

Fourth Session - Thirty-Eighth Legislature
of the
Legislative Assembly of Manitoba
Standing Committee
on
Public Accounts

Chairperson
Mr. Jack Reimer
Constituency of Southdale

Vol. LVII No. 5 - 7 p.m., Thursday, February 2, 2006

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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Eighth Legislature

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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday, February 2, 2006

TIME – 7 p.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Jack Reimer (Southdale)

VICE-CHAIRPERSON – Mr. Jim Maloway (Elmwood)

ATTENDANCE – 11 QUORUM – 6

Members of the Committee present:

Hon. Mr. Selinger

Messrs. Aglugub, Cummings, Hawranik, Ms. Korzeniowski, Messrs. Lamoureux, Maguire, Maloway, Reimer, Santos, Swan

APPEARING:

Mr. Jon Singleton, Auditor General

MATTERS UNDER CONSIDERATION:

Volumes 1, 2, 3 and 4 of the Public Accounts for the year ended March 31, 2003

Volumes 1, 2, 3 and 4 of the Public Accounts for the year ended March 31, 2004

Volumes 1, 2 and 3 of the Public Accounts for the year ended March 31, 2005

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Mr. Chairperson: Good evening. Will the Standing Committee on Public Accounts please come to order.

This evening this committee will be considering the following reports: Volumes 1, 2, 3 and 4 of March 31, 2003, Public Accounts; Volumes 1, 2, 3 and 4 of March 31, 2004, Public Accounts; Volumes 1, 2 and 3 of March 31, 2005, Public Accounts.

As was indicated in the announcement made in the House on December 7, 2005, this committee will sit no later than 10 p.m., but I think it is the will of the committee if matters wind up before that, we can adjourn before ten o'clock.

Just as a reminder, in accordance with our rules, speaking time in standing committees is 10 minutes.

I will now ask the honourable Minister of Finance to make an opening statement. I would also

ask him if he would introduce his staff that are in attendance.

Hon. Greg Selinger (Minister of Finance): I will start by introducing the staff we have with us tonight: our Deputy Minister of Finance, Ewald Boschmann; our comptroller, Betty-Anne Pratt; and two of her staff members, Terry Patrick and Colin Cassidy. With that, we are ready to start on answering any questions people might wish to have answered.

Mr. Chairperson: Does the critic from the official opposition have any opening statements?

Mr. Gerald Hawranik (Lac du Bonnet): No, I do not.

Mr. Chairperson: Does the Auditor General have any opening statements?

Mr. Jon Singleton (Auditor General): No, I do not. But I would like to introduce Bonnie Lysyk, the Deputy Auditor General and Chief Operating Officer from the Auditor General's office, and Susan Hay, the Audit Principal in charge of the Public Accounts.

Mr. Chairperson: I thank the Auditor General for those statements. With that, we are now open for questions.

Mr. Hawranik: Yes, I am referring to 2002-2003, Volume 2. On page 111 on the first column on the left toward the bottom, the seventh or eighth line from the bottom, there is a payment to the Manitoba Development Corporation of \$28,076,756. I would like the minister to explain the nature of that expenditure.

Mr. Selinger: Yes, there is a problem. We think we have the answer to this, but we do not have our staff here from the Comptroller's office who can do a fact check this time of the day when everybody has gone home. So, rather than give information which I might have to correct later on a specific item like that, with the patience of the critic I would like to take it as notice and get the accurate information, and get it to you as soon as possible.

Mr. Hawranik: Yes, I thank the minister for that. In addition to the nature of that amount of money, I would like him to indicate as well whether that changes on a year-to-year basis and the criteria that

are used by the department or by the government with respect to why it would change and so on. So the criteria is important because I noticed in the '02-03 accounts, '03-04 and '04-05 that there are expenditures to the Manitoba Development Corporation, but they are not always consistent. I am somewhat concerned in terms of why they are inconsistent and the criteria that are used for that expenditure.

I want to highlight a number of expenditures and perhaps we will go through them individually. The minister may have the same answer for me, I do not know, but there may be some expenditures in here that he can explain without consulting staff.

On the same page, page 111, the next column, the column on the right-hand side, about six lines from the bottom, it is NexInnovations, \$571,903. I would like to, as well, find out what the nature of that expenditure is. Whether it is a loan guarantee, grant, payment for services, I do not know. As well, if he does not have the information today, if he could undertake to, as well, describe the nature of the business, the purpose of that transaction. If it was a loan, I would like to know what security is taken for repayment and whether the payments are current or not in arrears, if he could undertake to do that for me for that particular expenditure as well.

Mr. Selinger: The member has asked a thorough series of questions with respect to a specific expenditure, and we will do the homework on that and get him that information. I will get that to him as soon as we possibly can. I suspect, as soon as the government is up and running tomorrow morning, we will be able to nail this down.

Mr. Hawranik: I thank the minister again for that undertaking. I just want to go through a number of expenditures, through a number of these books in the same manner.

Page 120 of the same Volume 2, second column, and about 5 lines from the top, there is an expenditure to Dale Chaboyer from Thompson for \$7,500. Again, I would like to find out the nature of that particular expenditure, whether it is a loan, loan guarantee, grant, payment for services or whether it is a contract for services. I do not know the nature of that particular transaction, the kind of business and the purpose for that transaction, and if it was a loan, what security for repayment was taken, or if it was a guarantee, what security for repayment was taken and whether the payments are current or not in arrears.

Same for page 121, the next page, the left column, the column on the left, almost at the bottom, Kane Biotech, for \$15,000. The same for the second column, almost at the bottom, five or six lines from the bottom, Perfumes n' Elegance for \$8,887.

Mr. Selinger: Where is that?

Mr. Hawranik: On page 121.

Mr. Selinger: Perfumes n' Elegance?

Mr. Hawranik: -n' Elegance, \$8,887.

Mr. Selinger: The previous one was close to the bottom as well?

Mr. Hawranik: Yes, on the left-hand side, Kane Biotech Inc. \$15,000, almost right at the bottom.

One more entry there. I noticed Industry, Trade and Mines had an expenditure of \$11,867 payable to Eugene Kostyra on the second column, the column on the right, four lines down, 121. I do not know if the minister knows what the nature of that expenditure was, whether it was a salary or whether it was a contract or whether it was a loan. I do not know if he could shed any light on that today.

Mr. Selinger: I suspect that is his expenses for the work he does, because he claims them through that department. CEDC is located in the Department of Industry, Trade and Mines, in terms of its FTEs.

Mr. Hawranik: Can the minister explain exactly what work he does, put on the record what work he does?

Mr. Selinger: He is the secretary to the Community Economic Development Committee of Cabinet.

Mr. Hawranik: Now I turn to Volume 2 of 2003-2004. I am just going to go through Volume 2, first on all three years, 2003-2004, the next year, Volume 2.

The only question I have with respect to an expenditure in that volume, again it is Eugene Kostyra for \$21,877.

Mr. Selinger: Page?

Mr. Hawranik: Page 133. It is a differing amount from the previous year as it is in '04-05. I know he has given me an answer with respect to Eugene Kostyra and the amount, but I wonder if he could check that amount as well to make sure that it was for expenses related to his duties. Public Accounts, Volume 2, 2004-2005, again, the same thing on page 137, Eugene Kostyra, \$28,329, if he could undertake

to provide me with that information on all three Public Accounts books for '04-05, '03-04 and '02-03, as he undertook as well.

* (19:10)

Mr. Selinger: Could you clarify where you found that citation?

Mr. Hawranik: Yes, it is page 137 on the column on the right, four lines from the bottom. Are you there?

On page 138, again we have the Manitoba Development Corporation on the left-hand column about three lines down, Manitoba Development Corporation, \$116,688, which is substantially different from the other years, and again the same request to the minister I made previously on the Manitoba Development Corporation.

The same column on the left-hand side, about a third of the way down, there is an expenditure for \$44,979 to Nuinsco Resources Ltd. in Toronto, Ontario. I do not expect the minister to give me an answer today, of course, as in the previous questions, but I would like to have an answer in terms of the nature of that loan or if it is a loan or a loan guarantee, grant, payment for services or whatever it was.

I would like him to as well give me an idea as to the nature of that business and the purpose of the loan or transaction, if it is a loan, and what security was taken for repayment and whether they are in arrears or not. The same goes with two lines down below that, Palliser Furniture Ltd., for \$250,000. Same request.

Same column again, about eight or ten lines from the bottom, Rare Earth Metals Corp., North Vancouver, B.C. for \$40,793. I think those are the only requests I have with respect to Volume 2 in each of those three years, so I would appreciate it if I could get a response from the minister as soon as possible.

Mr. Selinger: I will confirm all the data. The resource companies look like some of the companies that might have gotten the MIOP grants for exploration purposes in the province. They compete for them every year, so I would suspect that, but I will firm that up to you, and I will get the other information you have requested. We will get it as soon as possible.

Mr. Hawranik: Yes, if it is a MIOP loan or grant, it would be important to determine the terms of

repayment. What security is taken for each of those would be important for me and whether they are current or in arrears for payments.

I will turn to Volume 3 of March 31, 2005. I believe it is page—according to my photocopy, it says page 3-3?

Mr. Selinger: I think that is Volume 1.

Mr. Hawranik: Oh, that is in Volume 1, is it?

Mr. Selinger: You have Volume 1 in front of you.

Mr. Hawranik: Oh, okay; they are the same size. Okay, 2004-2005, Volume 3.

Mr. Selinger: Page 33?

Mr. Hawranik: Yes, 3-3, and I am looking at the—

Mr. Chairperson: Mr. Minister, just—

Mr. Selinger: My 3-3 is Statement of Revenue, year end of March 31, '05?

Mr. Hawranik: Yes, that is the page I am referring to. Retail Sales Tax, if you look at it, is about four lines from the bottom for the totals, indicated that the amount collected on retail sales tax increased by a little over \$59 million from '03-04 to '04-05 over the previous year.

Now my question to the minister is, and I look at as well page 15 of Volume 1 of 2004-2005. In there, as part of his statement, his year-end review, the minister's message indicates changes. It is part of a meeting recommendation to reduce taxes and so on. Okay? In there, on page 15, in the left-hand column, the fourth asterisk or dot that is down there, it says a retail sales tax was changed to include certain legal, accounting, architectural, engineering, security and private investigation services. That is in July 1 of 2004. I note that there is a \$59-million increase in collections on retail sales tax. Can the minister indicate to me how much retail sales tax was collected in '04-05 with respect to legal bills?

Mr. Selinger: The \$59 million is preponderantly composed of gross and retail sales. Some of that revenue is obviously with the levy on professional services this year. It is far less than the amount of \$59 million. Our assistant deputy minister of taxation will have to confirm that number. I will get that for you. I will take it as notice on that, but it is probably less than a third of that amount.

Mr. Hawranik: The minister is indicating though that that information is available, I take it because

lawyers prior to this change were never under the provincial sales tax system.

Mr. Selinger: It is available, and we will get it for you.

Mr. Hawranik: The same goes for the accounting, architectural, engineering, security and private investigation services. Would the minister have information in each of those categories as to how much provincial sales tax was collected?

Mr. Selinger: I am quite certain we can ascertain the amount for the entire professional services PST expansion, and we will endeavour to try to break it down by the professions that the member has identified in the item on page 15 of bullet 4 on the left-hand column. We will see if we can get a breakdown for you.

Mr. Hawranik: Would that information also be available on a quarterly basis starting, let us say, April 1, 2005, and continuing until the end of the year?

Mr. Selinger: We will have to see if we can break it out on a quarterly basis, but we are quite confident we can do it on an annual basis.

Mr. Hawranik: Okay. I note on page 15, again on the same page, continuing to refer to Volume 1 of '04-05, the next bullet downward, the minister indicates that "For bank, trust and loan companies, the Corporation Capital Tax base was changed to include subordinated debt in the calculation of taxable paid-up capital, effective for fiscal years ending after April 19, 2004."

* (19:20)

This is a question to the minister or the deputy. Would that be included in the fifth line down, the Insurance Corporations Tax? Is that where that is included, or is it included as Corporation Capital Tax?

Mr. Selinger: It is included in Corporate Capital Tax, the third line down.

Mr. Hawranik: Can the minister indicate whether or how much was raised? How much of that increase of \$26,801,000 was due to the change that he made with respect to the taxation? Would he be able to break that out for me as well, in terms of an amount?

Mr. Selinger: We believe it was approximately \$10 million.

Mr. Hawranik: Would that be \$10 million for that fiscal year?

Mr. Selinger: Yes.

Mr. Hawranik: Okay. Is it expected to raise about \$10 million every year?

Mr. Selinger: Yes.

Mr. Hawranik: I refer to the next bullet down, which is, "Effective April 19, the Tobacco Tax rates were increased," and it indicates the amount of the increase. Then I refer back to page 3-3, the Tobacco Tax went up from one year to the next by \$13,165,999.

Is there information available as to how much of that increase, a little over \$13 million, was due to the increase in Tobacco Tax rates for the year?

Mr. Selinger: Yes. We believe virtually all of that would be attributable to the increase in tax, as consumption is flat and/or declining. We have actually seen a decline in tobacco consumption year over year in the province.

Mr. Hawranik: So you are saying that almost all that \$13 million would be due to the change in the tax that was made in '04-05.

Mr. Selinger: Correct.

Mr. Hawranik: Next category down, it says, "Liquor markups were adjusted to raise an additional \$10 million," for 2004-2005. In accordance with the records that you have, that you maintain, is that the amount that was raised in '04-05?

Mr. Selinger: If the member would turn to 3-7 on the Volume 3, about four pages over there, you will see Liquor Control Commission, an incremental amount of \$10.6 million.

Mr. Hawranik: Could the minister confirm whether most of that, or all of that, would have been due to the fact that the liquor markups were adjusted, or were there other factors?

Mr. Selinger: To be precise about the composition of that increase in revenue, I would have to get information from the Liquor Control Commission. We believe a good portion of it would have been. However, there are consumption pattern variations due to weather and a variety of factors that would probably make adjustments to that number. So I would have to get an analysis of that for that year from the Liquor Control Commission, the product

mix, sales, seasonal adjusted factors. I mean, every year it varies.

Mr. Hawranik: Could the minister undertake to do that and provide that to me?

Mr. Selinger: Yes.

Mr. Hawranik: The next one down on the same page, page 15, the motive fuel tax rate on diesel fuel was equalized with the gasoline tax rate to 11.5 cents per litre. How much was that increased?

Mr. Selinger: We will verify that number for the member. We have a slight variation in recollection between the deputy minister and the minister of somewhere between 0.4 and 0.6 of a cent. So once we verify that, we will get that back to you.

Mr. Hawranik: I am glad that the minister is going to be accurate.

Mr. Selinger: Yes, one of us will be accurate.

Mr. Hawranik: I am glad he is endeavouring to be accurate. Next, a couple more yet, the motive fuel tax, yes, we did that, the motive fuel tax. I notice that, just as an indication, it did go up over \$9 million and I would be curious to note whether or not that change, while the rate change for the motive fuel tax was increased, I take it, to harmonize itself with a gasoline tax—I believe that it was increased from my recollection—but whether or not the minister can provide me with an indication as to whether or not that \$9,472,000 as extra motive fuel tax collected by the Province is due to that change.

Mr. Selinger: We will endeavour to decompose that number for the member to understand what portion of that is due to increased consumption and/or increased tax on the motive fuel portion of the total revenues.

Mr. Hawranik: One last question, one last area I wanted to ask the minister about is on page 15, and that is the Land Transfer Tax. The Land Transfer Tax on July 5, 2004, was increased for property valued at over \$200,000, and I notice that on page 3-3, the Land Transfer Tax collected from one year to the next was increased by over \$5 million.

Now, I am quite aware that the real estate market in the province of course probably improved between '04 and '05 in terms of values, but I would like to ask the minister again what that increase in value has produced for the provincial Treasury in terms of taxes collected during '04-05 as well, if he could get back to me on that as well.

Mr. Selinger: Yes, the member is correct. There have been record sales in the last few years in the real estate sector, so that revenue number would be in part determined by that increase in sales, and a portion of it is determined by the half-a-percent increase on the tax for those properties in excess of \$200,000, and we will break that down for the member.

Mr. Hawranik: Yes, thank you very much for that. I am going to continue to refer to Volume 3 of '04-05 at the next page. About four categories down, Advanced Education and Training, I noticed from '03-04 to '04-05, there has been a fairly substantial increase in fees and sundry collections.

Could the minister indicate whether or not any of those fees, permits, licences were increased in terms of what the charges are for any fees, licences and permits during that period of time that would have resulted in a substantial increase as we see here?

Mr. Selinger: We will have to take that as notice and get the specific details of that for the member.

Mr. Hawranik: I notice on the same page in Conservation, under Cost Recovery, which is the top line under Conservation, from '03-04 there was no cost recovery. In '04-05, there was a cost recovery of almost \$200,000. Was that as a result of a different policy change in government or simply was there no reason to have any cost recovery in '03-04?

Mr. Selinger: Once again, we will take that as notice and get the specific information for the member on the determination of why that number was \$199,924.

* (19:30)

Mr. Hawranik: Can you speed up the process? I have lots of questions like that, but I will indicate to you, Mr. Minister, and thank you very much for that undertaking to provide me with that information.

There are a number of other areas I have the same question on and that is under Forestry Fees and Sundry. It went up by 25 percent in one year. Land Information Sales and Fees went up substantially, about 30 percent from one year to the next. Licence Sales by Vendor went up by 12 percent it looks like in one year. Also, the Wildlife Sundry Fees went up by about 80 percent in one year. If he could provide me with information as well as to whether or not those licence fees, permit fees were increased or not during '04-05 that resulted in the substantial increase

to the revenue that was available from one year to the next.

Mr. Selinger: Yes, these items were all tabled as part of the Estimates in those specific departments, and the critic for that department would have had full opportunity to ask those questions. If the member wants the information himself over and above the Estimates process, we will endeavour to get it for him.

Mr. Hawranik: Yes, thank you for providing me with that information. I would want to have that information directly from the minister.

Recently, I notice park fees have gone down actually from one year to the next, but I also read the news release about a few weeks ago indicating that the Minister of Conservation (Mr. Struthers) will be increasing those park fees. I would like to get from the minister how much those increases in park fees will generate for the province on a year-to-year basis, if he could provide me with an estimate of that amount.

Mr. Selinger: The member is actually asking a question not relevant to the '04-05 Public Accounts. He may want to wait until the Estimates are tabled for the next budget, and then he can go to that department's Estimates and get that number.

Mr. Hawranik: The next page, Culture, Heritage and Tourism, the same question that I have posed to the minister before with respect to the increase in fees also applies again. I would like to have some information as to whether or not there was an increase in the licences or the fees or the permits that are required under each of these categories. I will perhaps just name them for the minister rather than going through a preamble every time I come to a new section. One is the Information Resource Fees, under Culture, Heritage and Tourism, which increased substantially as well as the Sundry Fees under Energy, Science and Technology, a huge increase from \$28,000 to over \$3 million.

I would like to know why the collections would have been that much greater, the revenue that much greater from one year to the next, whether it was due to an increase in taxation or an increase in fees, permits or licences. Also, Family Services and Housing cost recovery from municipalities, I note that in '03-04, there was none. In '04-05, I would like to know whether or not there was a change in policy by government which in fact resulted in those increases as well.

Mr. Selinger: Yes, the member might recall the initiative to create a single-tier welfare system in the province whereby the Province took over all the welfare administered by local municipalities, and that was a negotiated agreement which had a cost recovery attached to it.

Mr. Hawranik: The same question goes for in the Department of Finance, to the minister: the Consumer Affairs fees, The Insurance Act fees and the sundry fees, all substantial increases in revenue to the government. I would like to know whether or not any of those fees had increased during this particular year, between '03-04 and '04-05 and the nature of that increase. As well, health sundry fees have substantially gone up. Further down in the page, Industry, Economic Development and Mines, the petroleum royalties and fees, whether there was any increase in royalties or fees that were imposed by government which created a substantial increase in revenue of the Province.

Mr. Selinger: We will get that information for the member on all of the specific items he has requested. I would hope most of these questions would have been answered once already during the Estimates process. We will check to see if they were answered and by whom and to which critics so the member will know whether these issues have been canvassed already.

On the petroleum royalties and fees, as the member knows there has been quite a bit of more activity in Manitoba. The member will also know that the price of these products, commodities, has been escalating quite dramatically. Even if the fee stays at the exact same rate, it is going to yield more revenue when the price of the product has gone up higher.

The member might also recall that in previous budgets, there were tax improvements made to incent for the drilling in that quadrant of the province, the southwest quadrant, including horizontal drilling and the use of new technologies to extract the resource. So there have been some definite improvements to incent that industrial activity in that quadrant of the province. That, combined with increased world demand and thus an increase in the price on the world commodity markets, has generated more royalties.

Mr. Hawranik: Yes, I thank the minister for that. But my main concern is whether there was any increase in fees or licences or permits during the particular year, the nature of that increase and the

effect it had on revenues for the Province. It may very well be, particularly with respect to petroleum royalties and fees, as he says, you know I think all provinces are experiencing increases in royalties and fees. But there may be other reasons as well and that is what my concern is.

Mr. Selinger: We will get that information for the member including the tax incentives, which may have resulted in more product coming to market.

Mr. Hawranik: I go to the next page, 3-6. The minister will be happy to note we are almost done this part. Okay, 3-6, Intergovernmental Affairs and Trade, again a substantial increase in revenue for cost recovery for municipalities and I would like to know whether or not that is as a result of any change in policy by the department.

Under Justice, I notice that fines and costs have gone up substantially. I would like him to provide me with information whether or not that increase is due to that tax on fines, that surcharge on fines, and how much revenue that would have generated for the Province.

Mr. Selinger: I think at the time this budget was done, was the member not the critic of Justice?

An Honourable Member: Nobody answered it at that time.

Mr. Selinger: I will get the information for the member, including the press release that was put out at the time to explain it, so that it might refresh the member's memory as the critic at that time.

Mr. Hawranik: Yes, the press release did not have any indication as to what it would generate, I remember. I remember the increase and the surcharge and the fines and so on and the tax on the fines, that there is no indication as to what that would generate for the Province. That is my concern. What exactly has that generated in terms of an increase in revenue to the Province?

Mr. Selinger: The Estimates at the time would have had an estimate of that. We will get the original information and press releases and how that varied from the experience demonstrated here in terms of actuals and provide that to the member.

Mr. Hawranik: I thank the minister for that as well.

Under Transportation and Government Services, automobile and motor carrier licences and fees, a substantial increase in fees, increase in revenue, I should say, to the Province from one year to the next.

I would like the minister, again, to provide me with information as to whether or not any of those fees would have increased and if they have, in fact, increased in amount, what effect that would have had in terms of increased revenue to the Province and, as well, drivers' licences.

* (19:40)

Mr. Selinger: Again, those announcements would have been made at the time of the budget. We will get the information originally conveyed to the public and to the members of the Legislature, and we will square up the Estimates at the time with the Actual shown here to give the member an accurate portrayal of then and now. These were all announced at the time.

Mr. Hawranik: I thank the minister for that. The next page, 3-7, I noticed under Crown Corporations, the Manitoba Securities Commission revenue to the Province increased by some probably 25 percent or more, just a little under 25 percent, and so the Property Registry—well, actually the Property Registry increased, almost doubled, and I would like to have an indication from the minister, of course not necessarily today but certainly an undertaking to provide me with that same information. Have fees increased, and if so, what effect has that increase had on the increased revenue? How much extra revenue would it have generated for the Province?

Mr. Selinger: Yes. I will get that information for the member. The member will also know, as well, that those were very active years in both securities as well as property activity, so a good portion of that would have been due to growth in activity.

Mr. Hawranik: I thank the minister for that. That is really the only questions I have with respect to Volume 3, 2004-2005.

Now, I refer to Volume 1 of '04-05, and on page 8, the Minister's Message, Year-End Review, indicates on the left column, State of the Economy, second paragraph down, under State of Economy, he indicates: "Manitoba's economy is one of the most diversified in Canada." Of course I do not think he would have any argument there. "This diversity has contributed to the stable economic growth of the province; over the past five years, Manitoba's real economic growth has been among the most stable among provinces."

I do not think there is any dispute about that in terms of stability. My concern, I guess, is that Stats Canada has come forward with information to

indicate that over the last five years the provincial economy grew, we were the only provincial economy that grew at a rate lower than the national average.

Mr. Selinger: I have to correct that. You cannot have a national average where only one economy grows below the average. The nature of an average is some grow below, some grow above, and then you average them out and get an average. So I just have to point out the error in thinking of the member's question. [*interjection*] I know that, but sometimes you have got to take a risk.

Mr. Hawranik: Well, there is a national average for the economic growth in Canada, and the economy in Manitoba grew at a rate that was below the national average for the last five years according to Stats Canada. Are you saying they are wrong?

Mr. Selinger: I am suggesting that you are wrong to say that it is the only economy that grew below the national average.

Mr. Hawranik: I did not say that.

Mr. Selinger: Well, that is what I heard you say.

Mr. Hawranik: I said that we were the only province that had an economy that grew at a rate less than the national average in the country. All other economies, all other provinces had rates of growth where some were below the national average at certain years and some were above. We are the only one that had growth that did not exceed the national average in the last five years.

My question is, stability, of course, is important, but what is the minister's viewpoint in terms of us growing? Since we are, of course, a stable economy and we are a diversified economy, should we not expect Manitoba's economy to grow at a rate faster than the national average?

Mr. Selinger: There is no theoretical or empirical relationship between stability and economic growth and the rate of growth with respect to the national average. There is just no relationship to it. A stable growth economy reflects an economy that has a diverse economic base with a great variety of industries that grow according to the demand and supply factors in those specific industries.

Some economies grow higher than the national average in years when, for example, commodity prices are high because they are commodity-driven economies. Most of those economies are to the west of us, although there are some economies in eastern

Canada, particularly in Newfoundland and Nova Scotia, where off-shore oil and gas prices drive their economic growth above the national average because of the high prices in the world economic marketplace.

Other economies, when those prices drop for those specific commodities, in the times when the cycle goes down, their economies tend to slow down. So they tend to have higher dips and valleys over a period of time. Our economy, because of its diversity, has greater stability. It tends not to grow as fast in the hot commodity periods, such as we are experiencing right now, and tends not to slow down as much in times when the commodity prices drop. So it does provide more stability.

Mr. Hawranik: Having said that, should the minister not expect the Manitoba economy, since we are as diversified as the entire Canadian economy, should we not expect, with proper government policy, that we should at some point in time grow at a rate faster than the national average?

Mr. Selinger: I would have to reiterate my point. The Manitoba economy, being a diverse economy, will grow faster than the national average at that point in the commodities cycle when prices are very low as reflected in the revenues generated through royalties and taxes and fees in those provinces that rely in a dominant fashion on commodity prices such as oil, gas, potash, uranium being high or low. For example, in Alberta 60 percent of their revenues come off royalties. When world prices are as high as they are, they are generating a \$9-billion surplus this year. It is has nothing to do with government policy there; it has everything to do with the world commodity prices. It might have a lot to do with George Bush's policy in Iraq as well as what is happening in the Chinese and Indian economy.

Mr. Hawranik: I guess what the minister is saying is that we can never expect to exceed the national average in terms of growth, just because we are diversified and stable. Is that what he is saying?

Mr. Selinger: That is the exact opposite of what I have just said. I said, at that point in the economic cycle when commodity prices are low, you would expect that an economy as diverse and as stable as ours would exceed what those low commodity-driven provincial economies would be generating in terms of economic growth. When those commodity-driven provincial jurisdictions have high prices on the world market, they are going to probably be the leaders.

We are seeing that right now with provinces like Newfoundland, Alberta, Saskatchewan and B.C., which are very strongly impacted by commodity-based revenues. The B.C. economy struggled when the forestry sector was down. Right now forestry, even though with softwood lumber, they struggled. But now demand for things like coal, oil, gas and every forestry products is actually quite high again. For example, the B.C. economy was hugely affected in the nineties by the deflation and slow economy in Japan and the East Asian markets. But now they are picking up because the Asian economies are doing much better again. That is a major part of their marketplace.

Mr. Glen Cummings (Ste. Rose): I have a couple of questions from Volume 2, '03-04 under Executive Council, pardon me, the Legislative Assembly. I see—

Mr. Chairperson: I am sorry, could you just repeat which book you are working on, Mr. Cummings, please.

Mr. Cummings: Under Volume 2, '03-04. So much to choose from. My question on the first column in Legislative Assembly is—

An Honourable Member: What is the page?

Mr. Cummings: Page 67. I see a stipend to Senator Carstairs for \$16,000. Any idea what that might have been for? Would you take it as notice and tell me?

Mr. Selinger: I will take that as notice.

* (19:50)

Mr. Cummings: On that same page, I see a lot of my colleagues' stipends on here which I understand and my own. I see another on here for one John Harapiak at Neepawa for \$10,000. Does this assembly of cheques here include board reimbursements? I would not think that it would, but that would be my question. That is my question. If that is not the explanation then I would be interested to know what that stipend was for.

Mr. Selinger: I am suspecting here that this might be election related. I think we might be finding the numbers related to the election rebates under the Legislative Assembly here in '03-04. The election was in '03, in the spring. This is the '03-04 Public Accounts, and I suspect many of these figures in here relating to names such as the member mentioned are related to their participation in the provincial election.

Mr. Cummings: Well, the first name is certainly—

Mr. Selinger: Yes.

Mr. Cummings: Okay, thank you, but I would be interested nevertheless.

To go over one page, two pages, pardon me, to 69 on the right-hand side, three quarters of the way down, I see under Aboriginal and Northern Affairs, Manitoba Moose, \$5,800. Not a lot of money, but I would be interested to see what that pertains to.

Mr. Selinger: I will take that as notice and find out.

Mr. Cummings: Continuing on the bottom right-hand corner but on page 71, there are two cheques to the ministers of Finance in New Brunswick and Nova Scotia under Advanced Education and Training.

Mr. Selinger: I will find out. Sometimes these are reimbursements for interprovincial get-togethers and they are rebated to the jurisdiction hosting the event, so I suspect that is what it is but I will verify that so the member has greater certainty about how that money was deployed.

Mr. Cummings: Again on the right-hand side, funny how I am always looking on the right-hand side of the page here, page 73, three quarters of the way down, it says Canadian Wheat Board, \$30,000. You know, I did not see that reflected in my final payment and I am not sure that the Province of Manitoba would have a reason to be hiring the Wheat Board, so I would be interested in how that would occur.

Mr. Selinger: I will take that as notice.

Mr. Cummings: I have another matter on the bottom right-hand corner of page 77, actually, under Conservation, the Charterhouse Hotel for \$19,975. I would be interested to see what, and I obviously do not expect the minister to know, but I would be interested if that was a convention or if there were other reasons for that.

Mr. Selinger: I will take it as notice and get the information for the member as soon as possible.

Mr. Cummings: Under Civil Service Commission, which is the page opposite but on the lower right-hand corner again under Civil Service Commission but on page 76, one oddity shows up here. Generally, these reports are quite particular about the origin of not just the name but the location of where the cheque is going and there is a cheque in here to an

R.P. Pollock for \$6,022. I would be interested to know what service was provided there.

Mr. Selinger: We will get that information for the member.

Mr. Cummings: There are a number of places throughout this volume and different departments where it refers to travel companies. One gets mentioned quite frequently, and I would use that for a platform to ask the minister if, in fact, any of the travel arrangements made on behalf of the government are tendered. Would that explain why one company does a lot of the business?

Mr. Selinger: I will find that out for the member. Could he give us greater specificity by telling us which company he is thinking has gotten a lot.

Mr. Cummings: I am not concerned that the company itself is getting the business. The company that is mentioned regularly is a large and reputable firm, Carlson Wagonlit. A number of departments do use it, and I just wondered if it is a tendered process or if each department chooses its own supplier.

On page 72, under Advanced Education and Training, considering some of the other numbers involved it is relatively small, but Prism Economics and Analysis in Toronto for \$30,000.

Mr. Chairperson: Maybe the member can—is it on the left?

Mr. Cummings: Left-hand side, bottom, page 72.

Mr. Chairperson: Thank you.

Mr. Selinger: I thank the member for switching to the left for a few questions, and we will endeavour to get that information for him on Prism Economics.

Mr. Cummings: Well, how we are on the left-hand side, on top of page 74, on the left-hand corner, I see one Donald Dewar from Dauphin received a small stipend. It is not spelled right, but I would think that it might be useful to know what his contractual involvement was.

Mr. Selinger: We will find that out.

We could not print that in the middle of the column.

Mr. Cummings: I had one other question in Conservation. On page 77, Mr. Chairman, borderland farms from Gretna, \$9,000.

An Honourable Member: Left- or right-hand.

Mr. Cummings: Right.

An Honourable Member: Borderland?

Mr. Cummings: Borderland. I am sorry, it is Border, not borderland. Border Farms.

Mr. Chairperson: Maybe you could point it out. Is it at the top approximately, about halfway down, is that the one?

An Honourable Member: Look under the Bs.

An Honourable Member: Border Farms L-T-D, Gretna.

Mr. Chairperson: Oh, yes, there it is.

Mr. Hawranik: I refer back again to Volume 1 of '04-05, page 16, the Minister's Message, Year-end Review. Just prior to the last paragraph, the minister indicates, "On June 10, '04, the Province passed Bill 10, The Gas Tax Accountability Act, into law. This legislation reassures Manitobans that road-use fuel taxes are reinvested into roads and municipal infrastructure. To ensure transparency, the road-use fuel taxes and amounts expended on roadway and municipal infrastructure must be reported. The first accounting is contained in the 2004-05 Public Accounts and reports \$217.7 million in revenue and \$297.5 million in expenses." It indicates, "When expenditures exceed revenue, the difference is made up through general revenues."

* (20:00)

Now I see that that is the minister's opinion with respect to that, but when I cross-reference, and the minister does not have it handy at this point, although he probably would have received the report for the Manitoba Heavy Construction, I will refer him to page 3 of that report. Although he does not have it, it is on page 3 just for his own information, the \$217.5 million in revenue for '04-05 is actually confirmed as the exact number that is in the Manitoba Heavy Construction analysis. So that is consistent.

However, when I go to item No. 6 on page 3 of that report, it indicates that in fact all of those gas-tax revenues were not spent on roads, reinvested into roads. They indicate in fact that there is \$56.45 million of revenue that actually was not spent on roads in accordance with the act. I assume that the minister probably has seen that report, and he has a differing view than the analysis, of course, from the Manitoba Heavy Construction Association, and that analysis may be due to the fact that he may count extra expenses that the Manitoba Heavy Construction is not counting. So I would like the

minister to indicate what that \$297.5 million in expenses includes for the purpose of the act.

Mr. Selinger: If the member would turn to Volume 3, March 31, '05, Public Accounts, 2004-2005, Volume 3, page 4-20, at the top of the Revenue columns there it indicates how the \$217.7 roughly revenue figure was derived because it takes out the tax attributed to aircraft and locomotives. Then it indicates the broad categories of where the money was expended: Construction and maintenance, \$242.5 million; Operations, \$28.7 million; Transit grants, \$22.7 million; and Other infrastructure related grants, \$5.6 million, for a total of \$299.5 million and a difference of \$81.8 million. So there is a slight difference there on the expenditure side—[interjection] Yes. This document indicates actually \$2 million more of expenditure than I indicated in my report at the time, and it is explained with those broad categories there.

Mr. Hawranik: I take it that your report would be inaccurate by \$2 million. Is that the way it is?

Mr. Selinger: I think the number we have to work off is the number I have indicated on page 4-20.

Mr. Larry Maguire (Arthur-Virden): Mr. Chairman, I know that the minister has indicated the number of 217. Is that an accurate number for gas and motive fuel taxes?

Mr. Selinger: Yes, that is the number indicated on 4-20, Volume 3 of the '04-05 accounts. I will make sure the member gets that page.

Mr. Maguire: Back on page 16 in the 2004-05, Volume 1 edition where they are looking at the 217 as the first accounting is contained in the '04-05, it reports 217.7, and that is where you get that number in revenue and 297.5 in expenses. The concern I think that the organization that the Member for Lac du Bonnet (Mr. Hawranik) had raised earlier is that the surplus that was, I guess, supposedly spent in that area was shortfalled by some \$56.45 million in '04-05.

I guess if you look, that is the year we are talking about here. The feeling of that organization was, and I just wanted to express it, that there was a shortfall and that there was a lapsed amount of funds that the total amount of the money raised on gas taxes and motive fuel taxes was not spent in capital construction at that point. Can the minister give us advice on where he feels it was spent?

Mr. Selinger: Yes, thank you to the member. As the member knows, the timing of projects is affected mostly by weather conditions every year, so there are some projects that lapse while others go ahead. But the accounting done on 4-20 is intended to demonstrate what was actually spent in that year, that fiscal year for construction and maintenance.

There are two categories there: construction and maintenance. Sometimes when construction projects cannot proceed as rapidly as planned, there are more maintenance requirements. Weather conditions are an enormous factor here in the ability to deliver these projects and I am sure the member understands that probably even better than I do from the constituency he represents. But the total amount, the numbers here have been verified and we stand by them.

Mr. Maguire: Yes, I would refer as well to that. I appreciate the fact that these numbers have been verified and the department has put them forward. I do know as well that the Manitoba Heavy Construction Association did an analysis in November of '05, that they sat down with the minister's department, the Minister of Transportation and Government Services (Mr. Lemieux) at least, and went over the revenue and expenditures that they had outlined for the previous six years.

There was some agreement even with the minister in regard to how those numbers were obtained and verified. It certainly was found that there was a return to the general treasury of funds that were lapsed. I appreciate what the minister is saying in regards to whether in projects and the timeliness of that, but in '04-05 the number was \$56.45 million. That just seems to be a huge amount in regard to the overall expenditure of a budget of that size. It is a pretty high percentage of it.

I just wanted to just bring that to the minister's attention to see if he can explain exactly why those kinds of dollars would be lapsed in a year. I guess I would like to add at this point that we have seen in the papers and we have seen in the phone calls that I have received, I am sure that the minister has received as well, you know, that we have got a pretty mild winter going for us here. That is a great thing for us, but it has wreaked some havoc with some of the roads as has been indicated. So you know that is a concern on top of what was already a burgeoning problem across the province in regard to some of the crumbling infrastructure in highways.

So I just wanted to, on behalf of this organization, make the case that these monies should

be at least put forward and spent in those years. It should not be allowed to be lapsed or put back into general revenue. I wonder if the minister could comment on his thoughts on allowing those funds to go back into general revenue as opposed to carrying them forward to be making sure that the projects that they were put in place for were carried out.

*(20:10)

Mr. Selinger: As the member knows, in every budget done in the province there is a lapse factor that is put right into the budget every year right at the outset, and if monies are not able to be spent for various weather reasons, for example, or timing reasons on a specific capital project including a road project, some of that money might be lapsed, but then it is budgeted for the following year to complete that project.

The other factor that is going on here is that until a few years ago highways were cash paid, and due to recommendations from the Auditor General we have moved to an amortization and debt-financing approach to the way we treat those assets, and there was a major amount of work that went into accounting for the old assets and how we account for the new assets. So the old system of lapsing cash is now really a thing of the past because this is now schedule B capital that is debt financed and amortized over the useful life of that asset.

So there has been a dramatic change in the way these assets are financed in the last few years to meet GAAP requirements. But prior to the changes in GAAP, highways were paid for in cash, and when the cash was not expended by long-standing provincial budget policy, unspent cash is lapsed. That is the policy of the way our legislative regime works for the budget. You cannot spend the money unless you have spent it for the purpose voted for, and if you have not been able to do that in that time frame you have to lapse the money. That is just the way the law works.

Mr. Maguire: Well, I certainly understand that and I understand what the priority is. My question, I guess, to the minister, and I think he answered it in his first couple of sentences in the last question, was that he indicated that if the money is there, it is lapsed. It is rebudgeted in the next year, but my point is it is not reused. I mean, the projects were still not done in the previous year. So, instead of allocating new money, it allows the government \$56 million, in this case, to put into the next year's budget, that it indicates that it has got the opportunity to redo those projects,

because the same project is going to be done in the next year.

So you end up with a budget of, let us use the number of \$154 million here or even the 217 raised in revenue. If you have \$56 million of that that you do not spend, it is almost 25 percent of that particular budget for the year, and your having to carry it forward into the next year, the same project that is not done has to be re-put on the books for the next year. But you do not raise the amount of money available by the amount lapsed, so that is a concern of citizens in Manitoba.

Mr. Selinger: I take the member's point. He is suggesting that under a cash-financing system, if you did not spend it in the one year, you should just pile it on top of the next year's budget and spend it in the following year. But what I was trying to indicate to the member was that during that period of time we had to go through a transition from a cash-financing approach to an amortization and debt-financing approach. We did increase year over year the amount of allocation we put into this kind of infrastructure, but there was a change in the methodology for financing it as we went forward.

Mr. Maguire: I appreciate the minister's answer, but I guess one of the concerns of organizations is that throughout the change—and I know that there were some changes taking place in the accounting process. We have gone through that in Estimates a little bit, but I am wondering if the minister can explain I guess the fact that under these programs a lot of the wages and salaries in that area have risen, or the administration costs, I should say, not just wages and salaries but administration costs have risen while the actual expenditures of the roads for maintenance and construction have decreased over that period of time, if you could just elaborate on that for us.

Mr. Selinger: Wages and salaries in that department have not risen in any dramatic way related to other departments. There are the annual increases in salaries related to collective agreements, and that department actually does a tremendous amount of work for the number of engineers and specialists they have for infrastructure.

The point we are trying to make by doing The Gas Tax Accountability Act was we were trying to demonstrate that the money we have raised was actually entirely deployed in infrastructure investments in that department, and in addition to that, general revenue was put into infrastructure investments in that department. It was in stark

contrast to the federal system where the amount of money they raised through gas tax was about 10 percent of what they invested back into national infrastructure, whereas, in Manitoba, all the money we raised on gas and motive fuel tax is reinvested in infrastructure plus general tax revenues in addition to that. That is the purpose of the table on 4-20.

Now, sometimes organizations, such as the Heavy Construction Association, do not like to count administration in the total cost of putting an infrastructure project on the ground. The reality is you have to have personnel to make these projects come to life. You have to have engineers. You have to have accounting. You have to have the technical folks do the work. These are overhead costs, but they are real costs. They have to be reflected in the accounting. We would not be allowed to exclude those costs from the accounting because they are attributed to those specific projects.

Mr. Maguire: Thank you, Mr. Chairman. I think one of the major concerns was the fact that not even the \$217,000 was being totally spent in new developments and in those areas, in actual capital. I understand that the government is indicating that they are spending \$299 million. My point is that there is a growing percentage of that in administration and not as much going into the actual physical construction and maintenance of our highway system, particularly in the new capital areas. When you look at the crumbling infrastructure, if we do not do something with the capital side, if the government does not determine how it can put funds available or realign to make funds available, can the minister offer an opinion in regard to how soon it would be before maintenance would take up that whole budget? I mean, that is obviously a concern that the Minister of Transportation and Government Services (Mr. Lemieux) has. Can he offer us some thought on that?

Mr. Selinger: The member raises an important point. The capital expenditures or the revenues raised for infrastructure are a mix of maintenance and reinvestment in existing infrastructure. There is a trade-off between how fast you renew your infrastructure and the maintenance for that specific piece of infrastructure. Just like anybody who owns a car knows the longer you own a car the more the maintenance costs go up, and at a certain point there is a cost benefit trade-off and replacing that. Some people can afford to replace it, some cannot. Some people feel that the cost of new capital for a vehicle is prohibitive, and they continue to maintain it, even

though they know the maintenance costs are rising. So, on our infrastructure, there is a huge challenge here. We recognize that. That is why we have been putting more capital into it every year and also improving the methods by which we deliver that infrastructure, greater methods of efficiency.

As the member knows, most of these infrastructure projects are delivered by the private sector. We tender most of them out. We have moved to early tendering in order to get better prices and earlier start up dates. We have gone to five-year capital programs for the highways infrastructure so that they can do forward planning, two to three, four years in advance, and work on these projects. But the reality is, for a variety of reasons, often weather related, some projects can proceed at a certain time, some cannot. And there are adjustments that are made every year to try and get the maximum program put on the ground if that is possible.

For this year, for example, we have a major problem in northern Manitoba with the winter roads program because of the weather. It is just not possible to go over some of those waterways with winter roads. So we are having to realign the winter roads infrastructure, put more money into it to get access to those communities for essential supplies by going overland and around some of these bodies of water. So there will be additional expenditure there this year, and it is a big challenge for the Province in that department. But they have come forward with a proactive plan to try and address that problem in that short window of opportunity during the winter when you can get overland access to those communities.

Mr. Maguire: I appreciate the minister for raising the issue of winter roads because it has obviously been a concern. Is rerouting of overland transport the only mechanism that the government is looking at as an alternative to the Cross Lake roads in order to get the supplies in that will be needed before spring?

Mr. Selinger: It is the one that is considered the most feasible. I do not know what the member is thinking in terms of other methods, if the member would like to suggest other methods. I have asked some out-of-the-box questions, but I have always been returned to winter roads as the only viable approach.

* (20:20)

Dirigibles are not really a viable technology at this stage. There have been some experiments done in the province, but there is really no commercially

cost-effective alternative method that we are aware of at this point. There is rail. For some communities, the railway system is in operation, but for most of these remote communities an overland winter road system is fundamental.

Mr. Maguire: I appreciate the minister's answer. I know we do not have airports or runways in all of these locations either, and, of course, that is another option, but it is pretty hard to move fuel that way. I just wondered what kinds of other options there were.

Mr. Selinger: Well, the member will know that the provincial government maintains a northern airport system entirely financed for the most part by the Province, even though it accesses many communities which arguably are the responsibility of the federal government. But those airports and those airstrips and the carrying capacity for the air infrastructure just are not efficient for some of these heavy volume items, such as the member mentioned, such as fuel, such as lumber. Some of those things it is just really not possible to land the kinds of planes required for those kinds of materials on the strips up there. They are just not big enough to support that kind of aircraft, so overland roads are really the only way where it is possible to deliver some of these large volume, high-tonnage products to those communities.

Mr. Maguire: I wonder, just to switch a bit, we are into the net gas taxes, the motive fuel taxes, and there were questions asked by the Member for Lac du Bonnet (Mr. Hawranik) in the early part of tonight's discussion in other areas. Can the minister indicate what Manitoba gives up in GST to the federal government every year?

Mr. Selinger: Just to clarify, the member is asking what Manitobans pay in GST for their fuel that they consume. Is that the area the member is driving at?

Mr. Maguire: That is where I was ultimately going. I guess there are two numbers there that I would look for. One would be the overall GST number that we would give up as a province, that we would pay out for fuel. *[interjection]* No, on all goods and services and the second one would be the fuel portion.

Mr. Selinger: We will have to get some analysis for the member on that in terms of the total GST contributed out of Manitoba to the federal government. The member will know that on fuel taxes there is a fuel tax plus a GST on top of the fuel tax, and for

commercial activity, there is a rebate of the GST portion.

So it is not a number we have in our Public Accounts. I would have to endeavour to try and get that number for the member.

Mr. Maguire: If the minister would provide us with that number, we would certainly appreciate it. I know that the number of \$150 million to \$200 million, and that is a pretty broad range, has been bandied about in the department's discussions before. If we could get something a little more accurate than that, I would certainly appreciate it.

I know that the Minister of Transportation and I have had these discussions before in regard to would you be looking at being in favour of the fuel tax being used for roads in Manitoba. Obviously we would be, and I just wanted to put that on the record, that there is a real opportunity for us here in Manitoba to fund roads in the future that way.

But, having said that, there has been an increase in revenue from the federal government to the Province over the years in transfer payments and equalization amounts. I am wondering if the minister can indicate to us what percentage of those, or do they allocate such an item to transportation and highways, the transportation sector?

Mr. Selinger: There have been some specific cost-share programs for road infrastructure, such as the Prairie Grain Roads Program. It is modest amounts of money, very useful money, but \$7 million, \$10 million, not a huge amount, far less than what they take in revenues.

I think the member is right. I think the talking points are around \$157 million, in that order, of fuel taxes and GST that go out of the province, but we will verify that number and give it to the member. The amount that is returned specific to road infrastructure is less than one tenth of that. So there is a big imbalance there.

Now, to be fair to the federal government, they have rebated the GST to municipalities. We as a provincial government have said that rebate or reduction of GST to the municipalities we would fully pass through to them, that we would not take anything off the top, and we will follow through on that commitment. That should generate some significant additional revenues for infrastructure at the municipal level this year in the province of Manitoba.

Mr. Maguire: I appreciate that. I guess my question was more in the area of, I mean, I am aware of the very little amount that the federal government is returning to the province now. My point was more on the fact that, you know, the government of Manitoba has received increased transfer of funds and equalization payments from the federal government, particularly last year.

When the province receives those funds, is there anything in your department that would say we are going to take a percentage of that and put it into the Transportation and highways, Government Services department over and above what the regular fuel tax is, that small amount, as we indicated, that the federal government pays directly for fuel?

I am very well aware of the SHIP program and the national highways system funds that go into the sectors that have been designed for the national highways themselves. The part north of Brandon on No. 10 Highway joining 16 and 10 has now been coming under the national highways system, and there will be further funds available for widening and, hopefully, twinning that road at some point.

I am wondering if the minister can indicate, just in regard to the increase in transfer payments and the equalization amounts that he gets from the federal government, if there is a process in his department to align those to highway use.

Mr. Selinger: The process for allocating any resources in the provincial government entity is the budgeting process, and it works its way through Treasury Board to Cabinet. It starts with Estimates being prepared at the departmental level. Early in the summer, really, they start the Estimates process. Then the Estimates, in terms of expenditure requirements, are matched up against revenue projections. We work through an allocation, department by department, to meet provincial priorities, including highway infrastructure, that will balance the budget. So that is how we do the allocation process.

Mr. Maguire: Just back to the winter roads program, can the minister indicate what kind of—I know that there has been an increase and that we are into about \$7 million to \$8 million in the winter road program now, or budgeted for—can he indicate, due to this extremely mild winter that we have had, how much extra cost he feels there will be having to be added, or having to be found at least in that whole area?

Mr. Selinger: Well, I cannot give the member a precise number at this stage of the game, but several additional millions of dollars will be required to bring the winter road system into place. There have been reallocations and new resources made available to do that, because these communities depend on these transportation links to provide essential goods for their communities.

Mr. Maguire: I just wanted to go back, in closing, to say that, out of the 217 million that the minister has indicated that was revenue from motive fuel gasoline to be used for the budget, the numbers that were agreed upon with the heavy construction people in regard to the overall fuel tax revenues of 217, the maintenance and construction program costs that came out of that were somewhere in the neighbourhood of 211, but there was a federal grant in there of 9.9. That leaves sort of a net fuel tax of 15.7 million that was not put back into transportation assets. So can the minister respond to that?

Mr. Selinger: I do not have the Heavy Construction Association's brief in front of me. I know the Minister of Transportation (Mr. Lemieux) has responded specifically to it. In terms of accounting, we have indicated how we have used our money on page 4-20. We have indicated the total amount of gasoline and motive fuel revenues raised, less the amount attributed to aircrafts and locomotives, for a net 217.7. Then we have also indicated the expenses for those four broad categories that I have indicated: construction and maintenance, operations, transit grants and other infrastructure related grants. There is \$81 million more that goes into infrastructure for transportation in this province than is raised in gasoline and motive fuel taxes net of aircrafts and locomotives. Some of that additional revenue may come from some federal grants that we received, some of that additional expenditure. But the actual dollars that we raise on gasoline and motive fuel tax are less than what we spend every year on transportation infrastructure by about \$81, \$82 million, \$81.9 million.

* (20:30)

Mr. Maguire: To close this area, I appreciate the minister's analysis of their funding, and I respect the fact that he is going to stick with the statements here of revenue and expenses. That is what they have balanced. All I am saying is that I think that the fact of the differential between the organizations, I just wanted to make it clear that the Department of Transportation has seen the numbers from heavy

construction and looked at it and perhaps the minister could have a discussion with his Minister of Transportation in regard to the differences in agreement between those funds. I appreciate the fact that the \$2-million difference in the early discussion of this issue tonight was certainly within bounds of acceptance, but to see 15.7 not reinvested back into that area or \$56-million lapsed amount of funds is a concern to organizations like that obviously when they are depending on the kinds of programming and construction that we need to have.

Just as a final question in that whole area: Then, given where we are at with the items of extra costs entailed in the winter road program, has the minister been approached by the Transportation Department, or will he be looking at himself, have they done any estimates of what the east side road would be in regard to the east side of Lake Winnipeg and the feasibility of that type of construction?

Mr. Selinger: The Department of Transportation has obviously looked at estimates of the cost of an east side road, whether it be permanent or winter or seasonal, and, depending on the type of quality of the road you build, the dollars are very, very large. There has also been communication in the past with the federal government about whether they would be interested in supporting that kind of infrastructure on that side of the province given the community served and the importance.

As the member knows, there is also a lot of debate about preserving the environment over there by certain groups, some of them international, some of them local, some of them provincial. There is an east side planning process going on that involves all the stakeholders in the area of the First Nations communities, the industrial stakeholders over there, including Tembec, the non-Aboriginal communities that have an important role to play over there, and they are trying to come up with an approach to developing that area that is sustainable, that will provide opportunities for all the people that live in that area, including First Nations. So there is a lot of work that has been done over there.

There are some promising signs for future activity, and road infrastructure is a part of that and how that gets paid for is a big challenge because, as the member knows, it is relatively isolated in many of those communities, which is why the winter roads are so important, and to put permanent infrastructure there, the prospects of doing that and paying for that are enormously challenging. But if important

economic development initiatives can be part of that solution, that helps pay for that kind of infrastructure.

Mr. Maguire: Just to pose again, and I appreciate my colleague's patience in regard to the questioning, but to tie it back into the winter road program, and I know the minister will be looking at this with the transport people as well, but is part of his whole planning and process on winter roads in the future to be looking at an assessment of the savings that could come from the winter road program if there was a road on the east side or if there would, in fact, even be savings from having that done.

Mr. Selinger: I am sure the department would look at the trade-offs between a temporary road system and a permanent road system. Obviously, a permanent road system is far more expensive to put in place by probably a factor of at least 10 if not 20. That being said, it has to be part of a larger discussion about the economic development and how these communities want to move forward.

As you know, there is a UNESCO World Heritage site being worked on over there which is very important. The boreal forest is considered extremely important by many Manitobans, as well as Canadians, as well as international citizens. At the same time, those communities are looking for opportunities to make a living not just through ecotourism or tourism but through forestry, through potential mining activity if resources can be identified.

So striking the right balance on how they plan the use and development of that side of the lake has been a very important process with lots of engaged stakeholders in that process. The roads would be a part of that for sure, and how you pay for that, I think, has a lot to do with the future direction of the economic development plan for that area. Depending on which way the economic development goes, the nature of the roads and the intensity of the roads and their impact on the environment will be part of the overall plan.

I know that sounds a bit vague, but you have to sort of figure out how you want to develop the area before you decide on the intensity of road infrastructure you put into it. Some folks would like to leave it just the way it is and just fly in and keep it pristine. Others would like to see more activity. There is a sustainable forest industry over there that offers some real potential, so putting that all together

in a plan is part of the process that is being undertaken by the stakeholders in that area in consultation with government partners and private sector partners.

Mr. Hawranik: Will the minister be bringing down his budget in March or is he going to wait till April?

Mr. Selinger: The official date will be announced in due course.

Mr. Hawranik: I thought you would slip up there and just give us a date.

I have a couple of questions with respect to the road on the east side, and that road is quite important to the constituency of Lac du Bonnet because the entry point, of course, goes into the constituency of Lac du Bonnet as it proceeds in a southerly direction on the east side. It is important to the communities of Pine Falls and Powerview and all of the other communities along the way, not just in terms of the economy but also in terms of usage of the hospital in Pine Falls and so on and access by the communities on the east side to services at a reasonable cost. So it is extremely important to the constituency of Lac du Bonnet.

A few years ago, I recall reading a couple of articles which indicated basically that the road on the east side in terms of funding would be cost-shared between the Province and the federal government. I cannot recall the exact amount. I think it was 90-10 or something like that according to the article. Was there ever any agreement struck with the federal government with respect to any cost-sharing of the road or was it just discussions?

Mr. Selinger: Discussions.

Mr. Hawranik: I also note that, as the minister indicated, there is a possibility of designating the east side as a World Heritage site, and the concern of the communities I have in my constituency is the fact that perhaps we do not know what a World Heritage site entails.

Do you know or have you any information to indicate that a World Heritage site would, in fact, preclude the construction of an all-weather road on the east side of Lake Winnipeg?

Mr. Selinger: I do not want to go too deeply into this, but so much will depend on the location of these various pieces of infrastructure, the World Heritage site in relation to the road. The actual geographical location will have everything to say about whether they are compatible or complementary.

So the parameters of the World Heritage site would have to be mapped out and then the possibilities for infrastructure improvements including a roadway would have to be mapped out, and presumably they would have to be done in such a way that they do not clash with each other and undermine each other's purpose.

* (20:40)

Mr. Hawranik: Because it is a World Heritage site, that in itself, will that preclude the construction of an all-weather road within that heritage site, within the site itself?

Mr. Selinger: I would have to seek further information on that from the minister responsible for it. I cannot give a definitive answer at this stage of the game.

Mr. Hawranik: Okay, I thank the minister for that. Volume 1 of Public Accounts '04-05, page 14, the minister indicates in his Year-End Review, Minister's Message, left-hand column, the top paragraph, that the Fiscal Stabilization Fund increased by \$407 million at the end of March '05 compared to the end of March '04. Of course, a lot of that has to do with substantial increases in federal transfer payments just prior to the end of the fiscal year 2005.

Can the minister indicate to me how much of those transfer payments that were put into the Fiscal Stabilization Fund are earmarked for Health or health wait-time reduction?

Mr. Selinger: Yes, I can. We will pull that information up for the member. In the quarterly reports we show now the amount set aside for Health versus the general purpose Fiscal Stabilization Fund, so the member would have seen that in the most recent quarterly report. I do not know if we have a copy of that quarterly report here. My deputy minister is getting his hands on the information as we speak, and I do not know if I should keep talking until he does, but I will get it for the member as soon as possible. But we did set it out to show the distinction between the general purpose Fiscal Stabilization Fund and the amount set aside for Health. We showed it that way for greater transparency.

We do not have the quarterly report here with us. We thought we were dealing with the Public Accounts, but I can get a copy for the member very soon if he wishes.

Mr. Hawranik: But you are certain that it is in the quarterly report? I can check the quarterly report, of course, myself. I did not see it when I reviewed it, but you indicate that it is specifically in there, and if it is not you would undertake to provide me with that information?

Mr. Selinger: Absolutely. It is in the quarterly report. It is set out by Health fiscal stabilization amounts and general purpose amounts, and if there is any further detail the member wants, I will try to get it for him.

Mr. Hawranik: Thank you very much for that information. Can the minister indicate what the average rate of interest paid by the Province is on the total debt of the province? What would the average rate be?

Mr. Selinger: The debt-servicing cost for 2005 averaged 5 percent of the gross debt.

Mr. Hawranik: So what you are saying, Mr. Minister, is that if the Province borrows additional funds, an average rate of interest paid on that debt would be, give or take, around 5 percent.

Mr. Selinger: We go into the market every year to refinance debt. As the member knows, the debt is financed every year, and the average cost of 5 percent reflects some costs that are significantly higher, some lower. Right now, depending on timing, we think we could get refinanced in that range, perhaps even a little lower, depending on the specifics.

Mr. Hawranik: Can the minister indicate what the credit rating is for the Province at this point?

Mr. Selinger: We are just going to get that information for the member. The DBRS—the Dominion Bond Rating Service—rating for Manitoba is A high. All the others are in the AA category, which is one of the better ratings in the country.

Mr. Hawranik: I wonder if the minister could indicate—you do not have the information here today—that same information with respect to the credit rating for Manitoba Hydro, if you could provide that to us as well.

Mr. Selinger: We will get the member the ratings for Hydro as well.

Mr. Kevin Lamoureux (Inkster): Mr. Chair, I have a number of questions, both for the minister and the provincial auditor. First off, just listening to what was being asked, I did want to get some clarification

or get the information sent to my office if possible too. One is in regard to the PST that was applied to the new services, lawyers and auditors, and he said yes from his seat, so I will just assume that I will get that.

The other thing is in regard to the gas taxes. When the gas was at that dollar mark, I, like I am sure all MLAs, received a considerable amount of dialogue from our constituents with respect to it, and you would constantly hear the gas companies taking their shots at the politicians: It is the taxes.

My understanding, and I would ask the minister to correct me if I am wrong on this, is that there is a federal levy, I believe it is somewhere around 10 cents. There is a GST and then there is a PST that is applied to the gas. Or can the minister indicate to me what it actually is, and if he could give me a breakdown of a dollar a litre? Again, whatever he can provide for me right now would be wonderful, and if he has more details that he could provide me, it would be much appreciated if he could get it to me by the end of February.

Mr. Selinger: Just before I answer your question, I wanted to put on the record the credit ratings for February 2005 for the member from Lac du Bonnet. The Moody's Investors Service has Manitoba rated at Aa2. That is the second highest rank tied with other jurisdictions. Standard and Poor's has us at AA minus, tied for fourth, and DBRS has us at A high, tied for fourth. So those are the ratings. That is on page 1 of The Manitoba Advantage in the '05 budget papers.

In Manitoba, we do not apply the PST to gas tax. We have a gasoline tax rate of 11.5 cents, which is the second lowest in the country. Similarly, we have 11.5 cents for motive fuel tax or diesel fuel tax, as indicated on page D-10 and D-11 in the budget papers of '05. That also is, by far, the second lowest in the country. The next closest one is 3 cents higher.

* (20:50)

That is a flat tax. It does not go up when the price of fuel goes up. It is the same amount. We do not have a windfall when gas costs are increased by the gas companies themselves.

Yes, if the member would like me to give him a breakdown on a litre of gas about all the taxes from various levels of government, including the GST, we will try to develop an example for him.

Mr. Lamoureux: Yes, I would appreciate that. If you use a dollar a litre being the variable, I would very much appreciate that.

I did have a question in regard to the formatting of the Volume 2, the Supplementary Information. Is it the provincial auditor that determines the formatting of the book itself?

Mr. Singleton: No. I should point out that this particular volume is not an audited report. It is simply a report prepared by the Department of Finance in a format that they have determined.

Mr. Lamoureux: I ask that because, like ministers, at times, MLAs, even in opposition, get fairly busy. One of the things that we look for, or at least that I find that I look for, is repetition, if you get one or two outside organizations receiving money. I just feel that it would be better served if the formatting of this book was changed. I do not know to what degree the Auditor plays a role in this, or if it is the Department of Finance, but someone is ultimately responsible for the printing and the formatting of this book. I just think that it would be more beneficial if in fact you, from an A to Z, as opposed to here is the department and then here is the individual cheques that are being written, or the expenditures or stipends, or whatever it is that you want to call it. So this way we can identify if someone gets any grant from one department and another department or four or five departments. It is almost like a hit or miss where you are going to have to spend literally hours trying to get that sort of information.

The other thing that would be beneficial, I believe, in this is actually if there is, whether it is an asterisk or something, giving indication if this is an ongoing annual stipend or whatever that is given to that organization, because it is quite numerous and it is very difficult to try to patch it together. This is a good document, and I look at it at least twice a year, when it comes before Public Accounts and when it is actually dropped off.

I do believe, Mr. Chairperson, another thing that would be beneficial, and I guess it deals more with procedure, the member from Ste. Rose posed the question about, "Well, what about this money that is going to this group or this association or this individual. What is that about?"

The minister appropriately says, "Well, I will have to get back to the member."

There is far more advantage, and this committee would be far more useful if, in fact, there was a way

in which maybe a list would be provided to opposition members, all opposition members. That could be done in writing from the minister's office indicating, "You have a copy of the Auditor's report, the Public Accounts report. Provide us the stuff you want information on." This way we can at least have more dialogue.

I look at it and, you know, on page 108 of Volume 2, 2002-03, I see Judy Wasylycia-Leis received \$5,710. It is not good enough for me just to raise it and then the minister says, "Well, I have noted it. I will get back to you," because we need to have that exchange or that discussion at the time. It would be more appropriate, I guess, to do it in advance, and there needs to be a process that ensures it.

I raise that because I do believe it would help facilitate more accountability inside the Public Accounts Committee.

I wanted to go on to Volume 1 of the 2003 report and I am going to first start off with the Operating Fund and the impact of the Fiscal Stabilization Fund. My question actually for the Auditor is today if you have a surplus, maybe it is \$10 million, \$15 million, or, better yet, a deficit of \$10 million, \$15 million, it is awfully easy for a government to say, "Go into the Fiscal Stabilization Fund, pull out the money so that we can, in fact, say that we have a balanced budget."

Are there things in place that you are aware of that would prevent the Fiscal Stabilization Fund from being used in order to manipulate a budget to a surplus position?

Mr. Singleton: Well, yes, there is, and that would be to adopt Generally Accepted Accounting Principles which I am happy to say this government has agreed to do and is actively working towards having that fully in place for the 2008 fiscal year.

You should be clear, though, in understanding the balanced budget legislation. The whole point of that was to allow the Fiscal Stabilization to transfer monies when a deficit was incurred in order to create a positive balance. That is what it was designed to do and it has been used in that fashion many times since the act was passed in 1996.

Mr. Lamoureux: So the idea of the Fiscal Stabilization Fund is at all costs, as long as the money is there, to ensure that there is a surplus on any given budget.

Mr. Singleton: Yes, that is correct.

Mr. Lamoureux: To what degree are we being transparent with the public then if government says that we have balanced budget legislation and there are penalties if that budget is not balanced, when, in fact, all we have to do is dip into a reserve fund? If you are dipping into the reserve fund, would that not change? Obviously, it is going to change. It is going to put a surplus as opposed to a deficit, and people want to know whether or not the government is, in fact, having a balanced budget or if they are, in fact, in deficit.

By allowing the Fiscal Stabilization Fund to be tapped any time there is a deficit, does that not allow for the public to be misled?

Mr. Singleton: Your question deals with an issue that we have had with balanced budget legislation for many years because from my perspective it is confusing. That is a kind of made-in-Manitoba accounting that is not following normal accounting rules, and while it is provided for in the balanced budget legislation and the government is actually required to follow that legislation, I do not think it leads to transparent and clear accounting.

That is why we have been recommending for many years that the government abandon that approach and move to Generally Accepted Accounting Principles, so that when the public finds out what the bottom line is in a particular year, they will know that normal accounting rules were used to calculate that bottom line.

Mr. Lamoureux: I had some questions for the Minister of Finance (Mr. Selinger), and it is related to page 20 of the Public Accounts book, where we are talking about—

Mr. Chairperson: Could you refer to which volume?

Mr. Lamoureux: Oh, I am sorry, it is Volume 1, March 2003, page 20. What we are talking about is hydro-electricity sales, billions of dollars, and it is always interesting to get a sense of what is happening with hydro and hydro sales. My question for the minister is, in looking at this graph, what is the government's position via promoting Manitobans to convert over to hydro-electricity.

* (21:00)

Mr. Selinger: Well, I think the government's position generally is to support a policy of helping Manitobans to reduce energy consumption of all kinds: demand management to reduce the amount of

energy they consume to the lowest amount necessary to provide for the services and the quality of life that they are seeking. So demand management is the first approach; conservation is the first approach. The question of what source of energy you use depends dramatically on what region in the province you are in. In Winnipeg, Manitoba Hydro, as you will recall, paid over \$600 million under the former government to acquire Centra Gas, so they have a huge customer base that relies on natural gas as a source of home heating, and outside of Winnipeg that natural gas is only available in some communities, so they promote a variety of other technologies in those communities, including geothermal. They are very aggressive in supporting that as well as the use of hydro-electricity.

Mr. Lamoureux: At one time Manitoba Hydro promoted and encouraged people to convert from gas use into hydro-electricity. In fact, I understand that Mr. Schreyer was a very big fan of that. Has the mandate of Manitoba Hydro changed from that policy?

Mr. Selinger: The mandate of Manitoba Hydro is to provide energy, hydro-electricity and now other sources of energy at cost to Manitobans. As I have just stated, they pursued and acquired Centra Gas under the previous government for a price of, I believe, in the order of \$600 million, and they provide that energy as close to cost as they can to Manitobans.

Mr. Lamoureux: It was interesting listening to the minister earlier when he was commenting on commodities. He was saying, you know, Alberta because of all the oil and the gas type of thing, and if I hear him correctly what he is saying is that it does not really matter whether it is gas or hydro-electricity, Manitoba Hydro is just to provide it at cost.

Mr. Selinger: No. I think the member has skipped over what I first said. I think Manitoba Hydro has been very active in promoting demand management and conservation of all energy resources that are consumed by Manitobans in order to have the most efficient means possible for providing for their energy needs, regardless of whether it is hydro-electricity. They are encouraging conservation and demand management, unlike the early days of Manitoba Hydro.

In the early days of Manitoba Hydro, they used to actively promote the acquisition of electrical appliances in rural areas, for example, and the

expansion of electricity as a form of energy all throughout rural Manitoba. That was the early days of Manitoba Hydro. In the last few decades they have followed a demand management approach of trying to encourage a reduction of unnecessary use of the resource. They have got many programs to do that, including a variety of acquisition of new technologies: long-life light bulbs, better insulation programs. In partnership with the federal government they launched a new insulation program this winter.

They do not make any money on gas. They get a rate of return set by the Public Utilities Board for the infrastructure they provide for the gas to flow through. There is no profit made off natural gas by Manitoba Hydro. They are regulated for both the rates they charge for the use of the gas infrastructure, and the rate that they can charge for the commodity is set by Manitoba Hydro, by the Public Utilities Board, and similarly the rate for electricity is set by the Public Utilities Board, so they do not actually set their own rates. They have to make an application to get the rates set for the cost of the products that they provide to Manitobans.

Mr. Lamoureux: Mr. Chairperson, when I look at this graph, and it provides a breakdown with Manitoba, U.S. exports, Canadian exports, based on the policy—and I think it is important to note this administration's, the New Democratic Party's, policy that is being implemented by Manitoba Hydro—by saying that because now Manitoba Hydro sells Centra Gas, the focus has changed from Manitoba Hydro. We are no longer trying to encourage people to convert over to hydro-electrical use. We feel quite comfortable with you using gas, and we will sell it to you at cost. That is what this minister is saying. The administration has changed the policy of Manitoba Hydro where it no longer wants people to convert over to hydro-electricity?

Mr. Selinger: I would appreciate if the member would not put words into my mouth. That is his interpretation. I said very clearly, twice now, that Manitoba Hydro is promoting conservation and demand management of any energy resource they use.

An Honourable Member: Including gas.

Mr. Selinger: Including gas, absolutely. They want to help Manitobans to get the best overall cost for energy they consume, and they want to do that by encouraging an efficient use of that energy through demand management, through conservation and depending on the region of the province other forms

of alternative technology such as geothermal. They now actively promote geothermal technology as a form of heating in homes outside of Winnipeg, for example, as well as inside of Winnipeg because that reduces the demand for both gas and electricity when you use geothermal. You are using the natural heating capacity of the earth to provide a resource.

They are an energy provider. Hydro-electricity is 98 percent, approximately, of the energy they provide. They also own Centra Gas now. They have actively promoted geothermal, and they are looking for ways to help Manitobans have the lowest-cost cleanest energy source they can have depending on where they are and what is available to them in the province.

Mr. Lamoureux: Mr. Chairperson, no matter what the Premier (Mr. Doer) or the Minister of Finance (Mr. Selinger) says, I want to be clear with my constituents and indicate that the policy of Manitoba Hydro has, indeed, changed. There is no longer a priority in terms of hydro-electrical consumption over gas, and I have heard back-bench members of this government also make reference to that.

So I am going to end my comments in regard to hydro on that particular point. I want to move on to page 36. I believe the minister wants to respond, and then I will go to page 36.

Mr. Selinger: I just have to reiterate for the member again—I do not think he has heard my point—they are promoting the reduction of the use of all energy sources to the most efficient level possible depending on the region of the province that they are in. They want Manitobans to conserve and manage the demand for energy consumption consistent with maintaining the quality of life they have come to expect, and that is a very aggressive policy of Manitoba Hydro. You walk into any hardware store, Rona, Home Hardware, whatever, there are programs that Manitoba Hydro is making available to the customer, to Manitobans, on how they can conserve energy through a variety of methods, electrical, technology, insulation programs, the use of new devices, the use of geothermal. They have taken an approach where they want to make the costs of providing energy to Manitobans as low as possible and as clean as possible.

So it is not a question of gas versus electricity. It is a question of how can we get the right mix of energy inputs depending on where we are, including new forms of energy like geothermal with well-established proven technologies which are

developed, installed, maintained by Manitoba companies that will allow Manitobans to have an affordable cost of living and a high quality energy product.

Mr. Lamoureux: Mr. Chairperson, the minister might be able to convince his own party membership that this is the right way to go. I do not think I could do it. I guess we are a little bit too progressive in wanting to protect our environment and in seeing the benefits of having people using hydro power. We will leave that for another debate another day.

I want to go to page 36. On page 36, and I would ask I guess the Auditor, when we talk about the net debt per capita and look at the graph, would that include all debt including Crown corporations and so forth?

Mr. Singleton: As is noted at the top of the page, that chart is prepared for the Operating Fund, so that only includes the net debt of the Operating Fund.

Mr. Lamoureux: Is there a source in these books that would provide us a net debt for all government, including its Crown corporations?

Mr. Singleton: If you look at page 24 of the Annual Report, at the bottom there is a net-debt-per-capita chart there that has been prepared for the summary financial statements, which in 2003 were very close to being in accordance with generally accepted accounting principles.

* (21:10)

The net debt there includes all the Crown corporations, but there is a bit of a wrinkle in terms of understanding that because the way the Crown corporations are included in net debt is, for Manitoba Hydro, for example, it is their net surplus, that net accumulated surplus, that gets recorded in calculating the net debt under the summary financial statements.

So it is not their total debt, but it is added in. That net debt is the most accurate portrayal of the net debt of the government as a whole, and it is, from my point of view, a better one to look at than strictly the operating fund one.

Mr. Selinger: I just want to clarify that, when it comes to, for example, a Crown corporation's debt, like Manitoba Hydro, the debt is paid for by the customers, not each citizen necessarily. The customers include foreign customers. They include corporations and businesses as well as citizens. So I

do not want the member to confuse who pays the debt with the per capita calculation.

Mr. Lamoureux: I thank the minister for that.

I am going to go then to the net debt for the operation. If you look at the graph, it started at \$5,700 when your government had taken office, Mr. Minister, and it increased to \$6,400 per individual by 2003. My question is, in economics—I know the minister is very familiar with economics—when the economy is doing relatively well, would one not expect that the net debt would actually go down on the operations of government?

Mr. Selinger: Not necessarily. Debt investments, or investments properly financed as debt and amortization, may actually increase growth in the economy. Once again, this is a net debt per capita. The debt-to-GDP ratio can actually decline even if the debt per capita grows. The economy can grow faster than the population. So the debt-to-GDP ratio can be declining as the economy grows.

We have just had a very extensive discussion, for example, on highway infrastructure. I think you could argue persuasively that a good investment in infrastructure increases economic growth, including highways, including broadband, including certain kinds of facilities such as schools and universities. Those kinds of investments enhance the ability of the Manitoba economy to grow, because it equips Manitobans with better skills, better infrastructure, better technological tools to do business.

Mr. Lamoureux: I understand and follow what you are saying, but one could ultimately then extend that, "Spend more." The more you spend, the more activity you are going to create. You know, some Keynesian policy would say, "Well, the economy is doing relatively well. That is when the government should in fact be holding back somewhat so that if the economy starts to go down then that is when you would spend more to try to level the bumps of the economy."

The concern I have is if you are maintaining that sort of a debt ratio, does that not put Manitoba at a potential risk, a higher risk if in fact government has to start cutting back or the economy was to do down?

Mr. Selinger: If you can maintain your debt-to-GDP ratio on a declining trend, that indicates that the capacity of the Manitoba economy is stronger to support that debt. If your salary goes up in relation to your debt, then you have a greater ability to pay for

that debt, sustain your requirements, your amortization and interest payments.

In addition, if you can finance and make investments in things like universities, colleges, infrastructure, technology, you can further enhance the ability of the economy to grow. There are jurisdictions, not many, that are relatively debt free but have very slow-growth economies. They are very underdeveloped economies, so it is what you use the money for.

I think the wisdom would be that you do not use debt to finance current consumption, but it is appropriate, and accounting principles recommend it and GAAP principles recommend, it that you should use debt to finance investments in infrastructure that will be amortized and paid off over the useful life of that asset, for example, a computer over four years, a building like a school over 40 years. The reason behind those principles is there is an equity reason behind those principles. The equity reason is that the cost of that asset should be borne by all the people that benefit from it over the useful life of that asset. The accounting reason is to reflect the useful life of that asset in terms of how you pay for it and finance it.

Some provinces have the luxury of doing everything in cash, but under GAAP requirements they still have to amortize and show the amortization treatment over the useful life of that asset even if they have been able to pay for it up front in cash.

Mr. Lamoureux: My final question to the minister. I am sure that he is very much aware of the Gomery inquiry and the reports, in particular the one that was just released yesterday, and there were a number of recommendations. I believe it is 18 actual recommendations. Some of them dealt with public accounts committees in Ottawa, legislative committees, how to be a little bit more transparent.

I am wondering if the minister, who carries a great deal of clout within his government, would in principle agree that there are a number of those recommendations that could in fact be applied here in the province to ensure that there is more accountability.

Maybe I could conclude my comments in indicating to the provincial auditor that I believe that if the Auditor was to look at Gomery's report, and I suspect he probably has, but the recommendations in particular, that there might be something in there that

the provincial auditor could come back to the committee on or to look into.

Again, it is in the name of ensuring that there is more transparency within the government of Manitoba. A lot of the things that Gomery is referring to Ottawa, I believe, could be applied here in the Province of Manitoba. Thank you.

Mr. Chairperson: Okay, before we proceed, when we first began at seven o'clock, there was discussion as to sitting till ten o'clock, but there also was comment made that if there is willingness, the committee does not have to sit till 10. I will ask at this time whether there is a willingness to pass any of these reports at this time.

An Honourable Member: No.

Mr. Chairperson: The reports will not pass? Is there willingness to then continue asking questions at this time? Okay, then for continuing with questioning, Mr. Hawranik.

Mr. Hawranik: I have a couple of questions for the Auditor General, Mr. Singleton. That is, I look at Volume 1, '04-05, and it is no different than any other volume, but on page 51, the Auditor's report in statements with respect to the summary financial statements and the financial statements of the Province, he offers his opinion.

My question to the Auditor General is whether in fact his opinion, does it extend simply to the financial statements or would he have reviewed the minister's message at the beginning of the report and reviewed it as to its accuracy as well.

Mr. Singleton: The opinion expressed here relates strictly to the financial statements themselves. However, it is also a requirement in the auditing profession for us to review the narrative material that accompanies the financial statements to satisfy ourselves that there are no material differences between what is being recorded in the narrative and the numbers in the financial statements.

* (21:20)

Mr. Hawranik: Again, a question for the Auditor General is whether or not that would extend also to the charts and graphs that are prepared prior to the financial statements in the report.

Mr. Singleton: Yes, it would.

Mr. Chairperson: Before rising, I would like to ask—oh, pardon me, Mr. Cummings, I am sorry.

Mr. Cummings: Just one question to follow up on questions being asked by the member from the Liberal caucus. In the answer that the minister was giving, it would appear that he is pursuing a policy of driving the growth of the economy while being willing to let the debt rise. Can we assume that it is not his goal to reduce the debt at these buoyant times and revenues to government?

Mr. Selinger: That would be an incorrect assumption. As the member knows, early in our mandate we put a long-term plan in place to deal with the growing pension liability which we are making contributions to that every year in two ways: One, through the \$110 million which has gone up from \$75 million, general purpose debt and pension liability repayment; and, secondly, by requiring every new employee that gets hired in the province to have their pension costs paid by the employer at the date of entry into employment in the civil service. So those measures are intended to reduce dramatically the growth in the pension liability.

In addition, we follow GAAP procedures in terms of how we amortize and finance debt now. All of those mechanisms have a specific point by which that specific asset is paid off. It is no longer the case that we have a general purpose that rolls over on itself, as was the case in earlier days before GAAP procedures were put in place. All of those measures have a built-in discipline to them in the way we finance assets in the province, and in addition to that, we are paying down the general purpose debt every year.

So all of those things suggest that we are following a fairly rigorous set of financial disciplines to move the province forward while at the same time investing in all those things that you ask me questions about all the time, highways, infrastructure, water, sewer and all those things that help grow the economy. *[interjection]* Well, I mean, it is a balance, right, to try and make sure your debt as a proportion of your GDP goes down, while you invest in those things. It will enhance our ability to grow the economy.

Mr. Cummings: Well, I asked one question but the minister just gave me that same answer about how he is comparing the debt to various standards, and I understand that and appreciate that, but that was not my question. My question was is he pursuing any policy—and these are buoyant times in the province, the total revenue to the province.

I have become slightly less apoplectic every time he refers to the revenues today compared to the nineties and the federal transfers. I mean, as my colleague showed me here just a few minutes ago, we saw a variance of half a billion dollars in what was anticipated and what was received in federal transfers, if my memory is correct. I do not quite see that line at the moment here.

But to me, my question is more of a philosophical one about whether or not the government is indeed pursuing in general a policy of reducing the indebtedness of the province at a time when the numbers seem to demonstrate that we are very buoyant in growth in revenues to government.

I understand all of the demands that are on government, and policies that were useful in the fifties and sixties in terms of what the public expected, a lot different expectations today. But the question still remains, is the minister comfortable with the debt rising in this province?

Mr. Selinger: I have to reiterate, we were not comfortable with the unchecked growth of the pension liability for civil servants and teachers, so we put a plan in place to address that which will make a significant difference over the 35 years that the plan is operating under. Instead of the liability growing from about \$3 billion to about \$8.5 billion over the 35- to 40-year period in question, our plan is to actually bring it down to no liability. So that is a huge commitment to reducing that liability.

In addition, we continue to have the discipline of paying down the general purpose debt, the hangover from the old days when deficits were being run on an annual basis. Thirdly, we are now in the financing of new investments in the province following a set of accounting rules essentially about how we amortize and pay for those liabilities so that over the useful life of those assets the asset gets completely paid off, so we do not have a situation where we have an asset where its useful life expires and you are still paying for it in terms of debt financing. Those are all disciplines that allow us to finance growth in the province while reducing our overall liabilities as a proportion of our economy.

The bond-rating agencies are very interested to know how you are managing your debt as a proportion of your GDP. They were very pleased to see that we put a plan in place to deal with the pension liabilities and that our debt-to-GDP trend has been going in the right direction, which is down.

They also are very interested to know that we are investing in things such as clean water, such as proper infrastructure, such as education, because bond-rating agencies also understand that the credit-worthiness of a province depends on the strength of its economy and the qualifications and competency of its citizens to generate an economy. They know you have to invest to grow the economy as well. So they look for a balanced approach. We provide a balanced approach.

Mr. Hawranik: From the minister's response, it appears as though the minister believes that it is okay for the debt to increase as long as the debt as a percentage of GDP goes down. I refer to Volume 1 of '04-05, page 25. I am talking about the summary financial statements, which the Auditor General says is more accurate than the operating fund financial statements, and two charts on that page 25 indicate, first of all, the net debt per capita has increased substantially in the province between 2001 and 2005 from \$7,700 to \$9,000 per capita, and at the same time the net debt as a percentage of GDP really has not gone down since 2001. So what we are seeing is an increase in debt per capita in this province and really no reduction, hardly at all, in terms of net debt as a percentage of GDP. These are good economic times. Certainly, we should be, if what he says is correct, that he is trying to reduce the net debt-to-GDP ratio, he is not doing that.

Mr. Selinger: As I indicated earlier, the debt-to-GDP ratio is going down. The table here has a number of changes in it, but they do not have restatement factored into it. It is important for the

member to hear this. The restatement issue is not addressed here. On a restated basis, the debt-to-GDP ratio continues to decline, when you compare apples to apples, oranges to oranges. So that is an important factor. That is something that needs to be taken into account when one analyzes that table. We can provide information to the member on that if he wishes.

Mr. Hawranik: I also refer the minister to this similar table on pages 36 and 37 of the same report. Again, net debt per capita, we are talking about the operating fund. The net debt per capita went up from \$6,000 per person in 2001 to \$7,100. Yet the net debt as a percentage of GDP, in fact, has remained flat. Is he stating now that that has to be restated?

Mr. Selinger: Well, once again, the table here is without restatement, so the member has to understand that there is not a backwards and forwards comparison of apples to apples here. On a restated basis, and we can provide the member information on that, the trend on debt-to-GDP ratio is a downward trend.

Mr. Chairperson: As there are no further questions and the reports will not pass, but before rising, I would like to ask you to leave behind your copies of the reports. This will help to reduce the number of copies required for the next time the matters are considered.

Committee rise.

COMMITTEE ROSE AT: 9:30 p.m.