



**First Session - Thirty-Sixth Legislature**

of the

**Legislative Assembly of Manitoba**

**Standing Committee**

on

**Economic Development**

*Chairperson*  
*Mr. Mike Radcliffe*  
*Constituency of River Heights*



**Vol. XLV No. 6 - 9 a.m., Monday, October 23, 1995**

**MANITOBA LEGISLATIVE ASSEMBLY**  
**Thirty-Sixth Legislature**

**Members, Constituencies and Political Affiliation**

<u>Name</u>	<u>Constituency</u>	<u>Party</u>
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BARRETT, Becky	Wellington	N.D.P.
CERILLI, Marianne	Radisson	N.D.P.
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MITCHELSON, Bonnie, Hon.	River East	P.C.
NEWMAN, David	Riel	P.C.
PALLISTER, Brian, Hon.	Portage la Prairie	P.C.
PENNER, Jack	Emerson	P.C.
PITURA, Frank	Morris	P.C.
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**LEGISLATIVE ASSEMBLY OF MANITOBA  
THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT**

**Monday, October 23, 1995**

**TIME – 9 a.m.**

**LOCATION – Winnipeg, Manitoba**

**CHAIRPERSON – Mr. Mike Radcliffe (River Heights)**

**ATTENDANCE - 11 – QUORUM - 6**

*Members of the Committee present:*

Hon. Mr. Stefanson

Mr. Ashton, Ms. Cerilli, Messrs. Evans (Brandon East), Laurendeau, Newman, Penner, Radcliffe, Rocan, Sale, Tweed

*Substitutions:*

Mr. Helwer for Mr. Tweed at 9 a.m.  
Mr. Dyck for Mr. Penner at 9 a.m.

**APPEARING:**

Mr. Kevin Lamoureux, MLA for Inkster

**WITNESSES:**

Mr. Ronald Schmalcel, Private Citizen  
Mr. George Harris, Private Citizen  
Ms. Nancy Paterson, Transcona-Springfield Teachers' Association  
Ms. Pat Isaak, Seven Oaks Teachers' Association  
Ms. Claudia Sarbit, Seven Oaks School Division  
Mr. John Wiens, Seven Oaks School Division  
Mr. Ric dela Cruz, Seven Oaks School Division  
Mr. Carl Ridd, Private Citizen  
Mr. Lance Norman, Manitoba Chamber of Commerce

**WRITTEN SUBMISSIONS:**

Mr. Ronald Schmalcel

**MATTERS UNDER DISCUSSION:**

Bill 2, The Balanced Budget, Debt Repayment and Taxpayer Protection and Consequential Amendments Act.

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**Mr. Chairperson:** Good morning, everyone. Would the Standing Committee on Economic Development please come to order. Mr. Newman, you have a motion.

**Mr. David Newman (Riel):** Yes, I do. I would like to move that, with the leave of the committee, the honourable member for Gimli (Mr. Helwer) replace the honourable member for Turtle Mountain (Mr. Tweed), who is the member of this standing committee, effective Monday, October 23, with the understanding that the same substitution will also be moved in the House and be properly recorded in the official records of the House.

**Mr. Chairperson:** Does Mr. Newman have leave? Agreed and so ordered.

**Mr. Newman:** I would also like to move, with the leave of the committee, that the honourable member for Pembina (Mr. Dyck) replace the honourable member for Emerson (Mr. Penner) as the member of this standing committee, effective October 23, 1995, with the understanding that the same substitution will also be moved in the House to be properly recorded in the official records of the House.

**Mr. Chairperson:** Does Mr. Newman have leave for this motion?

**Some Honourable Members:** Leave.

**Mr. Chairperson:** Leave and so ordered.

The committee is now properly constituted and will come to order. The committee met last Thursday and

Friday to hear public presentations on Bill 2, The Balanced Budget, Debt Repayment and Taxpayer Protection and Consequential Amendments Act. The business before the committee this morning is to continue hearing from those persons registered to speak to Bill 2. At this point, I will read out the name on the list as it stands this morning and those persons who are registered to speak to the bill so that they can be assured that their name is on the list and in what order they appear.

No. 1, Lawrie Deane, Community Action on Poverty; No. 2, Ron Schmalcel, Private Citizen; No. 3, Dr. Sid Frankel, Canadian Mental Health Association; No. 4, George Harris, Private Citizen; No. 5, Nancy Paterson and Pat Isaak, Transcona-Springfield Teachers' Association and Seven Oaks Teachers' Association, respectively; No. 6, Robert Brazzell, Manitoba Chamber of Commerce; No. 7, John Wiens, Seven Oaks School Division; No. 8, Victor Olson, Private Citizen; No. 9, Peter Sim, Manitoba Association for Rights and Liberties.

You will see that Diane Beresford appears as No. 9 on your lists. She did appear and presented last week. That is an error, and she has been removed from the list. The next person presenting is Carl Ridd, Private Citizen; next, Betty Edel, President, Community Education Development Association; and lastly, Ian Fillingham, Private Citizen.

Is there anyone present in the audience who wishes to appear before the committee and who is not yet registered? You may register at the back of the room, and your name will be added to the list.

I would just like to remind the committee and the members of the public, the committee agreed at its first meeting to hear public presentations on Bill 2. The committee agreed at that time to a 20-minute time limit on each public presentation. Is the committee agreed to continue this time limit? [agreed]

Did the committee wish to set a termination time at which it will rise this morning?

**An Honourable Member:** At 12 noon.

**Mr. Chairperson:** At 12 noon? [agreed]

We are now ready to hear public presentations. I would like to call forward the first person on our list, and that is Lawrie Deane on behalf of the Community Action of Poverty. Sir, would you please come forward and present. Lawrie Deane. The usher will call in the hall.

Having called Lawrie Deane and there being no answer, Mr. Deane will go to the foot of the list.

The next person on the list is Ron Schmalcel, Private Citizen. Oh, sorry, are you Lawrie Deane?

**Mr. Ronald Schmalcel (Private Citizen):** No, I am Ron Schmalcel.

**Mr. Chairperson:** Great. Sorry about that. Welcome. Do you have a written presentation, sir?

**Mr. Schmalcel:** Yes, and I provided it to the Clerk.

**Mr. Chairperson:** All right, and has that been circulated? It was agreed to have been accepted Friday afternoon. We look forward to you proceeding.

**Mr. Schmalcel:** Good morning, Mr. Chairman and honourable members of the committee. I am speaking to the bill primarily out of two concerns. The first concern is that the bill does not appear to be able to carry out one of its most important stated objectives, namely, the protection of taxpayers, and that the manner in which the bill is drafted, while not protecting taxpayers, makes certain groups of taxpayers, in particular, small business and middle- and lower-income families more vulnerable, in fact, more likely to suffer from tax increases or increases in the tax burden without the benefit of whatever protection the bill does provide.

\* (0910)

Let me begin with the first aspect of the bill that causes concern, namely, that the bill does not set out any consequences that follow if the government presents a bill which will increase tax rates contrary to Section 10. In a case of the government running a

deficit, the bill is very clear that cabinet salaries will be decreased. However, in a case of a government presenting a bill to increase tax rates, no consequence is specified.

In my view, the likely interpretation is that the provision dealing with tax rate increases is directory rather than mandatory in that the bill simply directs the government to hold a referendum before introducing a bill to increase tax rates rather than making it mandatory, such that it is in effect an optional provision, which, in my view, is not providing taxpayers with any greater protection than they now have in that the political process may be used to object to a tax rate increase.

So that is one of the principal concerns, namely, what are the tax consequences? The failure to specify consequence can in and of itself create difficulties in that groups of taxpayers may be inclined to challenge the validity of a tax rate increase which in their view was passed without compliance with this section or perhaps even going as far as seeking an injunction against the Assembly from considering a bill which, in their view, was introduced contrary to Section 10.

I do not know what the likely outcome of either of those litigation positions would be. However, I do think it is quite likely that a court would hold that Section 10 is directory rather than mandatory. If we look at the terms of the protection, or so-called protection, we see that it applies only to increases in tax rate. Now, tax rate is only one-half of the equation in anyone's tax bill. The other part of the equation is the tax credits and tax deductions that are available and the various statutes which come within the taxpayer protection portion of the bill, namely, The Income Tax Act of the Province of Manitoba and the Health and Post Secondary Education Levy.

Both have very important exemptions to small business. In particular, the rate of tax on corporate income is 17 percent. There is an 8 percent provincial small-business deduction on active business income earned in Manitoba by Canadian-controlled small business corporations. This deduction has increased in the last budget, I believe, and I believe also in the

previous budget. This level of deduction can be reduced without a referendum, thereby increasing the tax burden on small business, typically family-owned business, which is a principal group of people who enjoy this deduction.

Also, the \$750,000 exemption on remuneration under the Health and Post Secondary Education Levy protects small business from this tax. That is the only group of businesses which in effect are in any way protected, are the ones with remuneration over this level, which are generally large businesses. In the case of individuals, tax credits are also very important. For example, individuals with net incomes of \$30,000 or less are protected from the 2 percent surtax.

There is also a tax reduction program which provides nonrefundable tax credits and property tax credits. If we take the example of a family of four with one principal wage earner, tax credits are available for that family, provided that the individual earns \$65,000 a year for income or less. So we can see that a large number of families in Manitoba are still vulnerable to tax increases without a referendum with this bill as drafted. So we see that the protection of the bill is under its terms not provided to everyone.

If we look at the likely long-term effects of this sort of asymmetry in protection, we see that governments, of course, would be more inclined to decrease tax credits, to decrease tax deductions, should the government require more funds. This puts the heads of small business and the middle- and lower-income families first on the chopping block when it comes to tax increases, which, in my view, is unfair. In fact, these groups are probably the most deserving of protection. In fact, it might even be preferable to protect the tax credits than it would be to protect tax rates.

I have set out certain recommendations for this committee to consider addressing these concerns, namely, withdrawal as drafted, or that, if this committee will proceed or if the bill does continue to become law, the question of tax credits and tax deductions also be addressed. Thank you.

**Mr. Chairperson:** Thank you very much, Mr. Schmalcel. That was a well-thought-out presentation for which I thank you. Are there any questions?

**Mr. Tim Sale (Crescentwood):** I very much appreciate this presentation, Mr. Chairperson, because I think it helps me to understand more clearly some of the criticisms which we have seen and which other briefs have seen in tax language, that essentially the vulnerability under this bill appears, according to Mr. Schmalcel's brief, to be felt most by those who normally we think are most deserving of protection, namely, small business and lower-income earners.

Mr. Schmalcel, you appear to be saying that the bill should simply be withdrawn. Are you suggesting that all taxation changes should be subject to referendum or no taxation changes should be subject to referendum? Is that essentially what you are saying, that it is an all-or-nothing thing?

**Mr. Schmalcel:** Yes, that is what I am saying. In fact, if the province is going to take the route of direct democracy when it comes to increasing tax bills, that it be democratic and apply to everyone, and there are two ways of doing that, either giving everyone the benefit of being protected through a referendum process or having no referendum process. However, once we start giving the referendum process to some rather than others, you have preferences in the system; and, unless those preferences are fair or consistent with good tax policy, I do not think they should be proceeded with.

**Mr. Sale:** Mr. Schmalcel, you are a lawyer with some experience in tax planning and tax structure for small business. How significant in your view would be this kind of change for the viability of Manitoba small businesses with whom you deal in a typical way?

\* (0920)

**Mr. Schmalcel:** This could have a tremendous impact. Much of the business and much of the tax planning work I engage in is with the family-owned business, so, generally speaking, these businesses qualify for the small business deduction, which levels the tax bill for the average businessman. If a person engages in

business directly without a corporation, he will pay X amount of tax. The whole purpose of the small business tax deduction is to put him in roughly the same position he would be in had he not incorporated.

So, if we look at money earned through a corporation paid out as a dividend, the tax is roughly the same as if it were earned directly. You know, however, the timing delays make for the tax planning, but I think overall that, once we take that away or reduce the small business deduction, we, in fact, penalize this group of taxpayers unfairly.

**Mr. Sale:** Mr. Schmalcel, I am sure you are more aware than most of us are that the recent changes in the federal sole proprietorship small business year-end will have a significant impact over the next several years. I believe businesses have a choice; certainly, I as a small business person had the choice of taking it all at once or taking it one month at a time, I think for—I am not sure whether it is for 10 years or however long it is. This may be unfair to ask you to do this without time to put pencil to paper, but can you generally discuss the combined impact of the federal changes with potential loss of protection under this act in terms of the deductions of which you have spoken?

**Mr. Schmalcel:** Typically, a sole proprietor will defer approximately 11 months of salary by choosing a year-end in January, and the federal changes have required sole proprietors to take that 11 months into their 1995 income. They can pay it all at once, or it can be spread out over time. I believe it is something in the order of 10 years, but I would have to look at that again. Essentially, people have to pay tax on 110 percent of their income, if it remains constant.

One of the planning opportunities that we have endorsed is to incorporate, so that if we bring in 11 months in income this year, we set up a corporation, and you get that deferral a little longer. That eases the tax bill. So we expect the number of sole proprietors who are incorporated to increase. If a sole proprietor earns, let us say, \$100,000 directly, he would be paying, without any other deductions, approximately \$60,000 in income tax. If he now files this through a corporation, the corporation will pay about \$23,000 income tax; and, if he takes it out as a dividend, we

have tax of another approximately \$40,000. So the system is roughly fair.

Now, if the small business deductions were decreased, the corporation would pay more tax, for example, \$25,000. Then we have tax again at the dividend level, and we see that there is in effect a penalty for carrying on business through a corporation.

**Mr. Sale:** Mr. Chairperson, through you to Mr. Schmalcel, in general terms, would you describe small business as very vulnerable in terms of its viability and its being impacted by tax changes, or are small businesses, in your experience, generally pretty healthy and they could afford the kind of tax changes which might happen through this act without referenda?

**Mr. Schmalcel:** In times of economic uncertainty, as we are in, small business is very vulnerable because the choice is between losing one's livelihood very often or eating losses for a period of time. Tax changes that increase the tax burden are more likely to come during tough economic times; therefore, small business, in my view, would be quite vulnerable at the wrong time to tax changes, and especially with this bill in place since the government cannot run a deficit without incurring the penalties. The one solution that readily presents itself is to perhaps increase the tax burden and to increase it without a referendum which would most likely come at the expense of small business and middle- or low-income families.

**Mr. Sale:** Mr. Chairperson, Mr. Schmalcel also refers to the impact on lower-income families. I wonder if you could either review for us or perhaps you can speak to the potential impact of the kind of changes. For example, the 2 percent surtax could, I presume under this bill, be applied to all families without any referendum requirement because it is not one of the taxes that are mentioned in the act.

**Mr. Schmalcel:** Yes, there are two questions presented that in this way. One could be to increase the impact of the existing surtax by saying the threshold at which it kicks in is lowered from \$30,000 to, let us say, \$20,000. So that would be an increase of, I believe, \$200 for that person or for people who fall into this category.

The bill also does not protect taxpayers from new taxes, and if one were to take a view that a surtax that is new, for example, applying it at over a certain income of \$40,000—in Ontario I think it is \$60,000 on which they apply their super surtax—families at that range may be called upon, but that is a question of interpretation of new taxes. Certainly, by reducing tax credits substantial levies can be realized. I believe in the 1993 budget approximately \$48 million or over \$50 million was realized by simply reducing property tax credits.

**Mr. Sale:** I think that is a very useful example, Mr. Chairperson, that under this act we could hit lower-income Manitobans with a \$200 a year increase with no penalty, no consequences in terms of a referendum, whereas those in higher or more privileged positions are protected by many of the provisions of the act.

In summary, Mr. Schmalcel, you seem to me to be saying that you cannot have some referenda, you have to have either all referendum on anything that changes the tax structure, which would appear to me to be hopelessly impractical and hopelessly expensive. I think your position, you have already stated, is all or none, and you would prefer none because of the impracticability of all.

Your other position, which I think is very important for this committee to hear, is that the current structure of the bill would appear to make small businesses and lower-income people vulnerable while appearing to mainly protect large business and higher-income people. So the bill is asymmetric in its protection, and that is your other major point, I think. Am I correct in summarizing?

**Mr. Schmalcel:** That is correct.

**Mr. Leonard Evans (Brandon East):** Mr. Chairman, I find it a very interesting brief. It has taken a totally different angle from anything that has appeared, as I understand, before the committee so far. I think your reference to the TDCEs, the various tax deductions, credits or exemptions, as a way to increasing a tax burden I think underlines what I have read about what has happened in North America where jurisdictions have brought in so-called balanced budget legislation,

that governments find ingenious means to find more revenue without contradicting the legislation as such, and nevertheless still do affect the tax burden on the citizens.

I would like, just a clarification, what you are saying—I am a slow learner I guess—subsection 10(1) is directory rather than mandatory. This is what you mean when you refer earlier on that there is no enforcement mechanism that exists to ensure that referendums are held before tax rates are increased?

**Mr. Schmalcel:** Yes, that is correct. Although the word "shall" is used, shall can at times be interpreted as being directory rather than mandatory, especially in a situation like this where we are dealing with a public statute and a public benefit. For example, the time limits imposed under the City of Winnipeg assessment act used the word "shall" but was interpreted as being directory rather than mandatory. In this situation, since there is no specific consequence outlined in the act, it is more likely that the word "shall" in subsection 10(1) will be interpreted as being directory rather than mandatory.

**Mr. Leonard Evans:** So you are suggesting that if the government really means to do what it intends to do, that subsection 10(1) has to be amended.

\* (0930)

**Mr. Schmalcel:** That is correct. If the government intends to have the referendum provisions to be mandatory, it should specify the consequences that follow a violation. If it is intended to be directory, then it would be preferable that the statute use language to that effect so that we do not have the situation where it is open to interpretation and the public will also know where the government stands.

**Mr. Leonard Evans:** Thanks very much.

**Mr. Chairperson:** Are there any other questions?

**Mr. Newman:** I would just like to understand whether or not—if these what you would describe, and I would disagree with you, as imperfections in the current

legislation as proposed, setting those aside for a moment, are you against this particular bill for other reasons?

**Mr. Schmalcel:** Well, I also have concerns over the deficit provisions, but I have not outlined them in this brief. I do not know if the committee would like me to discuss—

**Mr. Newman:** Not in particular. I just wondered whether, aside from those, what you would describe as imperfections, I would take it, or less than acceptable deficiencies, do you support the bill?

**Mr. Schmalcel:** I think the bill, if the object of the bill is to protect taxpayers and to balance budget, those are desirable ends. However, as drafted, the means chosen to carry those ends out are not sufficient and are insufficient in a manner that potentially will work to the detriment of small business and middle- or low-income families. Therefore, I am against it.

**Mr. Newman:** Would you be inclined to agree with me that if there were a temptation by any government to change those tax deductions, credits or exemptions, there would be a very strenuous reaction by the small business community and anyone that appreciates the impact that this would have on the provincial economy, whereas dealing with the other kinds of protected-by-referenda changes, there might be a temptation for a government, without being as worried about a mass reaction, to make those sorts of changes and therefore there may be a greater need for that discipline in those types of changes?

**Mr. Schmalcel:** I think at one point we stated that this bill is to provide government with discipline. If small business and low- and middle-income families have to rely on outcries and basically the government's word that it will not increase the tax burden on them, then that should also apply to all other taxpayers if the rationale is that the government requires discipline.

Certainly, whenever tax rates are increased, those individuals that are affected, those businesses affected by that also would give a considerable outcry and, in fact, point out the potential economic effects of those tax rate increases. Everyone screams when the tax



increases affect them. I think that, if you are putting one group in a more protected situation, once examined, they like the effect of that extra protection mainly to make other groups more vulnerable to tax increases.

**Mr. Newman:** But, in all cases, is not the protection—really, the source of it is the people themselves, and, more directly so, where there is a referendum, but the other is an implicit protection, given the nature of the sorts of changes you have referred to. [interjection]

**Mr. Chairperson:** Mr. Schmalcel, there is a little underplay here at the table, but I believe the question has been directed to you and should be answered by you, sir.

**Mr. Schmalcel:** If the taxpayers of this province are to rely on the good will of government not to increase taxes at them, then there is no rationale for this bill. If the government is saying, take our word for it, we are not going to burden you with increased taxes, and small business and lower-income people, you can just take our word for it, but, you know, public corporations and higher-income individuals, you do not have to take our word for it, we have got the balanced budget legislation here for you, I think that that would lead to tax policy that is probably inappropriate.

**Mr. Newman:** It is not just a matter of taking your word for it; you reap the consequences of what you do in terms of your actions.

**Mr. Chairperson:** I do not know that there was a question there, Mr. Schmalcel, and I would point out to the you, sir, that the object of questions at this point in the presentation is to elicit either further information or points of clarification. I am not wanting to cut off debate at this point, but if there are any other questions of the committee to the presenter—Mr. Minister, do you have a question?

**Hon. Eric Stefanson (Minister of Finance):** I have two questions, Mr. Chairman. Firstly, Mr. Schmalcel, we have had representation to date from organizations like the Canadian Federation of Independent Business that represent mostly small businesses in Manitoba.

They outlined their membership. I think they said over 50 percent of their membership are employers that have less than five employees. I have had representations made to me by Chambers of Commerce, various business organizations, small businesses and so on. Literally, to a person and to an organization, they support this bill and this legislation, and they point to it for several reasons.

They view it, not only the issues you have touched on today, but they point to the importance of starting to retire the debt in Manitoba and not running deficits. Also, they point to the importance of holding the line on taxes, personal taxes, provincial sales taxes and corporate income taxes, so I guess I am a little puzzled by your representation.

In a general sense, you make references to small business and so on, but most of the organizations that tend to directly represent them have made representation supporting this legislation. That is a question.

#### Point of Order

**Mr. Sale:** On a point of order, Mr. Chairperson, I think the minister should more clearly reflect the fact that the presenter for the small business association specifically, in response to a question, suggested that they favoured referenda in relation to some of the issues Mr. Schmalcel has raised and were concerned in fact about the lack of protection for some of the small business impacts that are outlined. I believe the minister should more clearly reflect the balance in the presentation.

**Mr. Stefanson:** Mr. Chairman, on the same point of order, I would encourage the member for Crescentwood to read the Hansard transcript of the comments made by CFIB, and I think it will be perfectly clear to him after reading that.

**Mr. Marcel Laurendeau (St. Norbert):** On another point of order, Mr. Chairperson.

**Mr. Chairperson:** On this point of order?

**Mr. Laurendeau:** On this point of order, Mr. Chairperson, if you would like. I do believe that both members were out of order. This was no point of order. The honourable members are both entering into debate. I do believe this is time for us to be presenting questions to the presenters that are coming forward today, and I do believe the minister had a question. I believe we should move ahead with that.

**Mr. Chairperson:** I confirm that, and I so order that there was not a point of order here. There has been a question put to Mr. Schmalcel.

#### Point of Order

**Mr. Leonard Evans:** On another point of order, I would question the minister's query of the delegate as being one of clarification. He is simply stating a fact that in his interpretation the independent business group did not reflect the same concerns as the present presenter. Maybe that is true, but that is not asking for a clarification on this particular brief.

**Mr. Stefanson:** Mr. Chairman, perhaps I was not perfectly clear. Mr. Schmalcel makes several references to small business. I am assuming his is not on the basis of representing any organization on behalf of small business, but it is a fact that he is a lawyer by profession and obviously represents some individual clients who happen to be small business as well. It is from that perspective as opposed to any representation similar to the kind of organization that I have referred to. That is the kind of clarification I was after.

**Mr. Chairperson:** I confirm that Mr. Leonard Evans did have a point of order, and I acknowledge the point of order. The question has been put. The question from the minister has been rephrased and clarified.

\* \* \*

**Mr. Chairperson:** I believe, Mr. Schmalcel, you now have the question before you, and I would ask you to be responsive.

\* (0940)

**Mr. Schmalcel:** Yes, I am here in my capacity as an individual who is knowledgeable in the area of tax law, especially as it relates to small businesses and individuals. The focus of my presentation is to point out these matters which are largely technical and perhaps not readily apparent to the reader who may not be familiar with tax law.

**Mr. Stefanson:** Mr. Chairman, I just have one more question. I am curious, Mr. Schmalcel, whether you would agree that protecting any rate increases as it relates to our provincial sales tax is very much protection for people at all income levels.

**Mr. Schmalcel:** I think that rate increases are important; however, if you look at the tendency of sales taxes, they tend to be regressive, in fact, more by individuals who tend to spend more of their disposable income on items than perhaps the higher-income individuals who are able to save more and not spend more, so that the protection of rate increases will generally benefit the lower-income groups as well.

**Mr. Chairperson:** Are there any—Mr. Sale, you have a question?

**Mr. Sale:** I just have one final question, Mr. Chairperson. Mr. Schmalcel, I would like to ask you whether you agree with the Canadian Federation of Independent Business brief on page 6, which says, and I quote, most importantly, regarding the taxpayer protection provisions, we have two major concerns. In examining the legislation, it is not clear if the government could make changes—

#### Point of Order

**Mr. Laurendeau:** On a point of order, Mr. Chair. Mr. Evans just told us he had a point of order when the minister referred back to the presentation made by that group, and now this honourable member is bringing forward the exact same line of questioning and referring to a brief by another group.

**Mr. Sale:** On the same point of order, Mr. Chairperson, I clearly asked the presenter what his views are on concerns raised by another body in regard

to this legislation. I think it is extremely pertinent to the matter before us, and that we have every right to ask witnesses to the committee whether or not they agree with the views expressed before this committee. I think it is a very pertinent issue.

**Mr. Chairperson:** Mr. Sale, I acknowledge that this is perhaps a significant issue; however, I would point out at this point in time that questions to the presenters are to be directed to eliciting more information from the presenter with regard to their presentation or to amplifying positions of confusion or obscurity in their presentation, and that the questions are to be directed to clarifying the issue that is before us on the table. The issue before us that is on the table today, of course, is the presentation from Mr. Schmalcel, so I would direct that that question would be out of order.

\* \* \*

**Mr. Chairperson:** Do you have any other questions, sir?

**Mr. Sale:** Mr. Schmalcel, is it your view that the lower small business corporate tax rate is simply a reduction from the regular corporate tax rate and therefore that the government could reduce the benefit to small business without contravening the act as it is now written?

**Mr. Schmalcel:** Yes, that is the case. The benefit of the lower tax rate or the small business deduction applies to the general tax rate which is at 17 percent. The small business deduction on certain types of income would reduce it to 9 percent.

**Mr. Sale:** So, in that regard, Mr. Schmalcel, then you would agree with the position of the Canadian Federation of Independent Business.

**Mr. Schmalcel:** Yes.

**Mr. Chairperson:** Mr. Schmalcel, I am sorry. You were responsive to that question, we should make sure that gets on the record. Your answer was—

**Mr. Schmalcel:** Yes.

**Mr. Sale:** Thank you, Mr. Chairperson, I have no further questions.

**Mr. Chairperson:** Gentlemen of the committee, are there any further questions of this presenter? [interjection]

Order, please. The committee agreed to accept Mr. Schmalcel's written brief on Friday as it had been submitted to the Clerk's Office in case he could not make the public hearing today. Mr. Schmalcel has presented here this morning. Shall his written brief appear in this morning's Hansard, along with his presentation, rather than Friday's Hansard? What is the will of the committee? [agreed]

The next presenter is Dr. Sid Frankel from the Canadian Mental Health Association. Is Dr. Frankel in the audience? The usher is indicating that Dr. Frankel is not in the hallway. Dr. Frankel, not appearing to be present in the committee room today, will go to the foot of the list, and I would next call on George Harris, private citizen.

Is George Harris present? Mr. Harris, good morning, sir. Do you have written presentations this morning?

**Mr. George Harris (Private Citizen):** No.

**Mr. Chairperson:** Fine. Thank you, sir, very much. Would you please proceed?

**Mr. Harris:** Thank you very much for hearing me this morning. I am sorry that other circumstances made it impossible for me to be here when originally my name was called up on Friday, but I am grateful for this opportunity.

I have appeared before standing committees on a couple of occasions before, and it has only been during the time of the Filmon government being in office here in the province. Each time I appeared I have certainly been angry, and I want to make a point there because, immediately after being elected, the Premier did announce that he had not heard any anger, and I just want that to go on record with Hansard and maybe he will hear.

This bill is another reason for my anger, and you do not have to be shouting obscenities or anything else like that in order to be angry. There is a deep, underlying anger on the part of many people.

This bill is a cynical bill. It tries to appeal to the sense—in the province of Ontario, people refer to it as common sense, not all people, but certainly the government there—that somehow balanced budgets are good, they are inherently good, and this bill is trying to take advantage of that kind of sentiment on the part of people, but it hides a lot of other things underneath.

The big question that faces us, that we keep getting bombarded with, is the issue that we have a debt, we have a deficit. We have got to deal with it responsibly. The question that I have is, who is going to pay for it? Very often the question is, well, we do not want future generations to pay for it.

Anyway, what I want to do first is go through some of—and I am not going to do it in a comprehensive way, because there are all kinds of things which I understand other people have addressed, and I want to look at certain things, and it certainly does not cover all of my concerns. Time is, I am told, limited.

I notice the exceptions that are here, things like natural disaster. Well, that is maybe good not to be compelled to abide by this kind of legislation if there was a natural disaster. There would be all kinds of hardship wreaked on the people who had the misfortune of that particular disaster, whether it be fires in the North or floods or whatever. It would be good. We do not want this bill to mete out terrible harm upon people, and that is—or is that—anyway, we will take it at that point.

War is another one. Not all war is good. In fact, I would contend just the opposite. The Gulf War, for example—would expenditure at the time of the Gulf War be an appropriate time to run, to go over budgetary constraints? That war was not about human rights. It was not about democracy. The human rights of the people of Iraq are still being flouted. Since the war there have been over a hundred thousand Arabs slaughtered and no action was taken to deal with that.

\* (0950)

Since the war there has been no democracy of any credibility restored in Kuwait. It is a mockery to talk about it in those terms. It was all to do with oil and the interests of the transnational corporations. That was all that war was about. Are we prepared—under what circumstances, under what kind of war are we prepared to run a deficit? Are we prepared to run a deficit to support transnational corporations in their draconian efforts to make horrendously high profits and, at the same time, to condone genocide? This, your war, no definition of what kind of war.

What about absolute disasters that could result from reductions in funding from the federal government? Our federal government is on the same track as this government in abrogating its responsibility to govern. There are going to be changes in funding for education and health care and social assistance. Is that not a disaster? I notice it is funny to some people. I do not think it is funny.

Taxpayer protection—the bill is high on taxpayer protection. What about protection for low-income Manitobans? I would not even dare to try to say, Manitoban living below the poverty line. There is a minister, Family Services minister, who wants to redefine the poverty line, so I will just say low-income Manitobans. The bill allows for restructuring of the tax burden under Section 10(2)(b). That does not stop the government from shifting the burden onto the poor. You get a certain kind of government in the future, you can shift it onto the poor. It allows restructuring as long as there is no net revenue gain. In other words, you could reduce the tax to the wealthy or the relatively affluent and increase the burden on the poor.

The 10(1), I notice it only stops increases but does not say what happens in the cases of decreases. I could foresee a situation where taxes could be decreased in this particular term in office. Once they are decreased, it basically puts a barrier for increase, and it does not matter how bizarre those decreases are, whatever rationale there is.

I notice, just as a kind of curiosity to me, Section 12(2). Why did the government not make the same

provisions? Why is that not the case for all bills, including this one? Why does it have to be the matter of notice for committee meetings? I heard some other presenters who said that they were just informed the day before. What are we afraid of? Are we afraid of somebody coming through and very quickly ramming through legislation that changes this? What about attaching the same fears to this kind of legislation?

Anyway, it was a curiosity that I had more than anything. Yes, there is a problem. We have this very, very serious problem in our society and, in fact, globally. I mention globally because most of my working life has been spent working in Africa. What we are experiencing is a global problem of a completely failing capitalist system. The reality of the capitalist system is a trickle-up until there is a raging torrent at the top. Take a little bit from the billions of people and gradually build it up until it becomes a raging torrent for a few obscenely wealthy people at the top. It is obscene because of the poverty and the genocide and all the rest that is inflicted on the people at the bottom.

You do not jump right up the ladder from the bottom to the top; in fact, there is not room at the top for many people. There are a limited number of ways to go from the bottom to the top. You can inherit the privilege; you can take advantage of playing with what I would call the analogy of loaded dice, a system that is a money machine. You can have luck like the occasional actor or hockey player or inventor. You can have luck, and you can catapult up into the very wealthy; and a few have even been known to catapult up there through criminal or near-criminal activity.

\* (1000)

Hard work is a very small factor, very small. If it was hard work, the Tanzanian farmers that I have seen, the Zambian farmers who work desperately hard to slash sugar cane, to grow coffee and tea would be wealthy people, if it was hard work. This system has very little to do with hard work, not to say that hard work does not play a factor. I am just trying to say, let us keep it in perspective. Yet the poor in our country are constantly told: You do not have the things you

have or you want to have because you are not working hard enough; you got to get out there and work.

I just wanted to do a little bit of profile and then come up with a recommendation. The profile is the top 20 percent of the Canadian population, the bottom line on income is \$37,735 in 1993. People as individuals who make more than that level took in 46.7 percent of the entire income of the nation. The bottom 20 percent made less than \$8,122, and they took in, in total, only 3.3 percent of the nation's income.

The interesting thing about that 3.3 percent is 67 percent of it was transfer payments. Very interesting, because as we introduce balanced budget legislation what is going to happen is we are going to get increasing calls to cut the flow of that money to those people. They are the problem. The people in the top 20 percent consume or take in much more of the nation's income.

The interesting thing also by that bottom 20 percent is that it is overrepresented by young people, very much overrepresented, and it is not surprising that young people have a sense of hopelessness in this environment and the kinds of things that are being prescribed for this country are things like boot camps if you happen to get out of line. There are all kinds of problems with crime. These are things that do not happen by accident. People with hope, people with jobs do not do those kinds of things.

All that would be required would be simply to put a surtax—

**Mr. Chairperson:** Three minutes to go, Mr. Harris, is what I was trying to indicate to you.

**Mr. Harris:** —on the top 20 percent to make sure that the poor were protected. Now that is living within a capitalist system which I do not particularly like, but by and large the people have certainly not worked for that money, although they claim to. The money has been siphoned to them.

That would be a suggestion that I would have. The government in this bill has basically come down on the

side of the top 20 percent. It has used the vehicle of the media which, no surprise, is owned by some of the wealthiest people in this world, and so I do not think there is a problem with getting the public onside. But what has been done is the public, if they knew all the facts, would be onside and would be very, very much opposed to this kind of legislation which simply protects the taxpayers and does not protect the poor.

I will leave it at that point and I do apologize for my emotion earlier on.

**Mr. Chairperson:** Thank you very much, sir, for your heartfelt presentation this morning. I am sure that all members of the committee welcome the sincere feelings and thoughts that you have presented. Are there any questions of this presenter?

**Mr. Leonard Evans:** Just two, Mr. Chairman. Thank you very much for the very sincere presentation you made this morning, Mr. Harris. When you said you see this bill as shifting the tax burden from the rich onto the poor—words to that effect—that it is discriminatory against lower-income people, were you referring or did you mean specifically the point that was raised earlier this morning that the government is not prevented by this legislation from eliminating property tax credits, eliminating cost of living tax credits and the like, so that ultimately through a shift in credits, or as was referred to earlier, the TDCEs, the tax deductions, credits or exemptions that in effect the burden could be shifted to lower-income people?

**Mr. Harris:** That is certainly the case, that those kinds of things can be done. That was not the major thrust of what I had here, but I did recognize that, and I know that other people have adequately represented that, but certainly those kinds of things are not stopped. For the top and bottom 20 percent that I am talking about, property tax credits might be a very irrelevant thing. I mean, they do not even factor in. I am not talking about the middle. Property tax credits are—we are talking about people with income of less than \$8,000 a year, and that is not very often that you have people that are high percentage in terms of transfer payments. I am not suggesting that all those people are on social assistance, because the transfer payments include

things like pensions and unemployment insurance and so on.

**Mr. Leonard Evans:** Just the other question. I note your concerns about definitions of wars, and you made reference to definitions of wars and disasters and so on, but I guess one could perhaps argue about whether those definitions should be changed or whatever. I would suggest that maybe a better solution might be to dropping the bill entirely. My question really was, is this your position that this bill should be withdrawn as opposed to being changed?

**Mr. Harris:** It should be dropped. What I did not say was that this bill has got little to do with the objectives that are there, that are stated up front. It has everything to do with protecting and entrenching almost what you would call the divine right of capitalists.

**Mr. Lamoureux:** Mr. Chairperson, just one question for the presenter. Mr. Harris, do you think that it is part of government responsibility at some point in time to have balanced budgets, or do you believe that there is nothing wrong with government going endlessly with annual deficits which would obviously accumulate to the overall debt?

\* (1010)

**Mr. Harris:** I do not have a problem—as I said at the beginning, balancing budgets appeals to what is within all of us. My question which I am raising is, who is going to pay for it? I am saying, make those in the top 20 percent; and, just so it is on the record, I am in the top 20 percent and so is every MLA around the table. So I just want that to be on the record, because I think that we have a responsibility in a system like this, a system that by its fundamental nature impoverishes and makes life misery for many, many people. We have a fundamental responsibility to ensure that something is done to redress that.

Now, this balanced budget legislation, I say, is basically not preventing the government from further placing a burden on these people who are already in a situation of hopelessness, impoverishment and so on. But I would say, yes, it is important to balance budgets,

but I am saying, put the burden on us in the top 20 percent.

**Mr. Chairperson:** Are there any other questions? Mr. Newman, you have a question of this presenter.

**Mr. Newman:** I wanted to get a clarification as to what system in the world—if it is not the capitalist system, what system in the world are you envisaging relative to this one which is a superior functioning system in the world?

**Mr. Harris:** Excuse me, I did not hear the last words.

**Mr. Newman:** What functioning system in the world is the sort of system relative to this one which you consider is superior?

**Mr. Harris:** Oh, I see, I thought you were referring to this superior system.

Systems are problematic. I am being very frank. The systems are problematic, but by what we are hearing right now is we are hearing the gospel that the free enterprise system and the magic of the marketplace are the things which should guide us. What I am saying is that even if we are working within this capitalist system, if we are not wanting chaos, we have to begin to address the fundamental problems in the system. We saw problems in other systems in this world. We witnessed the problems in the Soviet Union and so on, but I do not think the Soviet Union has been redeemed by its move towards a free enterprise system. What is also interesting is what we have got is some of the same things that existed within the Soviet system, things like a media that—Pravda was a very well known newspaper; at least people referred to it. What I heard as I was growing up was that it was feeding predigested news to people.

Well, I came to Canada after having worked outside, and I notice that there is pretty predigested stuff here, and, in fact, the interesting thing about it is how cleverly it is brought on. Secondly, I remember growing up in the community outside Winnipeg and just hearing about how nasty it was in the Soviet Union with everybody informing on their neighbours. Now I am back here, and I am finding we have got snitch

lines. That is not just this province; it seems to be the wave of the future. Now I am not—the systems are very, very problematic. You do not solve it by system, but you do not exacerbate the problems of the system by legislation like this.

**Mr. Chairperson:** Are there any other questions of this presenter? Thank you very much, Mr. Harris, for your presentation this morning.

The next people on the list are Nancy Paterson and Pat Isaak. These people are from Transcona-Springfield Teachers' Association and Seven Oaks Teachers' Association, respectively.

Ladies, will you be presenting a unified presentation? Your answer is yes; you are nodding to the affirmative. Thank you.

Do you have written presentations to circulate? Thank you. Your brief has now been circulated. I would ask you to proceed. Thank you very much.

**Ms. Nancy Paterson (Transcona-Springfield Teachers' Association):** My name is Nancy Paterson, and I am president of the Transcona-Springfield Teachers' Association, and this is my colleague, Pat Isaak, who is president of the Seven Oaks Teachers' Association. As presidents, we are elected officials and represent close to or just over 1,000 teachers in our respective school divisions.

We are here today to express our concerns about The Balanced Budget, Debt Repayment and Taxpayer Protection and Consequential Amendments Act. We do not wish to condone fiscal irresponsibility on the part of this or any other government. We do not wish to say that a government should retain a debt which it cannot handle. We are here to say that Bill 2 in its present form will have a serious negative impact on public education, specifically on teachers delivering and on students receiving education in public school classrooms in Manitoba.

We see Bill 2 as a simplistic solution to a complex problem that will have drastic consequences for education. The illustration shows revenue to government today as a solid rectangle. Currently,

government expenditures, represented by the broken line outside the rectangle, exceed revenue. This creates a deficit.

According to Bill 2, Section 10(1) and 10(2), government cannot increase total tax revenue without a referendum, so the revenue rectangle in our illustration is likely to remain constant. However, Section 8(4) states that, in order to retire the debt, mandatory annual deposits are required into a Debt Retirement Fund. Therefore, the amount of money available for government program funding must decrease, moving the broken line inside the rectangle.

As an institution that relies on government funding, public education will be drastically cut. This leaves us as educators with many concerns and unanswered questions. The perception that these spending cuts will eliminate the so-called fat in the system is a fallacy. Indeed, there is no fat left to cut.

We would like to share with you some examples of the negative impacts which have already occurred as a result of reductions in funding to public schools: cuts in both personnel and program supports for special needs students; cuts to student supports in the areas of resource, guidance and enrichment; cuts in the number of teaching positions; increases in class size; increases in the number of split-grade classrooms; reductions in teaching materials such as textbooks, computers, et cetera; the loss of professional development time for teachers; imposed user fees for things such as bus transportation, lunch hour supervision, field trips and participation in extracurricular activities; reductions in the number of option courses, particularly but not exclusively, for senior high students; cuts in school support staff, i.e., custodians, secretaries, library technicians and paraprofessionals; a reduced ability for local school boards to generate revenue.

With the passage of Bill 2 and its inherent cuts in spending, we foresee the possibilities of the following: further cuts to or elimination of the student supports outlined above; further increases in user fees; further increases in class sizes; further reductions in the number of teaching positions; the elimination of subjects such as music, heritage languages, physical

education and art; increased corporate sponsorship of public school programs; the elimination of nursery programs, kindergarten, breakfast and lunch programs and adolescent parenting programs; continued changes in criteria, making it more difficult to obtain funding for special needs students; an increased number of students leaving school before graduation due to lack of vocational, technical and alternative programs; legislated interference with all aspects of collective bargaining; and finally, the introduction and promotion of charter and/or voucher schools.

\* (1020)

If we turn to the capital expenditures in education—as private citizens we budget for the purchase of a new car over approximately three to five years of loan payments. For most of us that is the only choice if we wish to own a car.

Similarly, how could a school install a new computer lab, a new science lab or an equipped band room if it could not be financed over several years?

Another example is the purchase of a house. Most people, again, amortize their mortgages over 25 years or they would not be able to afford their own home. Put that into educational terms and we are looking at the building of a new school. In Transcona-Springfield, for example, the French Immersion population grew to the extent that a French Immersion high school was required to accommodate their needs. If this school was to be paid for in one year it never would have been built.

When long-term investments are made, debt is a logical and often necessary way of achieving goals. The widely held perception of public school as an expense rather than as an investment is both shortsighted and inaccurate. It is shortsighted in that it fails to recognize the long-term personal social and economic benefits of education. It is inaccurate in that it views education as an expense, one which is disposable and generates no return as opposed to an investment, especially an investment such as education which is permanent and lifelong and generates returns for society in many ways and for many years to come.



Borrowing money to achieve goals does not prevent nor preclude an individual or a government from balancing its budget. Debts, after all, must be repaid, adjustments must be made, if you will. However, in making these adjustments, we must still eat, we must still provide education and we must still be able to access health care. Only when these necessities are taken care of for all citizens can we look forward to opportunities in the future rather than regret decisions of the past.

We fear that the rigid time lines proposed in Bill 2 will place our public schools, our teachers and, most importantly, our students at risk. A public system should have resources so that all students have access to a high-quality and fully funded education. The impact of Bill 2 will be dramatic if left in its current form.

The fact that no other province in Canada has proposed or enacted such strict balancing time lines speaks to the inherent dangers in this legislation. The economic and political agenda that is implicit in Bill 2 is one that disturbs a great many educators. There is an inherent message in this agenda which implies that only those students who can meet a certain predetermined set of expectations are valued and therefore are worthy of a quality education.

It is a basic principle of public education and certainly the view of educators that all children are valued and when given opportunity and support will make their contribution to society. We do not need to look very hard to see the results when that opportunity and support are not available: exclusion, discrimination and despair are everyday realities for many children and adults in Manitoba.

Teachers are not interested in nor willing to be participants in a public school system that not only promotes but entrenches exclusion, discrimination and despair in children. In other words, we do not wish to sell our souls into the realm of a two-tiered education system. Thank you.

**Mr. Chairperson:** Thank you very much. Are there any questions of these presenters?

**Mr. Leonard Evans:** I thank the representatives of the Seven Oaks Teachers' Association and the Transcona-Springfield Teachers' Association for a very interesting and thoughtful brief.

I just have a couple of questions of the presenters. When you refer, on page 4, I quote: "It is shortsighted in that it fails to recognize the long term personal, social and economic benefits of education." What are you suggesting there? That while many have expressed the concern about accumulated debt and the debt being a burden on future generations, what are you suggesting? You are suggesting that what we are doing through some of this debt perhaps is putting in place assets which are a benefit to existing and future generations.

In other words, while there is, say, a provincial debt which we often read about—in fact, we can read about this in the budget document—I think it is around \$14 billion, if you include the utilities. Very few people talk about the assets that we have developed in Manitoba which has been estimated I believe by Stats Canada to be about \$24 billion, another full-third higher than our accumulated net debt.

I guess, just to make a long-winded question a little more brief, are you implying this in this statement here that it is shortsighted because it fails to recognize that we are developing human assets in a sense through our education programs?

**Ms. Pat Isaak (Seven Oaks Teachers' Association):** Yes, absolutely, that is what we are suggesting. I think what Bill 2 addresses are financial points. It is indeed a Treasury bill. From the perspective of educators, children are indeed assets. What we are doing in the public education system is investing in our society, investing in our province, and it is very disheartening for educators to keep reading in the media and hearing from the Legislature in referring to education as an expenditure rather than an investment, so, yes, I would absolutely say that.

**Mr. Leonard Evans:** Again, on page 4, you make reference to the rigid time lines proposed in Bill 2 which she suggests will place public schools, the teachers and the students at risk. Are you suggesting

that in the bill there should be no reference whatsoever to a debt repayment schedule?

**Ms. Paterson:** First of all, our position would be that it should be completely withdrawn; but, if it was to be passed in some form, we would certainly want to see some sort of time line extension so that it was not balanced on a yearly basis for some of the reasons that we pointed out. We do not feel that education can be financed on a year-to-year basis, neither can the public school system. So, certainly, if it is not withdrawn, then the time lines—many people have talked about different cycles here, economic cycles of the province, and we would certainly want to see something like that accommodated.

**Mr. Leonard Evans:** Yes, well, thank you. I had a third question, but the presenter answered it—which was, would you like to see the legislation withdrawn? You have answered that question.

**Mr. Chairperson:** I believe she was responsive to that. Thank you.

Mr. Sale, did you have a question?

**Mr. Sale:** Yes, Mr. Chairperson. I just want to clarify whether the delegation on the bottom of page 3 and page 4 was making the point simply of an analogy, saying that we ought to be able to make long-term capital investments. I am sure the delegation understands that schools are debentured at this point over 25 years or 20 years and that you are making the analogy to other necessary capital expenditure.

**Ms. Paterson:** Yes, we do realize that they will continue to be debentured, but, of course, the debt service will have to be included under the expenditure related to capital under school divisions.

**Mr. Sale:** On a more substantive level, Mr. Chairperson, I wonder if the delegation could comment on the changes they have seen in the classroom composition of their classes with reference to their points on page 3. They point out probably 10 or 11 concerns they have. I am wanting to get a sense from them of whether or not in an average classroom the teaching load is about the same as it was five years ago

or 10 years ago or whether they are seeing changes partly as a result of this, but partly for some other reasons.

\* (1030)

**Ms. Isaak:** Yes, certainly the picture of a classroom that many people have from their own experience in school is simply not a reality for many teachers. One example, I guess, that I could speak to is the cuts in the number of teaching positions and as that relates to a class size actually. In Seven Oaks this year we lost approximately 40 teaching positions in our school division, and even if you use a student-teacher ratio of 20 to one, which many of my colleagues would love to have at this point, but even if you used a ratio of 20 to one, those 40 teaching positions represent teacher-student contact time to 800 children. I think that often that ratio is lost, that every teacher taken out of the system represents direct contact time to at minimum 20 students.

So in our case those 800 students who now do not have teachers need to be absorbed into the rest of the classrooms because our enrollment this year has, in fact, gone up by about 200 students, and our teaching population has gone down. So class sizes have probably increased, I would say, probably five students, which is quite a lot. When you factor into that the increased number of special needs students who are in the classrooms, and the reduced number of supports for those special needs students, the burden just seems to compound with all of those things.

**Mr. Chairperson:** Mr. Sale. Oh, I am sorry, I believe Ms. Paterson wanted to comment as well in response to that question.

**Ms. Paterson:** I would like to take you into the elementary classroom now and tell you that with new curriculum changes and the increased burden on the classroom teacher, and, indeed, on the public school system to be all things to children, we are seeing new programs implemented on a yearly basis. Things like Second Step which deals with how to resolve conflict with your peers, talking about touching, sex, drugs and alcohol education. These curricula keep coming on top

of math, science, reading, writing and listening so that the classroom is changing in that respect as well.

**Mr. Sale:** Mr. Chairperson, could the delegation briefly indicate for us their sense of the profile of students who would be most impacted by the continuing and further cutbacks that they foresee? Who is most hurt by this kind of cutback?

**Ms. Isaak:** Well, I will speak from a high school perspective because that is my teaching background, in high school, and I will let Ms. Paterson speak about elementary. In high school the students who will be most impacted will be those students who already have the most difficult time completing high school, and those students are generally the students who take option courses. An example I can give you is an automotive program; and, if you were to walk into an automotive program, and we have one at Maples Collegiate, which is one of our high schools, most of the students in that program will tell you that if it were not for that specific program they would not be in school.

We have an ever-increasing number of alternative programs in our high schools, and those alternative programs specifically address students who are at risk of dropping out, and some of the characteristics of those alternative programs are that the numbers are kept smaller simply because those students need an awful lot of one-to-one contact just to get them to school and to keep them in school. Those are the students for whom we are most concerned, and the question that we have about those students is that, if these programs are eliminated—and at this point I will be honest, many educators are saying, when and not if—if many of these programs are eliminated, where are these students going to go, because they will not be able to stay in school? And there are very few opportunities for young people who do not have the bare minimum of a high school diploma.

So that is the perspective from the high school.

**Ms. Paterson:** From elementary years what I have to say is our kids are at risk as well. Our special needs students, and unlike the figure that Clayton Manness

gave us last year of 5 percent of our students being special needs, we in fact see a variety of special needs in our classrooms ranging from those children that need to be fed to those children that need extra help to enable them to read, to those children who have been abused in their home and to whom mathematics at nine o'clock in the morning is not a real priority. If we do not have the supports for those students in our classrooms, then they are not going to be learning, they are not going to be getting the education that all students deserve.

**Mr. Newman:** The point in your brief that you are an institution that relies on government funding and thereby public education will be drastically reduced, of course, on the assumption that there would be a reduction of funding from the public sector, is there not other funding for your public schools from foundations and volunteers that come into the school and businesses and fundraising mechanisms? Are there not some in your schools?

**Ms. Paterson:** In response, we have a special levy that can be raised by the school board to fund, and that is still public funding. An average fundraiser in an elementary schools would probably earn you \$2,000. We have volunteers, parents that come in and do reading programs. Is that what you mean?

**Mr. Newman:** Those kinds of things are what I am suggesting, and I guess I am looking to significant enhancement of those sorts of programs along the lines of the new sustainable communities concept where people are recognizing that there is less and less desirable reliance on government for funding of these sorts of things which breeds dependency and some other habits that may not be desirable.

**Mr. Chairperson:** Ms. Isaak, do you wish to be responsive?

**Ms. Isaak:** Yes, I do. If I am reading your question correctly, what I understand you to say is that we should be encouraging corporate involvement in public schools. As a comment on that, we see some really big inherent dangers in the increased involvement of the corporate sector in public schools, simply because of

the underlying principles. The underlying motivation of a corporation is to make a profit. Certainly, their involvement in the public school sector is not going to change that motivation of making a profit. That is still their underlying principle. So we see that as being inherently very dangerous, a very dangerous proposition to get into.

\* (1040)

There has been an increasing push, I guess, to develop partnerships, business-and-school partnerships, and there may be some benefits to those; however, I guess that the biggest problem with it is in the imbalance of power in those partnerships, if you will. The reason I say imbalance of power is because the corporations approach those kinds of partnerships from the perspective of we have something that you need and we can provide it for you. The school, however, the public education system, we are approaching those things from a point of desperate need. So there is a real imbalance of power.

Not only that, there is also a guilt factor if we do not buy into that corporate agenda, if you will, in the public school system, in that if you do not buy into this partnership, you are depriving your students of these 20 computers. We would like to see corporate involvement in schools start with corporations paying income tax and that money going to fund public education.

**Mr. Chairperson:** Are there any other questions of these presenters? Mr. Lamoureux, you have a question?

**Mr. Kevin Lamoureux (Inkster):** Mr. Chairperson, I appreciate the presentation, the joint presentation. I think it is very well done. I look at, there are other provinces, Saskatchewan, New Brunswick and I believe one other, so we have political parties of all stripes that have acknowledged that the concept of balanced budget legislation, if you will, is something which many people want to see. In the most recent provincial election, the discussions I had at the door were fairly favourable towards the concept of balanced

budget legislation. In other provinces, of course, it varies quite significantly.

In the Province of Manitoba, our legislation, I would argue, as currently proposed, is at the detriment to education and many other programs because of the requirement of annual deficits, especially in terms of education. For years, I have advocated that more financing should be coming from the general revenue as opposed to property taxes, as one presenter made reference to.

My question to the presenters, and I would be interested in both having comment on it, is what do you believe the teachers in both administrations would have to say about the concept of balanced budget legislation? Where would you rule out balanced budget legislation in any amended form? Is this something which you think members of your organizations could support?

**Mr. Chairperson:** I believe, Mr. Lamoureux, that these presenters have addressed that issue in page 1 of their brief, so are you asking for something over and above the material that was presented on page 1 and have you had an opportunity to read the brief?

**Mr. Lamoureux:** Over and above, Mr. Chairperson.

**Mr. Chairperson:** Thank you. Okay, Ms. Paterson, and excuse me for interfering, but I just wanted to direct that question for your assistance. Could you be responsive to that?

**Ms. Paterson:** Although we did not cover a lot of that in our brief, I think one of the things that has come out over the last few days since we have been here is the fact that the government does not need balanced budget legislation in order to in fact balance its budget.

**Ms. Isaak:** Adding to what Ms. Paterson just said, what we see as, I guess, the biggest inherent danger in this legislation is the very restrictive time lines and the scenario of the government simply tying its hands behind its back for making what we believe to be governance decisions. We see this piece of legislation as a potential excuse, I guess, for them to come back in the future and say: I am sorry, our hands are tied by

this legislation; we cannot provide you with what you need.

**Mr. Lamoureux:** That is the reason why I would rather refer to the concept of balanced budget legislation and ask, do you believe, as presenters, that there is a need for government at some point in time to have balanced budgets?

**Ms. Isaak:** Well, certainly we believe in fiscal responsibility, if that is what you are asking. We certainly do not condone year-over-year deficits, and I think we addressed that at the opening of our brief in that we do not want to see rampant fiscal irresponsibility. On the concept of balancing the budget, yes, balancing your budget is a good thing for individuals and for governments and for businesses to do that. It is the way in which that is done that concerns us.

**Mr. Lamoureux:** Having said that, then, would you not agree that if the public or the people which we claim to represent as politicians are supportive in general of balanced budget legislation, not this particular piece of legislation, but there are other forms such as New Brunswick where it is based on the business cycle, saying that, look, during the good times, maybe there is a responsibility for government to have a balanced budget.

It seems to me that the public as a whole is certainly supportive of that.

Would you concur under those sorts of circumstances? In other words, is this bill amendable in a way in which you could actually be happy?

**Ms. Isaak:** Having not done the door knocking that you have done and talked to these people, I would have to respond and say that, yes, there may be amendments that can be made. Certainly, the concept of balanced budget, as you put it, is very popular. It is very popular among the public, but I will say again, I do not think that the general public necessarily understands the restrictions that are inherent in this piece of legislation, and that is the concern. So where we may agree with the concept of balancing the budget over time—and I

believe the political cycle, the term of office has been mentioned, the business cycle has been mentioned—the year-over-year balancing is, to us, too restrictive.

**Mr. Chairperson:** Ms. Cerilli, did you have a question? I saw your hand up at one point.

**Ms. Marianne Cerilli (Radisson):** I just want to begin by saying, I am really glad that I am here to receive the presentation, and I want to start off by asking Ms. Paterson from Transcona-Springfield, if the same type of trend that was described in Seven Oaks is also occurring in Transcona-Springfield where we have had a reduction in the number of staff and teachers and yet we have had an increase in enrollment?

**Ms. Paterson:** The answer to that is no, because of the fact that our enrollment has only gone up by about 100 and our particular school division has made the teachers in the classroom the priority. We have seen many other cuts in Transcona-Springfield, but we have only lost—it was five full-time equivalents from last year.

**Ms. Cerilli:** I am wondering if then that is something that has occurred recently or if we went back, you know, 10 years, five years, if that is a trend.

**Ms. Paterson:** Are you asking about Transcona-Springfield specifically? Again, what I think you will find, at least in the last five years, is that the priority has been the teachers in the classroom, and that the school division has done their balancing and cutting around the supports to that classroom.

**Ms. Cerilli:** With this legislation and its effect on funding from the provincial government for education, do you think that Transcona-Springfield School Division will be able to maintain its policy, if you will, of putting a priority on the classroom and not reducing the number of teachers in the classroom?

**Ms. Paterson:** No, they will not be able to continue, and I think I said that the perception that these spending cuts will eliminate the fat in the system is a fallacy because the fat is gone. There is nothing left but the teachers in the classroom.

**Ms. Cerilli:** I think the other thing that is important with respect to the funding of education is if we look at the relationship between the amount that is paid for by the provincial government and the amount that is paid for by the local levy and the municipal level. I am wondering if you could comment on trends in that area and how you see this legislation affecting that, that the offloading could increase in terms of more cost for education being covered by the property taxes and the local taxpayer.

\* (1050)

**Ms. Isaak:** Well, certainly in Seven Oaks the amount of money that is being raised by the local level is of great concern simply because we already have the second highest rate of taxation of our property tax owners, and a continued reliance on that puts an unequal burden on the taxpayers in Winnipeg. By that I mean, in certain areas of the city there will be a tremendous burden on the taxpayer to even maintain services, and in other areas of the city it will be less dramatic, I guess. Certainly, the trend towards offloading the burden, which is basically what that is—it is offloading it onto the property tax owner and that is an inequitable way to fund schools.

**Mr. Chairperson:** Are there any other questions of these presenters? Thank you very much ladies, both. Oh, I am sorry, Ms. Cerilli, you have one more question?

**Ms. Cerilli:** I thought that Ms. Paterson was going to respond to that as well.

**Mr. Chairperson:** Ms. Paterson, are you responsive to this question?

**Ms. Paterson:** I could be. I think the point is that continued provincial funding to education has been going down and down and down to public education and yes, of course, when you have 100 percent and only 68 is being paid by the provincial government at this point and that number is going down, then the burden to the local taxpayers is of course increasing while at the same time the funding to private schools is going up and up and up.

**Ms. Cerilli:** It would be fair to say that this type of legislation is going to promote regressive taxation, unfair taxation, an inequitable taxation which will result in inequitable distribution of public services.

**Ms. Paterson:** Yes.

**Ms. Cerilli:** That is what this bill is about to me. It is about dramatically shifting how we—

### Point of Order

**Mr. Laurendeau:** On a point of order. Mr. Chairperson, I do believe we are here to clarify the presentation made by the Seven Oaks Teachers' Association and Transcona-Springfield Teachers' Association. We are not here to have the honourable member expound her views on the legislation. I think that if she was to clarify where she is speaking to within this presentation it would make it much easier.

**Mr. Chairperson:** Ms. Cerilli, are you responsive to this point of order?

**Ms. Cerilli:** I would just suggest that it is not a point of order, and if I was allowed to finish my question he would see that it is very much indeed pertinent to the presentation.

**Mr. Chairperson:** I would advise members of the committee that questions are only to be put to the presenters for clarification of the points that they have presented in their material or to gain information about the presentation. This is not a forum for debate. This is not a forum for any other ideology of either side in this committee. It is only to be directed to the presentations.

Thank you very much. Ms. Cerilli, I would now ask you to continue with your questioning, and I would acknowledge that Mr. Laurendeau had a point of order at that point.

\* \* \*

**Ms. Cerilli:** Given that in the conclusion of your presentation you said that we do not need to look very hard to see the results when opportunity and supports are not available, exclusion, discrimination, despair are everyday realities for many children and adults in Manitoba. Teachers are not interested in nor willing to be participants in a public school system that not only promotes but entrenches exclusion, discrimination and despair in children. In other words, we do not wish to sell our souls to the realm of a two-tiered education system.

Given that you have said that, my question is—and I asked the same question to Mr. Holle from the Taxpayers Association the other night. I believe that you were here for that presentation. This does get at the nub or the heart, if you will, of what this legislation is going to mean for Manitoba and for Manitobans and for taxpayers or citizens first, in my way of thinking.

I am wondering if you support the idea that we have progressive taxation based on the ability to pay, which creates a pool of dollars that fund health services, education services and programs that are equal in quality and availability for all citizens. That is the kind of government that is going to promote equality, is going to not promote the kind of exclusion and discrimination that you were referring to, if we have a collective sense of government that is there to meet the needs of everyone in an equitable fashion. I am wondering if you support and if you believe that the teachers and the organizations you represent support that sense of government and of public education services, and maybe you can comment on why you support that or do not support it, this sense of government.

**Ms. Isaak:** What we support is equitable education for all children, regardless of where they live, regardless of what their family income is. What we are seeing is an increasing reliance on things such as user fees, and user fees, by their very nature, are regressive.

I can give you, cite you an example of a woman whom I know who is a single parent, has a child in school. Her income falls below the poverty line as defined by the government. In order for her to go to work at eight o'clock, which is when she starts work,

and finish at five, her child needs to be cared for before and after school. Now, for this single mother, the before school, lunch hour supervision and after school until she picks her child up costs \$231 a month. That, to me, is regressive. That \$231 takes fully 10 percent of her gross income, just for before- and after-school programs. Someone who has a family income of \$60,000 or \$70,000 is better able to pay the \$231 a month, but, any time you implement user fees, those kinds of things are regressive.

What we are saying is that public education should be publicly funded, and, in doing that, every student in the province should have access to the same programming and the same opportunity and the same support because what will happen if we do not do that is, students, right from the day they walk in the school, will fall through the cracks. When they are 6 or 7, we keep them in school. When they are 15 or 16, that gets tougher to do. When they fall through the cracks when they are 15 and 16, they fall onto the street, and that is what we do not want to see continue to happen.

**Mr. Chairperson:** Ms. Cerilli, do you have any further questions of these presenters?

**Ms. Cerilli:** No, I will conclude my questions with that. Thank you very much for your presentation.

**Mr. Chairperson:** Thank you very much, ladies. I certainly enjoyed your presentations this morning. I think they were very valuable, to the benefit of the committee. Thank you.

The next presenter on the list is Robert Brazzell, Manitoba Chamber of Commerce. Is Mr. Brazzell in the audience? Mr. Brazzell. I am hearing no response and would conclude that Mr. Brazzell is not present. His name will fall to the bottom of the list.

The next presenter is John Wiens. I have been advised through the Clerk's Office that John Wiens and Claudia Sarbit are both present in the committee room. John Wiens is, I am told, the superintendent of the Seven Oaks School Division, and Claudia Sarbit is the chairman of the board of the school division. Is it the

will of the committee, although Claudia Sarbit does not appear on the list, to have her assist in the presentation? [agreed]

Good morning, Ms. Sarbit and Mr. Wiens. I see written presentations are being circulated. Thank you.

\* (1100)

**Ms. Claudia Sarbit (Seven Oaks School Division):** We are actually a delegation of four.

I would like to say, first of all, good morning.

**Mr. Chairperson:** Good morning. Will there be other members of your group assisting in the presentation?

**Ms. Sarbit:** Not in the presentation but in answering some of the questions.

**Mr. Chairperson:** I see. Perhaps, for purposes of the record, at this time you could identify the other two individuals.

**Ms. Sarbit:** Okay. Trustee Ric dela Cruz.

**Mr. Chairperson:** Ric dela Cruz, yes.

**Ms. Sarbit:** And Assistant Superintendent Coralie Bryant.

**Mr. Chairperson:** Coralie Bryant. And these individuals are present in the committee room at the present time.

**Ms. Sarbit:** Yes, they are.

**Mr. Chairperson:** Thank you very much, and is it the will of the committee to have these other individuals be responsive to questions at the termination of the presentation? [agreed]

Thank you very much, Ms. Sarbit. Your presentation has now been circulated. Would you please proceed.

**Ms. Sarbit:** Thank you. It is easier to listen to submissions than to give them I am finding.

**Mr. Chairperson:** By a long shot.

**Ms. Sarbit:** We are appearing on behalf of the students, parents, other residents and employees of Seven Oaks School Division whose public interest we represent.

Basically, what you have before you is the text that I will be following, but there will be some additions to the text that you do not have copies of.

We thank the Committee on Economic Development for granting us this opportunity to present our views regarding Manitoba government Bill 2, The Balanced Budget, Debt Repayment and Taxpayer Protection and Consequential Amendments Act.

We wish to begin with a general statement regarding the premises upon which Bill 2 is based followed by our concerns about how these premises are addressed in the proposed legislation and finally close with some conclusions as to how better to advance the government's objectives.

The board assumes that the underlying premises or the perceived requirements for legislation like Bill 2 are that:

(1) this government and successive governments must be forced to live within their means, their means being an annual balanced budget wherein revenues equal or exceed expenditures in a fiscal year;

(2) the extent of the general purpose debt or the accumulation of past annual deficits must be reduced in size and eventually eliminated as it is compromising the economy of the province;

(3) taxpayers must be protected from increased taxation and future deficits except where majority, as determined by referendum, favours increased taxation; and finally,

(4) a contingency fund equal to 5 percent of the Consolidated Fund of the province must be established and maintained by the Minister of Finance for emergent purposes.



The board's concerns regarding the government's approach to the premises. Premise 1: The need for balanced budget legislation. We would like to state at the outset that we are quite prepared to accept this government's premise that the provincial debt has reached unacceptable and unreasonable proportions, and that it would be in the short- and long-term interest of the province to not only not incur further debt but also to reduce the existing debt. Indeed, lacking the capacity to analyze such a view, we are quite prepared to accept and support it as worthy of government and general public attention.

What we do find ironic is that an elected body finds it necessary to entrench in legislation a conviction which nothing in present circumstances prevents them from pursuing. Surely political and moral will, based on a strong sense of public trust, should suffice to realize a commitment held so dearly. To us such legislation suggests that not only does the government not trust itself but does not trust future electorates. This is not a promising position for an elected body to adopt nor a reassuring example for an elected body to portray. We, as elected representatives ourselves, are quite prepared to accept a government commitment to pursue its stated economic objectives regarding the debt and future deficits without the type of legislation Bill 2 represents.

Premise 2: The need for debt reduction and elimination. As already stated, the board believes that the overall provincial debt must be reduced in size to a level which does not severely compromise government's capacity to make public investment in the public interest of the province. However, it would suggest that there is no particular rationale for total elimination of the public debt, and it seems that this objective may be neither necessary nor desirable.

If the elimination of the debt becomes an obsession, in other words, a goal which singularly prevents consideration of other worthy objectives, we believe that to be an abrogation of the public trust to act in the best interests of the whole. We believe that the first claim of debt reduction to provincial revenues might seriously jeopardize the planning and investment

function performed by treasury boards since the 1960s in the time of Duff Roblin.

Indeed, we believe a government must retain some flexibility in its fiscal function to allow it to remain responsive to its electorate and changing economic conditions. In other words, it must not presume, predetermine nor prejudice public will or economic circumstances too far in advance for fear of losing its sensitivity to those it represents.

We see no reason to bind successive governments to complete elimination of the provincial debt. We know of no other government in the western world that is being as overdiligent in its concern about the debt as the Manitoba government is proposing in Bill 2, Article 8(4).

Premise 3: The need for taxpayer protection. The record of this government and its predecessors should stand as staunch testimony that taxpayer protection legislation is unnecessary under a leader whose most sacred pledge has been to not raise taxes. In fact, to the best of our understanding, the tax burden has already been relieved significantly through reduction of the personal income tax and exemptions to the payroll tax. There may well be other instances of which we are not aware.

These tax reductions have indeed reduced provincial revenues significantly. At the same time, they have reduced Manitoban's tax burden generally in relation to other Canadians so that we in Manitoba are again near the middle in the level of taxation as compared to other provinces.

A referendum was not required to make these changes. All that was needed was the pledge of the leader. Indeed, if a referendum was called for, it might be on Bill 2 to give its contents the public airing they warrant.

Premise 4: The need for a contingency fund. Again, we do not quarrel with the desirability of a contingency fund, even though we find it somewhat ironic that our having a similar fund as a board was somehow viewed

as extravagant and inappropriate by this same government's officials.

What we do not understand is that commitments for such a fund must have such a strong claim to revenue as articulated in the amendments to Article 3.1(1) and (2) of The Fiscal Stabilization Fund Act.

Again, we believe that a function similar to the current Treasury operation is quite adequate to determine both the contribution to and the overall level of such a fund in any fiscal year. This can quite easily be accomplished without further legislation as proposed in the amendments.

Conclusion: Thus, while the board agrees with the intentions of this government to eliminate deficits and reduce debt, we believe that Bill 2 represents a significant threat to the fiscal climate and economic future of Manitoba. In the short range, the objectives of this bill are achievable and desirable. In the long range, we are concerned that the provisions of the bill are overprescriptive, unnecessary and may be viewed by others as irresponsible as they curtail severely the current flexibility in planning and public investment, so necessary in a fast-changing economy.

Investment in Manitoba might indeed be viewed as a greater risk than is presently the case. Worrisome, as well, is the lack of acknowledgement that decreases in federal transfer payments, beginning soon, may have a significant negative impact on provincial revenue. In view of this impending reality, we do not believe restricting capacity to respond quickly makes good business sense. Governments in the past have provided protection, as well as opportunity, to economic development through their fiscal policies.

\* (1110)

Bill 2 represents a significant threat to the public will and good will. The electorate of the province has a right to expect a government to be able to respond to changes in its will and to act on the basis of public trust. This bill severely restricts the capacity of this government to exercise its judgment in regard to provincial resources by the first claim of an escalating

debt retirement scheme and a contingency fund and attempts to do so for successive governments, as well.

Bill 2 represents a significant threat to the education and health care sectors. Education and health expenditures currently represent up to 70 percent of annual provincial revenues. If amounts in the hundreds of millions of potential revenues are diverted through first claims, the most likely areas to be affected are education and health care, the same areas already struggling to remain responsive and relevant under existing conditions.

Bill 2 represents a significant threat to the children of Seven Oaks and Manitoba. As a board, it is our public trust to educate the children in our community. It is a commitment we take seriously, just as we take seriously our commitment to represent them. As we have indicated to this government on another occasion, Seven Oaks is not only suffering from an unequal tax burden but also from funding inequities which are severely challenging our ability to provide the level and quality of education we have in the past. That has been outlined to you by our Seven Oaks Teachers' Association.

It is the responsibility of the provincial government to educate its children, its future citizens, for the awesome task of governing themselves. The timing for this hearing for trustees is not the best, considering that we do have an impending civic election, but in some ways, I guess, it may be good because I have been doing a substantial amount of door knocking. I guess I would like to tell you some of the things that our community is saying.

It seems to me that the No. 1 concern, and I think you have probably been reading it in the paper, seems to be property taxes for those that have expressed it to me. But the anger is not directed at the division. It seems to be directed at the province because there seems to be a lot of unfairness, especially to Seven Oaks. The people who live in our community understand that the funding that has been given to Seven Oaks has been inequitable, and they are angry with the government regarding the unfairness that has been dealt to Seven Oaks.

Our community feels that the burden for paying for education must be lifted from property taxes. If the province continues to cut funding to education to meet its balanced budget and debt reduction goals and offloads more and more of its responsibility to local communities, it will cause both a large increase in property taxes and a lessening of options and opportunities available to students in the public school system. The province will meet its goals with this legislation but will create an inequitable situation for its citizens. School taxes will not be based on a person's income level but on the value of one's property.

Hardest hit will be seniors and those on fixed incomes and communities such as Seven Oaks with a low assessment and a large number of students. This, we believe, will lead to the gradual dismantling of the public school system and the notion that all of the children in Manitoba deserve a worthwhile education that will help them become productive contributors to our society. Those that can afford it will not continue to send their children to institutions they consider second best, furthering the gap between the haves and the have-nots.

We believe realization of the provisions of this bill is likely to place an unwarranted burden on several generations of students, not only in Seven Oaks but in Manitoba generally.

Furthermore, it limits the ability for government to contribute to Business Start, CareerStart, job and employment programs, student aid and the like, programs that currently benefit young adults and families with young children. The board considers Bill 2 to be potentially unfair and unwarranted. We adults do not have the right to give up on our children and our province in this way.

Recommendations: that Seven Oaks School Division No. 10 request the government to reconsider seriously the passing and proclamation of Bill 2, thereby demonstrating more trust in itself and its abilities to manage judiciously and wisely the fiscal resources of the province. We believe in doing so the government would be expressing continued faith in the political process and demonstrating its optimism about Manitoba, its people and its prospects.

While we believe that Manitobans are, as we are, generally and genuinely supportive of the government's effort to eliminate deficits and reduce the debt, we do not believe they have been granted opportunity to consider carefully the consequences of the restrictions Bill 2 puts on public planning and investment. In fact, they would be pleased to see a balanced budget, a commitment to further balanced budgets and a more gradual reduction of the debt, similar to what is occurring in other provinces like Saskatchewan and Alberta. Another less restrictive bill would maintain the integrity of government while meeting the wishes of the people of Manitoba.

That is submitted on behalf of the school division.

**Mr. Chairperson:** Thank you very much, Ms. Sarbit. Are there any questions of this presenter? Mr. Evans?

**Ms. Sarbit:** Could I ask the rest of my delegation to come forward at this time?

**Mr. Chairperson:** Oh, excuse me, please. Ms. Sarbit, you have a comment to put on the record?

**Ms. Sarbit:** I would like the rest of the delegation to be forward here for questions.

**Mr. Chairperson:** I would invite Coralie Bryant, Ric dela Cruz and John Wiens to step forward to attend with Ms. Sarbit at the podium.

**Ms. Sarbit:** There is comfort in numbers.

**Mr. Chairperson:** That is right. Thank you very much for coming forward, all of you. Some of the members of the committee may have a few questions of you. When you step forward to the microphone, because of the numbers that are involved right now, rather than my picking out your name, could you identify yourself before responding to the remarks? That might make the dialogue flow a little more smoothly. We will see, we will try it anyway and see how it works.

**Mr. Leonard Evans:** First, I would thank the Seven Oaks School Division for an excellent presentation. I agree with pretty well everything that is stated in the

brief. I have a couple of questions of clarification, Mr. Chairman.

When the delegation or the brief refers to Premise No. 2, saying that the overall provincial debt must be reduced in size to a level which does not severely compromise the government's capacity to make public investment in the public interest of the province, I was wondering if the board had any idea of what level is reasonable or we should achieve.

I am a bit concerned because I did not know whether the board realized that the debt in Manitoba, as a percentage of our gross domestic product, that is, our ability to earn income, has really not changed in the past 10 years. As a matter of fact, in 1986-87, it was 25.1 percent for the general purpose debt, and now it is 25.9 percent, virtually a status quo, and similarly for total net debt. It was 51.2 percent in 1986-87 and it was 51.8 percent in '95-96. Similarly, with the interest on the debt as a percentage of operating expenditure, there has been very little change.

I would agree with you that we would like to reduce the debt. We should try to make our best efforts to reduce the debt. I agree with that. I am just concerned, though, what you think may be a reasonable level and also whether you realize there has been virtually no change in the relative debt situation in this province in the past decade.

**Ms. Sarbit:** Yes, we are cognizant of the fact that the debt has not reduced to any large extent and yes, we have said that we think that it is a reasonable thing for government to pursue debt reduction but our concern, as has been stated previously, is that we do not want a bill that is going to tie the hands of government. Government's purpose for being should not just be for debt reduction.

**Mr. Leonard Evans:** Would Ms. Sarbit agree, then, that if there was no crisis 10 years from now there is not a debt crisis today?

\* (1120)

**Ms. Sarbit:** You are asking whether I feel that if there was no crisis 10 years ago there is no crisis now? I

think the public's view of debt and debt reduction is different than it was 10 years ago, and I would say, certainly, that this bill would never have been forwarded 10 years ago. Our view is that this bill is definitely not needed at this point in time, but certainly it is a worthwhile goal. We are not saying that the goal is not worthwhile. We are just worried about other factors and one of the things is offloading to our local division because in actual fact if you are not raising personal income taxes and you are retiring the debt and there is no increased revenues on the part of government, then what happens is in actual fact the taxes do increase but they increase on an inequitable basis at the local level.

**Mr. Leonard Evans:** Just one other question, Mr. Chairman. You also refer on your premise No. 2—I will just read the sentence: We see no reason to bind successive governments to complete elimination of the provincial debt.

I think you infer generally in that paragraph that what this bill does is bind future generations, in effect, a future generation because we are talking about a 31-year time frame for debt elimination. So are you saying, then, in effect this legislation is in a sense undemocratic because it is attempting to foist on a future generation, future legislators, future citizens of Manitoba a particular approach to budgeting that they should decide themselves 10, 15, 20 years from now and not being decided by this particular Legislature in 1995?

**Ms. Sarbit:** Yes. We do not think this legislation needs to be mandatory. At this point in time the government has a choice. We are not dealing with a minority government. We are dealing with a majority government who is in a position to be able to carry out whatever they consider their mandate to be and we do not think it is necessary to bind future governments, but in actual fact, if there is a different government that comes in and decides they do not like this legislation, they can abrogate this legislation and throw it out anyway.

**Mr. Chairperson:** Are there any other questions of these presenters?

**Mr. Laurendeau:** I have just got two short questions. The first question was I do believe I heard you say you wanted to have the tax removed from the property owners on the school side.

**Ms. Sarbit:** Yes, definitely. We feel that especially for a division. We have actually given a presentation to the Minister of Education (Mrs. McIntosh) telling her our concerns. We are a division that has low assessment. We do not have much industry in the division. We have a large number of students and government funding to education, as I am sure you have been aware, has decreased over the last number of years and that places an unfair burden on taxpayers but especially in areas like Seven Oaks where we have low assessment. Right now the government is funding less than 60 percent of the cost of education so if you compare us, say, to St. James School Division, an average home, our division pays on an average home \$125 more in taxes. An average home is valued at \$70,00 and plus we get less per pupil. We spend less per pupil, so that is an inequitable situation in the city at the present time.

So, if the government funded a larger percentage of education or did it in some other way, then it would not place a burden on property taxpayers. Plus, going door to door, I am sure all of you have, you will see from seniors and others on fixed incomes that they have a heck of a time. They are saying that they cannot afford to live in their homes anymore because of taxes.

**Mr. Laurendeau:** So your board, then, would probably give up the ability to put taxation increases in place then.

**Ms. Sarbit:** No, I do not think our board would give that up, but we would like to see an increase in the amount that government is funding. There was a push, I think, by the former provincial government to go towards 80 percent funding, and we see that a higher percentage of funding by provincial government—we do not want to lose the opportunity to levy taxes. We also do not—as government funding decreases and we get towards—if we were funding the same level as we were previously, we probably would be down to about 40 percent funding from provincial government.

**Mr. Laurendeau:** Where would your school board, then, look at doing this levy of tax if it was not on the property side?

**Ms. Sarbit:** We are not saying total elimination of levy. We are saying government has to pay a higher percentage of the funding of education, and we are saying 80 percent is a reasonable goal.

**Mr. Lamoureux:** Mr. Chairperson, I appreciate very much, in particular, Mr. dela Cruz and Ms. Claudia Sarbit coming here. I know during a civic election there are many other things that they can be doing.

**Ms. Sarbit:** And Wednesday night is not the best time to deal with Bill 5.

**Mr. Lamoureux:** Yes, no doubt, but my question is for Mr. Wiens or Ms. Sarbit, maybe either one can actually comment on it. It is the last paragraph on page 6. I am just going to read it, so all members know what it is that I am referring to, where it states: "In fact, they would be pleased to see a balanced budget, a commitment to further balanced budgets and more gradual reduction of the debt similar to what is occurring in other provinces like Saskatchewan and Alberta. Another, less restrictive bill would maintain the integrity of the government while meeting the wishes of the people of Manitoba."

When you use the word "they," is that then to imply that it is in fact Bill 2 which you would like to see withdrawn, that another form of balanced budget legislation might be acceptable?

**Mr. Chairperson:** Presenter, please. Could you identify yourself for the record, sir.

**Mr. John Wiens (Seven Oaks School Division):** John Wiens, but I think it is more of a political question than it is one of detail. So I will ask the politicians to respond.

**Mr. Chairperson:** Thank you, sir.

**Ms. Sarbit:** I was not listening that carefully. Could you ask it again?

**Mr. Chairperson:** Oh, I am sorry. Excuse me, I am going to have to interject here again.

**Ms. Sarbit:** You want my name first.

**Mr. Chairperson:** It is very important, because these proceedings are being recorded, so that the transcription flow in a normal fashion so that the people who are transcribing it know who is speaking at any given time. So, when I identify the speaker, then they can speak. If I do not know the name or if we want to aid or assist in the flow of dialogue, if you could step forward and say, Sarbit speaking, my opinion or position is.

**Ms. Sarbit:** You can give me two demerit points.

**Mr. Chairperson:** And the presenter, please.

**Ms. Sarbit:** Sarbit speaking.

**Mr. Lamoureux:** Mr. Chairperson, just for clarification more than anything else. In the presentation you attempt to give the impression that this particular piece of balanced budget legislation, Bill 2, is what you take very strong objection to. In the last paragraph it gives the impression—and that is why I am trying to clarify it—that if in fact it was more of a gradual reduction or legislation that was more similar to Saskatchewan's or Alberta's, you might be more sympathetic to it. I am wondering, am I interpreting that right that if the concept of balanced budget legislation is not all that bad, in fact, it might be worthwhile in its consideration, if in fact it was more like Saskatchewan's or Alberta's, as you have written in the last—

\* (1130)

**Ms. Sarbit:** The board sees it as a worthwhile goal to go after balanced budget, but they see it as less draconian, the balanced budget, what is happening in Saskatchewan and Alberta, but, no, we are not in favour of balanced budget legislation. We think this is a bad bill.

**Ms. Cerilli:** Thank you. I appreciate your presentation, and I will offer my question to whomever would like to answer. I am looking at a report by the Social Planning Council of Winnipeg entitled Child Poverty in Manitoba, An Approach Towards Its Elimination. I am wanting to start off by saying a few things that we know about poverty and education. We know that the greatest indicators of success in education are socioeconomic status of the family. We know that Winnipeg has an extremely high rate of poverty, particularly poverty among children. We know that this bill is going to encourage privatization of public services, encourage the introduction of user fees, and we know that it is going to contribute to offloading from more progressive forms of taxation at the provincial level to regressive forms of taxation from the local level.

I am wanting you to describe for me the effect that this will have on the access and quality of education for kids from those low-income families. If you agree with my concern that, like many economic and monetary policies of this government, it is going to contribute to poverty of condition as well as poverty for future generations because we know that many families, and that is one thing that this report talks about, that are of low income have parents with low education attainment levels. So I know that these are complex, multifaceted points, but I think that is what we are getting at with the bill, is that this is going to contribute to poverty and inequity.

**Ms. Sarbit:** We feel that if this legislation passes and this government is unable to fund public education adequately, you will find that—if given the choice, I, myself, would not want to put my child in an inadequate public institution for education. I would be the first to pull my child out of the public school system and so will other people who have the means to be able to do it. So you are going to be left with, as I think has been stated by the Seven Oaks Teachers' Association president, you may end up with, charter schools and elitist types of schools developing within the public school system, and those that are going to be left behind are those who do not have any other options.

Certainly, when you think of public education as being an equalizer and offering opportunities for everyone to be able to achieve within our Manitoba economy, that will not be the case. Hopefully, we are looking at a worst-case scenario, but this legislation, we feel, can, over numbers of years, have that effect. If you look at things that are happening in the States, it is happening there. We are a division that does not have the opportunity to tax our citizens to that large of an extent because of our weak tax base. We also have a lot of very low-income people. It would have a very detrimental effect on Seven Oaks, and it would add to the inequities between divisions.

**Mr. Chairperson:** Ms. Cerilli, do you have another question?

**Ms. Cerilli:** I am just wondering if there is anyone else in the delegation that would like to comment on my question.

**Mr. Ric dela Cruz (Seven Oaks School Division):** In addition to the answer of Ms. Sarbit, I would like to make an addition to the questions of Ms. Cerilli.

Yes, education is the most important thing in our life. As you said, why there is poverty. Sure there is poverty because, when you see the numbers why there is poverty, those people involved in those numbers are not well educated. It is to say, kind of getting into the process, to the system, they are having time out to uplift or upgrade themselves. Now, with this budget, because of the first claim, we are cutting the funding on education. How can we help those weaker who belong in this society? The purpose of this bill is for the stronger member of society, not the average.

From my experience I have seen it both ways. Now I do not want to lose that. We go out to a reservation, what is happening to them? Why is there higher unemployment? Why this poverty? Take a look. What is happening in our backyard? Will we continue that?

Some day Canada will not be No. 1 in the quality of life if we will pursue this one. Yes, I do believe that we have to take control of our fiscal responsibility, but there are other means to do it, but do not sacrifice the

future of our children. That is what I believe in. Canada is great for me. That is why I just want to contribute. Being a trustee, like, I am just trying to do it. Fire me for not wearing a tie, because on a trustee's wages, we cannot afford it. Thank you.

**Mr. Chairperson:** Thank you, Mr. dela Cruz. Are there any other questions of these presenters? Thank you very much, ladies and gentlemen, for coming before us today. We certainly appreciate the time and effort that you have put and the value that you have added to the discussion this morning. Thank you very much.

**Ms. Sarbit:** Thank you for giving us the opportunity to present.

**Mr. Chairperson:** Good. Good morning. The next individual on the list is Victor Olson. Victor Olson? His name will fall to the bottom of the list. The next person is Peter Sim, Manitoba Association for Rights and Liberties. Second call for Peter Sim? Peter Sim does not appear to be in the audience. The next individual on the list is Carl Ridd. Mr. Ridd? Good morning, sir.

**Mr. Carl Ridd (Private Citizen):** Good morning.

**Mr. Chairperson:** Do you have a written presentation?

**Mr. Ridd:** I do, if your usher could—

**Mr. Chairperson:** Mr. Ridd, I do not know if you were here at the commencement of the proceedings, the—

**Mr. Ridd:** I was this morning but not on Friday, no.

**Mr. Chairperson:** Right. I just wanted to remind or to point out that committee has agreed to a 20-minute limitation on the initial presentation, and then of course questions will ensue, or may ensue.

**Mr. Ridd:** Atypically for me, I expect six minutes for my own part and whatever you choose to take from me for yours.

**Mr. Chairperson:** Thank you very much, sir.

**Mr. Ridd:** First of all, of course, I thank you for the opportunity to come like this. I am a reasonably attentive citizen, and nevertheless only learned on Friday actually that hearings were already underway, and therefore had quickly then to assemble my thoughts. It is why you get this handwritten form. That particular time bind, plus the fact that I am old enough that I still cannot think well without a pen between my fingers, at least cannot think and write well.

I am getting there on the keyboard but not yet. So perhaps you would please regard this as a typewriter but in cursive print and that will—I think it is legible.

I will sum up very briefly the objections that I can see to this dreadful bill, objections which others have no doubt made. Of course this morning, I have heard many of them made as I sat here from 9 a.m. on. The objections are very obvious to me. Then I will go on to make the main point which arises from these objections. This is a point which others may not have made. I have not heard it made this morning, but it is the most serious objection of all. It is the one that I feel competent to comment upon, and I ask the committee therefore to consider it carefully, but it only emerges out of these obvious ones, so pardon me while I run through a brief description of some of them.

\* (1140)

Capitalist economies, and by that I mean nothing jargonistic. I simply refer to the kind of world system that got admirably generated in the 17th Century, admirably in the sense that it offers opportunities for people like us, but also for—perhaps if we can reconstruct it now, as it greatly needs reconstructing, and a reconstruction already underway by economists—a system that can perhaps continue to contribute very substantially, so I mean nothing pejorative in that opening phrase.

These economies, we know, function in approximately seven-year cycles. When the economy is in a down phase, it is imperative that the

governments spend to stabilize. These are obvious truisms. This will have to be done sometimes if the reduction in revenues continues for two or more years. The exceptions in Article 3(2) of the bill are too narrow, as is the time frame of one year.

There are other less progressive and less transparent—I do not know which of those adjectives is the more important, both are important, I guess—ways for the government to recoup potential budget deficits. For example, they could do it by broadening the tax base, by lowering thresholds, by creating new taxes or charging user fees and no doubt other means. This they will do in order to avoid the deficits, so I do not anticipate that we will have less taxes, only that they will be less transparent and likely less progressive.

The government will be able to use various stratagems of creative financing accounting and budget presentation to give the appearance of following Bill 2, while in fact getting around it. This will eventually draw the objection of the Provincial Auditor and cause public cynicism, before the Auditor comments perhaps but certainly after.

For emphasis, the important one, does anyone seriously think that a government would allow itself to be embarrassed by the implementation of the penalty clauses in 7(1) upon ministers who fail to balance their budgets? All sorts of dodges will be available and used to avoid giving the appearance of failure, thus deepening public cynicism.

We cannot imagine a minister of the government, of any government, having to confess that she/he had failed to meet the requirements under Bill 2 and was now to be docked the amount of pay that is in the bill.

You can imagine the headlines in the Winnipeg Sun. No government is going to subject its ministers to that kind of opprobrium, or the provisions of Bill 2 will be a frequent excuse for cuts in many programs. Pretty well every speaker this morning has alluded to that. It provides a big stick to justify, without perhaps sufficient justification, cuts, just an automatic justification in many programs. Given the history of governments, these will hit the poor hardest in general,



and not just the history of governments but the economic realities of our life together hit the poor hardest in general, some of whom are already close to the margin or out in the abyss already. We need to look at our city and our province. It is not just something that might happen. It is happening, and we all know it is happening—a kind of violence.

The Fiscal Stabilization Fund at \$250 million is far too small to handle some one-year deficits that the current government, for example, has run up, but other governments have run them up too in times when it was less easy perhaps to run up these important deficits, much less deficits in successive years during recession cycles. The framers of the legislation appear to be more interested in appearances than reality.

Finally, on these obvious ones, referenda are poor ways to handle fiscal government except for large particular projects, such as new arenas. The government was opposed to a referendum on the arena. Governments will tend to offer referenda when they serve its own interests. It is natural enough; I am not making invidious remarks; it is obvious; I would do it myself were I in government. Referenda can be played with by clever wording.

There is one going on right now that some people think is being handled in just that way. They are divisive and often irrational; they can be manipulated by those with money or voice, and as the Free Press has observed, not exactly a radical newspaper, they are an abdication of responsibility. Let me refer to the whole editorial on that date: giving the appearance of democracy they undermine it.

Then to my fundamental objection about which I care a lot, democracy grew out of debate about who to trust and how to entrust. The great philosophers and politicians and practitioners evolved a system based on the entrusting of decision-making power to an elected body subject to the citizens. Many of you in this room would be familiar with that long, amazing, miraculous, delicate process of several hundred years, actually, by which we grew into this maturity.

But this is all now at risk. I hope I am not going to be thought alarmist if I say democracy is at risk. I am

very, very serious about it, and I think in your heart of hearts and your conversations in your friends' homes and in the privacy of places where real things can get talked about, you are worried about it too.

For now, as everyone knows, I would say these days, the system and those who run it are not now trusted, at least not in the same way. Trust has not utterly vanished, obviously, or I would not be here this morning, you would not be here this morning. It is to be celebrated that we are here. Politicians are in disrepute and social cohesion is certainly vanishing. There has been a long discussion in the Manchester Guardian about the loss of social cohesion in the United Kingdom and those of you that read the Guardian may have seen it for the last many weeks. I mean it is quite advanced there, more advanced by far than we are here but I do not want us to travel that road.

There are many reasons for this loss of social cohesion, the power of money in influencing elections and in lobbying or coercing politicians once elected; the use of office to secure advantage for oneself or friends; refusal to be responsive to the public between elections; running on one platform, governing on another; remoteness. The reasons are legion. I do not say that you individuals here in this room are guilty of these things. In fact, I am always struck by the personal probity and desire for public service of our elected people.

I am talking about the opportunities of systematic abuse, when the system itself, when the constructions that we put in place that we are to run ourselves by, open themselves to the kind of loss of democracy of which I speak, a loss also of sense of fairness and of accessibility, when it becomes an open and shut case that well, we have to balance the budget, therefore slash.

Bill 2 walks straight into that abyss. There is a crisis of legitimacy among us, not just in Canada but worldwide, and you look at it. I know you have. People are taking the view that the politicians are in it for themselves and they might as well be, also, or that the system is just so irretrievable that why bother to stay with it? So there is a flourishing underground

economy, widespread skirting of the law, the general sense that anything goes because there is no serious application of principle or law, only smoke and mirrors, only the image of rightness, only illusion.

Because of what I take to be the obvious substantial faults in this bill, it can only be perceived—it is perceived by me but I think it will generally be or become perceived by the majority of our citizens in this province—as a stick to beat them with or a stick to beat others with, and/or as a PR gesture to secure popularity or to appease money markets, rather than a serious instrument of good government. So it will contribute enormously, eventually, and maybe even in the very short run to the general cynicism toward and resentment of government, that precious institution. This is its greatest danger, that it will lead to that further erosion of trust and democracy upon which we all depend. The bill should be withdrawn.

\* (1150)

**Mr. Chairperson:** Thank you, Mr. Ridd. Are there any questions of this presenter?

**Mr. Leonard Evans:** Mr. Chairman, I thank Professor Ridd for a well-thought-out brief on this subject. Needless to say, I am inclined to agree with just about everything Professor Ridd has proposed or commented upon.

I have three questions. The first one relates to point one of obvious objections. You make reference to the capitalist economies function in approximately seven-year cycles, and then you talk about your concern to look at the debt situation in a one-year frame, or words to that effect. Are you suggesting, Professor Ridd, that if there is to be any balancing of budgets, the balancing should be over the course of a business cycle?

**Mr. Ridd:** Yes, in general.

**Mr. Leonard Evans:** The second question, in point five you refer to the Fiscal Stabilization Fund at \$250 million being far too small, and I was wondering whether Professor Ridd had any particular idea of what

the amount should be, or perhaps you are not bothered with it because you want to withdraw the whole bill anyway.

**Mr. Ridd:** This is the exact response I was going to make, all right, that it is a hypothetical question of some interest. I cannot remember what the deficit is of the government that the Auditor has claimed. I know it is \$200 million above what the government claims for the current year, but it is \$600 million or \$800 million depending on which set of figures you use—\$800-and-some or \$600-and-some. So I could pull those figures out of the air for Mr. Evans, but, yes, I think the bill is a bad one and it is hypothetical, such as we academics like to think about.

**Mr. Leonard Evans:** My third question, Mr. Chairman, relates to the brief on fundamental objections and the most serious. When Professor Ridd refers to the bill, Bill 2 is really a PR gesture to secure popularity rather than a serious instrument of good government. I assume then that what you are implying and suggesting here is that really this government, or indeed any government, can achieve the objectives of the bill, balancing the budget, paying off debt, et cetera, without the legislation. In other words, what the legislation purports to do is to set up a series of guidelines, certain conditions, parameters, and I would say imposing it on future generations and future legislators rather than taking its responsibility in keeping with our good, solid parliamentary tradition where governments are elected to govern and decide year by year what the budget situation should be.

**Mr. Ridd:** Yes. I do say very carefully, in true academic fashion, that it can only be perceived by people as PR gesture and so on, though I did confess that that is how I perceive it, but I did not make the categorical statement that is what it is. That is what your preamble imputed to me, and, you know, I take exception, or I will dodge that particular preamble part. But I do, yes, perceive it that way, and I think others will. Yes, I thought of including that bit about the government can do it, whatever, can balance the budget if it wants to on its own under present circumstances, but I thought, well, I want to be brief and I will be brief and I will leave that out since I am very sure that is

very apparent to practically everyone. So I agree with that observation.

**Mr. Chairperson:** Thank you, Mr. Ridd.

**Mr. Lamoureux:** Mr. Chairperson, I appreciate the presentation, and I would ask the presenter, do you think at times maybe government introduces legislation that is there more so for promotional reasons than other things? I am thinking back at governments in the past that might have brought in legislation where it was not necessarily needed and they could have accomplished it, what it is that they were citing. Is this what you are opposing more so as this is legislation that is just not necessary. You make reference to the business cycle; the government does not need to impose this legislation. Would you apply that principle to all pieces of legislation?

**Mr. Ridd:** I am a professor of religious studies, and my concern is for a just and good and livable world, not a political science professor. Were I one, I could probably give a better answer to Mr. Lamoureux's question as to whether historically it is the case that this situation is worsening. I am really not sure. I rather suspect that it has always been a tendency of governments. Again, I am making the confession that were I in government I might very well tend to do that from time to time where I thought the public interest and my own interest as governing party somewhat coincided.

What I do claim, though, and feel utterly sure about is that there is a dawning perception on people, whether right or wrong, that yes, governments are not only not above that kind of Machiavellian practice but they make it part of their practice. It is a deliberate element now in the construction of bills. This, I say, in the opinion of people, is the perception of what government is doing. It is part of the general cynicism, I think.

**Mr. Lamoureux:** The public has expectations, if you like, of politicians. Government will come across and at one point they say well, the creation of a hydro fund and we are going to put it in legislation and to a certain degree, the public might feel gee, this government is

very proactive on dealing with an issue which we feel is important or to a certain degree one might even argue final offer selection. I do not know if you are familiar with final offer selection.

**Mr. Ridd:** I am familiar with it, yes.

**Mr. Lamoureux:** And ultimately when a government is replaced, there is, this is not binding in the sense that it can be repealed but quite often, or I should not say quite often, at times, government tend to try to alleviate the concern that the public might have about a particular issue by making a strong statement through legislation. Do you think at any point in time that that is necessary, that maybe it is in the public's best interest to make that sort of a claim even though we know the government can do it without the legislation?

**Mr. Ridd:** I am very glad you added that last phrase about in the public's best interest. I think it would be often perceived by governments as in their best interest to make this proclamation for electoral purposes or public opinion purposes. But in the public's best interest? No. It is the whole burden of my—and there I acknowledge that yes, it could have some merit in calling attention to some sort of radical need that the public has not yet perceived. I mean, I could hear the argument being made around the cabinet table that that is so, that we have got to somehow signal very dramatically to the public that this is an important matter. But my view of that would be that it ought to be something thought about at cabinet table but rejected because—especially rejected now at a time of this deepening mistrust and public cynicism, rejected on the grounds that we need to be more straightforward than we have been for a long time, I think, with the public and with ourselves as governors, and that therefore to redeem the sense that the government process is a trustable one, we need to be completely straightforward, so far as in us lies, with the citizens.

**Mr. Newman:** I always appreciate it when we have people come before us and speak from the heart. When you are an academic, you also speak from the mind and a very vast experience that you have had in issues in this community.

You have used the words on the last page about people taking the view that politicians are in it for themselves. You also then talk about a general sense that anything goes because there is no serious application of principle or law and only the image of rightness, only illusion.

When you chose those words very carefully to identify the people, are you speaking of any specific group of people? Are you speaking notionally? Are you speaking with a statistical survey having been done? Are you speaking for a group? As an academic, I would think that that has been done on some basis. I wonder what that basis is, and I want you to confirm whether or not, when you talk about a general sense, you are speaking again of those people or whether you were expressing a personal opinion that there is no serious application, principle or law by the current government, including myself.

\* (1200)

**Mr. Ridd:** I did not say of the current government. I was not referring to this government in Manitoba in any specific way. I am talking about governments generally, that this is a perception.

Yes, Mr. Newman, I will respond to that by citing two books. They are not necessarily the best ones, but they are the ones that I think of right at the moment. A very admirable book by a sociologist, and lamentably these first two—I am going to now say three books or three bodies of material, one by Robert Bellah. He is an American sociologist and historian, one of the outstanding English-speaking sociologists of the current moment. He teaches at—I can never remember where these people teach because it is not important to me. What they teach is more important but Bellah is either at Harvard or Yale, so he is at a good school. The book is called *The Broken Covenant, American Civil Religion in Time of Trial*, or something like that, and it is talking about the American situation, but one can translate it to the Canadian or to worldwide.

A second book that has been very instructive for me is a book by a guy who just died. His name is Christopher Lasch. He is a cultural historian. Again,

he is an American and his book is called *The Culture of Narcissism*, and it has to do with this desire of people, this growing desire of people to possess things and to take their personal identity out of that. He traces a kind of progression—well, it is a regression—of political life from an authentic politics down to success and to the image of winning, and that is the political level, he says, of this culture of narcissism in which we are involved.

One of the great Canadian commentators on this sort of thing, of course, is George Grant, who was a political philosopher and student of religion at McMaster and Dalhousie and other places and has written books like *Lament for a Nation and Time as History*. I will not go into his long stuff, but his whole corpus is a kind of learned hand wringing about the direction in which we are going, and he was writing this stuff 20 years ago, a very prophetic voice, and a lot of people are indebted to him.

Beyond that, I function out of—I will call it the best popular press, because I feel that to be a student of religion or of what it is to be human in the modern world, one has to read the newspaper, and of course listen to the radio and watch television, too, but the print journals are so, I think, important.

So whether it is through such learned things as the *Manchester Guardian* or you pick it, I am afraid to, whatever you take to be one of the best newspapers in Canada—possibly one would say *The Globe and Mail*—or whether you take the popular press—I have a lot of respect actually for the *Winnipeg Sun*. It is certainly a lot better than many of the tabloids, and they do raise issues often very, very well and certainly sharply—certainly, at the popular press level or just in all our newspapers, the signs of society falling apart, I would hold, are just unmissable.

I am talking about violence, drive-by shootings, the fact that our schools are getting close to ungovernable, that police have to be in the halls of some institutions. I will not take your time by going on and on. I would say that there are thousands of these little contributory, anecdotal kinds of experiences that I have heard or witnessed or read day to day, but the three big books are the ones that I think of now to name to you, though

if I can think of some after that are better, I will try and remember to tell you.

**Ms. Cerilli:** I do not want to keep the committee here much longer, but a number of things that you have said I think have been really significant, and I want to thank you, Carl, because I think there is a bit of a paradox here.

I agree that the bill is somewhat of a gimmick, politically. Particularly before the election, I think it was pandering to some of the sense of fear about the loss of control in society, and there is some attempt, I think, to blame overspending in government for that. I think there is a lot of pandering to increase greed, and sense that we do not have responsibility for each other in our society. I think it is pandering to that sense, that individuals should take responsibility for themselves, and there is no collective responsibility to each other.

Also, I am wondering if you would agree that it is going to reduce the equality of condition and the quality of life for people who are of lower income and that this bill is basically the kind of bill a government brings in that does not believe in government.

That is what I have often felt, and that what we are seeing is a government saying that it is not the role of government to plan and have intervention into the economy through its monetary and spending policies, but it is the market that is going to dictate, and I am wondering if you share that view.

#### Point of Order

**Mr. Newman:** This statement, diatribe I might say, made by the honourable member, Ms. Cerilli, I do not think is consistent with the rules or purpose of this particular proceeding. However, I have enough faith in the person who is going to answer the question in the sense that he is an academic and probably well used to these sorts of statements being given by students at the university from time to time and others in the community that he will deal with it. But I would ask the board to rule as to whether or not this is an appropriate line of lecturing in this particular process.

**Ms. Cerilli:** On the point of order, I have been at a number of committee hearings on bills, and I can tell you that this question is in order and that there are a number of opportunities for the presenter to add to and agree or not agree in support of the comments that I am making. That is all that I am attempting to do.

**Mr. Chairperson:** There were a number of questions in Ms. Cerilli's presentation or response at this time. I would remind Ms. Cerilli that the form of questions is only to elicit further information from the presenter or concerning a point of clarification.

I would urge her at this point to keep her preamble to a minimum, if that would be possible.

\* \* \*

**Mr. Chairperson:** Ms. Cerilli, would you please proceed.

**Ms. Cerilli:** I have put the question and you agreed with me that there are a number of questions in the comments that I just made.

**Mr. Chairperson:** And that is what I ruled.

Mr. Ridd, would you please be responsive to the question put by Ms. Cerilli?

**Mr. Ridd:** I remember two of the questions. There are others I will need a reminder.

One of them had to do with whether the present government believes in government or is using a gimmick. I believe that the government believes in government. This government or you could take whatever government I might find the worst in the world, I would still believe of that government, probably, that it believed in government according to its own lights. I certainly think much better of this government than of the worse examples that could abundantly occur to us all. So no, I do not believe it to be an act of pure cynicism.

I do think that the government has stumbled inadvertently on a process that makes it look very

cynical about its own sense of government. That is why I am asking that the government withdraw its bill, as its best way out of that cul-de-sac that I believe and that the Free Press editorial believes and that many, many others either believe now or will believe when the chickens start coming home to roost, with all this tomahawk chopping—and I am not talking about the Atlanta Braves. I am talking about cuts, under No. 4. So, yes, it is an inadvertent stumbling into, rather than a conscious disbelief in government, I think.

On the other question that I remember, does it hit the poor hardest? Oh, yes, I feel quite certain it does, and one of my points does deal with that. I could say more, but I will not. If there are other things I have omitted—

\* (1210)

**Mr. Chairperson:** Thank you, Mr. Ridd. Are there any other questions of this presenter?

Mr. Ridd, I would thank you very much for coming before us today. We have certainly enjoyed the level of scholasticism which you have presented to us, and it has been a reasoned and logical argument for which I thank you very much.

**Mr. Ridd:** Thank you for your existence, committee and legislators.

**Mr. Chairperson:** Good. Good morning, sir.

The hour is now 10 after 12. The committee did agree that we would rise at twelve o'clock.

Mr. Laurendeau, touching on this point of rising?

**Mr. Laurendeau:** Mr. Chairperson, I was wondering if the committee would be willing to canvass the House. I see that there might be only one presenter left here and for the presenters to have to come back at another time, I think, would inconvenience them. Seeing as there is only one, if it would be the will of the committee, possibly we could hear the last presenter and come back?

**Mr. Leonard Evans:** Mr. Chairman, what about the others who—for instance, Dr. Sid Frankel. I do not believe he was called before. He was called once before?

**Mr. Chairperson:** I believe Mr. Frankel had one call. He is coming up for a second call now.

**Mr. Leonard Evans:** And Lawrie Deane, Community Action on Poverty?

**Mr. Chairperson:** The same, yes.

**Mr. Leonard Evans:** I just do not want to be unfair to those who have not yet presented but who are on the list, for whatever reason. I do not know why they are not here.

**Mr. Chairperson:** For your information, Mr. Evans, the people who would be called again who do not appear to be present but who have already once been called would be Lawrie Deane, Sid Frankel, Robert Brazzell and Victor Olson.

I believe that there is an individual in the audience by the name of Lance Norman who is coming forward purporting to speak on behalf of the Chamber of Commerce, and that is the one last presenter.

**Mr. Sale:** Mr. Chairperson, I have no objection to Mr. Laurendeau's suggestion provided that when the committee reconvenes, should there be additional witnesses, we would hear them at that time according to the same procedures we have used so far.

**Mr. Leonard Evans:** A further point then. How long do we intend to go this morning or this afternoon, because the House is sitting at 1:30 and others have responsibilities to attend to before the House. Not that I am not prepared to hear Robert Brazzell or the representative who should be the person who is here, and I want to be accommodating but there is a problem as well because some of us have other responsibilities.

**Mr. Laurendeau:** We should be able to finish it up within half an hour. That is what most of the presentations have been, I mean take or give five minutes.

**Mr. Chairperson:** Mr. Sale, if I could present to you a situation, I would propose to call, as Chair, the outstanding individuals who have not presented this morning who have fallen to the foot of the list. It would be my proposal to call Deane, Frankel, Brazzell, Norman and Olson. There then being no other presenters that would be the termination of public presentation.

Ms. Cerilli, do you have a comment on procedure?

**Ms. Cerilli:** That is why I am suggesting that we not carry on. I think that we want to ensure that those people who are not present right now have an opportunity to present, particularly if they were looking at the list the other day and seeing how far they were down, knew that they were not likely to come today to be presenters and chose to wait until the next time. So I think, to be fair to those people, we cannot simply hear the next presenter, go through the list and then say, that is it.

**Mr. Laurendeau:** Mr. Chairperson, by leave we could just go to Mr. Lance Norman and not drop any of the other names off the list, if that would be appropriate with the committee.

**Mr. Chairperson:** Is that the will of the committee? [agreed]

Mr. Norman, would you please come forward for a presentation, and do you have a written presentation today?

**Mr. Lance Norman (Manitoba Chamber of Commerce):** No, I do not.

**Mr. Chairperson:** Fine. Thank you, sir, very much. I am not sure if you were cognizant of the ground rules that we had established for presenters, that we have a 20-minute time limit and that there may be ensuing questions. Due to the hour I would ask you to proceed.

**Mr. Norman:** Mr. Chairman, right at the outset I would like to say the Manitoba Chamber of Commerce supports this legislation. In reviewing some of the policy statements of the Manitoba Chamber of Commerce, I came across a statement of policy with respect to public finance in 1981, so some 15 years ago. The recommendation was with respect to anti-inflationary pressures at the time, and the recommendation was to the government of the day that the government of Manitoba continue to undertake serious efforts to control their expenditures and make every effort to bring their costs in line with revenues in order to reduce substantially the dead-weight deficits which are contributing to the inflationary spiral.

So some 15 years ago the business community, in the form of the Manitoba Chamber of Commerce, made that warning. Manitoba Chamber of Commerce, of course, represents 62 member chambers from all across the province, having a total general membership of some 7,500 businesses. So some 15 years ago, in 1981, that representation, primarily of a small- and medium-sized enterprise, made that warning to the government of the day, and incidentally has made that same warning every year from that point forward.

First of all, I will tell you why essentially the Manitoba Chamber of Commerce, while in supporting deficit and debt reduction generally and as an ongoing statement of policy, supports that. I think I will leave to my very last comments why it is the Manitoba Chamber of Commerce supports this particular legislation and in fact deal with some of the criticisms or arguments against this legislation.

The first argument that I have read or heard is that in fact government can sustain itself during periods of slow economic activity by running deficits and then paying those off with the surpluses run through periods of high productivity in the economy.

While Keynes would have I think applauded the acceptance of that notion generally across the world, I think he would be rolling over in his grave if he knew that that was what governments were signing off on in order to run deficits without interruption for some two decades.

The fact is that that has never happened. There has never been over the past two decades a surplus to pay off a former deficit.

Secondly, really, that is old-style thinking. Successful companies—well, old-style, new-style, depending on when you take a look in economic thinking, the fact of the matter is that it is currently out of vogue. Successful companies in this day and age base their planning for their oncoming years on the basis that they are going to run a surplus in the bad years, not a deficit in the bad years.

One only need to take a look at the airline industry in Canada. In some two years our airline industry lost all of the profits that had been made heretofore—in two years. So it is really a sucker's bet to think that we can continue to run deficits in perpetuity.

The second argument is that relatively there is no crisis. Well, relative to what? Certainly not to the G-7 countries to which we purport to have some association. Certainly we are a major debtor in the world, and perhaps relative to the major debtors in the world we are in relatively good shape, but we are in no way near—as a country certainly—to the other G-7 countries, nor as a province relatively to our size as well to the G-7 countries.

Of course, the major and most significant problem is the percentage of foreign debt, especially by provincial governments as opposed to our national government. It is the foreign debt that really presents the problem. There will be, of course, as a result of an increase in the percentage of foreign debt, all kinds of spin-off problems including high interest rates, a problem with access to capital, because if the governments are taking all of the domestic savings, there is a problem for local businesses to have access to capital. That is one of the problems that faces the business community in Manitoba.

\* (1220)

As well, of course, there is pressure to increase taxation, not only on business but also on wage earners. It will lead to a further devaluation of the dollar and, while our exporters might think that that bodes well, or

some people might think that the exporters would think that bodes well, of course, the fact of the matter is that even exporters rely on stability as opposed to wild fluctuations in the dollar. Of course, primarily foreign creditors will look very closely at policy choices of their clientele. I think that if anyone is worried about sovereignty, not only in Canada but also of our province, in terms of unfettered decision making, we only have to take a look at how closely foreign creditors do influence policy choices.

So I think that is really a significant factor to take into account. Of course, we hear talk of the comparisons between the gross domestic product versus the government debt and the government deficits, which really is a non sequitur, because you are comparing the productivity of the business community in large of the province versus the government debts, which I think is not a very good comparison.

If you take a look at the debt per capita, again, it is extraordinary, the change over the past 15 years. If you take a look at the interest payments as percentage of the budgets over the past 15 years, again, it is an extraordinary picture. The fact of the matter is that there is a crisis.

Lastly, even if we accept that there is not a crisis, the inference in that argument is that we can spend until we are in a crisis. That is unacceptable; it is immoral. We have to pay this debt off now, or we put it off to future generations. That is a fact.

I will come now to why it is that the Manitoba Chamber of Commerce supports this legislation itself, not simply deficit and debt reduction in general. It is because this government and other governments that have come before it have no credibility. The message has been clear from the Chamber and from other communities across the province that something has to be done about this debt. There have been two decades of it, in fact 15 years of warnings from the business community, and nothing has been done. There is no credibility. The only way that credibility can be restored, not only to the business community but throughout Manitoba, is in fact if this legislation is passed into law, and I applaud this government for making the steps. That concludes my comments.



**Mr. Chairperson:** Thank you very much, Mr. Norman. Just for purposes of the record, which I omitted at the outset, the committee grants leave to allow Mr. Norman to present on behalf of Mr. Brazzell. That would be approved after the fact, I would presume. [agreed]

Are there any questions of this witness?

**Mr. Leonard Evans:** Just very briefly, Mr. Chairman, I do not know whether the presenter was here to hear the submission of a Mr. Ron Schmalcel this morning. No. Well, Mr. Schmalcel, just for edification of the presenter, was concerned that this bill did not protect the small business person because there is nothing in the bill that prevents the government from increasing the tax levy on small business by way of changing the small business deduction, the provincial small business deduction. Further, there are other things such as the exemption level under the health and post-secondary education levy, in other words, the payroll tax. As I understand it, the government can reduce the exemption level, in effect increasing the burden on small business without legislation.

So I guess the question therefore is, does the Chamber not have any concern that small businesses in this province can be taxed more heavily, even with this legislation, because of the fact that tax credits and deductions, et cetera, can be changed administratively by the government?

**Mr. Norman:** Of course, in our review of the legislation, we noted as well that there was no protection of the notched rate under the job tax or the payroll tax, as it has been called in some circles, but, of course, we had an interest in not coming before this committee and being self-serving in the sense of wanting specific protection for specific sectors. Of course, should this committee find that a suitable recommendation that the legislation be amended so as to protect the notched rate or, in fact, include the elimination of the payroll tax and as well protect the current small business tax exemption, we would certainly be willing to support that.

**Mr. Sale:** Mr. Chairperson, I would just like to ask Mr. Norman whether his brief, whether in some sort of

broad note form, has been passed by any committee of the Chamber, either the table officers or the executive or someone, or is he speaking on his own behalf as an elected or an appointed officer? Could he clarify the status with which he is speaking?

**Mr. Norman:** I am filling in for the chair of the finance, taxation and regulation committee of the Manitoba Chamber of Commerce, Robert Brazzell, and he briefed me on the issues as he was unable to attend before this committee.

**Mr. Sale:** Mr. Chairperson, I just note for the record that I find it strange that a body as well staffed and of long-standing concern and stature in the community does not have a written brief on an issue that they feel so strongly about.

Mr. Chairperson, I would like to ask Mr. Norman to distinguish in business terms between operating spending, which, he says, most companies strive to balance even in bad years, versus capital spending, of which I know very few companies that deal with capital spending on a one-year cycle. Could he comment on that?

**Mr. Norman:** My understanding is that this legislation would permit for the amortization of some forms of capital expenditures.

**Mr. Sale:** Mr. Chairperson, I agree that for health and education buildings and for some small amounts of additional capital this is in the base budget. That is not—for example, just to give Mr. Norman an example that he might want to respond to, the built assets of this province in roads, bridges, sewers, et cetera, that are under provincial control, not including municipal, is some \$6,357,000,000. The only capital available in the budget estimates is a small amount of about \$100 million I think, as the finance minister said, for highways. Yet the Heavy Construction Association, which are members of the Chamber, and many other companies have pointed out that our infrastructure, the public-sector infrastructure, is in very bad shape in this country as well as in this province.

How would you foresee being able to maintain that infrastructure if there is virtually no capital available in

the current expenditure estimates against a \$6.3 billion—actually this is a book value of these assets. This is their cost and nothing to do with their replacement value. So I am asking you to comment on your failure to separate operating and capital investment in the private sector. By inference you were suggesting there was adequate capital investment in the public sector to deal with all these assets. I do not think there is, and I do not think you would suggest that most private sector firms could balance their annual statements and never have to borrow for capital assets over a long term.

**Mr. Norman:** Well, of course, a business will reach a point where their debt load is such that when they go to their financial institutions and ask for money for the kind of capital expenditures that you suggest may apply in their business, the bank may at some point say no. And I think that in the budgeting process, this government and future governments to come, priorities are going to have to be made and percentages of the available funds are going to have to be allocated. That is not for me to answer what policy decisions are going to be made in the future by this government or other governments with respect to the percentage to health or education or to capital cost, but the fact of the matter is that the Manitoba Chamber of Commerce believes that this is a crisis and, of course, a crisis implies that extreme measures must be taken and austerity must be exercised, and that is your answer.

\* (1230)

**Mr. Sale:** Mr. Chairperson, you cited OECD numbers and G-7 numbers in your presentation in terms of relative debt loads. Then you went on to say: but the basis of those measures is wrong, that debt to GDP is not a helpful measure.

I am not sure what your point was. I think you suggested that it was comparing the productivity of the private sector to government, so I am wondering if you can—there are two questions here. First of all, are you saying that the numbers we usually use to measure debt are not appropriate? If they are not appropriate, what ones would you suggest?

**Mr. Norman:** With respect to the debt to GDP, really what you are measuring is the productivity of the

population, a community, the businesses in that community versus government debt, which has always been a troubling statistic, because you are talking about government spending versus innovation and entrepreneurship in the private sector to a large degree.

I think that if you take a look at the debt in absolute dollars and debt per capita and in fact the percentage of the interest payments of government budgets from 1980 to 1995, you will find the true measure of the crisis.

**Mr. Sale:** Is it the Chamber of Commerce's view that our health and education sectors are hopelessly nonproductive and are a dead-weight drag on the economy, Mr. Norman?

#### Point of Order

**Mr. Laurendeau:** On a point of order, Mr. Chairperson, I do believe the honourable member is attempting to enter into debate.

**Mr. Sale:** Mr. Chairperson, the presenter in his previous answer used the word "productivity" and referenced clearly his at least implied view that the public sector is not productive and that the only entrepreneurial or productive sector is the private sector.

I simply am asking him to verify whether that is the Chamber of Commerce's view.

**Mr. Chairperson:** I would caution members at this point in time that questions to the presenters are only to be predicated on a desire to elicit more information from their presentation, or a point of clarification arising out of the material that has already been presented, and not to be used as an opportunity for an ideological debate with the presenter, and also for the presenter to be responsive to the questions that were put to him, having that framework that it is to supply more information or to clarify issues that have been touched upon in his presentation.

Having said that, I would recommend that you proceed, Mr. Sale.

\* \* \*

**Mr. Norman:** The answer to your question is that the public sector and the private sector both have a lot of way to go in order to attain their full potential.

So in reference to the health industry and the education industry, are there inefficiencies, are there measures that can be taken to make them more effective and responsive to the marketplace? I do not know; I am not an expert; my answer right off the cuff would be yes. But similarly, are there measures that can be taken by many private-sector companies and industries in this province that would make them more productive and more responsible to the marketplace? The answer is yes.

**Mr. Sale:** Mr. Chairperson, I appreciate the presenter's answer. I think that does reflect my understanding of the Chamber of Commerce's viewpoint and not the previous viewpoint which I was hearing.

I would like to ask the presenter whether his view is, as he stated, that foreign debt is the real source of the problem and not domestically-owed debt. Could the presenter indicate what proportion of Manitoba's debt in his view is subject to difficulty he is associating with foreign ownership of debt?

**Mr. Norman:** My recollection is that Canada's percentage of foreign debt was somewhere in the neighbourhood of 25 percent, with Manitoba being substantially worse than that, but in comparison to other G-7 economies, relatively speaking, that is a very, very poor showing, the worst in fact of the G-7 countries.

**Mr. Sale:** I do not want to enter into debate with the presenter, Mr. Chairperson, but I believe the Finance minister suggested that 20 percent of our debt was owed to American, and none is not swapped offshore so—[interjection] Thirty percent to American sources and none is, at this point, unswapped or unprotected against currency speculation. So I just put that on the record. Thank you, Mr. Chairperson.

**Mr. Chairperson:** Mr. Lamoureux, you have a question of this presenter?

**Mr. Lamoureux:** Yes, Mr. Chairperson. I am interested in the Chamber's position on this particular bill in the sense that your membership is made up of businesses. I would have ultimately argued and then ask for you to comment on it that any good business person during good times, no doubt, businesses more successful do have a higher intake of revenues. At some point in time as we go into an economical cycle, you are going to encounter some bad times or potentially some bad times. In fact, I would argue that over 90 percent of businesses would rely on having to borrow money in any given business cycle, in all likelihood, more than once and that would be a good policy for them to do that.

Would that same principle not apply for the government?

**Mr. Norman:** Well, you are quite right. The culture of running a business in this country, indeed, in the western world, is that there is a percentage of debt that is incurred for capital expenditures as your colleague has mentioned. But the fact of the matter is that if you are talking about and operating, for example, the old Keynesian—and I say old—thought that businesses will run deficits in lean times and run surpluses in fatter times, that is the old-style thinking.

We can see that the new style of thinking is that surpluses must be planned and maintained in all years. We only need look at the airline industry and the technological industry to see that that is in fact the answer, the key to success versus failure. I might add, as well, just parenthetically, that of course the problems that many of the business communities face is directly related to government debt and deficit. Of course, the taxation pressure is related to the debt and deficit of the government of the day.

As I have already mentioned, the access to capital is a problem that requires corporations and businesses to look outside of Manitoba and indeed Canada for pools of capital. The pressure of the high interest rates and the low dollar all conspire against profitability in any

business across the province and indeed across the nation. So I think that it is important that governments, not only this government but past governments and governments across this country, take some responsibility for creating some real problems in the business community.

**Mr. Lamoureux:** What would you recommend to a business that manufactures a widget that has excellent projections for sales, but in order to get those sales there is going to be a certain amount of training, downtime and so forth that would be necessary and as a result of that there are going to have to incur a debt?

Would you recommend that they then go and secure that debt in order that they can fulfill potential contracts which could bring in additional monies or would you suggest that they should close down the shop?

**Mr. Norman:** I do not remember all of the details of your question and it is hypothetical. If you want to start again slowly, it takes me awhile sometimes to remember all of these things. You want an opinion as to how a hypothetical business might operate in a particular circumstance. Give me the details again and I will try to respond.

\* (1240)

#### Point of Order

**Mr. Newman:** A point of order. My hope is, Mr. Chair, invite the Chair to rule that the question is out of order. It is not seeking a clarification. He is seeking a hypothetical opinion on a matter that is irrelevant to the brief that has been presented.

**Mr. Lamoureux:** On the same point of order, Mr. Chairperson, I am trying to get across whether or not the Manitoba Chamber of Commerce, through its representative, feels that it is not proper for the private sector to borrow money, given economic slowdowns of the economy. That same principle should apply for this particular legislation. I see absolutely no reason why I should not be able to ask a question of that nature. In fact, I posed it the other night in the same point of order that was raised.

I think it is an appropriate question to find out if, in fact, the Manitoba Chamber of Commerce is of the opinion that if a business is in an experience of downtime, whether or not they should be allowed to borrow, because that same question then can be asked about government. During a recession, does government not have a moral obligation to go and borrow money in order to meet its obligations to service the public? I think it is a highly appropriate question.

**Mr. Chairperson:** I would order that the question was a hypothetical question and therefore out of order. [interjection] Excuse me? The Chair has ruled.

If you wish to pose the question that was found in your most recent response, Mr. Lamoureux, I would suggest that that would be a proper form of the question to put to this witness. The question in the form in which it was initially put was one of a hypothetical nature.

**Floor Comment:** Presenter, not the witness.

**Mr. Chairperson:** Sorry, presenter.

\* \* \*

**Mr. Lamoureux:** Mr. Chairperson, to save time, because I do not want to spend—I know there are other things that other members would like to be able to enter into. I will just ask directly the question, direct. Is the Manitoba Chamber of Commerce then of the opinion that government, under no circumstances, should be able to borrow money in order to facilitate what it determines is in the best interest of the public? Is that the position of the Manitoba Chamber of Commerce?

**Mr. Norman:** The Manitoba Chamber's position on should the government not be able to borrow money. Is that what you are saying? No, the government should be able to borrow money. The government should not run deficits.

**Mr. Lamoureux:** Can you explain to me what you mean by a government should be able to borrow money but not have a deficit?

**Mr. Norman:** Well, the question that you had presented was in a bad time or in a recession or in low productivity in terms of the economy, should a business be able to borrow money? Well, that is kind of a simplistic question because it depends on how much they owe currently, whether or not they would be entitled to borrow any more money and at what interest rate.

When you draw that to the specific here in this question, should the government, this government or any other future government, be able to borrow money in perpetuity, the answer is no. There have to be surpluses in order to pay down the extravagant debt that we have incurred over the past 20 years.

So whether you are asking me whether or not I would like to see this legislation, or the Manitoba Chamber of Commerce would like to see this legislation pass, the answer is yes.

**Mr. Chairperson:** Mr. Lamoureux, for the last question.

**Mr. Lamoureux:** Would the Chamber of Commerce then support legislation that would allow the government to borrow money during the low end of a business cycle?

**Mr. Norman:** This current situation or in general?

**Mr. Lamoureux:** We do not know what the situation is going to be tomorrow so it would be in general.

**Mr. Norman:** In general, governments should be able to borrow money like any other enterprise, if it is appropriate in the circumstances. In these circumstances today, it is not appropriate.

**Mr. Chairperson:** Thank you very much, Mr. Norman. The agreed hour of 12:45 has now been reached, and I thank you very much for your able presentation this morning. Thank you very much and good morning.

Mr. Evans, do you have some comments for the record before we adjourn?

**Mr. Leonard Evans:** A process question and suggestion, Mr. Chairman, and that is inasmuch as the Provincial Auditor has made some comments regarding what should or should not be in the deficit, also with regard to the amount of the debt that is facing Manitoba—and I do know that she has expressed some concerns over this legislation—I would like to suggest that the Provincial Auditor be asked to appear before the committee to give us her comments on this legislation and to point out for the benefit of the government and everyone whether there are any deficiencies in it from her point of view, from an auditor's point of view.

**Mr. Chairperson:** Mr. Evans, it would be appropriate, I think, if you would present that by way of a motion to the committee in a written motion.

**Mr. Leonard Evans:** Mr. Chairperson, I move that the Provincial Auditor be invited to make a submission to this committee on Bill 2. I move that this committee recommend that the Provincial Auditor be invited to make a submission to this committee on Bill 2.

**Mr. Chairperson:** Thank you, Mr. Evans. The motion as presented by Mr. Evans is in order. Mr. Minister, do you wish to speak on this motion?

**Mr. Stefanson:** Yes, I do. Mr. Chairman, I think the motion is inappropriate, because the Provincial Auditor would be put in a very difficult position, I believe, coming here at this stage, making representation on this particular legislation. Obviously she will be part of the process subsequent to the ultimate introduction of this legislation if it is passed, which I assume it will be. She has very much of a role to play. If you read through the legislation and the references, audited financial statements and so on occur many times and are frequently referred to throughout the text of the legislation.

I would ask the member to reconsider, because I think he is putting any statutory officer in an unreasonable position to come before a committee such as this and provide those kinds of comments. Obviously, the Auditor also participates and attends at

our Public Accounts Committee, and it will be audited Public Accounts, Volume I, which will be the basis ultimately of the determination of whether or not governments have complied with this legislation. So I am not so sure that the—well, I would be interested at some point how much research the member has done in terms of this particular request to have the Provincial Auditor appear before our committee, because (a) it is highly irregular, (b) I think you are putting the Provincial Auditor in an extremely unreasonable and unfair position, not unlike any other statutory function of government, (c) she has very much of a direct function to perform, ultimately, in terms of abiding by this legislation, in terms of the audited financial statements, in terms of the accounting policies of government.

\* (1250)

So, Mr. Chairman, I think it would be very inappropriate to make that kind of a motion, and I am really wondering just how much research or discussion the member has had with some of the officials that are even in this room today along with the Provincial Auditor. I certainly cannot speak for her, but from the many other issues that I have had the opportunity to deal with her on—and they are very extensive—would suggest to everybody here that her view would be that this is also highly inappropriate, and that it is not a reasonable request to be making of her and a very unfair request to be making of her. I would suggest that we defeat this motion if it stays on the table, but I would ask the member to withdraw that motion, because I think it is unrealistic and unfair to a senior officer who performs a very important and valuable function on behalf of government.

**Mr. Chairperson:** Mr. Newman, I think, is next in the order of speaking.

**Mr. Newman:** I was just going to support the reasoning that had been advanced by the minister and enhance it further by saying, I think this would set a very bad precedent. It would compromise the Office of the Provincial Auditor by involving the Provincial Auditor in the political process of this nature. I would hope that this motion would be withdrawn, as well, at this point, so it does not have to proceed any further.

**Mr. Leonard Evans:** Mr. Chairman, the first point I would make is that this is not "normal legislation." As a matter of fact, this is a precedent. Never before has government tried to set down budget guidelines in legislation, to my knowledge. Whereas there is a role, as the minister has said, for the Auditor in this process of carrying out the legislation, the point is that there is no precedent.

The Provincial Auditor is striven, if I may use that term, of the Legislative Assembly. She is not an official responsible to the cabinet. She is responsible to the entire Assembly. The minister asked if I had done any research. I do not know whether the staff of the department sat down with the Provincial Auditor and have gone over problems with regard to the legislation or not. No one on the committee has. It was not my intention to embarrass the Auditor or put her into a difficult position.

I would expect that she would come and talk about the technical aspects of the bill. Like, one technical aspect is the whole question of unfunded liabilities. That is not a political question; that is a technical question. We have had unfunded liabilities for decades. While I have been here, we have always had unfunded liabilities, so it is not a left-wing, right-wing question. It is not one government versus another government. It seems to me it is a technical matter. I may not even agree with the Provincial Auditor on that, on her position. That is beside the point.

The point is that I think the Auditor could make a useful input, and I offer that as a positive suggestion.

**Mr. Chairperson:** The next speaker is Mr. Laurendeau.

**Mr. Laurendeau:** No, go ahead.

**Mr. Chairperson:** Mr. Laurendeau is deferring to the minister.

**Mr. Stefanson:** Well, Mr. Chairman, I am really just being repetitive, but I would encourage the member to go through the bill in detail. I am sure we could run a tally for him in terms of the number of references made

to the audited financial statements of the government of Manitoba, to the role that the Auditor plays in terms of accounting policies and so on and so forth. So there is, and purposely so, a very extensive function in responsibility for the Auditor of the government of Manitoba in terms of abiding by this legislation, in terms of auditing the Volume I Public Accounts and in terms of the accounting policies and preparation of financial documents.

Obviously, a great deal of time and effort went into the whole preparation of this legislation in terms of ensuring it clearly addresses all current accounting procedures and what financial statements will be utilized in terms of determining deficits or surpluses and in terms of the role of the Provincial Auditor. So I am really surprised by this motion.

As I have already indicated, I think it is highly irregular, but, more so than that, unfair to the Provincial Auditor because she will have very much of a responsibility to play if this legislation is passed. Obviously, she also appears at Public Accounts, where she makes comments on the kinds of issues that the member has already raised.

I think, as I have already indicated, that the member should ideally withdraw that motion and not, in any way, be putting our Provincial Auditor in that kind of a situation. I would encourage him, if he is seriously thinking about this, to do a little more research and work. I gather we will not be completing this today, that we will be convening again. After he has looked into it a little bit more, I think he will realize, if he has some discussions with some of the senior officials, that this is not an appropriate motion whatsoever, and he should really withdraw it.

**Mr. Sale:** I believe that it is entirely an appropriate motion. I would point out to the minister, through the Chair, that the motion invites the Auditor; the motion does not attempt to compel. If the Auditor, in her wisdom and her impartiality, wishes to make the case on her own behalf, that this is inappropriate, I am sure she will do so. She is a public servant who has to deal with many difficult political and fiscal issues and does

so, I think, with great integrity. I see no difficulty in her being able to respond to the committee's invitation by saying, in my view, this would do what the Finance minister suggests it would do.

I do not happen to believe that that is what she would do; nevertheless, I see no harm, first of all, in allowing her to respond to an invitation. So that is the first point as to the appropriateness of the motion.

The second point is that the legislation touches on a great number of technical issues on which, I think, the guidance of the Provincial Auditor should be welcomed by the provincial government before the fact, so that they are not embarrassed by her judgments after the fact.

She may well have some views about the selling of Crown corporations which would be useful to the government. It might wish to consider an amendment so that it did not get itself in a situation where what appeared to be balanced turned out not to be so. I would suggest that there is useful technical advice that the Auditor might give the members of the committee in considering the legislation.

Thirdly, on the usefulness of the motion, let me suggest that if the government thought that the view of the Auditor would be helpful to their cause, they would be very helpful, and they would want to have her come and speak. The fact that they do not want to have her here, I think, will be seen by Manitobans, will certainly be seen by those of us on this side of the House as clear anxiety on their part, that having the Provincial Auditor present might well raise some of the fundamental questions that brief after brief have raised in these hearings.

So I think, if we defeat this motion, we will simply let the record show that the government was fearful of having a nonpartisan public servant shed some light on many complex issues inherent in this legislation, and, with that, I am happy to bring the matter to a vote.

**Mr. Chairperson:** I believe Mr. Newman has identified himself as wishing to speak on the point prior to the question being called.

**Mr. Newman:** I do, and, very briefly, if that is the spin that Mr. Sale wishes to put on the motion and is what he anticipates is going to be the result of the motion probably being defeated, I would assert to him that what he has done is suggested that the Office of the Provincial Auditor be compromised. He wants to have an advance ruling on a whole bunch of hypothetical situations, if you will, wants to pre-empt and compromise her judgment in the process of doing that. I would submit that this reflects very, very badly on the proponents of this motion and should reflect badly on them, whatever spin they try and put on it. I would call for the question.

**Mr. Chairperson:** The question has been called. The motion before the committee at this time is by the honourable member for Brandon East (Mr. Leonard Evans).

I move that this committee recommend that the Provincial Auditor be invited to make a submission to this committee on Bill 2—signed, Mr. Evans.

#### Voice Vote

**Mr. Chairperson:** All those in favour of the motion, please say yea.

**Some Honourable Members:** Yea.

**Mr. Chairperson:** Those against the motion, please say nay.

**Some Honourable Members:** Nay.

**Mr. Chairperson:** In my opinion, the Nays have it.

**An Honourable Member:** On division.

#### Formal Vote

*A COUNT-OUT VOTE was taken, the result being as follows: Yeas 4, Nays 6.*

**Mr. Chairperson:** The vote has been concluded, and in my opinion the Nays have it. The motion is defeated.

Is it the will of the committee to rise?

**Some Honourable Members:** Committee rise.

**Mr. Chairperson:** Committee rise and so ordered.

**COMMITTEE ROSE AT:** 1 p.m.

#### WRITTEN SUBMISSIONS PRESENTED

#### Bill 2, The Balanced Budget, Debt Repayment and Taxpayer Protection and Consequential Amendments Act

##### Summary:

The bill, as drafted, should be withdrawn. It fails to protect taxpayers while making small businesses and middle- and lower-income families more likely to be the first to suffer increases in the tax burden.

The bill fails to protect taxpayers for two reasons. Firstly, the bill does not specify any consequences if the government presents a bill to increase tax rates contrary to Section 10. The reduction of cabinet ministers' salaries only applies if the government runs a deficit. No enforcement mechanism exists to ensure that referendums are held before tax rates are increased.

Secondly, the bill only requires a referendum to increase tax rates. No referendum is needed to decrease or eliminate tax deductions, credits or exemptions (hereinafter referred to as TDCEs). There is no difference between an increase in tax rates and a reduction or elimination of TDCEs. Either way, taxpayers pay more.

By making TDCEs more vulnerable to reduction or elimination, future increases in the tax burden will likely come at the expense of those who benefit the most from them, namely, small businesses and middle- and lower-income individuals.

##### Recommendations:

1. The bill should set out consequences that follow if the government presents a bill that will increase tax rates contrary to Section 10 of the bill.



2. If the bill is intended to be directory rather than mandatory, it should use explicit language to that effect. Subsection 10(1) should then provide that "... the government shall not, unless the minister determines otherwise, present any bill to increase the rate of tax . . . ."

3. If the bill is not withdrawn, Section 10 should be amended to require a referendum before a bill reducing or eliminating TDCEs can be introduced.

Discussion:

A. By not setting out any consequences should the government fail to comply with Section 10 (submitting increases in tax rates to a referendum), Section 10 will likely be interpreted as being directory rather than mandatory. Directory legislation fails to protect taxpayers at all.

B. If the bill is intended to be directory, it should use explicit language to this effect. Otherwise, taxpayers may challenge the validity of rate changes believed to be passed contrary to Section 10 in the courts. Taxpayers may seek an injunction against the Legislative Assembly from passing a bill that is believed to violate Section 10. This will involve the province in unnecessary litigation. Also, taxpayers are entitled to know where the government stands on its commitment to curb tax increases.

C. A decrease or elimination of TDCEs is the same as an increase in tax rates: taxpayers pay more. These items are very important to small business. For example, the rate of provincial tax on corporate income is 17 percent. However, there is an 8 percent provincial small-business deduction on active business income earned in Manitoba by Canadian-controlled small-business corporations. This deduction is then

the cornerstone for tax planning and tax fairness for small and family-owned businesses in the province. Also, the \$750,000 exemption on remuneration under the Health and Post Secondary Education Levy protects small business from this tax.

D. TDCEs are very important to middle- and lower-income families. Individuals with net incomes of \$30,000 or less are protected from the 2 percent surtax. The tax reduction program, which provides nonrefundable tax credits, and the Property Tax Credit Program provide tax relief to middle- and lower-income families ( e.g., a family of four with one income earner making \$65,000 per year or less).

E. By permitting the reduction or elimination of TDCEs without a referendum, it is more likely that tax increase will come at the expense of those who rely on them the most: small business and middle- and lower-income families. If the province wants tax increases to be subject to direct democracy (referendums), the system should be democratic. All taxpayers should have the right to a referendum before being required to pay more, including small business and middle- and lower-income families.

F. The bill, as drafted, does not protect taxpayers. Tax increases are still possible without a referendum. This, by itself, does not make the bill unacceptable. The bill is unacceptable because tax increases are more likely to come at the expense of those who have the greatest impact on the province's economic health: small businesses and middle- and lower-income families.

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