlier the amount of time that students spend on a bus. My question would be, further than that: Is there a policy in regard to the time that a student will arrive on a bus at a school before school starts? Is there a policy as to what time frame that is allowable for that?

*(16:10)

Mr. Lemieux: I thank the member. I will certainly get back to the member with regard to the clarification in the answer on that, whether or not the specific amount of time that a bus has to arrive before officially school starts. Weather always plays a role with regard to bus trans-

portation. I will certainly get back to the member on that question. I am not aware of the answer, and the staff I have here presently are not aware whether or not there is a specific designated time.

Mrs. Taillieu: I would like to clarify that question because I think you have misunderstood me. My question is, for example, if a bus gets to a school an hour before class starts because of busing routes and buses needed in other areas, is there a policy on how much time before school starts should a student be sitting in the school waiting for school? If the school starts at 8:30 and the bus gets the child to school at 7:30, who takes care of them during that hour and are there any policies in regard to that hour, who is responsible?

Mr. Lemieux: The question about when a child arrives or how much time a child spends at a location, the child is the responsibility of the school division the moment that child gets on to the bus. I am presuming the school would make arrangements so when the child or children arrive, if they are going to be at school a half hour before school starts, that someone should be at that school to ensure their safety and other issues are dealt with.

I am not sure the example the member may have for Morris where children are arriving so far in advance of school starting that there might be a problem as a result. Because it is the responsibility of that school and the school division, the moment that child gets on the bus that is the school division's responsibility, you would think they would have made provisions or have provisions in place to take care of the child.

Mrs. Taillieu: Just to comment then that when this happens it is necessary to have people in place an hour before school to look after children because of the busing situation. They have to get there early so the bus can go back to another school and pick up other children.

This is something that is resolvable within the school division then is what you are telling me.

Mr. Lemieux: The short answer is yes, because if the school division is making arrangements to have children bused that early to school, some

children arrive early because of volleyball, basketball, or something like that, or track and field. It is the school division's responsibility. If they want to go ahead and bus children that early they should make arrangements and they have to make arrangements. It is their responsibility of making sure that the school is open and that children are there. It certainly lies in the responsibility of the school division to ensure that the children are taken care of.

Mr. Kelvin Goertzen (Steinbach): I appreciate the opportunity to pose a couple of questions to the minister at this time.

It is appropriate that the minister was talking about the responsibilities of school divisions, a nice lead-in to the question I have for him. Given the proximity of the minister's riding to mine, I suspect he will have heard about this already on the local news. Perhaps I believe a letter may have been sent to him as well by the Hanover School Division Superintendent, John Peters. It is in regard to an issue of negotiation between the division's responses to how term teachers are handled. According to Mr. Peters, in the local news broadcast that went out a couple of days ago, he had concerns that previously the issue regarding term teachers was negotiated within the local school division. Now my understanding is from his comments that after a teacher has been on term for more than two years, it will be automatic in the third year that they will become a permanent contract teacher.

The concerns that were raised by Mr. Peters is that this was normally an issue that came about as part of collective bargaining within the individual divisions. It seems that this has now been dictated to the local divisions by the Province.

Mr. Lemieux: I thank the member for the question. The whole issue around form 2A, or term contracts is an important one. You have a lot of teachers in the province that are on form 2A or term contracts. There are many teachers who have spent many years on term contract, supposedly replacing someone. In most cases it is correct, they did replace someone, whether it was someone on maternity leave or someone who was on another kind of leave.

What has happened in the short term is that the Manitoba Association of School Trustees and Manitoba Teachers' Society sat down together to try to iron out a few of the problems or challenges around form 2A contracts. They have sat down and decided that, after you have someone on probation for two years, it is probably a good idea that they probably either would make a good employee for your division or not. After that even some right now some divisions have it in their collective agreement that, once a teacher has been there for two years and hired on to a third year, they become a permanent teacher.

In most places of employment, six months is often a probationary period, sometimes a year. School divisions, not all, some school divisions have tended to use form 2A as their term contracts, not necessarily the way they should be used.

Manitoba Association of School Trustees and the Manitoba Teachers' Society have sat down and come up with an agreement. They are asking that this should be put into new language in the contracts that are going out to term teachers, about giving them an opportunity to become permanent after two years.

Mr. Goertzen: I thank the minister for his comments. I suppose perhaps the question is more directed not to the nature of the decision but more to the substance of the process by which it was made.

It seems strange to me that a superintendent of a school division in Manitoba did not seem to have the information in terms of this change and was surprised to learn, obviously, that something that had normally been part of the collective bargaining process locally had been changed and was now kind of taken out of the local administration's hands. Quite apart from the substance of the decision, I wonder if the minister could comment more on the process by which it was made.

*(16:20)

Mr. Lemieux: Mr. Chairperson, the process, once again, is what our Government prides itself with, consultation, open-door, consultative, and many other adjectives if one wants to use them,

that we bring the parties together. The parties came together, discussed the whole issue of term contracts, and felt that in the short term this is a good start, a good start because the whole issue around term contracts is an issue that needs to be addressed further.

Ms. Marilyn Brick, Acting Chairperson, in the Chair

The parties have made a good start with regard to taking a look at it. On the one hand, some parties feel that like other provinces they do not have contracts between a teacher and a school division. They do not have contracts at all. It is just regular employment, just like any other person. You apply for a job, you get a job, and if there is not any more work for you, they lay you off or they terminate you. Then all the labour laws of that province apply.

On the one side, you have people saying maybe there should not be any contracts any longer and we should proceed like other provinces do. You have normal collective bargaining that takes place, as Mr. Peters might be referring to. He might be one of the people that are saying it is not necessary to have any contracts, just have collective bargaining take place, and those school divisions will just determine what they want to do.

Others are saying, oh, no, we need to have term contracts or other forms of contracts to differentiate between employees because you might have someone who goes on a leave, on a maternity leave for example. Arguably, what is the good solution? What is the solution that is fair for everyone? What is the solution that works?

That is difficult to say. Right now, as it stands, you have a permanent contract which an employee signs, teaching staff, and then you have a form 2A, a term contract which an employee signs with that school division. People who are custodians, people who are teacher's aides, people who are secretaries, people who are non-teaching do not have contracts. They do not sign a contract with the division. They do not have contracts. It is regular employment.

This is something which is a very good first step between the employer, the school trustees. I

do not know where the communication breakdown took place, but it is the Manitoba Association of School Trustees as well as the Manitoba Teachers' Society who sat down and talked about how they felt that these contracts should work in the short term.

It is regrettable that Mr. Peters did not get the word from his school board or from his trustees that there was going to be a change in place. That is something that hopefully will be rectified.

Mr. Goertzen: Madam Chairperson, again, to the minister, the words that Mr. Peters used in describing the consultation that took place were cursory. I know that the minister suggests that his Government prides itself on consultation, but I suspect that he does not pride himself on cursory consultation, that he would expect a higher standard than that.

I wonder if the minister could elaborate a little bit further perhaps on how it was that this decision came to be, the nature of the meetings, when the meetings were taking place, what input perhaps individual school divisions had or notice that they had that this decision was being considered.

Mr. Lemieux: Madam Chairperson, the representative of the employer, the Manitoba Association of School Trustees, is the parent group for the employer. Mr. Peters, as a superintendent, is an employee of that school division. The employer and the employees sat down together to determine what a form 2A contract, what a regular contract should look like, what kind of language we are talking about, whether or not this is a good first step or not and essentially have agreed that it is only fair to the employee with regard to the person who is a teacher, a teaching staff, that two years would be a good place to start.

Arguably, there are many who could argue that two years, if you are using that as probation, is way too long. Six months or a year or a year and a half might be more appropriate. If you are using that as a probationary period, it does not seem fair. With regard to Mr. Peters, regrettably he did not receive the word from his employer because it was the employer groups and the

teachers who sat down and discussed all the issues around term contracts and language in contracts.

I would ask Mr. Peters to talk to his board and find out what they know about it, and, in turn, they will talk to their parent organization who is the organization that sat down with the Teachers' Society, to talk about this.

They also talked about sick time and seniority. For example, if someone has built up sick time and seniority over two years, that that also should go with them once they become a permanent employee. So it is something that is a good start. It is someplace to start.

As I mentioned, other provinces have different formats in place where they do not even have contracts. Someone is hired just like a custodian would be or a secretary or a teacher's assistant. They are hired on that basis, and if there is not enough work, they are laid off, and if there is more work, they hire more. The labor laws of the land apply.

So it is a good first step. It shows that the employers' group, the parent organization, MAST and the teachers' representative, their association, sat down and talked about it in good faith. I am sorry that Mr. Peters, as a superintendent, was not informed by his school board. That is probably where it should have come from, from the board. Thank you.

Mr. Goertzen: Certainly those are issues that I intend to bring back to Mr. Peters. I suspect that the minister will be hearing further about that, and we can discuss, perhaps at another time, the process by which this took place.

The minister mentions that this is a good first step for a short-term initiative. Can he indicate, is he aware that this is something that is going to be reviewed in the next two, three, six months or a year?

Mr. Lemieux: Thank you very much for the question. I thank the member.

Also I should take this opportunity, and I apologize for this, I want to congratulate the member for being elected. I am sorry that I did

not mention this earlier, but I want to take the time to congratulate him and also my condolences to the former MLA for Steinbach, as well. I know that he is not feeling well. His health is not great. I just want to take this opportunity, and I am sorry that I did not do this earlier when you started your questioning.

What we are looking at is fairness and fairness in the process, fairness not only for the employer but for the employee with regard to terms of employment. There will be conversations taking place between the Department of Education and the Manitoba Association of School Trustees and the Manitoba Teachers' Society with regard to these contracts.

This is something that the Manitoba Association of School Trustees is very much aware of. I understand so is the Manitoba Teachers' Society aware of this, that there are a few areas that we certainly want to discuss and that they want to discuss with us as government and with the department. There will be further discussions on the use of contracts, whether or not they are viable or not and where do we go from here.

That is why I mentioned that it is a very good first step. Both organizations understand that and sat down in good faith and talked about it in an open and consultative way. The department also spent time working with these organizations too. Thank you.

Mr. Goertzen: Less of a question, more of a comment, and then I will turn it over through the Chair to my colleague from Arthur-Virden.

Thank you very much, Mr. Minister, for your kind comments on my election and also for your comments that you put forward regarding the former MLA for the Steinbach constituency, Mr. Penner. I know that you will have an opportunity also to convey those sentiments at a more formal event in a few hours and I look forward to that. So thank you very much.

Mr. Lemieux: I thank the member for the questions and the comments. I am certainly open to any other questions from any other member.

Mr. Larry Maguire (Arthur-Virden): I would like to just take a few moments to ask the

minister a few questions in regard to some of the items that have taken place over the last while and some of the announcements, perhaps, that were made during the election campaign. Of course, I want to ask a question that is pertinent to my southwest area, around the amalgamation issue, of course, with the new Southwest Horizon School Division being formed in that area.

First of all, I would like to just ask the minister if he could give us some indication of whether or not there is any intention—I know from talking to Fort La Bosse and Turtle Mountain that I think they thought originally that maybe they were off the hook by not being involved in the original forced amalgamation in that area, but now they realize that if the criteria for a school division is 2000 students, none of the three that I have just mentioned, even the new Southwest Horizon, qualifies with that number of students.

Madam Chairperson, can the minister give us any indication of whether or not there are any other intentions there to force further amalgamation in that region?

Mr. Lemieux: Just wanting to comment with regard to amalgamation that this Government certainly does not take a view of amalgamations as being mandatory or certainly made on our part. We think people will be looking at amalgamation in a voluntary way. I personally believe that in the next five to ten years you will see divisions amalgamating, and the reason they will is because of not only best practices but economies of scale and so on. I think they will take it upon themselves to amalgamate, but as a government there is no intent to have any kind of amalgamations made other than voluntary ones. Right now, just anecdotally, we keep hearing from many school divisions and many schools that the decreasing enrolment is really putting a lot of pressure on schools, not necessarily high schools, more so high schools, but all schools about being able to offer the programs they want because of the declining enrolment.

So, as I see it, down the road you are going to have amalgamations taking place, but they will be on a voluntary basis because those divisions will see, as I mentioned, I do not want to repeat myself, but because of the economies of scale

and so on. I think they will happen, but not because the Government wants them to happen or will encourage them to happen.

* (16:30)

Mr. Maguire: Madam Chair, I appreciate the minister's answer. Please forgive me if I am just representing the views of skeptics in that region when they see the previous process being forced upon them, and now they are very well aware of the trend over the last 10 to 15 years in those areas of reductions in numbers of students. So there is a concern there that further amalgamations may be forced upon them.

I appreciate the minister's answer today in recognizing where we were at all along, and the fact that the kinds of amalgamations that could take place would be much more harmonious if they were done on a voluntary basis. If that is the case, can the minister give us some outline of any kinds of savings they have seen from the amalgamation of the former Antler River and the Souris Valley School Division?

Mr. Lemieux: I thank the member for the question. I am not sure if savings is the right word compared to the advantages and the benefits of amalgamation. What we have heard anecdotally and often, often from many of the school divisions, is that when you start to bring resources together and you improve access to programs, that is what a lot of the parents and a lot of the students and divisions are looking at.

They are looking at, in most cases, amalgamation has offered students and their parents new programming options and a variety and it gives them access to a wider range of support services and those are the kinds of advantages that you start to see coming out as a result of amalgamation. No one, I do not think, ever thought that you would see the overnight benefits of amalgamation. Certainly, I did not and I know our Government never felt there would be instantaneous benefits of amalgamation, but we thought for sure that what would happen would be all those benefits that we talked about during the amalgamation process and prior to are certainly starting to come forward now with regard to programming and linkages that are made between administrations. Certainly, we would

expect that any savings at the administration end would be put back into the classroom, which appears to be happening. So I just want to reiterate that amalgamations seem to be successful.

I think in part people should be congratulated for it, in the southwest region as well because what has happened is they are working hard to make it work and they know that the clock is not going to be turned back, whether it was the Norrie report and you went down to 20 school divisions or thereabouts or whether or not you dropped the amount of school divisions down to 36 divisions. School divisions and trustees knew that sooner or later this would be happening for a lot of reasons, so we start to hear of all the positive things as a result of amalgamations and not just financial but programming and so on.

Mr. Maguire: Madam Chair, I appreciate the minister's answer. I know how hard the divisions are working to try to make this issue that has been forced upon them work in that area. Clearly from his answer, there has been no savings in dollar savings in regard to financial savings in this particular region. I guess I go back to the number of 2000 students, and I wonder if the minister is going to continue to pursue strongly or provide any incentive for further amalgamations in those areas to provide divisions that are over the magic 2000 number or whether that number will be adjusted.

Mr. Lemieux: Madam Chairperson, I thank the member for the question. Just to comment on the voluntary process as school divisions wanting to volunteer and get together and amalgamate, it is something that I think the department certainly should think hard and long about, about what kind of support they give them, just in kind support where you have staff helping them amalgamate, whether or not there be some small financial assistance in some way to assist them when they amalgamate. I mean that is something that will have to be looked at down the road, but right now there is certainly no intent of having any amalgamations and if there are divisions out there that want to get together and amalgamate, I certainly have not heard from anyone recently in a serious way that they want to get together and amalgamate.

There are various reasons and criteria why people amalgamated and geography was one and

economies of scale but the benchmark of so many students, that was not something that was a hard number that everyone had to live by, that if you were below or over you were included in the amalgamation progress. To the best of my understanding and certainly what I have been advised, that was certainly a mark or a number that was being looked at as far as amalgamation goes, but there is a lot of other criteria that came into play during amalgamation. I know just from the Southwest Horizon School Division, there are a number of accomplishments that they speak of that I think the key is that coming from small-town Manitoba, often you do not have and not always the case, but not often that you have small schools working together and rural divisions working together.

Madam Chair, what this has done is it brought them a lot closer together, taking a closer look at your programming and see what you can really offer to give a quality of education to those students. I think that is what it has brought about. I know when you get two divisions that are being amalgamated and coming together that have different philosophies maybe in education or different approaches, one may want more computers or technology compared to another and they are starting to work in a more harmonious way that benefits not only the children, of course, but the parents of those children and you start to see a lot of those benefits coming around as a result of amalgamation.

I know we hear and have heard from many people around Manitoba of either why they felt some divisions should amalgamate, why others do not want to, but as it stands right now, we are not going to have amalgamations unless school divisions want to come forward and want to partner with someone. We have not, I certainly have not received anything formally that I can recollect of anyone wanting to either amalgamate into the future. It is my own personal view that I feel it is going to happen down the road with declining enrolment and other issues. Hopefully, I have answered the member's question. If not, I will certainly take another shot at it.

Mr. Maguire: Madam Chair, I guess I understand what the minister is saying in regard to some of those issues. I guess I am a little more

optimistic that we can grow the population back up in some of those regions and that we will need the schools.

You referred in your first answer, I think, to my first question, that there were other mechanisms that you would look at, or that were being looked at, in some of those school divisions. Can you provide me with just exactly where your department is at with offering distance education as a greater opportunity for some of those areas, rather than school closures?

* (16:40)

Mr. Lemieux: I thank the member for the question. It is something that distance ed has been talked about for quite a while, often more along the post-secondary side. Actually that is where a lot of the discussion has happened in recent years, even though it has happened and does take place with regard to high school. Coming from a rural constituency, as well as the member from Arthur-Virden, that a lot of children in northern Manitoba and rural Manitoba who want to attend university cannot do so because of the cost and so on. So a lot of students have raised that to me about the post-secondary side of long-distance ed. I know that we are looking at what improvements we can make on long-distance ed in the high school setting. It is something that we continue to work on.

Mr. Maguire: Madam Chair, it is certainly an opportunity. I know the former superintendent in Souris Valley had spent considerable years at developing a distance education program that was being expanded across the province, and a very worthwhile program it was. I think that, I have been told many times, if we had looked at some of those areas, as opposed to the amalgamation, where we have not seen the dollar savings that were promised and proposed to come about, that there may have been some other opportunities to have expanded education opportunities by using that.

I would like to turn for a moment to some of the capital program that was mentioned just as the election was being called. I would like to refer to the minister's call for some school facilities in the capital program around the province. I believe it was five schools that were involved in

that capital program. I wonder if I could have the minister just reiterate where those may have been located.

Mr. Lemieux: I just wanted to go through that, and how quickly we forget. I was just at great positive announcements, and I could not remember the last one, not necessarily the last on the list. There was a new school in Winkler that was announced; Happy Thought School in East Selkirk; Inwood School; Deloraine, as well as the français school in South St. Vital, the DSFM school division. Those are the five that I believe that the member is referring to.

I will not get too political with the member from Arthur-Virden with regard to capital funds and how much we have put in over five years compared to more than what the previous government did in 10. I will leave it at that, that investment needs to happen in schools while the schools are aging. A lot of them were built in the fifties, early sixties. So they are 40 years of age, and so on. So it needs a lot of work.

But I would certainly want to say that in Winkler, for example, I was very pleased to be there with the member, but the school is just bursting at the seams there because of immigration. In our province, because of the emphasis we have put on immigration, we have had a lot of people coming, new residents to Manitoba and to Canada. Just like Mitchell, where we built a new school. We have had so many students coming to the area, the southern region of the province, that they really need a new school and a new school needs to take place.

Other locations like Happy Thought in Inwood, the same applies. The school population is just bulging at the seams at Happy Thought where students were being taught in the stairwells of the school because of the high enrolment they have.

It seems like such a contradiction, where in some areas of the province you have children declining in enrolment, yet other areas are really growing and bursting at the seams.

Deloraine is another area where it is anticipated the new school will be coming on board,

hopefully sooner than later. Again, it had a lot to do with mould that they found in school. It was not necessarily the population growth but the mould. That was my understanding. I had been advised that there was mould in the school, and because of some health concerns, but construction concerns, that a new school be built there. This was on the books for a number of years, going back, I understand, at least five or six years. We have decided to go ahead and build the schools.

One thing that should be made absolutely clear, when I say we, I mean the Public Schools Finance Board are the ones who will take a look at what schools need capital infusion and need monies to either repair the roof, it could be electrical, but also the ones that need new schools to be built. They are the ones that are looking at making those decisions, going by the recommendations of their engineers and staff they have with the Public Schools Finance Board and they are making the decisions the way they should go.

When you take a look at Winkler school, Deloraine school and you take a look at Mitchell school, those schools certainly are not in areas where there are New Democrat MLAs. They are areas that have high population needs, and so the Public Schools Finance Board has a very difficult choice to make and very difficult decisions to make and they only have so much money. So we thank them for all the hard work they do.

There is a greater need than there is money. That is the challenge. Where do you decide? How do you prioritize? Who needs to have a new school and what needs just to have repairs? I do not begrudge their role and the important role they play but it is really difficult for them to do this. I know. Even though I have made comment about how we put more money in than the previous administration did, nevertheless it is still not enough. We have balanced budget legislation. We are going to live by that and we have to live with the dollars we have. That is what I have also passed on to them.

Mr. Maguire: I appreciate the minister's frankness with the answer in regard to where they are located. I wonder if he can give me any indication of the total cost of those schools, not

necessarily on an individual basis, but I wonder if he could make that available, if not now then at some other time as well, and where Public Schools Finance Board's decisions have been on the dollar values on those.

Mr. Lemieux: I am just looking at a document to take a look at the numbers that have been put before me. The Garden Valley School Division near Winkler, there is a new school. The main reason, as I mentioned before, was because of enrolment and immigration.

The budget and, again, the dollars they are looking at now, what they have done, what a division has to do and the difficulty with the numbers and dollars is that they have to put out these schools to tender. The announcements I made and the announcements that were made at the time of the school is I never announced the dollar figure for that particular reason. I am somewhat hesitant to do so now because I am not clear whether or not those tenders have gone out. In other words I do not want to tell someone that, yes, there is \$10 million put aside for that school. Well, guess what the tenders will come in at; \$10 million. So I am hesitant to share those numbers right now, but I will with the member once I clarify whether or not the tenders have gone out and whether or not they have been accepted, whether those dollars are firm. I just do not want to put it on the record, because they could be out right now and I do not want the contractors to know what these numbers are. Neither does the school division want the contractors to know.

I beg the member's indulgence. If you do not mind, I just want to check to find out whether or not that process has taken place. If it has I am absolutely open to share the numbers with the member.

*(16:50)

Mr. Maguire: I appreciate the minister's concern with the budget items. I think there were some overall numbers talked about during the campaign that perhaps he could share with me if he still has those available.

Also, I wonder if the minister could give me an indication. Obviously, I appreciate the fact

that these schools are being built. If you are looking at the kinds of regions that you are talking about, let us use Winkler as a prime example of what I talked about earlier with our optimism, when you see jobs being created and communities taking matters into their own hands and expanding businesses and opportunities that they can see in their areas for themselves, you need more schools because you are attracting more people. I appreciate the fact that it is these people who are out there making the jobs and creating the need for the immigration that is there. Therefore, obviously, there is a demand for more education facilities in some of the regions of Manitoba over others.

In the case of the mould in the facility in Deloraine, I concur that has been ongoing for a number of years. I would just ask the minister if he can give me an idea of whether we are busting at the seams with one school or the fact that it is unsafe for students to be in another one. Can he give me some indication of what criteria and where Deloraine would be in that pecking order?

Mr. Lemieux: I understand there is no particular order as far as priorities go. When a project is announced there is a process they have to work through with regard to sketch plans and so on. I understand that the Public Schools Finance Board is working with the school division to determine where they are in the process. In other words they work very, very closely, the staff at the Public Schools Finance Board and the division, and get the drawings in. They look them over. They review them. Sometimes they make some changes and sometimes they agree to disagree, that they want the school to look in a different way.

There is not necessarily a pecking order and no order of one coming before another. It is when they are announced they are all on the drawing board and the Public Schools Finance Board, I understand, works with all of them to try to get them going. Sometimes there are a few holdups because the school division may want a different design and the Public School Finance Board say that design will cost you more, and they have disagreements with regard to that, but I understand that there is no specific order. Once they are announced the Public Schools Finance

Board works hard to get them done so they can get out to tender and get the schools done. They have budgeted for them, the money is there and they want to get them going. My understanding is that there are just a few holdups on the technical aspects, when they start to talk about the design, and so on. I understand that is what holds projects up.

Mr. Maguire: I would just like to ask the minister then if the intention is to go ahead with the complete K-to-12 school there, or are they looking at splitting it in two venues? I think the community is certainly looking for the minister's input into or at least the decision of the Public Schools Finance Board as to whether they would proceed with K to 8 and the new gymnasium or whether they would go with the complete K-to-12 structure.

Mr. Lemieux: I thank the member for the question. This may be an example of where the Public Schools Finance Board and the division are trying to work out which is the best way to go. I do not know where those talks are, I do not participate in that, I do not have any knowledge of where it is at. When I went to the southwestern part of the province a few months ago, when I met with the board in Souris, I believe it was, they expressed these views to me. They said that sometimes you can save money by doing the whole works all at one shot. Instead of just doing part of it, you are going to save yourself some money. I am not sure that Deloraine is the school they were giving me an example of, but there was this discussion.

I know that the Public Schools Finance Board continues to work with the division there trying to get the school done. I do not know what the particulars are about what is holding it up or whether or not they are right on schedule. I cannot comment either way.

I thought that everything was on schedule, and I understand that they are working closely together to get the school done.

Mr. Maguire: I appreciate the minister's discussion in looking into that fact, and I wonder if he could, if not today, report to me as to whether the location for the new school has been finalized.

Mr. Lemieux: I thank the member from Arthur-Virden for the question, and I mentioned, the member from Tuxedo, that I did not mind going global questions but that you would have to bear with me too. If I do not have the particular answers, I can get back to you with them. I do not have the staff here that deal with this area. So I will have to get back to you. I do not know the particulars behind the question. I do not mind getting back to you and letting you know what they are.

Mr. Maguire: I guess that is exactly what I asked for. I thank the minister for looking into that for me. I was not sure if he had the staff here today on that or not. I would appreciate it if he could get back to me with the answer if the decision has been made as to where the school will be located in Deloraine yet and then also on the structure and the timing of the building, whether it is all at one. I would concur, I have seen it in other sectors, whether it is paving a runway or extensions of it and the City and the Province being involved with the federal government, that it has helped if we can proceed to build the structures at one time. I would appreciate it if you could get back to me with that.

Mr. Lemieux: I do not mind sharing with the member any information that the PSFB shares with me. I do not know if there is anything that they cannot share, but if they are going to share it with me I do not mind sharing it with you. I certainly look forward to that as soon as I can get the information and whatever I get from them I do not mind passing on.

Mrs. Heather Stefanson (Tuxedo): While we are on the issue of capital financing for projects in different school divisions, I just had a quick question in regard to the process. I am wondering if the minister could explain the process by which a school board applies for capital financing for different projects within their own community.

Mr. Lemieux: I thank the member for the question. I will explain it the best that I know of. My understanding is that there is a five-year capital plan put together. Divisions update it or delete, depending on what they determine their priorities are. When they get this list put together,

they then approach the Public Schools Finance Board and let the Public Schools Finance Board see their list and let them know what their priorities are. They explain what their priorities are, whether it could be mold in a school, or it could be overcrowding. There are a number of different criteria, but it is up to the school board to determine what their priorities are. If they feel school X is the one that they want to go ahead with first, and here are the reasons why, they put that forward to the Public Schools Finance Board, and then the Public Schools Finance Board has to weigh that, I understand, against all the other requests that come in from the other 36 school divisions.

They have to weigh that and determine whether there are health concerns in the school or whatever it might be. They make that determination. The board makes the final say, but they have engineers and other staff there, I have been advised, that are able to look into these requests and help them determine which ones are accepted for that particular year. Then the school division will come back, as I mentioned. I understand they update it continually, and sometimes they change their priorities depending on what happens in their school division.

The school division comes up with the list of their priorities, they submit it to the Public Schools Finance Board, and they give the reasons why they feel they should go ahead. That is my understanding of the process.

Mrs. Stefanson: I thank the minister for that. Perhaps I have been misinformed, I am not sure, but as I understood it, each school division has the ability to prioritize within their own communities and then submit one priority item to the Public Schools Finance Board for consideration on funding. Would that be correct?

Mr. Lemieux: I thank the member for the question. My understanding is, and I have been advised that some divisions may only have one. In other words, they may come up with, they have prioritized it in their own local school district and the school trustees feel that project is their number one project. They might only have one.

Some school divisions might have four or five, but the Public Schools Finance Board tries

to determine which one do you want to go ahead with and which one are you prepared to support and really push, because that has to be balanced off with other capital requests throughout the whole province.

So, if someone wants to build a school because they have X number of students coming in next year and they feel that that has to be done, but yet that school division and the Public Schools Finance Board takes a look at that division and says: Well, you know what, you have four schools that can hold, that have 400 empty spaces in those schools, and you are asking us to build a new school. They are saying, how about making use, if you can, by busing students or making use of those spaces in those schools rather than pouring thousands, hundreds of thousands, millions of dollars into building a new school or putting on high-quality relocatables.

So it is a tough decision to make and those divisions, really the ball falls into their purview with regard to making a decision on what is your priority and how many are there, and what are the reasons why you really want to push one school, two, three, four, five depending on how many they have. The PSFB has a tough decision to make. They have to balance that off with all the other requests they get as well. Thank you.

* (17:00)

Mrs. Stefanson: Will the PSFB entertain or will they accept more than one priority item from an individual school division? Will they accept several priorities for one school division on a list or will they just sort of accept one? They say to the school division, the onus is on you to come up with one priority item on behalf of the people in your community?

Mr. Lemieux: I guess the best way to answer it, the best way I can put it is that a school division is asked to prioritize their number one priority. Like if you want to select one, if you want us to consider, what is your A or number one priority, they may put in three or four others, but which is the one that really is a priority for you?

Now, if they have two schools that are infested with mould, the harmful mould I am

referring to, and they have to do something about it, I do not know if that has ever happened, but there may be cases like that. I am trying to use an example, where you can have two priorities, if you know what I mean, because of health reasons.

My understanding is that they want divisions to really buckle down and make a tough choice on where they want to go with their capital projects and pick out your No. 1 project you want for that particular year. They have to give a five-year capital plan of what they are looking at long range, but my understanding is the PSFB want them to really decide, you know, do not give us seven priorities, give us the one that you feel is most urgent and you need to really move ahead with this year.

Mrs. Stefanson: Madam Acting Chairperson, I guess that is where I see some difficulties arising as a result of the forced amalgamation, is that beforehand there were two, sometimes three separate school divisions that had their own priority areas. Now they are forced to sort of come down to even a further prioritization of those issues and within those communities each of these capital projects are extremely important.

I am wondering, as a result of amalgamation, if the Public Schools Finance Board would take this into consideration. Because of the forced amalgamation, there will be more priority areas here. Will they take that into consideration when considering these capital project financings?

Mr. Lemieux: With all due respect to the member from Tuxedo, I am trying to follow the line of logic, because in 10 years of their Government compared to the four years of our Government, with amalgamation, we have put in millions of dollars more than the previous government did, you know, even with amalgamation. So what I am trying to follow through here is that in the 10 years that the previous government had, and with all the divisions that they had, 57 I believe it was, that we have put in even more dollars into the amount of divisions that are broken down to about 36, I believe, in amalgamated divisions.

So I guess what I am saying is that we have put in way more dollars than the previous

government did and the reason for that is that there has been such a need of crumbling infrastructure. We had to do it and that is why we put in huge amounts of money into building new schools and renovating the schools. We put in \$45 million in '01-02. We put another \$45 million in new projects in '02-03. We put in \$50 million more recently. What we are looking at are huge amounts of money in the last four years into capital, even with amalgamation.

So what I am trying to say is that these dollars are not enough, obviously, but what we are trying to do is, we are trying to address a long-standing problem. I do not mean to take a real political shot at the previous government, but this has happened for a long time. I mean this has been going on for 20 years, 30 years, buildings are starting to crumble. We have to do something about it. We only have so much money.

So I am just trying to say to the member that we have put in a tremendous amount of dollars, even with amalgamation. We have more than addressed the fact that even though you have separate divisions putting in their priorities, we have addressed way more than what the previous government did, even when amalgamation had not happened.

Mrs. Stefanson: So I guess in a way what you are saying is that with amalgamation you are making your job a little easier because they are forced to take on the responsibility of prioritizing within their own communities; whereas there may have been two priority items to be submitted to the Public Schools Finance Board for a decision on a capital financing project, both of equal value, you are now forcing the decision back on the local communities to make those decisions.

I would just ask: Does the minister not realize that the forced amalgamation process has created complications here for the school divisions and thus this is a negative impact as a result of the forced amalgamation?

Mr. Lemieux: Well, you know school divisions had to make tough choices even when the member opposite's party was the government of the day. They still had to prioritize, my understanding is, what they wanted, what projects they

wanted. Because there were so few dollars available at the time, we have doubled the amount of dollars in capital, so even though there were few dollars around, no wonder those school boards did not get the projects that they wanted because the dollars were not there. It did not matter whether or not you had 50 requests for new schools. The dollars just were not there to address it and the Public Schools Finance Board had to deal with that. What I am saying is that we have almost doubled the amount in our four years as a government, compared to the previous administration.

* (17:10)

Mr. David Faurschou (Portage la Prairie): Thank you very much, Madam Chairperson. I understand, first off, that we are in a global discussion regarding the Estimates.

First question is: Is the department now using the 2001 census in the appropriations of funding school divisions?

I see the minister in discussion. Perhaps I should be more specific as to what I am referring to in the 2001 census. In regard to school division funding, one looks to the census to indicate the level of funding for Low incidence 1. I know Low incidence 2 and Low incidence 3 funding comes by specific case and submission to the department for support, but Low incidence 1 level of funding is determined by census. It is given in block funding to the school divisions. So the reason I ask is whether or not you are on 2001 census.

Mr. Lemieux: Madam Chairperson, funding is essentially provided due to enrolment. Enrolment is what decides it. We have a couple of grants, Student at Risk grant, as well as the Aboriginal Academic Achievement Grant or award are the two areas. The Aboriginal Academic Achievement area, as well as Student at Risk, those are the two areas we use census and StatsCan numbers. The other areas are enrolment. In other words, a school division provides us with an enrolment and then we provide a per-student amount of money. That is what provides the funding.

Mr. Faurschou: So the answer is yes, year 2001, or no?

Mr. Lemieux: Thank you very much. Just wanting to clarify a couple of points, and that is

that the at-risk and the Aboriginal Academic Achievement award is based on the '96 census. The reason for that is it takes StatsCan a long time to get their numbers, not only to us but so we are able to use them. We are hoping in the next round, well this year, actually we will be able to use the 2001 census data.

Mr. Faurschou: I appreciate the minister's answer. Specifically Portage la Prairie, this has been a bone of contention that I have had as a school board member and now as an MLA.

As you are probably aware, there was a significant influx of Aboriginal persons to Portage la Prairie because of the relocation and unrest ultimately stemming from the unrest of the Waterhen First Nations. They moved in one month after the 1996 census, which Portage la Prairie School Division has been having to deal with without them being included in the 1996 census. They moved in July of 1996 and it was June of 1996, the census regarding Aboriginal or First Nations persons in Portage la Prairie, so it has been rather a concern to the school division in attempting to deal with the elements that challenge school divisions to educate First Nations persons that have come from a very troubled background. The Portage School Division, based upon their taxpayer base and special levy, have had to cope with this very special situation. The 2001 census cannot come quick enough for the Portage School Division to address this anomaly.

Mr. Lemieux: Madam Chairperson, just to be clear and make sure we are talking about the same thing, because the student enrolment plays a big factor, in other words, per head. That is how the division would receive the money. It is important to note that they would be counted even if they arrived in July. If they were there by the end of September, they would be counted as a student and they would be funded accordingly. If there were any special-needs concerns like level 1 or level 2 or level 3, if there were special needs concerns in the school, those would also be considered for funding. Where there would be some impact possibly would be at the Aboriginal academic achievement awards, and possibly At Risk. Just so everyone knows, if you have X number of students and they are there at the end of September, when the head count is done by

the division, then they submit that to the department, they receive funding accordingly.

Mr. Faurschou: Madam Chairperson, I appreciate the minister's response, but I believe the department has gone to funding of low incidence 1 to a global basis citing statistics as a funding formula for that particular level of assistance to school boards. Low incidence 2 and low incidence 3 are by specific case and are based upon submission to the department. Low incidence 1 funding does get its recognition of level of funding from the statistics. That can be added to your list.

Mr. Lemieux: Madam Chair, I thank the member from Portage for the question. The whole issue around at-risk students is an important one, whether level 1, level 2, level 3. The at-risk component that we are talking about with regard to using the census is different, but I should tell you that level 1 is based on enrolment, as opposed to level 2 and level 3, that are based on specific application. Enrolment plays an important role with level 1 funding. The division, with the resource staff and with their schools, makes a determination on who is at risk or who fits into their categories of level 1, level 2 and level 3 through application. I am not trying to shift the onus onto the division, but that is really their responsibility, to submit numbers to us, to provide us with all the information and then the department looks at that for funding.

Mr. Jack Reimer (Southdale): I just wanted to ask a few questions on PSFB in regard to some of their procedures and schedules. This is about a school in my constituency, Nancy. If you want to ask questions, you can ask questions, okay? You put your hand up, but I will ask the questions now, because I am looking after my constituents.

The Acting Chairperson (Ms. Marilyn Brick): Address the Chair.

Mr. Reimer: I am worried about the fact of in the southeast area of the city, where there is tremendous growth of new homes and everything. In fact, I was there the other day for the Parade of Homes, where some of the developers were talking about the amount of new homes that are coming into not only my area but the Seine River area. Also, the member from Seine

River was expressing her concern about the new homes and the fact that schools are a high priority in our two constituencies.

The schedule for the PSFB to get their applications from the school divisions, is there a deadline that they have to have those in by?

Mr. Lemieux: I thank the member from Southdale for the question. I do not have any staff with me at the moment. Even though questions are global, I do not have anyone here to give specifics, but I will attempt to answer the question. I know that the division has to put in their five-year capital plan. They do it every year. I am going to have to find out the specific date, if there is a cutoff date for when the applications go in or when the division has to have their five-year capital plan in by. I do not know the date off the top of my head, but I certainly will find the answer for you. I do not think that is a problem, but I will have to find out from staff what that is.

Mr. Reimer: Is it a rolling five-year plan? It comes in every year but it is updated on a five-year plan?

Mr. Lemieux: Yes, it is. Divisions change their priorities sometimes. They are asked to come up with a priority but sometimes there are three or four on the list, but they can change them. Sometimes their No. 1 priority is changed because there is mould in a school and because of health concerns they have to change their priority. A big emphasis, and I do not mind telling the member this, maybe I am telling him something he already knows, is that the school division, really it lies with them. It lies with the school board to prioritize where they want to see their capital dollars, if any, go. They are competing with all the other school divisions in the province and priorities in the province. They have to do that. They have to prioritize.

Mr. Reimer: Recognizing exactly what the minister is saying, when you look at an amalgamation of two growing districts like the St. Boniface School Division and the St. Vital School Division, what you have there is a bit of an anomaly in effect that the two fastest growing areas of the city are now within one school division. So the priorities of the St. Boniface

School Division, which were very active and very directed towards the community growth in the one particular area, are of a high priority to the old St. Boniface School Division. In St. Vital, because of their priorities of all the new homes that are coming in there, they have some tremendous pressures also for new facilities. With the amalgamation of the school divisions, it puts a real pressure on the school division and it pits literally communities against communities, because each community is vying for a school or an addition to their school, whereas in the other area they have the identical problems. The school division is put in a bit of a tenuous position because they have to make a priority, like you say, they have to make the decision. I think that there has to be room for a recognition of the tremendous pressure that is put on because of those two particular areas in the province.

In regard to the growth, it has been shown that is where the growth is going to be over the next few years. In fact, in my area there, the constituency of Southdale, they are talking about seven hundred-and-something new homes in the Royalwood division, which is in partnership with the provincial government of Manitoba. The Province is encouraging the growth. They are encouraging the development of new homes, which is good, I am not criticizing that, but at the same time I think the Government has to recognize that there is a growing problem there. It is fine, we have school divisions, we have school trustees, and they have to look at making decisions but those are pretty tough decisions when they pit communities against communities. If you are faced with a school division that has one area growing, I would think it is an easier position to make decisions on.

I am just saying to the minister that those are some of the things that he has to be aware of or the department has to be aware of when they are looking at not only the global picture, but the individual areas where you have communities, and you are putting communities against communities because they each are very, very important and you have vocal people in both areas looking after not only what they want but their children, what they feel that they want.

Mr. Lemieux: Well, I thank the member for the question. I know that there will never be enough

money. There are so many projects that come around that are being requested and prioritized that the Public Schools Finance Board will never hope to have the kind of finances that they want to be able to satisfy every school division and satisfy every part of the province that needs the infrastructure that is falling apart.

When I follow the logic, though, of members opposite when they say, well, amalgamation, amalgamation, let us take a look before amalgamation: \$130 million was put in from '96, let us say, to the year 2000. We have put in \$253 million from the year '99 to the present. Following the logic of members opposite, you should have at least doubled your budget if you are saying there are so many more divisions. What we are saying is we have put in \$253 million with 36 divisions.

I know it will never be enough. It is important to note, though, the Public Schools Finance Board works closely with all the divisions, trying to prioritize the needs out there. In the member's own area, I am remembering how many spaces are available, and I know that there are a couple of real challenges there with regard to population. They are saying that, you know, make best use of your spaces.

As a government, we have made a political decision through the Public Schools Finance Board that renovation and refurbishing schools is where the priority is and where money should be put. Maybe you get a longer life out of schools by fixing up a roof, replacing a roof, as opposed to building a new school.

It is tough. It is very difficult. I know that there may be no really perfect answer, but what we are trying to do is attempt to balance the Budget, put money into health care, family services and all the other areas, as well as improve the infrastructure in education. I think we are taking a balanced approach to this, and the Public Schools Finance Board is working very hard to try to make this work. They only get so many dollars, and there is no easy answer to population growth.

Certainly, what the member says, in fact, I believe to be true. The whole south end of Winnipeg is really growing, and it will just increase

the pressures on the Public Schools Finance Board. Thank you.

Mr. Faurschou: Obviously, we are going to run out of time here, only three minutes remaining in today's subcommittee.

Now, the consolidation in the past, let us date back to Duff Roblin's day, when we consolidated, and effectively the Government recognized the growing pains of consolidation and making the best use of assets. Well, just a little bit of history, Portage la Prairie never took advantage of, at that time, the regional high school funding that was made available by the Province for certain regional schools. This took place in Swan River, Dauphin and places alike.

At the present time, we in Portage la Prairie are seeing a reduction in student population. Currently, there are active deliberations in regard to combining the two high schools under one roof, which would take the current elementary-junior high school right across the street, Prince Charles, and turn that into high school. Portage Collegiate is on the other side of the street.

Now, where I am going with this is that this is going to take some significant capital to rejig the junior high into high school. The bottom line is, is there any of the regional high school programming monies still within the departmental budgeting at the present time that potentially could assist in these deliberations and ultimately the final decision in Portage la Prairie?

The Acting Chairperson (Ms. Marilyn Brick):
The hour being 5:30, committee rise.

FINANCE

* (15:00)

Madam Chairperson (Bonnie Korzeniowski): Good afternoon. Will the Committee of Supply please come to order. This afternoon this section of the Committee of Supply meeting in room 255 will be continuing with the Estimates of the Department of Finance. When the committee last met there had been agreement to have a global discussion. The floor is now open for questions.

Hon. Greg Selinger (Minister of Finance): Last time we got together the member asked for

my opening comments. I have a copy, but I would like to draw to your attention, Member for Fort Whyte (Mr. Loewen), that Hansard is also available. Do you have your copy?

An Honourable Member: I just got it. I appreciate that, thanks.

Mr. Selinger: Okay. So do you want the comments, or do you want to just work off your Hansard?

An Honourable Member: Do I want the comments? Sorry, you have lost me.

Mr. Selinger: The comments I made are in Hansard, or you could have the cleaned-up version.

An Honourable Member: Oh, no. That is fine.

Mr. Selinger: Okay, fine, all right.

Now the second thing that the member asked for, and I wondered if you wanted to go into it now, is an example of how we handled the reduction of our American debt exposure. I am going to make a valiant effort to explain this to you, and you will understand it because I did. So, with your permission, I would like to distribute an example and then take you through it. I thought I saw the member from Portage la Prairie. Is he coming?

An Honourable Member: He is going to be a half-hour late.

Mr. Selinger: Do you want to participate in this as well? Okay, we will hand out four copies. That is all. Everybody on both sides of the table can—I think we will just make a few more copies and get them out to you. We are going to do that right now.

An Honourable Member: Can I get you to explain it to me, too?

* (15:10)

Mr. Selinger: Yes, we are going to do that right now. Okay, the copier has to warm up. Peter and Oscar can share one, and, John, you could share

one if and when the member from Portage La Prairie returns to the table.

Okay, the first column is the series, the CD series of bond that was issued, and it was due April 1, 2020. That is what 1 April 20 indicates. This is a bit cryptic because the Treasury guys almost have their own language on this. So it was a bond that was issued coming due April 20, 2020, for \$100 million. That was the national amount in U.S. dollars, and the dates that it was swapped at are indicated in the second column, all right? The Canadian equivalent at \$100 million was \$136.7 million, let us say. The actual interest paid on the swap was at an interest of 9.25 percent. With the spot price of the dollar in the sixth column, that is averaging 65 cents. All those different rates on those different dates average 65 cents for a total amount swapped of \$44.25 million. Now the unhedged interest rate payment would have been in the seventh column, so you will see if we had not swapped it, the payout would have been \$49.8 million versus the \$44.2 million, for a saving of 5.5, let us say \$5.6 million. Any questions up to that point? For greater clarity, this is the coupon that could have been swapped. The underlying amount still has to be repaid in 2020.

The third-last column, the .73, is all that \$5.6 million—what that effective swap rate would have been. The Canadian dollar would have been valued at 73 cents if you would have translated that into the value of the dollar by doing a swap rate at the amounts that were done and indicated here.

So the currency saving was, in the second last column, the .081 is the difference between .73 and .65 in the fifth column, and the higher the currency value in that third last column, the better our deal for the reasons you were arguing last time. Our current swap rate today is, say, 71 cents in the last column. So we actually swapped at a dollar equivalent of 73 cents versus today's value of 70 cents, which is a shorthand way of saying we got a good deal.

Mr. Loewen: I guess just to reiterate the points I was trying to cover on Friday—and I appreciate this information from the department. I must admit that I may have to digest it a little bit.

There are a lot of numbers here, while it is interesting.

Just to go back to where I was coming from, and, again, as I indicated, the minister has made some fairly direct and strong statements in the past about his feeling in terms of how the provincial debt should be held. He indicated quite clearly last week that he did not, in his opinion, feel that his statements or his instructions have had an effect in terms of how the Treasury department acted over the course of the last few years in terms of reducing the debt.

I just want to remind him by going back into Hansard. I am back at the end of April, early May of 2001 in Estimates. I will quote from his start: Further, the volatility of public debt costs is reduced appropriately in this Budget. When we came into office, public debt denominated in foreign currency, mostly American dollars, was in the order of I believe 18.5 percent. I am looking for Don Delisle there. Is that the right percentage, Don? I think it was 18.5, 19 percent. I recognized that that was an exposure we did not need, and I asked Treasury officials to move that down.

So, again, the minister at that point was saying quite clearly that he had given instruction to Treasury officials based on his own beliefs. I mean, it did not say in here that he had asked Treasury officials whether it would be advisable to move the amount down.

Again, Madam Chairperson, I will give another quote out of the same Estimates, again a quote from Mr. Selinger, the Minister of Finance, directly from Hansard, and I quote: When I came into office, my target was to get it down below 10 percent. I think we were headed for 9 percent by the spring of 2002, so, yes, spring 2002, 9 percent.

So, again, Madam Chair, we have a case where the minister is very direct on the record indicating that it was his policy, his desire, his instructions to his department to reduce the dependency, or to reduce the exposure in U.S. debt, done at a time when the dollar was at basically what amounted to historical lows. My interest in pursuing this matter was trying to determine whether this policy at the time was

wrong-headed and at the end of the day provided a net cost to the Province of Manitoba.

At the same time, I have had the opportunity to go through a number of other provinces' statements of their debt and where it is held. While I have not looked at every province, I can assure the minister that every province I have looked at, and that includes most of the ones in western Canada, have U.S. debt. When I see everybody else doing it, my own personal belief is that, like most investment and treasury people, you do not put all your eggs in one basket. Given that it was historical lows, maybe the Province of Manitoba and the people of Manitoba would have been a little better off had the minister not been so direct in his instructions to the department to eliminate the debt.

He has provided some examples, which I will have to digest a little more. But it just seems to me that, given that everybody else is doing things a little differently, I would question and ask the minister to explain why, in Manitoba, are we so fixated? Have we been so fixated over the course of the last three years in eliminating U.S. debt—if it was not on the specific instructions from the Minister of Finance.

Mr. Selinger: Madam Chair the member indicates that other provinces retain some of their debt in foreign denominated currency such as the American dollar. What I have given here is a concrete example of how we are better off. I want to emphasize again, when I said we wanted to get out of foreign debt volatility, it was only if the deal was right, not at all costs, only when the cost-effectiveness could be demonstrated to work to our advantage.

The value of this example here is to show the savings that have occurred at the time the swap occurred, and how, even today, it is still advantageous to have done what we did in those past transactions. Normally, to be cost-effective, the transaction at the time it occurs has to be better than the alternative available at the time. We also are able to say that not only was it a better deal at the time the transaction occurred but it is still a better deal in retrospect if you look at it today.

Some of that is because we had debt that the bonds had been issued over a long time horizon.

At the time we did the swap back into Canadian dollars, the Canadian interest rate was significantly lower than the long-term coupon on that debt. That is where we could see the advantage.

Some other provinces do not have their debt denominated in those long-term, high interest rate bonds. Some of them have shorter time horizons so it is not as advantageous for them to do the swap. In our case, the debt had been stretched out for a long period of time, say 20 years in the example I gave you, or 17 years remaining now. So when you had a long-term debt at a high rate of interest and you could swap it back to Canadian at a low rate of interest, even with the dollar being lower than it is today, the overall advantage was still in our favour, then and now. That is where the last three columns are instructive. The dollar equivalent was 73 cents versus a dollar equivalent today, say, of 71 cents. So we were ahead both then and now.

* (15:20)

The point is that was the opinion that the officials were supposed to offer to me. I did not tell them to do something against their own better judgment. I said when the opportunity presents itself and you can demonstrate that we are going to save money doing it, reduce the volatility when you can get the best possible deal. Their job was to come back and demonstrate that they did that, they met those benchmarks and they have ably done that.

Mr. Loewen: Well, I certainly appreciate the minister's comment. Certainly, in the examples that I have been given here, there appears to be a savings based on the swap rate, but I would remind him of his statement. I quote again: When I came into office, my target was to get it down below 10 percent.

Now, Madam Chairperson, that kind of statement to a department—and, again, the record in Hansard is the only thing I have to go on in terms of what the minister tells his department. So, when he is making statements of that nature at Estimates, that he has decided that it is good public policy, good policy for the Province of Manitoba to eliminate U.S. debt, naturally some questions are going to arise.

For him to indicate to me that he does not believe that has had much effect on the actions

of his Treasury department, well, I find that a little hard to believe, because certainly he is the person responsible for setting policy, and the department is the one responsible for following the policy.

So, you know, maybe it has worked out. I am not sure if this is every example, or if there are individual examples where it has cost the Province money, and in the net, according to these examples, the Province is ahead of the game. But, as I said on Friday, I will accept that at face value. But, again, I would ask the minister to clarify that comment so that we can understand who is driving this process, whether it is his policy or whether his Treasury department is operating of their own volition in the best interests of the province of Manitoba, which, I dearly hope, is the case.

Mr. Selinger: Yes, Madam Chairperson, that is why I have put this example in front of the member, to demonstrate that the best interests of Manitobans have been well served by the policy we have been following.

The bottom of that page shows a \$14.7-million advantage, of savings that have occurred, on that bottom right-hand line there. That is real dollars that we have saved for the province of Manitoba, and the last column indicates that in comparison to the third last column it was cost-effective. The equivalent value of the dollar was higher than what the dollar is worth today in the marketplace. So it was a real saving then, and it would be a real saving today if we did those transactions today.

I think the member is saying, gee, what basis did I have for reducing volatility. In public finance, volatility is a problem in revenues, and you always look for opportunities to reduce volatility so you can have greater certainty of revenues, greater ability to budget. Budgeting is essentially the art of trying to forecast revenues and expenses, and if you can reduce volatility, your ability to budget is improved, but I want to qualify once again, there is a difference between policy and administration.

A good policymaker would not presume to enter into the area of professional practice and tell them to do something against their own best

judgment. The point is to say this is a policy direction we would like to go. We would like to reduce volatility. Your job is to come back and tell us how we can do that that will save money, not to do it at our expense, or more expensively, not to do it in a fashion that is counter to your professional judgment, but how can we reduce volatility which we agree is a good policy objective and save money. When you can demonstrate that through the market opportunities you see available to you, please act on those and then report to us what the effective saving is. That is the difference between good public administration and political policymaking.

A policymaker does not stick his fingers into the day-to-day activities of the professional work that is being done in the Treasury but tries to give a general direction, and their job is to use their best professional advice to achieve that in a cost-effective fashion.

Mr. Loewen: Well, once again, I appreciate the minister's comment. I would only remind him that nowhere in Hansard did he indicate that this was advice he was getting from his staff; in fact, just the opposite. In one instance, he said he recognized that it was an exposure we did not need and I asked Treasury officials to move that down. He did not say he consulted with Treasury officials, just basically gave them instructions to move that down. Another statement: When I came into office, my target was to get it down below 10 percent.

So, clearly, the minister was instructing his staff to eliminate, over the course of time, and quite frankly, what looked like a fairly expedited period to get rid of that U.S. debt. No mention in there in a cost-effective fashion, and I am hopeful and I appreciate that his staff took his instructions and followed through and at the same time was able to do it in a cost-effective way. But, again, this is the minister's directive to his Treasury staff, not the other way around, I assume. Otherwise, perhaps the minister would have phrased his words a little differently and suggested that Treasury had come to him. I mean, I have read through Hansard. There is absolutely no indication that Treasury division was coming to the minister saying that this would be good public policy for us to do.

It is exactly the reverse, Madam Chair, the minister instructing staff in a very direct fashion

that they are to reduce foreign exposure. Again, it seems to have worked. I cannot tell from this. Maybe the minister can clarify if this is every swap transaction that has taken place since he gave those instructions.

Hard for me to tell what the net is. I mean, this all looks great on paper and I am sure that he has excellent staff but, just in my own experience doing this type of thing, I have to assume that once in awhile, maybe there was a transaction that went the other way. If there has been none, well, congratulations to him and congratulations to his staff. Hopefully in the future that will hold up, too.

Again, I want to make clear that my purpose in pursuing this is that we have seen the U.S. dollar go up in the neighbourhood of 15 percent basically in the last year and a half. Quite frankly, it is a little hard for me to concede that that 15 percent did not, at some point, have a ramification on the future position of the province of Manitoba. If you look at it, on a \$100 million, a differential of 15 percent in the dollar is a lot of money.

If the minister is telling me that we made money on every swap and everything turned out perfectly, again, I will take him at face value, without asking his staff to validate every one, but it looks very much to the outside observer, it looks very much to me, that this was done strictly on the instructions of the minister. What I want to know and what I want to be assured of, I think what the people of Manitoba need to be assured of, is not that the Treasury department was doing the best they could do, given the circumstances, those circumstances being the minister is said to get out of foreign currency, but that Treasury staff had the freedom to do the best they could do, given their knowledge and their expertise.

Mr. Selinger: I think it is important for the member to understand, and I have clarified this several times, that the policy objective of reducing volatility, I think there is a consensus on that.

I think even the member in his own Hansard of a few years ago supports the reduction of volatility. I would agree, says Mr. Loewen, that

there are ways as the minister is aware, to minimize some of that exposure. I think it is commonly understood that to reduce volatility in your revenues, including your debt costs, is a desirable objective. So the policy objective to get it down was one, I think, there was a wide consensus on. I see no disagreement on that even on your own part. Then the question is: How do you do that? And that is the point when you should not be involving yourself in the professional side of it. The instruction was to reduce the volatility in a cost-effective fashion and the staff have come back and delivered on that.

By the way, this example here is just one example. There has been a lot more done over the last four years and prior to that. As a matter of fact, different treasuries across the country have different levels of sophistication in entering into these swap transactions, a highly sophisticated business that requires a lot of judgment. Some provincial treasuries are not as advanced as the folks in Manitoba are and that is another partial explanation why some of them still have foreign debt exposure. They have not been as comfortable moving on it because of their technical capacity as our folks have. Our folks have gained quite a bit of expertise on doing it. They have benchmarked themselves. I want to reiterate again, the benchmark is in real time. When you have a bond, your question is: Will the transaction be more cost-effective versus the alternative at that point in time? That is the first decision-making criteria, not down the road, but at that point in time.

Can I save money by doing the swap transaction right now, given the value of our dollar, given the interest-rate spread and given the market opportunity available to me? If the answer is yes, that is an indicator you should proceed.

* (15:30)

Then, there are currency movements which we have seen in the last three years and, as you point out, the Canadian dollar has appreciated against the American dollar. We know that the American government is running a low value dollar policy to inflate their economy. They want to reduce the amount of imports coming into that economy right now. They want American

exports to be more competitive. They want the American economy to do well, some would say, in the latter part of the presidential electoral cycle. Certainly, it is clear that the Americans are doing everything they can in terms of interest rates and dollar policy to make sure their economy starts growing again, a desirable objective, given that so much of our export markets are into that economy. We want their economy to do well as well.

The evidence shows here, and we can give you many other examples. I did not want to bombard you with paper. This is hard enough to understand this stuff, so I just wanted to stick with one example. But I would be happy to provide many more examples if the member is interested of other transactions we have done and provided in the same format that will show whether it was cost-effective at the time and how it benchmarks against the current swap rate today.

I think we will find that in all cases it was advantageous to enter into those transactions. That is a compliment to the Treasury for being shrewd enough to figure out these opportunities and accountable enough to benchmark them against these standards. That gives us the opportunity to present you this information today.

Under no conditions are they under any requirement to be speculative in the transactions they do. They have to show in real time that it saves money and it reduces volatility. I quite frankly think the experience we have had here is the envy of many other provinces and they wish they had the same ability to move as rapidly as we have. It has taken four years because we have only done it when it is cost-effective. We have not done it in a wholesale way that drives up costs. We have not reduced volatility at the expense of cost-effectiveness. That would be silly.

Madam Chair, we have reduced volatility when it is cost-effective. In my conversations with other Finance ministers they wish that their treasuries were able to move as effectively as ours has.

Mr. Loewen: Maybe the Province might want to look at selling them their technology or, better

still, giving the Treasury officials a significant raise so we can keep them here, if that be the case. The question remains for the minister—*[interjection]* I have to tell you, coming from the private sector I am all for it. But I would say, again, the question remains—you look at Ontario and they have \$15.9 billion in U.S. debt, roughly between 20 and 25 percent of their outstanding debt. The same with the province of Alberta. I do not particularly—

An Honourable Member: Well, it is a Conservative government. What do you expect?

Mr. Loewen: Can I finish?

I would not look at those provinces as particularly backward. The minister can make flippant statements like they are run by a Conservative government. But I am sure that Conservative governments have the good sense to let their Treasury departments operate as efficiently as possible, which I am sure they do.

It just seems to me that we have left Manitoba in a strange situation. There is no ability now to hedge. I should maybe not quite use those words, but now that we are all in, in Canadian dollars there is no mix in the account. When I look at the other provinces and what they are doing, I would have to say that they are probably trying to balance some of this off, the fluctuation in the U.S. dollar, the differentials in rates. As the minister has quite rightly suggested, nobody can predict with 100% accuracy. That is the point of the questioning.

It comes down to whether the department has had the ability to operate independently in this fashion or whether they have taken the minister's comments to heart. While I did say in Hansard, and I will agree that it is good to reduce volatility, I think the minister may have gone the other way by getting everything into Canadian dollars, and in fact, in the future, increased our volatility, because we are totally dependent now on Canadian dollars, and some of the transactions that take place are in U.S. dollars.

Mr. Selinger: I would have to say that the member's suggestion that volatility has increased because we have reduced our debt to 100%

Canadian exposure is wrong. In terms of judgment it is wrong, in terms of facts, and it is a very dangerous thing to say, quite irresponsible as a matter of fact.

We have reduced our volatility. We have saved money doing it at the time the transaction has occurred, and we have demonstrated that we saved money relative to what would be available on the marketplace today. If he wants more examples, we are happy to provide that.

I really hope that he would base his judgments, not on his gut feeling but on the evidence we are putting in front of him, professional material showing concrete savings to Manitobans, and accept that. It is a positive thing that has been done here. I would hope that if the Government changes in the future the member would not willy-nilly go in there and decide that he wants to look like all other provinces and increase our volatility to foreign debt, that he would do what is best for the province of Manitoba, even if other provinces are not wise enough to do the same thing themselves.

It is not necessarily always the right thing to be in sync with everybody else when you can do something better. Manitoba has experienced, in many areas of government service, provincial government service, where we do things better than other provinces: in the human services field, in the education field, in conservation, in finance. There are many areas where we do things exceptionally well compared to other provinces, and we are the leader and we would like to continue that tradition. I think it is very positive that we do that. We are an innovative province. We have a lot of potential. We have a lot of talent in this province, and the people that work here in the public service use it to the benefit of Manitobans.

I tried to provide this example at the beginning of the meeting to set the record straight, and I am willing to provide other examples. I am prepared to provide abundant examples to demonstrate this, if the member wishes to do that, and spend extra time with them, because I think this is a really important policy. Any time we save money on interest costs, that is to the good of Manitobans, and I am prepared to spend as much time as it takes to make sure that we get

a clear understanding of this, because to go out there and make off-the-cuff remarks that we have increased the volatility of our debt management in Manitoba, I think is dangerous to the credit rating of the Province. I do not think that would be particularly helpful.

Now, with respect to other provinces, there are many specific reasons in other provinces why they carry foreign debt. Some of them may have, for example, revenues coming in for oil and gas such as Alberta. In the case of Ontario Hydro, and I would have to check the facts on this. I am not looking after their files, but our quick conversation here is that when they privatized Ontario Hydro they had to accept responsibility for a numerous amount of stranded Ontario Hydro debt.

I remember when I met with their authority down there, I think it was in the tens of billions of dollars, and I will try to get a more precise number. The number 36 sticks in my mind, but I do not want to just pull out the old three-year-old memory bank on that, but it was in the multibillions of dollars of stranded debt that the Government had to take over in order to make it possible to sell off those Hydro assets. Then they had to finance that debt, so a lot of that debt probably was denominated in American currencies.

We do not know the time horizons. We would have to do some research on that, but there are many reasons why other provinces denominated some of their debt in a currency, and I will just summarize what they are: revenue offsets; taking over large amounts of debt, the profile of which makes it impractical to reduce it, or volatility at that moment; and in some cases insufficient technical capacity available to move confidently into these opportunities.

Those are the three reasons I have provided right now. They are somewhat speculative. They are based on anecdotal evidence that I have received by talking to other people, but I can assure you that our officials have done the responsible thing in swapping debt back into Canadian dollars, reducing volatility and doing it in a cost-effective fashion at the time the transaction occurred and compared to the opportunities available today. I am 100 percent

confident that they have done the right thing. I hope the member can take some comfort from the information provided. If he needs more, I am happy to do it.

Mr. Loewen: Well, I thank the minister for his diatribe. Again, I will indicate though that it is not me that has ever given willy-nilly instructions to the Government. In fact, his own record on Hansard indicates that if anyone may be guilty of that, it might be him, but you know I do not want to belabour that point forever. I just think the people of Manitoba need to have a clear understanding of what is going on here. Yes, the minister has provided some examples, and I appreciate that.

* (15:40)

He has tried to clarify, in spite of his direct and strong statements in Hansard, that that was not his intent and maybe that was not what he told his officials at this time. As I said on Friday, I will take that at face value, but it does beg the question as to what is in store for Manitobans in the future. While nobody can predict the dollar, it might work one way, it might work the other way. I guess time will tell.

The minister, on Friday, indicated that he did not really have any projections for the U.S. dollar, but I thought I understood at one point, I am not sure whether it was through his, I am not sure if he still calls it the syndicate or not or how his Treasury department refers to it, that there were some projections that were typically made in terms of where the U.S. dollar might be or might not be in the future. I am wondering if he could share those with us.

Mr. Selinger: Just to clarify, any projections we make on the value of the dollar, we go to the profession that claims the expertise in those projections. It is not the borrowing syndicate or the money people nor the accountants, it is the economists that claim that expertise. They also claim to be fallible, but we do take their advice on that.

And I want to just underline again, the member has said in his last statement that I gave willy-nilly directions. That is clearly incorrect. The directions—

Point of Order

Mr. Loewen: If the minister wants to get the facts right, he was the one who was accusing me of perhaps giving willy-nilly. I was just assuring him that I have not given any, and I was just hoping that he had not as well. So there is no need to belabour that point.

Mr. Selinger: There is no point of order there. That is a statement of fact.

Madam Chairperson: On the point of order, it is clearly not a point of order. It is debate of facts.

* * *

Mr. Selinger: Look, the point here is that there is a wide consensus among all people that manage finances that reducing volatility is a desirable objective. The one outcome that we have for sure in what we have done is we have eliminated volatility to foreign currency exposure. That is a desirable objective. So that is what we know for sure.

In terms of the next question asked, about what the economists' projections are, the best, the estimate that we used for the value of the dollar at the time was \$1.50 or 66-2/3 cents, the value of the Canadian dollar versus the American dollar. Often our officials work the other way. They work at what the Canadian dollar will buy in Canada. So that was the consensus of the best economic forecasts at the time.

Mr. Loewen: And when was that time? When was that estimate made?

Mr. Selinger: Those estimates would have been in the March area, just before the Budget came out, of '03.

Mr. Loewen: And what is the rate now?

Mr. Selinger: The rate right now is about \$1.3650 or 73.5 cents, the other way, on the dollar.

Mr. Loewen: Can the minister give us some indication of what that a little under seven cents will cost the Province, what the difference in the

budget projection would be given the change in the dollar since the projection before the Budget?

Mr. Selinger: The answer I want to give to the Member for Fort White (Mr. Loewen) really is rooted in the answer I gave earlier. Where the forecast on the dollar changed very rapidly based on real market conditions, and, as the Treasury officials go forward, they look at two factors, not just the exchange rate but the interest rate spread as well. Where they have an opportunity to lock in debt in a cost-effective way, they will move on those opportunities as they come forward.

So, as they have gone along since the Budget was introduced this spring, in managing the debt they have looked at not just the dollar exchange rate, but they have looked at the interest rate spread as well, and looked at opportunities to continue to manage the debt and achieve savings for Manitobans.

So we cannot just focus on the difference in the dollar rate. We have to also look at the movement in the interest rates which, as the member knows, have been moving quite dramatically every three months in both the American marketplace and the Canadian marketplace.

Mr. Loewen: Well, I take it from the minister's answer that he is saying it is irrelevant where the dollar is.

Mr. Selinger: No, what I am saying is that the dollar is one of two key factors. The other one is interest rates, and Treasury officials look at opportunities to finance debt based on the movement of both of those key variables and then determine what the best opportunities are in the marketplace for financing debt.

So the dollar is a factor, but interest-rate spreads are also a critical factor.

* (15:50)

Mr. Loewen: I would take it then that it is the intention of the department to continue to do all of their borrowing activities in Canadian dollars for the near future at least?

Mr. Selinger: I think the go-forward policy would be, now that we have eliminated

volatility, which was an issue in the past, and at the same time I have done that while achieving real savings versus the alternatives available at the time the transaction was done, on the go-forward basis. Keeping volatility down would be important. If an opportunity comes up and treasury officials see that we could actually save money by having some of our debt denominated in a foreign currency, they are invited and are certainly going to bring it back to us to show us at the policy level that there might be an opportunity to have some debt in foreign denominations that would actually save us money. The advantages of reducing volatility have been significant in the last several years, given the dramatic fluctuations in the dollar as well as interest rates. Reducing that volatility has been a positive in stabilizing our finances going forward.

You know, it is not an absolute, reduce volatility at all costs, as I have said several times. It is reduce volatility in a cost-effective way. If some foreign market exposure makes sense, then that certainly will be considered if they can demonstrate that it is going to be more cost-effective to do it that way. It is possible that could occur. I mean, exchange rates can move around quite a bit and there is quite a bit of movement. Interest spreads move around quite a bit. There is a lot of dynamics out there in the world economy right now that might create opportunities to go the other way that would be beneficial to Manitobans.

Mr. Loewen: So I guess in a short form what the minister is saying is that the department has the freedom to look across global markets to try and make sure that any future debt placements are on the best advice of the department, and that he would not overturn or necessarily object to transactions that might take place in Eurodollars or U.S. dollars if they made sense to his Treasury department. Is that accurate?

Mr. Selinger: What is accurate to say is that even right now they do global issues. They do North American issues. They actually issue bonds in other currencies and then they make a decision after they have done that. First of all, they do an issue and they go to the best place where they can sell that in the market depending on the size of the issue. Then they make a

decision on whether or not swapping it back to Canadian dollars is cost-effective and obviously will reduce volatility.

That second piece, whether or not they swap back, there is an openness to consider alternatives there if they can demonstrate that it will not put the province under undue risk and has a significant cost advantage that can be argued for it. Those kinds of debates are certainly ones that the minister is open to. We will consider those as we have in the past.

Mr. Loewen: Madam Minister, could the minister indicate whether the what used to be referred to as a syndicate is still in operation and who is involved in that group at this present time?

Mr. Selinger: There is a group of private-sector banks mostly and some smaller firms, some trust companies that handle the bond issues that Manitoba does. It has for many years been called the syndicate. Some people prefer the term "consortium". Some people being responsible for French Language Services prefer the term "ensemble", but the bottom line is it is a group of companies that work in concert with the Province to manage our bond issues.

Mr. Loewen: Is the minister willing to identify who is involved in that group, either now or through a list at a later time?

Mr. Selinger: For the information of the members here, the managers and members of the banking group include, this is the Canadian group, CIBC World Markets, RBC Dominion Securities, BMO Nesbitt Burns, Scotiabank, Capital Markets, Toronto-Dominion Securities, Merrill-Lynch Canada, National Bank Financial, Casgrain & Compagnie out of Montreal, Wellington West, Laurentian Bank, HSBC and, from time to time, other smaller partners come in on specific issues.

If we did a global issue often, which has as part of its market the American marketplace or buyers, some of the additional players to the ones I mentioned would be: Credit Suisse First Boston, Merrill-Lynch, not the Canadian version but the American version, Salomon Smith Barney, and ING, I notice is in here. I think those are the only other ones, this is on a recent

issue, some of the different players when you do a global issue.

Mr. Loewen: I thank the minister for that information. Can he indicate how many times his department would travel to New York in this fiscal year?

Mr. Selinger: Last year, they travelled to New York once. I think plans at the moment call for two trips in this fiscal year.

Mr. Loewen: Can the minister indicate when that might possibly take place, or those trips may take place?

Mr. Selinger: It is likely that one trip to New York will occur this fall, likely in October, end of October, early November. That would be the next opportunity.

Mr. Loewen: With regard to appropriation 7.2. (b) Capital Finance, is this also the area that the Government sets the guarantee rate for Manitoba Hydro and other Crown corporations?

Mr. Selinger: Could you repeat the question please?

Mr. Loewen: I have some questions on the loan guarantee rates that are set for Crown corporations, specifically Hydro, and I am just wondering if these are the right officials, I mean, that seems to be one of the activities identified under 7.2. (b). I just want to make sure we have got the right people at the table.

Mr. Selinger: These are the right people to ask those kinds of questions.

Mr. Loewen: Well, could the minister give me an update on the history of the, particularly the guarantee rate for Hydro and any changes in the last couple of years?

Mr. Selinger: For the last three years, the guarantee rate has been .95 percent.

Mr. Loewen: Any indication that that rate may change?

* (16:00)

Mr. Selinger: The guarantee rate or fee charged is one that is done after Finance officials take a

look at what the cost would be if the guarantee was not in place for Hydro to go to the marketplace. They do a review of that from time to time. They try to set a guarantee rate that would be cost-advantageous to Hydro. In other words, they would pay less by entering into the guarantee rate arrangement with the Government through Treasury and Finance, as opposed to going to the marketplace.

That review is done on a periodic basis. It will likely be done again this year. We will take a look at it. So there is my answer.

Mr. Loewen: Well, would the minister expect that as Hydro's debt load increases that perhaps outside agencies would increase their cost of debt to Hydro?

Mr. Selinger: The decision as to whether or not the private sector would charge more for Hydro debt depends on a number of factors. Some of them are exogenous factors that have nothing to do with Hydro, such as Bank of Canada policy or the fed policy in the United States, with respect to how they are managing the macro-economy and interest rates, and the need for lower or higher interest rates, depending on whether it is a slow economy or an inflationary situation.

But some of the endogenous components would be what the money was being borrowed for. If the money is being used to increase the assets of the organization, that might be looked at one way versus other alternatives.

So there are a number of factors that go into that. It is not easy to predict. At the moment, it is clear that it is well understood in the marketplace that any borrowings that Hydro enters into are guaranteed by the Province. That gives lenders additional comfort.

Mr. Loewen: I am just trying to get a little better picture of what would cause the Government to possibly increase its guarantee rate. Obviously, Hydro is talking about taking on a lot of debt. The magnitude of what they are talking about, not only for the money the Government has decided to take out, but for the construction of dams, I would think if, over the course of the next few years, there is another \$6 billion in debt

added to Manitoba Hydro, that that would possibly have some ramifications not only for Hydro but for the Province, and particularly perhaps if, as the minister has described, the guarantee rate is associated with the extra rate that Hydro would have to pay if there was not a guarantee. I am just trying to get a better handle on how things might flow.

I mean, doubling the debt at Manitoba Hydro, if the Government did not have the backing, would obviously have, I think, significant ramifications on Hydro, how their debt was rated. If the Government of Manitoba is going to pick up the difference, then maybe they could be looking at a significant increase in that guarantee rate.

Mr. Selinger: That would be a situation that would have to be evaluated in the context of the time. I mean, if Manitoba Hydro is entering into increased borrowing to build new dams, and they have a customer for that new power, that is a desirable situation, so it really has to come down to the specifics of what is going on at the time. We know under Kyoto, in addition to the blackouts we saw in Ontario this summer, that there is going to be a growing demand for clean sources of power as we go forward, which Manitoba Hydro is well positioned to respond to.

It is hard to suggest whether rates will go up or down. There is just a whole bunch of variables that play into that, the macro variables as I mentioned earlier plus the specific context in which the borrowing is occurring.

Mr. Loewen: I appreciate that. I notice that in a number of other provinces' Web sites they do list their maturities and rates. I could not find that on the Province of Manitoba's Web site. I went into the Treasury department. I am not sure if it is somewhere else, but if it is, that is fine. If not, I am wondering if we could get an update from the minister.

Mr. Selinger: On the Finance Web site, is the document that the Government of Manitoba and specifically Finance and Treasury officials file with the American Securities Commission every year, which is the purpose of their trip to New York this fall, within that document which is on the Web site? Are the maturity dates for the

issues? That copy is publicly available. There is a copy available to you if you wish.

Mr. Loewen: Maybe just an indication. There are a number of other provinces that have it in a much more concise format right on their Web site, and it might be something that the department could look into if that was possible. It certainly gives the people of Manitoba who are interested in it a clearer picture of what the borrowings are and what the maturities are. Could the minister give, if they have it, the average maturity and debt cost?

Mr. Selinger: For the general-purpose debt, the average term to maturity is about seven years, 7.09.

Mr. Loewen: The average rate?

Mr. Selinger: For the '02 year, the average rate was 7.136 percent. We have not got the number for '03 yet. There will have to be some further work done on that. Oh, it might be coming up here. I think we have it.

The '03 average rate is 6.6 for the wider government entity, including Hydro.

* (16:10)

Mr. Loewen: It is indicated that the Province is going to be in the market for about \$2 billion this year. Can the minister give me some breakdown of the approximate timing of that?

Mr. Tom Nevakshonoff, Acting Chairperson, in the Chair

Mr. Selinger: Yes, to date there have been borrowings of about \$1.4 billion or financings of that amount. The remainder will be financed through the balance of the fiscal year.

Mr. Loewen: Particularly BMO Financial issued some indications of concern about the fact that the financial performances of the Province has slipped, particularly in the last year with a deficit of \$271 million. Any indication that that might have ramifications in terms of the Province's debt rating and/or ability to borrow?

Mr. Selinger: My officials inform me that they have absolutely no concern about their ability to

raise money in the marketplace. Manitoba is well regarded in that respect.

Mr. Loewen: I will rephrase that, and I was not implying on the ability to raise money. I was wondering if the concerns expressed by the Bank of Montreal might have an effect on the rates that the Government—I know the Government can raise the money. It is an issue of rates.

Mr. Selinger: Our competitive rate at which we can borrow my officials inform me actually has not deteriorated, but they think it has actually improved. I believe it has actually improved relative to, say, a province like Ontario.

Mr. Loewen: With regard to appropriation 7.2.(c), will the minister indicate: Is the Royal Bank still the primary service provider for the Province of Manitoba?

Mr. Selinger: Yes.

Mr. Loewen: Will those banking services be out to tender this year?

Mr. Selinger: I believe the lead banker contract renews this spring, spring of '04, April 1. My officials inform me that they have not finally settled on the method of renewal, but they will make the renewal focussed on the criterion of having the most cost-effective way to continue to get the services they need. That may or may not include an RFP because there are so few people bidding on an RFP. There is the danger of going to an RFP which would actually see costs dramatically increased, rather than just having an extension with the existing lead banker at a cost similar to what we are getting now. They will bring back a recommendation on that closer to the date of renewal.

Mr. Loewen: Can the minister indicate when this service was last tendered out?

Mr. Selinger: 1995.

Mr. Loewen: Well, given that that was eight, going on nine years ago, does the minister not feel it is time to open up the tendering process to allow other suppliers?

Mr. Selinger: Once again, I want to avoid the problem that the member was suggesting might

be the case with my policy directive around volatility. I do not want the direction to be one that actually costs us more money. If the RFP procedure will generate bids that we think will give us the most cost-effective way to provide services for ourselves through the banks, it will be considered, but if the officials suggest to me that there is a very small pool of providers that will bid on the service and that an RFP process will actually drive up the cost of the existing service and cost Manitobans more money, they might make a recommendation for another one-year continuation of the existing agreement. The '95 tender was for five years and there has been a series of one-year extensions since then. The one-year extension, they believe, has brought us value, saved us money.

Mr. Loewen: I am just a little curious how you know unless you go to tender.

Mr. Selinger: This is where, when ministers allow officials to go off to meetings of other officials in exotic capitals of the country and they talk to each other, there is actually some value brought back to the province. They look at the experience in other jurisdictions and, for example, they found that when Saskatchewan went to tender on a similar package of services, that they had a 100% increase and only two people bidding on it. So that led them to believe that following that route might cause rate shock to us and so they negotiated an extension of the agreement at a similar cost.

They do try to give us the best advice. There is no inherent aversion to RFPing and there is no necessary desire to do it if it is going to be more expensive, and that is the same policy we follow with foreign currency exchange as well. We do, what we think in our judgement, and it is a judgement that has to be justified, will generate the best value for the province.

Mr. Loewen: I thank the minister for that information and I think I am just about through the Treasury section now. I am not sure. I guess Mr. Gerrard may come back with some questions later.

With regard to Builder Bonds, if I could get an update on what is happening there and what issues we can expect.

Mr. Selinger: The bond issue this year saw about \$315 million of purchases by Manitobans, considered a very successful issue. I do not know if the member wants information from previous years. If he does, we will get it. But this year's issue generated \$315 million worth of sales.

* (16:20)

Mr. Loewen: Specifically, I guess I am looking for whether that is up or down or what the trend seems to be.

Mr. Selinger: It is well within the range that we expect, and on the high end of the range, to be precise. We look for sales in the order of \$200-300 million when we do a bond or a Hydro or a Builder Bond issue. We have been at the top end of that range for the last two or three years.

Mr. Loewen: Maybe I could ask the minister to provide me, at a later date, with the last three years.

Mr. Selinger: We will get it for you.

Mr. Loewen: I appreciate that and I think that is pretty much all I have for Treasury services. I appreciate the information that the staff has been able to provide us.

Mr. David Faurichou (Portage la Prairie): I am wondering for the appropriate section to ask the question. In the Objectives for Treasury, it says: To service and safekeep the investment of the Province and Crown corporations as well as government agencies. Is that only liquid investments, or is that actual fixed asset investments made by the various Crown corps and Government in properties owned by the Crown?

Mr. Selinger: That is limited. Their mandate is limited to the financial assets only.

Mr. Faurichou: In respect to the financial investments, cash only perhaps, but I do want to find out whether or not Treasury does oversee or at least look to Crown corporations where their fixed assets are being depreciated, and whether that depreciation effectively has been accounted for. Let us make a specific government services investment in the Legislative Building itself, where we had a major watermain break over the

weekend. Obviously, there is depreciation being affected within this own building.

Mr. Selinger: I think those questions are good questions, but they are properly dealt with under the next section, the Comptroller, who looks after the accounting for the Province. For Crowns, they have their own tendered accountants that handle the accounting for their hard assets and depreciation policies. These folks here, that is not their purview. They are not equipped to answer those questions. They handle the financial transactions.

But if you want to look at any of the accounting issues with respect to assets, the Comptroller is in the room and he is up next. We can ask him then, if you wish.

Mr. Faurichou: I do not know if the Comptrollers were able to hear the question that I posed to the Treasury Branch, but it is, essentially, that I am asking about the depreciation and the monitoring thereof of the hard assets of Government, whether it be held by Government proper or by Crown corporations or special operating agencies.

Mr. Selinger: I just want to introduce our Comptroller, Gerry Gaudreau, who is with us, and Charlene Beaudoin is also with us from the Comptroller's office as well to provide backup to the Comptroller. The Comptroller does receive the financial statements of all the wider entities of Government and ensures that those financial statements are in conformity with government policy in how they handle and depreciate assets, so there is a consistency there. That is what he monitors. He does not actually go into each of those organizations and see the mechanics of how they are doing it but he ensures that the policies they are following are consistent with government policy.

Mr. Faurichou: In light of the examination of the financial records of the various Crown corporations or departments of Government within the Comptroller's capacity, does he peruse to a point of exposing deficiencies within the re-investment and protection of our Crown assets because they are always required, a reinvestment of maintenance and repair to safeguard the integrity of those hard assets of the Crown?

Mr. Selinger: Yes, the Comptroller ensures that the accounting policies are followed but the actual management of the assets is left up to the management of the specific organization that we are concerned about. He does not enter into second-guessing management decisions. He just ensures the decisions that are taken follow proper accounting policies and rules.

Mr. Faurschou: I am trying to get to the point of looking at the depreciation of the hard assets, the various components within Government and safeguarding for the people of Manitoba the reinvestment or repair and maintenance of those hard assets so that the depreciation does not outstrip the repair and maintenance, so effectively the hard assets are not depreciated away to a point where significant reinvestment is required to preserve those assets or failing that we lose the value in that asset altogether.

Mr. Selinger: Once again, I think those questions would be properly addressed to the management of the specific Crowns that you might have a concern in. That is a different committee of the Legislature to review that. The Comptroller simply ensures that there is consistency in the application of accounting policy across the Government.

Mr. Loewen: With regard to the Comptroller's office, I know quite a bit of work has gone on for years and years, I am sure, in terms of process to hasten the speed of how accounts are gathered and the financial statements of the Province are put together. I wonder if we can get an update on how that, or maybe it is more than one project, is going.

* (16:30)

Mr. Selinger: Since '97, the required date to provide the public accounts has been September 30. That date is complied with. What the SAP system technology has allowed the Comptroller's office to do is to first of all respond to the threat around Y2K.

Madam Chairperson in the Chair

Bringing that system on was a decision of the former government to ensure that Y2K was not going to be a problem. It allows for more

timely reports on financial information to program managers across Government.

Mr. Loewen: The reason I am asking the question specifically is it seems if one were to do a comparison of the release of quarterly financial statements over the course of the last three years, they are certainly later than they would have been prior to that. I am wondering whether that is a fault with the system whereby the Comptroller's office cannot get the information in as timely a fashion, or if it is more politically driven.

Mr. Selinger: The Comptroller informs me that it is not a technological issue, the timing of quarterly reports. There are other specific outstanding issues that come into the timing. For example, when a specific settlement might be finalized with respect to, say, judges' salaries or other entities within Government, confirmation of federal data sources on revenues, the timing of that and the accuracy of that. There are a number of variables that have to be taken into account on when the decision is made to issue the quarterlies, and it is not related to the effectiveness of the SAP system.

Mr. Loewen: I take it what the minister is indicating then is that the system is working fine and the information is there and available from the SAP system. If that is the case, that is fine. If there are concerns and there are some major upgrades going on, maybe you could identify that.

Mr. Selinger: The Comptroller informs me that the SAP system seems to be working fine. It had severe challenges in the implementation of it and getting everybody up to speed and trained. It was a complete change from the former legacy systems, but people seem to be adapting to it. It is now starting to provide information to program managers through their Desktop capacity. So that is a plus. So generally it is working fine.

As the member might know, every three to four years there is always pressure to do an upgrade at several millions of dollars. That pressure remains with us. It seems like there is a built-in obsolescence factor in these expensive software systems, and there is enormous pressure on Government to continue to upgrade on

an every three- or four-year basis to stay current with the technology that is out there.

Mr. Loewen: I would be curious to know if there are any major upgrades being considered in either this fiscal year or next fiscal year and, if so, approximate dollar value of those upgrades.

Mr. Selinger: Yes, currently we are operating on SAP version 4.6B. I am informed that it has actually expired. We are operating on an extension, and they are threatening not to support it after April of '04, so there will be a lot of pressure to go to version 4.7.

Mr. Loewen: Well, I did not notice anything in this budget year in terms of upgrades, and I am not too sure, presumably if you are moving to a new version, it could be a fairly significant cost. I wonder if the minister could quantify what those costs might be, assuming that if they are threatening to cut it off in April, it would have to be undertaken in this fiscal year.

Mr. Selinger: The budget for some of these software capital replacement issues is now located in the Department of Energy, Science and Technology. They do have some money available to analyze the need for it, and then they can budget appropriately. They have some flex money there, but if the timing is April 1, '04, it is possible that it could be an expenditure either in this fiscal year or next fiscal year. There is some potential flexibility there, but there is growing pressure to upgrade to 4.7.

Mr. Loewen: Recognizing that it may now be housed in a different department, I am assuming the controller is still close enough to it to be able give us an approximate cost of that upgrade.

Mr. Selinger: The expenditure on analyzing the need for that upgrade and what it should cost is going on right now. I am not sure throwing a number out there is in the public interest right now. It might undermine our ability to get the best deal for the upgrade, but I am sure the member can imagine that it will not be in the hundreds of thousands of dollars.

Mr. Loewen: The reason I ask, and I am going by memory here, but I think the last number I saw a couple of years ago was eight million. Is it

for an upgrade to SAP and not wanting to put the Government in an awkward position to negotiate, but yet looking for more detailed information, maybe the minister could protect himself by low-balling the figure. I would allow for that.

Mr. Selinger: Without getting into a hard number, I can say that we expect that the upgrade this time will be considerably cheaper than last time for one very specific reason: We have a lot more in-house expertise now on determining our needs. Last time there were a lot of external consultants that were engaged to determine what was needed. There has been quite an investment in the last four years in training people, in developing their competency in dealing with this system, so we think that the all-in cost will be considerably cheaper.

Mr. Loewen: Does the department still rely on Deloitte & Touche to provide consulting services with regard to the system?

Mr. Selinger: In this area, because there is a lot of competition, there is a tender that is put out for the consulting advice, and the last winner of that tender was SAP itself.

Mr. Loewen: Do any of those consultants or service providers reside in Winnipeg?

Mr. Selinger: Historically the contracts for consulting on these large enterprise systems have resulted in experts coming to Winnipeg from other jurisdictions, other cities, and that is one of the reasons we have invested in training to get more in-house expertise, but often it is the case that when you put a tender out for expertise that that expertise is brought from elsewhere. That has been the experience. That is one of the reasons why we have done the training to get more in-house expertise to reduce that dependency.

* (16:40)

Mr. Loewen: I recall when Deloitte & Touche was providing a lot of the servicing, most of the support was coming from Calgary. Now that that contract has gone directly to SAP, can the minister indicate where that support is coming from, out of Canada, out of the U.S.?

Mr. Selinger: My information is that the SAP expertise is coming from Calgary and Vancouver at the moment.

Mr. Loewen: Could the minister indicate approximately how much those services would cost the Province of Manitoba in a given year?

Mr. Selinger: My officials inform me that that consulting budget is now in the Department of Energy, Science and Technology, so that is where the information has to be gleaned about how much they are spending.

Mr. Loewen: We will take that. I am just wondering, maybe for ease, can the minister indicate what the budget would have been last year when it was housed in the Department of Finance? Again, I am not looking for exact dollars. I am just trying to get a rough feel for where it was.

Mr. Selinger: Last year, the detailed Estimates show it at \$109,000.

Mr. Loewen: And that would have included all travel costs and costs of staying, hotels, et cetera.

Mr. Selinger: I am informed that is just the consulting fees. Some of the additional costs are not included in that number.

Mr. Loewen: I would be looking for an all-in cost that would include travel expenses.

Mr. Selinger: I just had some vigorous debate among my officials. They inform me that that is the all-in cost.

Mr. Loewen: I would like to move on a little bit to the Government's policy regarding its financial statements. Certainly, the Auditor has indicated that while there has been some progress made, there is still quite a distance between statements provided by the Government of Manitoba and generally accepted accounting principles in PSAAC. I am wondering if the minister could indicate if the Government will be taking any steps to make our financial statements GAAP acceptable.

Mr. Selinger: Yes, the financial statements are in conformity with the requirements of the

balanced budget legislation which is the law in the province of Manitoba.

The summary financial budget—we are the first government in the history of the province to produce a summary financial budget, and summary financial statements are ones that have every year moved closer to Auditor recommendations and encompass the wider entity of all the enterprises involved in the Manitoba Government.

So we have made substantial progress in that regard but we continue to follow the law as prescribed in this province under the balanced budget legislation.

Mr. Loewen: I appreciate the minister's response. Certainly, I guess what I am looking for is whether the Government is planning any changes to allow their financial statements and if changes have to be made to the balanced budget legislation, so be it. One would have to weigh the advisability of doing that versus making the Province in a position where it follows a little more closely to GAAP and PSAAC. Is the minister anticipating any changes there?

Mr. Selinger: The member might recall that when we came into government in '99, we made some changes to bring balanced budget legislation into greater conformity with Auditor recommendations and GAAP standards, particularly on how we treated revenues in and out of the Fiscal Stabilization Fund. So we have made improvements over how the previous government treated their finances in terms of public accountability.

We have published the first summary financial budget and every year we work on ways to improve our summary financial statements to come into greater conformity with GAAP. That is an ongoing process. There clearly has been significant progress made and we are looking for ways to make further progress as we go forward.

Mr. Loewen: As indicated earlier, the Government has made some progress. Each government has made progress as the years go by. What I am looking for is if there is going to be any more progress towards the Auditor's desired results of

adhering to GAAP in this year and if so, what that progress might be?

Mr. Selinger: Once again, the progress has been made and we are looking for other ways to move forward. One area that is under active consideration is tangible capital assets with respect to infrastructure and how that is recorded and accounted for. There is quite a bit of work going into analyzing that and to seeing what could be done. That would be another area that would provide some greater conformity with GAAP treatment.

* (16:50)

So we are looking at that and we are reviewing other recommendations that have been made and seeing what is possible, always with a view to making sure that we provide a stable financial environment for the Government and its citizens.

Mr. Loewen: Well, I think certainly the way to provide the most stable environment would be to follow GAAP and PSAAC.

Given the nature of the situation out there, particularly with we have talked before about WorldCom and Enron and what is going on there, any anticipation of the Government that they would change the policy of restating prior years' operating revenue, expenses and if significant events were discovered later?

Mr. Selinger: As changes come into play with respect to financial statements, they are shown currently in the year when those events occur.

On the issue of restating prior financial statements, there are some complications there under the balanced budget legislation, and it is not entirely clear whether that increases transparency to the public by restating or confuses them. Those are considerations that the Comptroller's office is reviewing with other officials in Finance.

The most important point is that if there is a new piece of information or new financial information comes forward it is recorded and made available to the public. The question of whether you go back and restate under balanced

budget legislation is one that requires some careful thought in terms of whether it would increase or decrease the clarity with which public finances are understood by the public.

Mr. Loewen: I would certainly think the public is best served by following GAAP and by following PSAAC. Under those guidelines, certainly, if there was a significant amount that was discovered at a later day, they would, I believe, call for a restatement. I think in the interest of Manitobans that is probably a much clearer way of dealing with a situation than following the Government practice, which I realize has been in place for a number of years, of just restating the prior year's deficit, which I think does not give service to the people of Manitoba in terms of what is going on.

Primarily that is the issue here. That is what is driving some of the questioning. Is the Government looking at all at what it can do with balanced budget legislation to remove some of those barriers from complying with GAAP, as the auditors suggested? In particular, the Government overrides GAAP and PSAAC by stating that it is their practice to reflect the effects of adjustments in the accumulated deficit. I am just trying to find out if the minister has any plans to deal with that issue in the near future?

Mr. Selinger: In terms of any exceptions to GAAP, those are noted in the summary financial statements. My Comptroller informs me the one that is other than a presentation issue, most of them are presentation issues, but the one that might have a tangible or a concrete impact on the financial statements is the tangible capital assets policy for infrastructure. That is one that they are working on.

The point is all the changes that are recorded. Any variations from the strict adherence to GAAP are noted in the report, so that there is no misleading information provided. But it might be provided in a slightly different way, partly to respond to balanced budget legislation, partly to give more time to address the issues and to see what the proper future course of action should be. In some cases, because there has not been a complete acceptance by government of some of the recommendations made in terms of what the impact is on public

presentation in terms of its ability to clarify or confuse the public as to what is going on.

One example that was just offered to me was in '88-89, when the previous Conservative government came to office. There was a \$58-million surplus projected in the Budget, and the Fiscal Stabilization Fund was created by generating a deficit of \$142 million. That was a non-GAAP-compliant maneuver to create that Fiscal Stabilization Fund at that time. But it has now been an instrument, stabilization funds are now an instrument that are proliferating across the country. Most governments are putting in place some form of fiscal stabilization fund because of the vagaries of revenues and expenses that occur in provinces due to events outside of the control of the governments themselves.

* (17:00)

So the necessity to manage volatility and changes in revenues and expenses based on events such as forest fires, natural disasters, all of these things require some ability to have some flexibility while at the same time maintaining transparency. GAAP rules do not always show that sensitivity to the management requirements of running a public enterprise or government in the sense that they provide the flexibility that many governments need in order to manage those unforeseen issues that come up on them more and more frequently it seems.

As we look across the last four years, there have just been so many events, perhaps starting with the '97 flood and moving forward, that have created enormous financial stress. The flood, the drought, the events of September 11, 2001, the federal accounting error, SARS, BSE, West Nile virus, forest fires, all of these things add a tremendous amount of financial volatility and pressure on governments. GAAP rules do not really anticipate all of those things when they develop their concepts. So governments are looking at ways to be more transparent, more compliant, and, at the same time, give them the necessary flexibility to manage these unforeseen events that they have to provide resources to.

Mr. Loewen: While I appreciate the minister's comments. If I were in his chair, I could certainly understand why he would say that, but, in

effect, what these exceptions to GAAP provide is often fairly transparent and allow governments to produce a statement that says they are running a surplus when in fact they are running a deficit. Certainly the provincial Auditor has been critical of this Government for providing financial statements which give the appearance, which do not conform to GAAP, yet give the appearance that the Government is running a surplus when in fact in the Auditor's opinion they have run a deficit. We are seeing the same thing now from the analysis that the Bank of Montreal has done.

My argument with the minister would be that it is always, I think, in the public's best interests to follow GAAP and to eliminate some of these situations whereby financial statements are not presented according to GAAP. I mean, that is why the Canadian Institute of Chartered Accountants has such rules as GAAP, has such rules as PSAAC. I am not saying this Government is the only government that has done it. The minister has indicated that other governments are doing it. But what I am trying to get a feel for is whether there is a willingness on behalf of this Government to move, to do as the Auditor has suggested and provide the financial statements in the Province of Manitoba strictly according to generally accepted accounting principles, to follow PSAAC.

I do not think by doing that the minister will confuse anybody, in fact just the opposite. He will do the citizens of Manitoba a service by taking the confusion out of it and by having the Auditor, giving the Auditor the ability to report to the people of Manitoba on the same basis that he would do were he allowed, were the Province following GAAP. Again, I can only point out, and the minister indicated that all these crises and issues that have befallen the people of Manitoba, the Government always finds the money to do it. Sometimes it is just, except it seems in the BSE case here—but the Government usually finds the money to provide the support whether it is forest fires, or drought, or floods, or repayments to the federal government.

I think sometimes the Government just does not take the next step, which is to report according to CICA standards in terms of what effect that money has or what effect those transactions have on the Province of Manitoba. The result is

we end up in these discussions and contradictions between the Auditor where the Finance Minister today is saying: We are running balanced budgets. The Auditor is forced into a position where he has to stand up and say: Well, I am sorry, there is actually a deficit. The Bank of Montreal has to contradict the minister by saying there was actually a deficit of 271 million in '02-03.

I guess what I am looking for and if the minister is simply telling us that he is not willing to make any more changes to do as the Auditor suggested or requested in moving closer to GAAP, then so be it. That is the direction I am looking from the minister in terms of policy from the Comptroller's office.

Mr. Selinger: The Auditor General has been very positive about the improvements we have made since we have come to office. We have increased transparency dramatically in our last four years, starting with how we count revenues in and out of the Fiscal Stabilization Fund. We have made many other improvements as well.

I have mentioned some of them, we are the first government to publish a summary financial budget, the first government to provide an annual financial report with key indicators of financial progress that we are making in this province. The Auditor has really been attacking balanced budget legislation as being the primary reporting instrument. He has taken issue with that under both the previous government and this Government. We have made some improvements to that.

We ran on a platform. I am saying we are going to follow balanced budget legislation and the Auditor might wish that that legislation was changed or given less prominence. It was the previous government that ran an election on its balanced budget legislation and said that it was going to be a dramatic improvement to transparency and accountability and public finance in this province.

This Government said that they would respect balanced budget legislation. Most provinces have some form of balanced budget legislation. The specifics differ and most provinces are now innovating some form of fiscal

stabilization fund as they have the resources to do it for the simple recognition that there are issues that have to be managed every year for which it is impossible to budget and anticipate ahead of time. There are many of those issues out there.

Yes, my answer is that we will continue to look for ways to improve transparency and accountability to come into compliance with recommendations made by the Auditor. We will do that with due regard to ensuring that we are running the public finances in the province first and foremost for the people of Manitoba and the citizens of Manitoba.

By doing that, we will try to stabilize the services they receive and ensure that, to use that old Nietzsche expression: The perfect does not become the enemy of the good. You can be perfectly compliant and you could have serious problems with your ability to provide essential services and programs to people in doing that. We want to be more compliant, but at the same time we want to ensure stability to programs and services and not have perfect rules hamper our ability to do that.

We have done that; we have done both every year. We have improved services and taxation regimes in this province. We have been more transparent every year. We have done it within respect for the law of the province of Manitoba. I have got to remind the member from Fort Whyte, the law takes precedence over the Auditor's recommendations until the Legislature deems otherwise.

Mr. Loewen: I take it the short answer is no. The minister does not feel it necessary to adopt GAAP and PSAAP.

Mr. Selinger: Actually, I said that we will look for other ways and every year we do this. We look for other ways to take those recommendations and find a way to improve on them, but not at the expense of essential services and programs to Manitobans.

Mr. Loewen: To paraphrase the minister's own statements in the House, they are only accounting entries. Whether the Government provides services or not is up to the government of the

day at the time that those services are either deemed to be necessary or not deemed to be necessary. The rest are, in fact, accounting entries. All the Auditor is asking, and quite frankly in my belief, it is a reasonable request. I have indicated that I recognize that this has an ebb and flow to it. The government of the day has made some improvements, just as I would expect the next government of the day to make improvements. What I am looking for specifically, just as the Filmon government made some very definite improvements in introducing balanced budget legislation and set the course for the future, I am asking the minister a fairly simple question: Will he follow the Auditor General's recommendations and adopt generally accepted accounting principles to report the financial affairs of the Province of Manitoba in full?

* (17:10)

Mr. Selinger: I can only repeat my last answer. Every year we have looked to make improvements in transparency and accountability with respect to government finances and have taken Auditor recommendations into account in doing that. We will continue to do that to the extent that we can without destabilizing the essential services and programs we offer Manitobans. That is the fine balance of governing. It could be relatively easy just to follow Auditor recommendations without regard to the impact on programs and services and the things that Manitobans need. For example, we could say that responding to some of the disasters we have seen this summer would threaten our ability to meet certain accounting standards, including balanced budgets. Would that be a proper response to those crises? Likely not. We had to find a way to respond to those crises, and we have done that. We have done that in a way that actually outstripped and moved ahead of some other jurisdictions, for example with the loan program and the interest rates attached to that.

There is a fine balancing act here in the governing process with respect to respecting accounting recommendations, balanced budget legislation, and ensuring we provide essential resources to Manitobans when they need them. We will continue to try to strike the right balance there as we go forward.

Mr. Loewen: I want to reiterate with the minister that the provision of services and the accounting for services—there is no contradiction there. The government of the day can always provide whatever services it wants. It can do, as the Government has chosen to do, and increase the deficit. It can draw money out of the rainy day fund, the Fiscal Stabilization Fund, as it has done to meet the needs of forest fires.

The question is not whether the Government will provide those services. The question is whether the Government will follow CICA recommendations and follow GAAP in the reporting of those transactions. That is where his Government, quite frankly, according to the Auditor, is falling down. What I am asking the minister, if the answer is no, that is fine, and the minister has laid out some reasons for it, the Auditor is requesting that the Province get itself in a position where it is following generally accepted accounting principles, following PSAAC.

The minister is indicating that there is legislation that gets in the way of that. The minister has also indicated that, as elected officials, we are the ones that can, in fact, change that legislation. What I am hearing from the minister is that he is not willing to change the balanced budget legislation. That does not mean that he has to change everything. He can still leave in the portions that define how a balanced budget is arrived at. That could be an ancillary statement. What the Auditor is asking for, quite clearly, and has been asking for, for a number of years, is that the Government of the province of Manitoba follow generally accepted accounting principles. I would ask the minister: Is that something he believes should happen? If not, just say no.

Mr. Selinger: I think my statements are pretty clear on the record. I have said, every year we are going to look for ways to improve our ability to increase transparency and accountability. In doing that, we will take into account recommendations from the Auditor. I am confident, as we move forward, we can deal with many of the exceptions to GAAP that had been indicated in the Public Accounts. Many of them were reporting issues. We think we can address those issues, or many of them, as we move forward and we will find ways to do that. It is a two-sided equation here you have to recall.

It is not only governments coming into conformity with what public accountants are recommending, but public accountants themselves review their own policies to see if they are appropriate. They themselves have to reflect on their recommendations to see if those recommendations are appropriate to respond to the reality of running governments. So it is a two-sided equation and there is a good interaction between the comptrollers and people in government that work on public finance issues. They have a good interaction with the accounting profession to find ways to better understand each other's concerns and to find a consensus on moving forward.

Officials of this Government have interaction with the accounting associations and their working committees and they have an active debate and dialogue on how they can improve transparency and accountability, so I am convinced we can improve things as we go forward. I am also convinced that the accounting profession itself will reconsider and improve the recommendations that it makes to government on how these things can be achieved in terms of transparency and accountability. So it is a two-sided equation. I think both sides are committed to improving things. I myself have demonstrated that over the last four years. I will continue to find ways to do that without getting ourselves into a situation where we might have to sacrifice programs and services at the altar of certain recommendations which may not serve the public interest in the province.

Mr. Loewen: Well, I had asked the minister specifically for the notes to the summary financial statements for the year ending March 31, 2002, and I refer him to page 51, Note 1 Significant Accounting Policies indicates five exceptions to CICA standards. Can the minister indicate whether those same five notes will occur in the March 2003 financial statements or will there be any of those five exceptions that are eliminated?

Mr. Selinger: I indicated a couple of times already that No. 3, the issue of the tangible capital assets, we are working on that. We actually believe there is a real possibility of resolving that in the next year to the mutual satisfaction of everybody.

With respect to the other ones, on Nos. 4 and 5, the standards are under review with respect to those recommendations by the accounting profession itself and we will see what the outcome of that review is and then whether we can come into conformity with it. We think there is some give and take there that might work out to the advantage of both parties so we think in the next year there will be some improvements and some changes in these recommendations with both sides reconsidering their positions and finding a way to achieve a consensus on the way things should go forward. I want to emphasize again that both parties have a responsibility to consider the impact of their recommendations and their positions.

Mr. Loewen: Unless you have any comments with regard to notes one and two.

Mr. Selinger: The first recommendation is the restatement issue. We have given comment on that and the second one is the tangible capital assets infrastructure, tangible capital assets issue and we are working on that as well. So I want to assure the member that we do not just ignore these recommendations, that we actually do spend a lot of time debating, discussing them and the profession itself continues to review these things and there is actually some crossover here.

Some members of government sit on the profession's professional committees that review these standards and they have an active debate on these things. These things are not written in stone, they are not tablets delivered up on high that are time insensitive. These are active issues that are under debate about the best way to deal with these accounting issues. Both the accounting profession and governments themselves make a commitment to work together to find ways to improve these things.

Mr. Loewen: I appreciate the minister's comments. I just, again, reiterate that while progress is happening, it is probably not enough and it is probably not quick enough, and I would side clearly on the side of the Auditor with regard to that issue. Perhaps as legislators, we can find a way to make better use of our Public Accounts Committee to maybe drive some of that process.

* (17:20)

Mr. Selinger: Just one final comment on that. I think every government makes a commitment to improving. We have made substantial progress in the last four years. The Auditor himself has recommended that.

In addition, we have actually rewritten the Auditor's act in this province for the first time in over 20 years and given more powers to the provincial Auditor and strengthened their role in the public accountability process. Very few governments can say that they have been able to actually strengthen the role of the provincial Auditor as we have. That increases the challenges of public sector organizations and the standards they have to meet. But those are challenges that we are going to address in a constructive way.

Mr. Loewen: Once again, I appreciate the minister's comments. I will just, again, clarify for the record that although progress has been made, enough progress has not been made until we reach GAAP and PSAAC in my belief.

So the minister will have to continue to work with the Auditor, and, hopefully, one day before too long, all governments will recognize the need. Again, the Auditor is quite clear. There are some provinces, as he has indicated, that are quite a bit ahead of the province of Manitoba, and I hope the minister in his deliberations will look at that closely, and there are some behind.

But, anyway, I would move on to the Fiscal Stabilization Fund if that is all right, and, certainly, looking at the projection that was included in the Quarterly Statement ending June 2003, I see the balance of the fund is now projected as going from \$221 million at the start of the year to \$188 million at the end of the year. Is that still the current projection?

Mr. Selinger: Is the member asking me the projected balance, if it will be in the range of \$188.6 million by the end of the year? Is that the question or is he asking for '02-03, the 221?

Mr. Loewen: No, I am asking if the projection that is stated in that statement of 188.6 remains

the projection or if there have been situations that are changing that.

Mr. Selinger: The member certainly will notice that there have been situations changing with respect to the mad cow disease problem out there. We have taken additional money from the Fiscal Stabilization Fund to address that concern in addition to the \$48 million budgeted for. So there will be, on that basis alone, a greater draw on the Fiscal Stabilization Fund. No question that circumstances have changed since the Budget came down.

We have also seen probably the second worst forest fire situation in the history of the province this summer, and that will put additional pressure on the Fiscal Stabilization Fund.

So there are strong pressures on our Fiscal Stabilization Fund to address real and pressing concerns within this province. The provincial government has had to respond to that in a way that minimizes the damage and provides support to people.

Mr. Loewen: Well, I am sure the cattle producers would take exception that enough support has been provided, but what I am looking for is an updated projection. Can the minister indicate—I mean, he has given two areas where money needed to be drawn from the Fiscal Stabilization Fund, one to deal with forest fires, the other to deal with BSE.

Can he indicate at this point what his projection today would be for the fund at the end of March 2004 and what expenses are anticipated for the forest fire situation and for BSE at this particular point, realizing there may be some flex in that?

Mr. Selinger: I am going to ask some of the Treasury Board people to come up who work on these projections. Coming to the front right now is the Secretary to Treasury Board, Don Potter.

At this stage my Secretary to Treasury Board advises me that it would be unwise to try and make a specific forecast. We will do that on the basis of when we bring out our second quarter report.

There are a lot of things that are moving around, as the member knows. I have mentioned two of them, the forest fires, the mad cow disease issue, the closing of the Canadian border to our beef exports, live and otherwise. So there are things that are in flux right now. Once we gather all the information together we will give an update in our next quarterly report.

Mr. Loewen: Well, with regard to the forest fire situation, certainly the minister, you would think at this point, would have a reasonable handle on what the expenses have been over the course of the summer, given that the forest fire season seems to be drawing to an end.

Can the minister indicate what extra monies will have to be allocated from the Fiscal Stabilization Fund to meet the demands of fighting those fires this summer?

Mr. Selinger: I will be tabling the Supplementary Estimates shortly in the Legislature. The additional resources required to address issues like forest fires and mad cow disease will be in the order of \$60 million.

Mr. Loewen: Just for clarification, the number was 60, six-zero?

Mr. Selinger: Yes, approximately.

Mr. Loewen: Well, on the basis of that, if there are no other issues up, that would indicate to me that we are probably looking at a projection of around \$130 million. Would that be a reasonable assumption at this time?

Mr. Selinger: Once again, I think it would be unwise to try to isolate that number at this time because there are many, many moving variables in the financial forecast as we go forward. I am giving you the best information I have about Supplementary Estimates and then what the final balance will be in the Fiscal Stabilization Fund. We will try to give a more accurate projection in the second quarter report after officials have had the opportunity to collect government-wide information on both revenues and expenditures.

Mr. Loewen: I thank the minister for that, and I will look forward to his tabling those Supplementary Estimates and, hopefully, to the publishing of the second quarter report at the

earliest possible date, because obviously, as the minister is aware, there are some significant issues there.

I would like to move on quickly. I would hope to finish with the Comptroller's office today. We may not quite get there.

I would like to move on to the audits. I may jump back a little bit. We will probably have to come back tomorrow morning, given the time.

Can the minister indicate how many audits were undertaken this year by the department?

Mr. Selinger: We will have to take that as notice and get you a specific number rather than blue-skying it. But my Comptroller is making a note and he will get you that information as soon as possible.

Mr. Loewen: Maybe at the same time that the minister is getting that information, if we could get some comparisons to previous years, if it is up or down. I guess the other issue would be if the minister could indicate any audits that have been undertaken that have any outstanding matters of a serious nature that have not been addressed by the departments in the response to those audits.

Mr. Selinger: When we do an internal audit, it is usually done on the request of a deputy minister of a specific department who we define as the client in this situation. There is a policy of respecting client confidentiality in the reports we provide those deputy ministers and the recommendations that come out of that. It is often the case that the specific issues that arise out of those audits are not made available to me unless that department or deputy minister does not follow those recommendations and ignores something that the Comptroller feels to be of a serious nature, in which case he reports it to me. Right now he is not reporting to me any matters that he thinks have been ignored in the internal audits that have been provided to the clients, being the deputy ministers.

Mr. Loewen: Have any of those audits been subsequently referred to the Auditor General?

Madam Chairperson: The hour being 5:30, committee rise.

INDUSTRY, TRADE AND MINES

* (15:00)

Mr. Chairperson (Conrad Santos): Will the Committee of Supply please come to order. This section of the Committee of Supply will be considering the Estimates of the Department of Industry, Trade and Mines. Does the honourable minister have an opening statement?

Hon. MaryAnn Mihychuk (Minister of Industry, Trade and Mines): Mr. Chairperson, It is my pleasure to speak to you again on behalf of the Department of Industry, Trade and Mines. In looking at the year past it would have been difficult to anticipate, let alone predict the dramatic changes and events that have occurred in such a short time span. Canada has faced some extraordinary challenges in the past few months dealing with the impacts of the SARS outbreak and economic slowdown in the United States; the crisis in the beef industry and the spread of West Nile virus throughout the Prairies.

Despite our economic challenges in the specific sectors, 2002 was a good year for Manitoba overall. Manitoba's economy grew 3.1 percent in real terms in 2002, up from a 15% growth in 2001. Our employment rose by 9100 to a record high level of 567 000 persons. Our unemployment rate of 5.2 percent was the lowest among all provinces, as was our youth unemployment rate at 10.2 percent. The outlook for 2003 based on the first half of the year suggests that Manitoba will see a real GDP growth of 2.6 percent, fourth place amongst all provinces. Our growth rate is projected to rise to 3.1 percent in 2004, very close to the national forecast of 3.2. Our 5.1% jobless rate in July was the second-lowest in the country after seven months in a row of posting the lowest unemployment rate.

Mr. Chairperson, we are closely watching our aerospace sector, which continues to be impacted by an economic downturn. We are working with Magellan Aerospace, Bristol and Boeing Canada Technology to assist them in refocussing their activities and securing new business that will allow them to stabilize their operations for the long term. The department will also work with Air Canada Technical Services and Acision Industries, whose

operations have been disproportionately affected by Air Canada's ongoing financial distress.

We are monitoring our ongoing commitment to assist the bus manufacturing industry in Manitoba. The transit coach market continues to be stable, but intercity and regional coach markets continue to be uncertain in the face of decreased travel demand. We are proud of our success in securing an expansion in Winnipeg for Motor Coach Industries. The company is a much stronger, competitive company because of its decision to expand here. The long-term prospects for a strong bus manufacturing sector in Manitoba are good. We anticipate that a market recovery is not too far into the future.

Mr. Chairperson, we also look forward to further expansion of the biotech industry in Manitoba through continued success in expanding the level of provincially sponsored risk capital available to entrepreneurs through the Western Life Sciences Venture Fund. Venture capital remains an extremely important commodity to ensure the growth of Manitoba knowledge-based firms. We certainly hope to build on the critical mass that we already have in Manitoba. To further exhibit Manitoba as a centre for biotechnology excellence, my department will continue to be a funding partner for the second annual Business of Science Symposium that will highlight the existing strengths in Manitoba's research capacity and local biotechnology companies to an international audience.

We are looking to renew our existing investment in the manufacturing sector here in Manitoba, one of the most important employers in the province. Manufacturing is Manitoba's largest industrial sector. It accounted for approximately 12.5 percent of the provincial GDP in 2002, directly employing almost 69 000 Manitobans. The manufacturing sector now represents 12 percent of the province's total workforce and it has grown steadily over the past decade from 49 000 in 1993 to almost 70 000 employees today.

Manitoba's manufacturers face increasing pressures to remain competitive. Going forward with the recent increase in the Canadian dollar, many Manitoba manufacturers have indicated that the dollar's strength could have a significant

impact on their balance sheets and their operations.

Mr. Chairperson, my department has been working closely with other public and private stakeholders in the development of an advanced manufacturing initiative to improve the productivity and competitiveness of Manitoba's manufacturers. Ultimately, we see this initiative as an important step in preserving and expanding on our already substantial and diversified manufacturing base here in the province.

Another way we preserve and create jobs for Manitobans is by expanding our markets beyond our provincial borders, which permits our businesses to grow in excess of what they would potentially achieve just by serving our own needs. While Manitoba has shown significant growth in the past decade, there is a desire to continue to diversify our trade markets, especially given the resistance to trade by some of our traditional trading partners.

We have formed a trade advisory council comprised of 10 members of the business community to provide recommendations on new markets, strategies and directions for Manitoba trade. We see this council as a means of ensuring that our province's lead trade agency will continue to be responsive to the needs of our citizens and business community.

I am also excited about the opening of the new International Business Centre, a partnership and collaboration between the provincial government, the Winnipeg Chamber of Commerce and Destination Winnipeg. Several branches of Industry, Trade and Mines and Energy, Science and Technology have been co-located to the new International Business Centre in the Paris Building on Portage Avenue. The IBC has created a central point of contact to engage local, national and international businesses in discussion on trade investment and strategic alliances. The IBC also represents a \$3.5-million investment by the private sector in ongoing revitalization of Winnipeg's downtown. We see this partnership as a positive focal point for our ongoing relationships with the business community, both here and abroad.

In addition, the protracted closure of the U.S. border to beef exports and the international

trade file has been the source of several challenges for Manitoba. With challenges over softwood lumber and the potential U.S. steel tariffs, ITM has worked with business and other provinces to ensure that our province's voice is heard and our strategies in reacting to these challenges are co-ordinated.

We continue to advance to our trade agenda through instruments such as the World Trade Organization and the agreement on internal trade. On the small business front, the Canada-Manitoba Business Service Centre, a federal-provincial partnership, has recently completed its fifth year of successful operations with 24 satellite offices now established throughout the province. In addition, the centre is a leading example of government on-line, offering extensive on-line information, line connection technology and various on-line interactive products. The centre also continues to be a model of multi-channel service delivery, utilizing telephone, walk-in and on-line services.

The E-Business Service Centre is in its third year of operation and has successfully contributed to the support, growth and development of e-business and e-commerce industry in Manitoba. The Small Business Development branch also provides business development services for Aboriginal entrepreneurs, women business owners, youth entrepreneurs, cultural industries and entrepreneurs with disabilities.

Over the past year, more than 30 three-day business planning workshops were delivered throughout the province, including 14 sets of workshops in rural, Aboriginal and northern communities. The workshops are also now being delivered in both official languages.

On the mineral side, over the past year exploration for nickel and gold in the province has been buoyed by a marked increase in metal prices. This coupled with the Province's progressive incentive packages, including the MEAP, MPAP and the Manitoba Exploration Tax Credit, have resulted in several significant new discoveries over the past year.

On the gold front, Bema Gold Corporation has discovered a new zone of gold mineralization and continues to expand their resource

estimate on their property near Red Sucker Lake and a total exploration expenditure of \$6 million over the past year.

Mr. Chairperson, on the nickel scene, higher nickel prices have fostered support for new grass-roots exploration, resulting in a newly announced discovery near South Bay, just north-northeast of the community of Leaf Rapids. While still in their early stages, this new discovery fosters renewed optimism regarding the potential for new nickel-deposit types in Manitoba.

* (15:10)

Mr. Chairperson, an exploration for non-traditional commodities is also making news. Rare Earth Metals Corporation continued exploration for rare-earth elements at its Eden Lake property located between Lynn Lake and Leaf Rapids. Rare earth elements are essential materials in a number of leading-edge technologies and next-generation industrial products.

The department is continuing to seek opportunities to further development of other non-traditional commodities, including titanium and diamonds. The Pipestone titanium deposit near Cross Lake continues to hold promise, and the department is currently working to improve the marketability of the project.

Mr. Chairperson, following the rush of diamonds in Manitoba in 2000-2001, exploration expenditures decreased significantly in 2002. In part, this reflects industry's frustration with exploring in a technically challenging part of the North. Despite considerable effort over the past five years, no discoveries have been announced. The Manitoba Geological Survey is currently compiling and evaluating all existing diamond exploration data for the province with the view to enhancing its programs of geoscience surveys in support of the diamond industry and exploration.

Over the past year the department has also been working towards enhancing community involvement in mineral exploration and development. In June of this year, we successfully completed a pilot prospector training project in partnership with Sagkeeng First Nation. This four-week course was aimed at providing

students with basic skills in prospecting and mineral exploration and will be used as a template for future community-based training initiatives.

Strong oil prices contributed to another good year for Manitoba's oil patch in 2002. Industries spent an estimated \$98 million, up 8 percent over the previous year; a total of 97 wells was drilled in 2002, with industry recording a 92% success rate, the highest in 16 years. Production was up slightly to just over 11 200 barrels per day, and the value of oil sold topped \$150 million.

Over the first eight months of 2003, 66 wells were drilled on pace to meet or slightly exceed last year's drilling activity. The centre of industry activity over the past 20 months continues to be the Waskada field, where EOG Resources Canada and Tundra Oil and Gas, a Winnipeg-based oil producer, has drilled 75 wells and started up two new enhanced oil recovery projects.

This year has also seen resurgence in exploration. A total of 22 exploratory wells has been drilled with potential new discoveries in Sinclair, Elkhorn, Weston, Oak Lake and Goodlands areas.

In closing, I personally would like to thank my deputy minister, all of the senior staff and especially the hands-on staff in the department for their support and assistance to all Manitobans and to myself over the past year. Your hard work and efforts are truly appreciated.

Mr. Chairperson: We thank the honourable minister for those comments.

Does the Official Opposition critic, the honourable Member for Interlake, have any opening comments?

Mr. Ralph Eichler (Lakeside): It is Lakeside, Mr. Chairman. Not Interlake.

Mr. Chairperson: Lakeside.

Mr. Eichler: Just for the record. That is Mr. Nevakshonoff. And, yes, Mr. Chairman, I do have a couple of remarks.

Mr. Chairperson: Please proceed.

Mr. Eichler: Mr. Chairman, I would like to thank the minister for her comments and just share with her for a moment that I am familiar with the Department of Industry, Trade and Mines. I had the opportunity to go on trade missions to Mexico and South America. I realize that while you are on a trade mission that is not a holiday and you are kept very busy. You have done a good job of putting this out in the November-December 2002 issue of *Manitoba Business*.

On behalf of the people of Manitoba it is my privilege to question you and your department and I will do so to the best of my ability. This will be my first time doing Estimates and I am sure that some of my questions may seem repetitive, so if you and your staff would bear with me, I would be much appreciative.

I would like to get under way as I do have a number of questions and I hope that you will make your staff available to answer any additional questions that I may have at a later date.

Mr. Chairperson: Under Manitoba practice, debate on the Minister's Salary is traditionally the last item considered for a department in the Committee of Supply. Accordingly, we shall now defer consideration of line item 10.1.(a) and proceed with the consideration of the remaining items referenced in the resolutions.

At this time we invite the minister's staff to join us at the table and we ask that the minister introduce the staff in attendance.

Does the committee wish to proceed through these Estimates in a line-by-line chronological manner or alternatively have a global discussion? What is your preference?

Ms. Mihychuk: Well, I want to welcome the new member to the process. It would be my desire to try and be as flexible as possible to his needs. I know it can be hard to go through this process the first time. We have a staff and a team that is very experienced. We will try and provide the information. If we cannot provide the information, we might have to bring it back the next day.

In another sense, sometimes staff is kept waiting if this is going to be several days. If we could go through in a general sense of which portions of the department you would like to focus on then the other staff could go and continue to do their business back in the department.

Mr. Eichler: I would prefer to do a global as well. Anything to do with mines would not be today, leave that for tomorrow. In consultation with the Liberals, I have allowed them to come in tomorrow afternoon for the last half hour, if that is all right.

Mr. Chairperson: Is it agreed then that it will be global discussion and then we pass all the items all at once? The floor is now open for questions.

Ms. Mihychuk: I would like to introduce the staff that are here. We have Rod Sprange, assistant deputy minister of Manitoba Trade and Investment Marketing; Mr. Jim Kilgour, director of Industry Development - Financial Services; Christine Kaszycki, assistant deputy minister, Mineral Resources; and Craig Halwachs, director of finance administration.

Mr. Chairperson: Thank you.

Mr. Eichler: I was wondering if it would be possible to do the list of the political staff, including the name, position, and the FTE, whether they are full time or not.

Ms. Mihychuk: I have two full-time political staff. My special assistant and my executive assistant, David Markham and Audrey Paynter.

Mr. Eichler: Also, Mr. Chairman, specific lists of those staff in the minister's department and the deputy minister's office.

* (15:20)

Ms. Mihychuk: Mr. Chairperson, in my office I have here at the Leg, David Markham, special assistant; Audrey Fushtey, secretary to the minister; and Alison DePauw, administrative secretary. Audrey Paynter is my assistant in the constituency office. The deputy minister is Hugh Eliasson; Gail Lemoine, secretary to the deputy minister; and Barb Wild, administrative secretary.

Mr. Eichler: There are a number of staff currently employed by the department in comparison to last year.

Ms. Mihychuk: Mr. Chairperson, the staffing level remains constant. There was a bit of a reorganization. There is a .6 of a staff year that relates to field assistance so that type of variation can happen depending on the priorities of the summer minerals field program.

Mr. Eichler: The names of the staff who have been hired in 2002-2003 and whether or not they were hired through a competition or whether by appointment, Mr. Chairman?

Ms. Mihychuk: Mr. Chairperson, there were only two hirings, one for a geologist and the other a recorder/administrative clerk. In both those cases, they were open competitions.

Mr. Eichler: And a description of any positions that have been reclassified. I think you said there was .6. Did I understand that correctly?

Ms. Mihychuk: My staff tells me that we will have to get back to you with the details of who has been reclassified and what branches.

Mr. Eichler: Also a listing of all vacant positions, is there a list available for that, Mr. Chairman?

Ms. Mihychuk: Several positions are vacant in an effort to watch expenditures and as a measure of budgetary efforts. We have a number of vacancies. Now, we have a vacancy as an admin secretary 3 in Industry Development. We have a management analyst 3 in the Bureau of Statistics and two statistical analysts 1 in the Bureau of Statistics. Manitoba Trade and Investment Marketing have five economic development officer positions open, vacant. The Mineral Resources, we have nine positions. Surveys has three geologists, an administrative secretary, a Clerk 2; the Mines Branch, Resource Planner 4 and mines inspector; Petroleum, an Executive Officer 2 and an engineer.

Mr. Eichler: Mr. Chairman, is the staff years currently filled?

Ms. Mihychuk: There is a vacancy rate. These positions are not full, obviously. Our vacancy for

the department is at 8.1 percent, so depending on the pressures for a balanced budget, which was obviously primary and given the crisis that we have on BSE, we try to manage our vacancies to allow us more flexibility when it comes to pressure. At this time, I do not believe that we are actively recruiting, however, there may be one or two positions where there is urgency. We do take it forward as a special request. Everything is reviewed, but the management for vacancies right now is fairly tight as we try to manage the civil servants and provide more room to respond to a crisis like BSE.

Mr. Eichler: Mr. Chairman, how many departmental staff took advantage of the Province's voluntary reduced workweek and estimate savings for the department?

Ms. Mihychuk: Well, in this case we are going to have to get back to the member on the answer on that.

Mr. Eichler: Mr. Chairman, also the details on how many and what types of contracts were being awarded directly, and why is this happening and how many contracts are going to tender.

Ms. Mihychuk: Mr. Chairperson, perhaps the question could be clarified, whether you mean an untendered salaried position. For instance, we have a number of foreign agents that we renew without going to competition or tendering those because they have a long-standing history with Manitoba Trade or there are some untendered fee-for-service services provided to the department. Could we have clarification of which one?

Mr. Eichler: Mr. Chairman, as far as I am concerned, the contracts that you award, a list of those would be fine, if you would provide us with those that would be sufficient.

Ms. Mihychuk: We will provide the member with that information.

Mr. Eichler: Mr. Chairman, also could you tell me how many positions have been relocated in 2002-2003, being relocated from rural or northern Manitoba to Winnipeg located around the province and why.

Ms. Mihychuk: There have been no relocations.

Mr. Eichler: Mr. Chairman, we would like a status update of any new departmental initiatives undertaken in 2002-2003 and a review of the news releases for the fiscal year. That would be of assistance.

Ms. Mihychuk: Reviewing the 2002-03 fiscal year, basically we had continued with a series of initiatives that we had started the year before. We had not really, on reflection, launched many new programs or initiatives in 2002. We have been continuing our progress on knowledge-based industries and have been working with various sectors which were identified in the innovation strategy to include advanced manufacturing. There has been some indication that we will be coming forward with a public document on that. So that is in consultation.

* (15:30)

Co-location of the departments and to the new international centre has been an ongoing project for about three or four years really with the chamber.

We reviewed The Mines and Minerals Act with industry last year. We will review, if there is anything that we are missing, and bring that back.

The Government has moved the film and tax credit program from Finance into our department. Although it is not a new program, we are now administering it. So it is a little bit new for our department.

Other than that, it has been basically a continue on the strategy of knowledge-based industries, continue on trade, as my opening statements have outlined.

Mr. Eichler: This is a woman's era. Could you tell me how many women are in your senior management positions?

Ms. Mihychuk: Regretfully, I have to announce that we have a fairly stable department. We have two in our senior management group. It has been a challenge, I think, for government in general to see the movement of women into the senior executive positions. We have a fairly young and dynamic existing group, and unless they decided

to take other careers, which would be a loss for government, there has to be the natural opening of positions. We do try to encourage women to take those steps forward. But at this point there are only two out of eight, the men tell me.

Mr. Eichler: When looking at the administration costs in your Estimates breakdown, I could not help but notice that the cost was 21 percent of your budget. I am new. Could you tell me what the percentage was last year?

Ms. Mihychuk: Compared to last year, the Administration and Finance was 20.4 percent and this year, 21 percent.

Mr. Eichler: I also noted that in 1999 there was a Premier's policy committee established. Could the minister please tell me what this committee has done and who was on that committee?

Ms. Mihychuk: The Premier's Economic Advisory Council was the result of the economic forum that we had created in 1999. I believe the forum was in March of 2000. From there, business leaders, community leaders, Aboriginal leaders were invited to sit on an advisory council to the Premier (Mr. Doer). There are a number of very well-known, esteemed individuals on that council, and I will be happy to give the member a listing of the members. They have also recruited associates to be on various committees dealing with issues of the day as well as planning for the future. It seems to me that the council has well over 20 individuals that are participating in that group.

They have made recommendations which government has received, and the group is chaired by two individuals, Bob Silver and Paul Moist. The Premier's Advisory Council has support staff which are identified in the Estimates for ITM of two individuals. So the Economic Advisory Council holds regular meetings to deal with the various sectors: natural resources, bio-tech, tourism, image committee, and they make recommendations directly to the Premier, and the Premier has instructed that those recommendations are to be respected and implemented.

So their advice and recommendations are taken very seriously, and government works

them to move our economy in a positive road-map for the future.

* (15:40)

Mr. Eichler: Mr. Chairman, just for the record, are these volunteer positions or are they paid positions?

Ms. Mihychuk: The individuals who sit on the advisory committee are volunteer members of the community.

Mr. Eichler: The Business Start Program, is that still in place and who is heading it up?

Ms. Mihychuk: Yes, it is. Business Start is continuing. It is headed up by Tony Romeo, as it was in the past and continues in the same format.

Mr. Eichler: What is his salary?

Ms. Mihychuk: \$78,900.

Mr. Eichler: Mr. Chairman, how many businesses were given assistance, and who were they under this program?

Ms. Mihychuk: The Business Start Program was established in 1989 and up to 2003 has supported 842 business start-ups with loan guarantees of \$7,537,000. The loan guarantees are to a maximum of \$10,000 and are administered by participating financial institutions.

For the period of April 1, '03, to August 22, the program has assisted 19 business start-ups. Eight of those were to women-owned or located in rural Manitoba, and the program assisted 41 business start-ups in the 2003 fiscal year.

Am I to understand that the member would like a listing of the individual businesses that received this assistance in 2002-03?

Mr. Eichler: That is correct.

Ms. Mihychuk: We will have to take that as notice and bring it back to the member.

Mr. Eichler: While we are still on the small business, could you provide me with a breakdown on the rural and urban areas?

Ms. Mihychuk: We will get that breakdown as well. We do not have it here with us right now.

Mr. Eichler: Mr. Chairman, my colleague has a couple of questions he would like to present while he is here, and I will let him have the floor at this time.

Mr. Jack Penner (Emerson): I wonder whether the minister could give us a bit of an overview as to where MCI is at currently. Maybe the minister could tell us, first of all, how many people were employed at MCI before the government intervention—the City of Winnipeg, Province of Manitoba. I believe the number was somewhere close to \$20 million that was afforded MCI to keep them here and to encourage MCI to bring their operation in total to Winnipeg. Is that correct? Maybe the minister could apprise me of that.

Ms. Mihychuk: Motor Coach Industries has, of course, been in the paper and has received a considerable amount of attention by the public and by this Government and went through a phase where we could have potentially lost the company. They directly employ approximately 1500 people, and, at the time they approached government, were at approximately that level. The assistance the Government was able to give them was a \$9.4-million loan at Crown rates, approximately twice as much as the farmers are being offered at this time, and the rest, there was a portion for training and capital upgrades, as well as the City of Winnipeg's contribution and the federal government's, making the total package for MCI \$20 million.

But the provincial support was \$9.4 million in a loan, repayable with conditions of employment and investment conditions. For every dollar the Province would release there was a requirement that Motor Coach would invest a similar dollar, and that has indeed occurred. They have also made payments on their loan, and those conditions have been met. Unfortunately, the intercity motor coach industry in general has been severely hurt by the downturn in the U.S., by people's reluctance to travel, and we are in a stage where Motor Coach has not asked for additional assistance from government but has been laying off workers. We hope it is temporary. They have laid off approximately

200 individuals, and if the reductions continue, it may trigger various penalties that are in the agreement that MCI has with the Province of Manitoba. To this date they have not breached any of those agreements. They have, indeed, closed facilities in Mexico, reduced operations in the United States, consolidated in Manitoba, upgraded their plants, and, as a result, Winnipeg will have the most sophisticated and best facility in North America.

We are well positioned for the upturn which will come, where we will see the benefits of that investment. Just like the aerospace sector, the downturn has been longer than anticipated by additional disasters that have led to greater instabilities.

We have seen layoffs at Motor Coach. We are working with the workers there for a labour adjustment committee, just like we do where we see adjustments in other sectors.

Mr. Chairperson, in addition, while it is good to see, the Canadian dollar rising impacts our manufacturing sector negatively. That, too, has resulted in a more challenging time for the sector.

Manitoba's contribution was in the form of a loan, \$9.4 million. We expect recovery on that and have seen that to date. There is a portion of training grant and capital upgrades as well as the City and federal government's contributions.

* (15:50)

Mr. Penner: The reason I am asking some of these questions is because I live within eight miles of the Pembina plant at Pembina, North Dakota, that Motor Coach operates there and have a pretty fair working knowledge of that operation and how it affects that town and even some people on the north side of the border.

However, when you became involved with Motor Coach, you had about 1500 people working there. Can you tell me what the working contingent is now, how many people working there today?

Ms. Mihychuk: Mr. Chairperson, it is approximately 1350 individuals.

Mr. Penner: We have seen a reduction of about 150 staff there, which, by making in investment of 9.4 million provincial dollars and \$20 million in total, has now led to 150 staff reduction here. Can the minister tell me how many people were working at the Pembina plant and how many people would be working at the Pembina plant today?

Ms. Mihychuk: Well, I can assure the member had we not participated in the restructuring of this very crucial industry, we would have lost the 1500 jobs here in Manitoba as well as potentially many of the supplier companies that feed into Motor Coach with an additional 1000 to 2000 people that really receive considerable contracts from Motor Coach.

Had we not participated, we would have seen very dramatic economic impacts. Again, the situation is that the assistance was in the form of a loan. I want to re-emphasize that some of the comments by some people that the Government bailed out this industry are indeed inaccurate. What was available for Motor Coach we would try and work with any sector that was in crisis. In this case, it was a loan at Crown rates. So the Government will not be incurring financial losses because of it.

It is extremely unfortunate that they are not receiving the orders that they had anticipated. We are looking at layoffs at Motor Coach. We are hoping that that will turn around quickly and these people will be rehired.

Mr. Penner: Maybe the minister did not hear because I rambled a bit. I wonder if she could tell me how many people were working at Pembina, North Dakota, when the government intervention took place and how many people would be working there today.

Ms. Mihychuk: We apparently have the numbers of what they were at the time of the deal, but we do not have the numbers now. If the member is prepared, we can provide that information to him as quickly as possible.

Mr. Penner: Mr. Chairperson, rumours have it that Motor Coach Industries is on a path of closure at Pembina. If you could give me the numbers of how many they had employed when

our Government became involved in helping Motor Coach—maybe that is a good term to use, and I appreciate that. I think governments have to make those kinds of investments from time to time to save an industry.

But, if you could give me those numbers, I know roughly how many are employed there today, so I would like to know what the reduction in staffing has been there, the numbers.

Ms. Mihychuk: I am sorry to disappoint the member. We do not have the numbers with us right now, but tomorrow we will be able to provide that information to the member at the next sitting.

Mr. Penner: I wonder if the minister can confirm that Motor Coach Industries is, in fact, intending to close that plant at Pembina, North Dakota. Do you know that?

Ms. Mihychuk: In fact, we do not anticipate the closure of the Pembina plant in total. They are going to be continuing to do the finishing of the D coaches, and as long as the United States has policies like "buy America", there will be a requirement for Motor Coach to do some of its work there.

Mr. Penner: Well, that is encouraging to hear, that there will be at least some semblance of the operation, because there were people there who were worried, and, as I say, rumours have a way of preceding factual information sometimes.

But, if the minister could provide me with some of that information, maybe tomorrow or the next time we sit as a committee, I would appreciate that. Thank you very much.

Mr. Eichler: I would like to move to the Manitoba Horse Racing Commission if we could.

I could not help but notice on your annual report of 2001-2002, we had an estimate of \$164.5 thousand and it has been reduced to 104. Would the minister elaborate a little bit on this for me?

Ms. Mihychuk: Having reviewed the operations, we encouraged the Horse Racing Commission to be efficient, to review their practices,

and we were able to see substantial savings, although the programs and their activities have continued as they were in the past.

Mr. Eichler: Mr. Chairman, my understanding was this budget within the last two or three years was in excess of \$400,000, and now you expect them to operate on \$104,000. Are my numbers correct?

Ms. Mihychuk: Mr. Chairman, some of the changes incurred because of the harness racing industry, or the harness racing track and circuit—some of that money got moved from—I believe—ITM to IGA through a funding source there. Government decided to reinstate the funding in a more reduced manner. That could explain part of the difference, as well as the cost savings and more efficient operation of the Horse Racing Commission.

At the present time, we do not have the report from the commission with us and we will provide greater clarification on those numbers tomorrow, if that is satisfactory with the critic.

*(16:00)

Mr. Eichler: Mr. Chairman, then maybe what you could do for me is while I am talking with the president of the harness racing industry, they have stated to me over the past weekend their race meets are up from 2002. They are roughly about the same as what they were in 2001. My understanding is they are doing it on less dollars. Is the Government prepared to go to the kitty and increase this in the upcoming Estimates?

Ms. Mihychuk: Well, we have been working with the industry—both sectors, the thoroughbreds and the standards—to look at participation in some of the challenges they have been facing. The participation or attendance at races has seen a substantial decrease over the last decade as Manitobans are choosing to spend their entertainment dollars at other venues. This has caused greater and greater reliance unfortunately on government assistance. Our goal was to try to get the harness racing circuit to get greater involvement by local communities, get other sources of revenue and look at a more sustainable method of funding for the present and for the future.

It is with pleasure that I hear numbers are returning. I think there is a certain ownership on behalf of heavily supported sectors to see if they can find alternative sources of funding than government. I take that as a positive sign that harness racing is perhaps on the road to recovery. We will be reviewing the numbers of attendees at the facilities.

At this time, I would say government has to look at all of the issues of the day. With the greatest number of fires that we have seen in I believe almost two decades, and the BSE crisis, as well as very low water levels, we are in a situation fiscally that we must be very prudent. We have to watch our expenditures.

If I was looking for a government grant, I would be a little cautious, because at this time government, as you know, their priorities are clearly laid out. We will attempt to maintain our levels, but even those will have to be reviewed very critically.

So I would say at this point we are going to be heading into budget deliberations and I would encourage the harness racing sector to continue their good work to get greater support and attendance at activities.

Mr. Eichler: Mr. Chairperson, it my understanding then, to make it correct, that the standard-bred runs under the Lotteries Commission. Is that where they are getting their funding then?

Ms. Mihychuk: It is my understanding, Mr. Chairperson, although we will clarify where the line is, it is under Intergovernmental Affairs that provided the grant for the harness racing circuit.

Mr. Eichler: Could you find that out for sure? My understanding, on talking to the president over the past weekend, is that they have been dealing directly with the Premier (Mr. Doer) on this rather than I, Tand M, just for the record.

Ms. Mihychuk: The harness racing association has been in consult with the Premier as many other organizations. Given their decreasing attendance, a decision was made during a budgetary process that indeed those grants would not be forwarded. An executive decision was

made that we would work with the industry and give them another chance, and having heard from the member across the way that attendance is up, that is an optimistic sign. At this point, the money came as a special advance through Intergovernmental Affairs as the funding source. I think it is another example of how government has tried to listen to industry, listen to producers, listen to farmers, find a way to deal with special circumstances. In this case, there has been a bridge provided. Again, it is another indication that government is listening.

Mr. Eichler: We will go back on this tomorrow once you bring your other information forward.

I believe about 80 percent of our exports go to the United States. Where are we going with this, and what new markets are being developed?

Mr. Doug Martindale, Acting Chairperson, in the Chair

Ms. Mihychuk: The areas that we are concentrating on at the present time are in Mexico. We continue to work in Jalisco. In the last mission that we led to Mexico, we increased our visits where we did a visit to Monterrey and that area. We continue to work in Chile. In Asia, we are concentrating on China and in Europe, primarily in the western parts of Europe we continue to focus.

We have trade reps in the Netherlands, in Beijing, in Chile and in Guadalajara. I think that there are always new markets opening. That is exactly why we have appointed a trade council of business representatives to help us decide if there are other parts of the world that Manitoba should focus on, whether we are being as efficient and as effective as possible. That trade council had its first meeting in the spring. No, it was actually in August. It had its first meeting in the summer and we are anticipating its second meeting in the next few weeks as we review what we are doing, review what other jurisdictions are doing and decide whether there are indeed new areas that Manitoba should concentrate on.

* (16:10)

Mr. Eichler: Could you tell me what foreign trade offices exist around the world and what are the names of the people that are running them?

Ms. Mihychuk: Manitoba does not have trade offices per se. Manitoba operates with foreign agents and we have five individuals, pardon me, that is four individuals: Rene Faraggi in Chile and Argentina; Richard Walker in China and Beijing; Wolfgang Haufe in Western and Northern Europe; and Gabriel Amezcua Villa in Central Mexico.

Having evaluated the cost of having a trade office, it was felt that we indeed would be better utilizing the individuals who have a very solid foundation of business contacts, having them work hands-on in the field. So we do not have permanent trade offices but we do have representatives in those four locations at the present time. They have been our agents now for several years and have served us well by all evaluations.

Mr. Eichler: These four individual agents, are they under contract or are they on a salary basis and what is the contract with each of them?

Ms. Mihychuk: I would just like to clarify or expand on my last answer. For the cost of one trade office we are able to fund the four agents. The four agents provide various services to delegates, companies and trade missions that go to their regions. Companies can and do hire them on a fee for service on top of what we provide. The agents are not on salary but are on contract. In 2002-03, this is where we have four and five agents, we have discontinued our agent in the United Kingdom; 2002-03 the contract was \$15,000; for Central Mexico \$35,000; for Chile \$55,000; for Europe \$64,500; and for China \$98,000. Those are the values of the contracts for the various areas.

Mr. Eichler: I would presume these are Canadian dollars?

Mr. Chairperson: Are these Canadian dollars?

Ms. Mihychuk: Yes, they are. I was reading to you the actual expenditures or the amount of the contract for 2002-03. Let me update that for '03-04: United Kingdom 0; Central Mexico \$30,000; Chile \$55,000; Europe \$64,500; and China \$98,000.

Mr. Eichler: I would like to go back to MCI at this point. Before we discuss the issue of MCI

and the millions of dollars in subsidy provided by your Government and the 1300 layoffs just announced in August of 2003, I believe the entire amount of the subsidy provided by the taxpayers to MCI was \$20.5 million.

Before we discuss this issue, I would like to ask the minister if she could tell this committee whether she has been part of an interdepartmental committee to discuss a cash advance program to the cattle producers and their families and also ask her if she would see it as reasonable to provide a similar sized incentive to assist over 12 000 producers currently in crisis.

Mr. Chairperson in the Chair

Ms. Mihychuk: I would be happy to tell the member that we are participating in an interdepartmental committee looking at the issue and the crisis of BSE. Our mandate is to look to enhance the slaughter facilities capabilities in Manitoba. We are working actively on that strategy with other departments.

The consideration of a loan like we gave Motor Coach would indeed probably not be satisfactory to producers. The loan that was provided is at substantially lower rates than provided to Motor Coach, and the Opposition is on a daily basis crying out that it is too high.

But, no, the business, Motor Coach, received a Crown rate loan at \$9.4 million. The cattle producers are receiving, I understand, a much more favourable rate at 3 percent, 3.5 percent, and for young farmers it is even less than that, about 2.5 percent. So if the members across say that those rates or the loan program is unacceptable, what we offered Motor Coach would clearly be not satisfactory.

Mr. Eichler: I would just like to remind the minister of her comment to CBC news on August 21 at 7:32 a.m. You said, and I quote: The Province may come to the rescue again.

Can I ask the minister: Have there been meetings with her department among other departments to discuss further subsidies to MCI? Is there currently a plan being developed?

Ms. Mihychuk: MCI has not come to government. There is no interdepartmental committee.

There is no request for funds. The question was one, if in some future date, would Government ever consider it. I can assure you that this Government will listen to any industry that is facing a challenge like we are to the cattle producers in Manitoba. If Motor Coach in the future, whether it is five years, ten years, or maybe fifty years, I am sure that the Province of Manitoba will listen to one of its most important leading manufacturers. But at this time there is no request, there have been no discussions, and there is no interdepartmental committee.

Mr. Eichler: I want to be clear the minister for the matter of the Premier acted to save about 1300 jobs and for that about \$20.5 million. Will the minister lobby the Premier and her Cabinet colleagues and further will she authorize monies to be borrowed from MIOP fund to assist the 12 000 cattle producers and their families who are in current crisis?

Ms. Mihychuk: Can I get clarification? Is the member suggesting that we double the interest rates on the loan program offered by the Government? I would be prepared to do it, but I do not see how that is going to be satisfactory when members across the way are arguing that indeed the loan program is not meeting the needs. Is the member across the way suggesting a loan like Motor Coach is applicable? If so, please put that on the record.

Mr. Eichler: I will make it quite clear. Our position is that our cost is only \$20 million to save 12 000 cattle producers, which is not anywhere close to 1200 jobs. So what our question is is the \$20-million cost. Why would the Government not go to the cash-advance program?

* (16:20)

Ms. Mihychuk: Well, I think it is clear that the member across the way has a script that he is reading from. Perhaps the questions are—

An Honourable Member: No, no.

Ms. Mihychuk: I think he was doing better without that, obviously. The question is ill placed. The MIOP program was a \$9.4-million loan at Crown, twice the rate that farmers are being offered. So the question could perhaps

come back to the members across the way, saying that they are recommending that we double the rates. Clearly, I do not think that is what the member is intending. I suggest that whoever is writing those questions review that. My recommendation to the member across the way is that he use his own best judgment and rip up that piece of paper because it is clearly not leading to the right angle.

Motor Coach was an opportunity to look at financial restructuring with a loan program at Crown. Again, substantially higher rates than what is being offered in this disaster of BSE. Again, I hope that the member across the way will clarify the record and recognize that I have, over and over again, provided the open and honest documents on the Motor Coach deal, \$9.4-million loan. The total package, including the federal government, the City of Winnipeg and our training program, was \$20 million. But the MIOP program was only \$9.4 million. Thank you.

Mr. Schuler: My question to the minister is: When did she first get involved with the whole MCI file? When was she first approached by Motor Coach Industries in regard to—and I am having difficulty seeing the minister. When was she first made aware that MCI was looking for a loan?

Ms. Mihychuk: Motor Coach Industry approached government, and I became aware of the situation and their need for assistance, in November 2001. The conclusion of our negotiations and the announcement of the assistance package was May 2002.

Mr. Schuler: Was the minister approached directly by the company, by Motor Coach Industries, and who approached the Government?

Ms. Mihychuk: The local Motor Coach plant management approached the Financial Services and senior management of the Department of Industry, Trade and Mines. They did not approach me directly.

Mr. Schuler: It sounds like it was a low-level discussion to begin with. At what point in time did it get to the minister's desk, that MCI was

looking at getting some kind of a package or they were planning on leaving?

Ms. Mihychuk: The management from Motor Coach here in Winnipeg realized that the head office was looking at efficiencies, and potentially looking at other locations for the manufacturing of their units.

At that time they approached government with the situation and asked if there was some assistance that could be provided. Within two to three weeks, the ministers involved, myself, were notified of the situation and from there we moved through the process of consultation and the development of the agreement.

Mr. Schuler: Was that Mr. St. Amour? Was he the individual who contacted the Government?

Ms. Mihychuk: No, it was not. Mr. St. Amour was the local plant manager.

Mr. Schuler: Who might that have been?

Ms. Mihychuk: Mr. Rob Perry.

Mr. Schuler: The message that Mr. Perry carried to the Government was that head office was looking at potentially moving Motor Coach Industries to another location. Was that done verbally or in writing?

Ms. Mihychuk: The initial discussions were verbal. The management came in and met with staff from the department to review the situation, indicate that they were in competition with other sites in the Motor Coach family and potentially even greenfield sites. They would have to put together a package that would be the most favourable to the company which was looking at some fairly significant changes and asked if government would be prepared to assist. From there, you go on to putting things down onto paper, reviewing their financial statements, working with management to see what government can do.

Mr. Schuler: When was the minister first notified that these meetings were taking place?

Ms. Mihychuk: As I say, it was approximately two weeks after the initial meeting, in November of 2001.

* (16:30)

Mr. Schuler: When did the minister have her first meeting with Mr. St. Amour, slowly moving up the food chain at MCI?

Ms. Mihychuk: I was not directly involved in the negotiations. Normally these negotiations occur by staff with regular briefings at the ministerial level. I did not meet with the president or anyone else. Most of the negotiations occur by staff with regular briefings at the ministerial level.

I did not meet with the president or anyone else. Most of the negotiations, like I say, went on with the technical and financial managers that we have in government with the people in the company.

So the negotiations are conducted by those who know those affairs best. My participation was to take it through the process of government, but I was not directly involved in negotiations.

Mr. Schuler: Okay, then, can I ask when was the department engaged with Mr. St. Amour? When did they start having discussions with him rather than just the plant manager?

Ms. Mihychuk: The earliest that the staff here met with other senior managers of MCI was December 2001.

Mr. Schuler: Just so that I have it clear, the first time departmental staff met with either Mr. St. Amour or Mr. Sorrells was December 2001?

Ms. Mihychuk: Staff from the Manitoba government did not meet with Mr. Sorrells or Mr. St. Amour at that time. They met with a VP from Motor Coach.

Mr. Schuler: Is Mr. St. Amour not the vice-president? Who was the vice-president that they met with?

Ms. Mihychuk: Motor Coach Industries has a number of vice-presidents. Mr. St. Amour is the VP of manufacturing. Initially, we were dealing with or we dealt with the VP of human resources.

Mr. Schuler: What would that gentleman's name be?

Ms. Mihychuk: We will have to get back with that information tomorrow.

Mr. Schuler: So the department had negotiations with the human resources vice-president, and we have trouble remembering his name? *[interjection]* Okay.

Can I ask the minister what other departments were involved at this point in time with the negotiations? Was it just her department or were there other departments involved as well?

Ms. Mihychuk: To clarify the record, I believe the question was: When and who in the senior level did you meet with? So we did indicate that did not mean that detailed negotiations went on with that individual.

Secondly, the negotiations were conducted by our department, Industry, Trade and Mines.

Mr. Schuler: Just to the minister, periodically I get a door slamming behind me and I missed a little bit of what you were saying. Negotiations were with her department and her department alone, and it was initially or all the way through with the human resources vice-president? *[interjection]* Then I did not get it right.

Ms. Mihychuk: We met with the VP of human resources initially, but the primary negotiator was not that individual.

Mr. Schuler: So who was the primary negotiator that government dealt with from MCI?

Ms. Mihychuk: Mr. Chairperson, the process of the negotiation of the deal went through various stages. There were discussions with the VP of human resources. There was some discussion with the president himself. Then there were discussions with the VP of finance. The final process was primarily with Sam St. Amour.

Mr. Schuler: Can the minister give us the name of the vice-president for human resources and the vice-president for finance? Who are those two individuals?

Ms. Mihychuk: The VP of finance is Al Swanson. We will get back with the name of the VP of human resources.

Mr. Schuler: When Motor Coach Industries approached government, did they come with a complete package? Did that include loans, grants and that the employees would have to take some kind of a renegotiated pay package?

Ms. Mihychuk: When MCI came to government, their initial situation was discussed, that they were overall in this competitive situation with other branch plants and green fields. They wanted to know what government could offer them, what was the best deal. Usually, that is the situation. When people come to government, they go high. They do not go low. Negotiations go from there. They wanted to know what we could offer.

They presented what the costs would be for their project, what they were looking at. They indicated right from the start that they would be asking for greater flexibility from the workers of the plant, and that they wanted some changes to the union agreement.

Mr. Schuler: Can the minister tell this committee with whom is the deal actually signed, what corporate entity?

* (16:40)

Ms. Mihychuk: The agreement is with Motor Coach Industries International, and Motor Coach Industries Limited, Winnipeg branch.

Mr. Schuler: Again I ask, just as a matter of information, when an agreement like that is signed, does the Government ask for some kind of financial statements from the company? What kind of documents are then requested from the company?

Ms. Mihychuk: When negotiations like this occur, we require that companies provide us with their past, present and future business plans and their financial statements. They must open their books and we send in a team to work with those. Eventually this deal was reviewed by Ernst & Young for due diligence to ensure that the company was sound, that the investment was sound and the deal did not have any significant flaws in it.

Mr. Schuler: The team sent in, is that the Ernst & Young team, or is there a different team that

the minister is talking about? She said a team was sent in.

Ms. Mihychuk: There are two processes. The department has an internal group that is headed up by Mr. Jim Kilgour. They will review the documents, meet with the company, ensure that all the questions are answered, and then Ernst & Young did a second review.

Mr. Schuler: The minister mentioned that one of the signatories was Motor Coach Winnipeg Limited. Is that correct? Who would have signed for Motor Coach Industries Winnipeg Limited?

Ms. Mihychuk: We will confirm this, but it is our understanding that Winnipeg is a subsidiary, that head office is the same, and so the signatory on the documents is the president, Sorrells.

Mr. Schuler: So Motor Coach Industries Winnipeg Limited is just a division of—is it just a trading name, or is it a division thereof?

Ms. Mihychuk: A wholly owned subsidiary.

Mr. Schuler: So Motor Coach Industries International, I take it then the president is Tom Sorrells. Who are the vice-presidents of Motor Coach Industries International?

Ms. Mihychuk: As I indicated before, two of the VPs are Al Swanson and Sam St. Amour. We will endeavour to find out who the other VPs of Motor Coach are.

Mr. Schuler: So who owns Motor Coach Industries International?

Ms. Mihychuk: Motor Coach Industries at the present time is owned by a New York-based venture capital fund. They are the majority owners, headed up by Joseph, Littlejohn & Levy, known as JLL.

Mr. Schuler: So Littlejohn & Levy are the majority owners of Motor Coach Industries International. Who is the other owner?

Ms. Mihychuk: We will have to check to see what the status is right now, but it is our understanding that there are several minority owners, including Dina, the previous owners

from Mexico, several banking consortiums, but we will provide greater information to the member tomorrow.

Mr. Schuler: Motor Coach Industries International, is that then a privately held company or is it traded?

Ms. Mihychuk: Currently, it is private.

Mr. Schuler: Are they regulated by any body in the United States? Do they have to report to somebody because they do have various shareholders or they just have to reply to their shareholders? Is there any governing body above them?

Ms. Mihychuk: As a private company, it is my understanding that they are responsible to their private owners. Other than that, they do not have any official, exceptional reporting structure. There are regulations, of course, in the Department of Commerce in terms of manufacturing buses, but other than that they are a private company.

Mr. Schuler: Littlejohn & Levy, what is their stake in Motor Coach Industries International? What percentage do they own?

Ms. Mihychuk: We will take that question as notice and review our records and see what we are able to provide the member.

Mr. Schuler: I guess I would be under the assumption that LJL, because the minister said it was a majority shareholder, would then own more than 50 percent. So my question to the minister then would be: How much information does she have on Littlejohn—LJL as it is known? Is it a publicly traded company?

Ms. Mihychuk: The first part of the question, yes, they own more than 50 percent. The second part of the question is they are not publicly traded.

Mr. Schuler: Were they ever?

Ms. Mihychuk: No.

Mr. Schuler: LJL, who owns them? Let me phrase my question this way: Is the minister

aware who owns LJL and approximately what percentage of LJL they own?

Ms. Mihychuk: LJL is a private capital pool and that information is not available to us.

Mr. Schuler: When due diligence was done, did the department not look at LJL?

Ms. Mihychuk: JLL.

Mr. Schuler: JLL. The minister has corrected me. It must be John Little and Levy then. Make sure we get the acronym right here, for the record. Was JLL not looked at before monies were flowed?

* (16:50)

Mr. Mihychuk: The reputation of JLL is well known amongst investment circles and considered to have a very good reputation. This was also investigated by Ernst & Young independently and confirmed that status.

Mr. Schuler: Would the minister be prepared to release the Ernst & Young report?

Ms. Mihychuk: I would like to be as open as possible and provide information for the record. I understand the Ernst & Young report is protected by FIPPA, but we will review the situation and see what we can provide which does not breach our agreements in the deal or any confidentiality matters that we have committed to. So we will review it and get back to the member.

Mr. Schuler: Again, I do understand and I commend the minister. If only her colleagues would take her example, I think a lot of grief could be spared in this Chamber. She has been open and I appreciate that if there are certain technicalities that cannot be released, clearly we do not want to be compromising individuals or companies.

I think the minister knows why there is such concern about this issue. I am sure she has a degree of discomfort, though I doubt she would admit that one publicly.

Clearly, there is a problem when government invests \$20 million and then the company

answers back with, thank you and we are firing everybody. Well, sorry, we are going to keep 20 employees, security guards. I know the Government's concerned about that too.

We, as the Opposition, have an obligation to find out what happened and obviously that the public's interest was protected. The minister mentions that JLL has a good reputation. What would the minister base that on? What else does JLL own that would give them this good reputation?

Ms. Mihychuk: The question began with some statements that I am going to have to try and clarify. In the worst-case scenario the company does have the flexibility to virtually lay off everybody in the whole plant. This is not something that management at the plant has indicated is in their plans. In fact, this degree of flexibility will not be utilized, is not perhaps even necessary.

The provisions to provide that kind of notice are, I understand, a procedure of labour law. It has caused a great deal of concern for suppliers to Motor Coach, for the families at Motor Coach, I want to reassure them and those that may be reading Hansard, though I have not met many people that do, those that do read the record, that we are working closely with the company and their plans are to continue and make this a viable operation. The worst-case scenario is one that they do not intend to go to, that their plans are to continue to make motor coaches and buses, and that the layoff will indeed, be reversed, and that we will be on a positive track.

Twenty employees, I think, is in the worst possible case scenario, and I do not want to cause families more concern than necessary. Again, our indications from the company are that there, unfortunately, will be layoffs. We are working with the company on that. The company will continue to produce coaches, and they will be ramping up again when the market comes back.

The question as to the reputation of JLL, the reputation is known within the investment community that its market share is growing, pardon me, that the independent review by Ernst &

Young confirmed that this was a legitimate private capital pool that was reputable and had committed to various companies and had a successful record.

Mr. Schuler: I will try one more time with the minister. I would appreciate it if she would give us at least some kind of comfort on this.

How big is the capital pool? What else do they manage? If this is all public, common knowledge, then I am sure she is not sharing any state secret here if she lets us know, for all those people that are reading Hansard, and need some comfort that JLL is this growing company. Again, I would ask the minister: How would she know that they are growing in market shares when none of that is public? A \$100-million company? Is this a \$70-million company? Is this a \$2-billion company?

What are some of the assets? Do they own 50 percent of Coke? Do they own GM? They have to have sort of a flavour to what they own. Are they into manufacturing? Is this one of their strengths? Are they a vulture fund? I do not know. Are they a bottling company? There has to be something that they are known for.

* (17:00)

Ms. Mihychuk: It is my understanding that with pools of this type, private capital pools, which is a limited partnership, there are several, or many in the United States, and that pension funds can invest in these private capital pools. What they do is use the money to invest in companies, sometimes to restructure, to do some, I guess, restructuring with companies. Then their ultimate goal is to sell them off then to another manufacturing consortium or purchaser or whomever.

We have very limited knowledge on the specifics of the capital pool, who is invested, and the companies that that private pool has invested in. It is our understanding, both from the financial community and checked by an independent group, Ernst & Young independent group, that this is a company that has significant capital, has proven as being investors in this company, and that they indeed are able and willing and have done this in the past. I am not quite sure what the

member is looking for, exactly who is invested in this private capital pool. We will endeavour to find out as much as we can, as I have indicated, and get back to the member as soon as we can with any further information that we can pull together for him.

Mr. Jim Rondeau, Acting Chairperson, in the Chair

Mr. Schuler: I think the answer that the minister was grappling with was very easy. "I do not know" could have been one of the answers. It might have been a little shorter. I appreciate it because I know a lot of individuals have tried to find something out. I guess that is the concern I have, is that there is very little to be known about JLL. The minister's boss spent a considerable amount of time talking about good faith and those kinds of things.

I would suggest to the minister that good faith does not make good public policy. That does concern me. I certainly would not invest my money into something unless I had some very good information on who they are, what they own, and what focus the fund has. I think that is just a reasonable question to ask. But we will leave it at that. The minister has endeavoured that she will look into it and see if she can get some of that information back to the committee, and we would certainly appreciate it.

The next question I have brings it a little bit closer to home. The minister mentioned 2001 the approach was made, May 2002 the agreement was signed. I understand it was about February 2003 when the first monies were flowed. Am I correct in that, or when were the first monies flowed?

Ms. Mihychuk: We do not have the document as to exactly when the first money was flowed, but we will get that for the member tomorrow.

Mr. Schuler: Of course I understand. Why would the minister think we would ask any questions about that particular document? Clearly I understand why she would not have that document handy, because MCI is hardly something that would probably come up at these Estimates.

My question then to the minister—

The Acting Chairperson (Mr. Jim Rondeau): Through the Chair.

Mr. Schuler: Clearly through the Chair. The Chair corrects me. My question to the minister, through the Chair, is: When was she told, as minister of her department, that MCI had sent a memo to government indicating that they potentially could wipe out all the employees at Motor Coach Industries? When did she actually find out about that?

Ms. Mihychuk: Well, I did not get a memo. The notice came when the company submitted their potential layoff or gave notice to the Department of Labour. Our ministry did not receive that notice. It is not required by law.

Mr. Schuler: It must be Estimates time; the minister wants to start playing wordsy, as compared to footsy. I will reword my question. When was the minister informed that the Department of Labour had been informed that MCI was submitting documents indicating that they might potentially in the future be laying off all their employees? When was she notified?

Ms. Mihychuk: I became aware of the situation when the company notified its workers, and there was a bulletin, I understand, put up in the work site. Media then came to me with the information, so I became aware of the situation on August 28, 2003.

Mr. Chairperson in the Chair

Mr. Chairperson: The Member for Springfield.

Ms. Mihychuk: Oh, pardon me.

Mr. Chairperson: Sorry, the honourable minister.

Ms. Mihychuk: For clarification, I believe it was that employees were notified on the 20th, and there was a lot of concern. It hit the media, and I was asked as to whether we received notice.

Mr. Schuler: Was the Department of Labour not notified Friday, August 15? And I put a question mark behind that.

Ms. Mihychuk: I am not aware of when the Department of Labour was notified. You would have to ask the Minister of Labour.

Mr. Schuler: So the minister whose department signed a \$20-million package, as one of the signatories but on behalf of the provincial government, the minister in charge of that department was not notified until the employees were notified?

Ms. Mihychuk: The agreement that we have requires a review of employment levels on an annual basis at the end of the year. It is my understanding that the company notified the department staff at the same time that they notified the Department of Labour staff.

Mr. Schuler: Far be it from me to disagree with the minister on the time line, and I do apologize to this committee. There was a water main break in the Legislature over the weekend. Our offices were flooded. My documents are –I have no idea where. My entire office had to be moved out. I do not have all my papers with me because of this catastrophe and the same thing with my colleague the Member for Lakeside (Mr. Eichler). I am under the impression, and I do not have the document with me, and I apologize. But I understand that the Government was notified on the 22nd of August, I apologize, the Government was notified on the 15th of August. The union was notified as well, but they were asked not to leak the document, not to release it, until such time as they could notify the employees. My question to the minister is: Is she under the impression she was notified at the same time as the Department of Labour? Did she find out the same day?

* (17:10)

Ms. Mihychuk: I do not really know where the member is going with this. The law requires companies to give notice of layoff, potential layoff to the Department of Labour and Immigration. It is my understanding that the company did so and, on August 15, gave such notice that they may be laying off certain numbers. It is also my understanding that they provided the notice or information to the Department of Industry, Trade and Mines as information. But the law, as

far as I know, requires them to notify Labour, not ITM.

Our agreement with the restructuring, the finance package, was a \$9.4-million loan, at Crown, as well as a piece for training which has been expended, training staff, and a portion for capital upgrades, as well as the federal government and the City of Winnipeg. Again, our portion of this package was \$9.4 million MIOP, a loan, and then it was not a \$20-million bailout like the member likes to put on the record.

Mr. Schuler: I think the time line is important. The minister, first of all, said she found out when the members found out. That would have been August 20. Yet now she says her department was notified on the 15th of August, as a matter of courtesy, along the same time as the Department of Labour, that they were both notified.

I guess what is important is there are quite a few days in between. What did the minister do between the 15th and the 20th? Did she get on the phone and call MCI Inc. to find out what exactly was going on? Did this just come out of the blue?

Ms. Mihychuk: Since 2002, the department has been monitoring the situation of the economy and the number of orders coming in to MCI. There had been indications that the orders were not coming in as expected. In fact a major order had been cancelled, which came I guess with very little notice, putting Motor Coach into a situation where they had to take steps of providing the layoff notice. I did not indicate that I was notified on the 15th. I was notified when I got a call when this information became public, the same day all members learned. I then asked for information from the department, which found the information to provide to me.

Since this layoff notice, which is precautionary but does not trigger a penalty and does not break the agreement, I was not involved with those first five days and was not aware of the situation.

Mr. Schuler: Is the minister concerned that it took that long for her department to feed her that

kind of information that is clearly so devastating to the economy of Winnipeg?

Ms. Mihychuk: Mr. Chairperson, I am sure the member is aware, given he was a school trustee in the past, that there are certain provisions under Manitoba labour law that require large organizations, employers, to give notice.

I know that, when I was chair of Winnipeg School Division No. 1, for example, we had to give notices on an annual basis, that we potentially could lay off 300 teachers, or some enormous number. We did not go into a program that called this the laying off of over 10 percent of the staff or whatever number it was because it was in case the provincial government did not forward the grant.

Now this had never occurred, so therefore you would not go to the media and say that the sky is falling, because indeed this was a precautionary notice that in case of the worst-case scenario this could happen. Again, a lot of the media attention on Motor Coach, I believe, was in the same way.

There is no indication that there will be a total shut down of Motor Coach. In fact those types of statements lead to a lot of fear and unsettledness by the families, the workers and the company itself. That type of reaction, which I would argue was again brought to the forefront in a media effort, may have caused the company some contracts and unsettlement.

Again, I would urge caution when looking at these notices that it is fairly common practice for large employers to give these notices in case there may be the worst-case scenario. In most cases that does not occur and, under our review of Motor Coach, we do not anticipate that that would be the case for Motor Coach Industries. There will be, unfortunately, layoffs. We are hoping that will turn around quickly and that those employees will be rehired and that the plant will go back into full production.

Mr. Schuler: I would hesitate to concur with the minister that the union overreacted. That is basically what the minister is trying to put out there. I think the minister did the right thing. They did a public duty in putting that

information out there. Their employees do have a right to know.

The minister also mentioned something about there had been a contract that had been cancelled. I did not hear that clearly. Is she referring to the Greyhound cancel?

Ms. Mihychuk: We cannot divulge what contract was cancelled.

Mr. Schuler: The Premier (Mr. Doer) did. The Premier said Greyhound had cancelled a 200-bus order and that is why there was this slowdown at Motor Coach Industries. I guess the Premier can go where the minister is not allowed to.

Ms. Mihychuk: We are not able to divulge that information. If the member wishes to ask the Premier, I am sure he has a number of avenues to do so.

Mr. Schuler: It must be an interesting Cabinet meeting. Nobody asks any questions. Nobody has any discussions. I guess they just stand around and drink coffee. Clearly, if the Premier goes out and makes statements that contracts have been cancelled that the minister is not allowed to divulge, that is interesting.

I would like to ask the minister: Is she comfortable with the due diligence that was done with the order book?

Ms. Mihychuk: According to our agreement with the company, there are certain things that we are not able to divulge. To respect those agreements, I am not able to provide that information to the member, although I would be very happy to if I could.

On another point of information, the VP of HR for Motor Coach, at that time, was Barry Melenkovic.

On the third point, were we satisfied with the due diligence done on Motor Coach and their order book, I would say yes. At that time, not only did we go through a thorough review of their books and their projections and their business plan, but we had an independent third party review those books and they came to the same conclusion. Yes, I would say, at that time, given

no other unforeseen situations, which you do try to provide some provision for, yes, the decision was accurate and the review was open and justified the investments. Yes, I am satisfied that the order book was complete and reasonable.

* (17:20)

Mr. Eichler: Could the minister detail the security the Province has regarding the money we have given to MCI?

Ms. Mihychuk: The security that the Province has is that we are second behind the banking consortium that provides the operating funds for Motor Coach, and we have a 100% guarantee from Motor Coach International Inc.

Mr. Eichler: What is the name of the bank that we are second behind?

Ms. Mihychuk: This is a banking consortium which amounts to 50 institutions, which includes CIBC as one of them, but it is a large number of banks participating in this consortium.

Mr. Eichler: Mr. Chairman, would it be possible to get a copy of this agreement, the MCI agreement?

Ms. Mihychuk: We will consult with legal counsel as to what we can divulge without breaking the agreement. We will try to provide what we can to the member.

Mr. Eichler: Having met earlier today with the International Association of Machinists and Aerospace Workers, what updates do you have for employees at MCI regarding the layoff announcement?

Ms. Mihychuk: If you can repeat, I did not get the question.

Mr. Eichler: Having met earlier with the International Association of Machinists and Aerospace Workers, what updates do you have for the employees at MCI?

Ms. Mihychuk: I had the opportunity to meet with employees about a couple of weeks ago. I have no additional or new notices to provide employees.

Mr. Schuler: I want to go back to the discussion we had with the order book. If these are contracts that are signed, they are made public. Why is the minister hiding behind a veil of secrecy, all of a sudden? The Premier is out in front of it. Usually, Jersey Coach will come and buy X number of buses and there is a big announcement, and, I am sure, the minister with her big smile is out in front—this big announcement, more buses coming. And now, all of a sudden, there is this cone of silence which is descending on the minister and her Government when it comes to where the order book was, because that is the crux of the whole business. If there were not orders, why did we give them \$20 million?

Ms. Mihychuk: First of all, I would like to clarify the record. We did not give them \$20 million, but the package negotiator was the \$9.4 million loan at Crown borrowing rate and there were components there that included training, capital and the City of Winnipeg and the federal government. So I would encourage the member to keep the record clear. A \$9.4-million loan is not a bailout, and I would ask the member to put the record straight.

Secondly, when we had an opportunity through our due diligence which we required to look at their order book, that was in the spring of 2002. Under our confidentiality agreement, we are not able to divulge that information, and I am sure that the member would not normally ask if it was not a political agenda. It would be unfair to compromise a company's order book in such a manner. You would not expect a minister to do that for the private sector, and I refuse to do that.

So there was no indication that there would be a drastic change to their order book. Our review was thorough and checked by an independent firm, Ernst & Young, which concluded the same thing. So due diligence was done, and I am not able to provide that information to the member although, as a general rule, I try to be as open as possible to members across the way because that provides a better relationship between all of us, and the public has a right to know.

Mr. Schuler: The minister is unwilling and that is fine. Can the minister then at least tell this

House how many buses were on the docket to be built, how many were ready to go into the pike to be built?

She does not have to give specifics. Was there a backup of 200, 500 000, 20, 80? What was the number?

Ms. Mihychuk: I am sorry to have to repeat the statement, but under the agreement, I am not able to divulge that private information for this company.

Mr. Schuler: So \$20 million of the public's money was given to Motor Coach Industries for a bailout, and the Government is unwilling to tell us how many buses were on the docket, which spells very, very poorly for what this Government did. My question to the minister: Why is she not forthright. Was the order book that weak that the minister is going to hide behind false claims of secrecy and not divulge that information?

That is \$20 million of the public's money that is at stake here for an order book that sounds to me was slim at best.

Ms. Mihychuk: The \$9.4-million loan was provided based on a total comprehensive review of the financial statements, the business plans, projected sales, the order book that the member wishes us to divulge, and at that time, as an additional level of due diligence, a third party, an independent review was done by Ernst & Young.

I think the public can be reassured that the agreement required the investment by Motor Coach, dollar for dollar, that there are requirements for them to make payments on the loan, which indeed Motor Coach has done. Their efforts to date of consolidation have been carried out and they are complying with the agreement.

Mr. Chairperson: The hour being 5:30 p.m., committee rise. Call in the Speaker.

IN SESSION

Mr. Speaker: The hour being 5:30 p.m., this House is adjourned and stands adjourned until 1:30 p.m. tomorrow (Tuesday).

LEGISLATIVE ASSEMBLY OF MANITOBA

September 15, 2003

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