



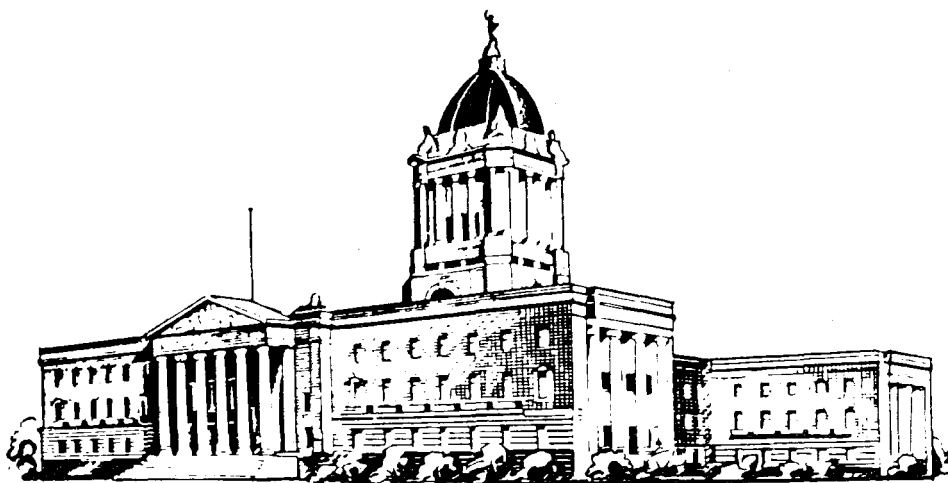
Legislative Assembly of Manitoba

HEARINGS OF THE SPECIAL COMMITTEE

ON

LAND OWNERSHIP

Chairman
Mr. Harry Shafransky, M.L.A.
Constituency of Radisson



Winnipeg — Friday, February 28, 1975

REPORT TO SECOND SESSION OF THE THIRTIETH LEGISLATURE
OF THE PROVINCE OF MANITOBA
BY
THE SPECIAL COMMITTEE ON LAND OWNERSHIP AND USE
FEBRUARY 28, 1975

Chairman: Mr. Shafransky.

MR. CHAIRMAN: Good morning. We can proceed to deal with the Report to the Second Session of the Thirtieth Legislature of the Province of Manitoba by the Special Committee on Land Ownership and Use. This Report, as has been the practice, has been prepared by the Department and is distributed for your consideration. Gentlemen, do you wish we should read through the whole Report individually or do you want me to go through it? Mr. Johnston.

MR. G. JOHNSTON: Well, let us all read it in our own time, then we'll start up again in five or ten minutes.

MR. USKIW: That's a good idea.

MR. CHAIRMAN: Fine. Okay then.

MR. G. JOHNSTON: The author of the report could get coffee, I guess.

MR. CHAIRMAN: Fine. Then we can recess for a few minutes until you complete reading it.

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MR. CHAIRMAN: Order please. Committee will reconvene. You have had the opportunity to read through the Draft Report.

Your Special Committee on land ownership and use was appointed in the First Session of the 30th Legislature.

By resolution passed in the Legislature on May 30, 1974, your Special Committee consisting of Honourable Messrs. Green, Uskiw; Messrs. Adam, Barrow, Blake, Bostrom, Boyce, Ferguson, Graham, Henderson, Johansson, Johnston (Portage), Jorgenson, Shafransky and Walding, was appointed and authorized:

- To enquire into matters relating to property rights in lands within the province;
- To hold such public hearings as the Committee may deem advisable;
- To sit during recess, after prorogation;
- To report to the next Session of the Legislature;

Your Committee met on:

- Monday, January 20, 1975, at Winnipeg
- Monday, January 27, 1975, at Dauphin
- Thursday, January 30, 1975, at Brandon
- Monday, February 10, 1975, at Arborg
- Tuesday, February 11, 1975, at Steinbach
- Wednesday, February 12, 1975, at Winnipeg
- Monday, February 17, 1975, at Winnipeg
- Friday, February 21, 1975, at Morden

Gentlemen, what is your will and pleasure? Do you wish to indicate that we should have the transcript, or rather this Draft Report, made available to the people who will be transcribing so that it will appear in the transcript? Mr. Graham.

MR. GRAHAM: Mr. Chairman, while you are doing that, would it not be more appropriate that, having listed the membership of the Committee, that we also list those that had been changed.

MR. CHAIRMAN: Then that is something that must be reported to the House, the changes that were made during the . . .

MR. GRAHAM: But if you are going to assist those that are making transcripts, we should also indicate the changes in that Committee membership.

MR. CHAIRMAN: Yes. Well we can indicate that Mr. Dillen was placed on the Committee in substitution for Mr. Boyce and Mr. Les Osland was put on the Committee in place of Mr. Green.

MR. GRAHAM: No, but those indications should indicate where, at what time those were made, because some of those members did attend - I think all those members attended

(MR. GRAHAM cont'd) . . . the Winnipeg and Dauphin meetings.

MR. CHAIRMAN: That is correct, Mr. Graham. I believe we will find it in the transcripts, and the dates I just can't recall offhand, but they will be in the transcripts on the dates when the motions were made to make the substitution.

Your Committee is appreciative of the interest in land ownership and use shown by the citizens of Manitoba as evidenced by the many written and oral presentations that were made and by the public attendance at the hearings.

Nearly all persons and organizations appearing before the Committee expressed the view that ideally agricultural land should be owned by the farmers who operate on it, a position that your Committee endorses wholeheartedly.

While the existence of such a high degree of unanimity on the ideal form of land ownership is most gratifying, your Committee received very few suggestions on how this ideal pattern of ownership was to be achieved. While some briefs recommended that legislative provision should be made to restrict the transfer of ownership of agricultural land to bona-fide farmers, many others suggested that ownership of land includes the right to sell to the highest bidder regardless of occupation or place of residence, and even though such action would detract from the ideal.

Several persons and organizations appearing before your Committee recommended that sales of land to persons residing outside of Canada be prohibited or that a temporary freeze be placed on such transactions to provide time to study the impact of foreign ownership of land in Manitoba. However, under questioning by members of the Committee, these persons could not provide an explanation of how ownership of farm land in Manitoba by aliens would differ from absentee ownership by Canadians as far as the impact on farmers and the rural communities are concerned.

Several persons and organizations recommended that changes should be made in the system of land titles registration, so that information on land ownership and transfers of titles would be more accurate, more complete, and could be quickly retrieved, a recommendation with which your Committee agrees.

In several briefs the suggestion was made that an "independent" Land Use and Ownership Commission be appointed to conduct hearings and make recommendations. The interpretation of the word "independent" by the persons presenting these briefs seemed to be "non-political". Your Committee has difficulty accepting that interpretation as well as the recommendation itself. In a parliamentary democracy all adult citizens are expected to indicate their political preference from time to time; indeed, it may be said that the more active interest a person takes in all matters relating to the body politic, the better citizen he is. Secondly, if any action is taken with regard to the important matter of property rights, it must be taken by the Legislature and is, of necessity, political. Your Committee is of the opinion that its members are more representative of the people of Manitoba than any so-called "independent" commission that could be appointed.

Your Committee notes with some disappointment that many of the presentations contained serious contradictions. For example, several briefs contained statements suggesting that farmers want to be left alone, that they do not want government interference, that they would sooner deal with other private persons, banks and corporations than with governments. In the same briefs and/or upon questioning by Committee members, these persons would ask for more generous credit provisions from government so that young farmers could buy land with little or no down payment, subsidized and even forgivable interest rates on mortgages, exemptions from gift taxes, succession duties, and capital gains taxes, etc. Indeed, the Committee notes that people in those areas where the sentiment against public involvement in agriculture was expressed most vocally have drawn most heavily on government programs of credit and other financial incentives. Your Committee wishes to observe that the lack of consistency detracts from the value of such presentations.

Your Committee has found that there is a lack of accurate information resulting in a good deal of confusion over government programs. For example, many persons seemed to assume that the land lease program administered by Manitoba Agricultural Credit Corporation and the working paper prepared by the Department of Agriculture, "In Search of a Land Policy for Manitoba", are aimed at "complete public ownership of land". Your Committee thinks it important to point out that the land lease program is entirely voluntary, that the limitations on assets and incomes restrict its applicability, that it is aimed at assisting

those people who would have difficulty obtaining credit from other sources, and that persons are given the opportunity to purchase the land after five years. If people were better acquainted with these attributes of the program many of the suspicions might be allayed.

Finally, many persons and organizations expressed the view that there was need for a land use policy, that the use of land should be designated or zoned in accordance with its soil capability, and that urban sprawl over good agricultural land should be discouraged or even prohibited.

The hearings conducted by your Committee have dealt with agricultural land only. The House may wish to consider the desirability of having a Committee enquire into concerns citizens may have with respect to lands for urban and recreational uses. As well, many rural residents have expressed the wish to have further opportunities to discuss the many aspects of farm land ownership and use.

In the meantime, your Committee wishes to make the following recommendations:

1. That the government change the system of land titles registration so that accurate and complete information on ownership of land and transactions in land be kept in such form that it can be easily retrieved.
2. That the Agricultural Credit Corporation Act be amended to include in it the major principles of the land lease program to enshrine the rights of its lessees in legislation. Such action should help to eliminate the suspicions and confusion (based on wrong information and misunderstanding) which seem to surround the program.
3. That the Government consider the need for legislation relating to land use.
4. That your Special Committee on land use and ownership be continued in order to provide the citizens of Manitoba with further opportunities to express their views on matters relating to the use and ownership of land in the province.

MR. CHAIRMAN: Mr. Ferguson, you have a question?

MR. FERGUSON: Yes, Mr. Chairman. In reading the recommendations of the Committee, I find that no mention has been made of any further exemption in connection with Gift Tax or Succession Duties, and in line with what the other provinces have done - at least five of them are completely out of the field and many others have considerably more exemptions than we have now - and also considering the inflationary value that we have, I would like to make a suggestion or something, that this fact be taken into consideration by the Committee, possibly a greater exemption allowed than we have at the present time.

MR. CHAIRMAN: Thank you, Mr. Ferguson. Mr. Uskiw, possibly it might be advisable to have read into the record the particular recommendations, or that will be assumed that they will be placed in the transcript. So we can proceed to deal directly. Mr. Uskiw.

MR. USKIW: Yes. On that very point, Mr. Chairman, I think you will note that the recommendations are not such that involve any legislation that would change the present program, and therefore the last point is relevant, namely that the Committee recommends that we be reconstituted and to continue the public discussions, so that I would think it'd be premature at this point to get involved in specific recommendations on legislation, bearing in mind that we want further public discussion.

You will note that all of the recommendations, if adopted, would not change anything that is now happening - nothing new will happen - and therefore I think that the last recommendation is the relevant one, namely that we need more discussion before we do anything specific by way of change.

MR. CHAIRMAN: Well there is some mention on Page 4, at the bottom, Mr. Ferguson, that we've had the views expressed with regards to the exemptions from gift taxes, succession duties and capital gains taxes, etc. It's bottom of Page 4, five indicates that it continues.

Are there any other questions? Mr. Blake.

MR. BLAKE: Mr. Chairman, just a point of interest. In, I believe it was the hearings in Brandon, there were two briefs presented by a Dr. Ackerman that Mr. Green promised the Committee he would submit to an independent group of professors for appraisal examination and have them pass comment on them. The Committee, I think, would be interested in knowing just what the results of that study were.

MR. CHAIRMAN: Well, I believe that you will have to ask Mr. Green and I understand that he is intending, if he has not already done so, that it is his purpose to have that brief evaluated, and that's something that you'll have to deal directly with Mr. Green. I'm not able to tell you at this time what has happened to this date.

MR. BLAKE: Mr. Chairman, is this going to be given to us after it's evaluated?

MR. USKIW: Well that's up to Mr. Green.

MR. CHAIRMAN: Well I don't know, I don't really know what the procedure is in that case, but I suppose it could be made available, you know, once the evaluations are made.

MR. USKIW: Oh I think, Mr. Chairman, that would depend, I would think, on the attitude

. . .

MR. HENDERSON: Whether it's favourable or not.

MR. USKIW: No. On the attitude of the member of the Committee who requested the same. I don't think the Committee took a position at that time and I would suspect that Mr. Green would be most willing to submit any information to anyone that inquires of him.

MR. CHAIRMAN: Mr. Jorgenson.

MR. JORGENSEN: Mr. Chairman, without detracting from , at least in part, the recommendations that have been proposed, and I don't think that I would disagree too much with the four recommendations that are contained in this Report with the exception of recommendation Number 2. I don't think that the final sentence is either appropriate, justified or necessary. It reads, and I'll read the entire thing into the record: "That the Agricultural Credit Corporation Act be amended to include in it the major principles of the land lease program to enshrine the rights of its lessees in legislation."

If that recommendation were to end right there, I'd be perfectly happy with it, but the final paragraph suggesting that "such action should help to eliminate the suspicions and confusion (based on the wrong information and misunderstanding) which seem to surround the program," there's no confusion or misunderstanding on the part of the farmers. They know exactly what they read and they indicated that very frequently before this Committee. I think that's an assumption that the people who drafted this report would have done better to eliminate or to not indulge in. As a matter of fact, the entire report up to the point where you get to the recommendations is a lot of garbage. It's assumptions on the part of the people who wrote the report, not necessarily reflected in the views that were presented before this committee and certainly not reflected in the views that were gleaned from the press reports that emanated as a result of the reporting of those Committees, and I'll read a few of the headlines to you, Mr. Chairman, so that you'll understand what I mean. And these are reports that were contained in press statements throughout the entire length and breadth of the hearings.

"Government Land Lease Attacked at Hearing." That doesn't sound as though there was any great support for that kind of a program. "Land Program Criticizes Threat to Costs." "Southern Manitoba Farmers Crowd Last Hearing." And then it goes on in the report to indicate the kind of reception that the Government's program would receive there. "Government Farm Ownership Opposed." "Land Program - Is Government Laying a Smokescreen?" "Storm Erupts Over Farmland Plan." "Government Working Paper Attached." "Public Ownership of Land Main Concern". "Rest of the Iceberg Coming to the Surface." And then in the article it goes on to point out: "Land ownership by foreign investors seems to be at the bottom of the gripe list, but taxation, marketing boards and government takeover are all the rage." "Farmers Fear Government Takeovers" and so on and so forth. And then, as if that isn't enough, here's one here. "NDP Delegates Rap Land-Lease Policy". And I wonder if the Minister of Agriculture's going to tell me that I organized that resistance in his own convention.

MR. CHAIRMAN: That is also, I might mention, like Collectivists in the manner of Stalin in the 1930s were also used.

MR. JORGENSEN: But the Minister on the farm broadcast on Sunday indicated that 70 percent of these briefs weren't worthy of consideration, that only 30 percent of the briefs contained anything that he considered of value. And I want him to identify those 70 percent of the briefs so that we can write and tell those people that they wasted their time before this Committee. And I would suggest . . .

MR. CHAIRMAN: Well, Mr. . . .

MR. JORGENSEN: Mr. Chairman, will you hear me out? I have the floor.

MR. CHAIRMAN: Yes, we are listening to you. I thought you had completed.

MR. JORGENSEN: No I have not.

MR. CHAIRMAN: Continue, Mr. Jorgenson.

MR. JORGENSEN: I would like the Minister to indicate what 70 percent of those briefs

(MR. JORGENSEN cont'd) . . . does he consider were not worthy of consideration, and I wonder why we want to continue on to hear more hearings if the Minister is going to arbitrarily decide amongst himself what briefs are worthy of consideration and which are not. Surely the Committee makes that decision. And I would suggest that most of those briefs that were presented before the Committee, although many of the people that presented those briefs may not have had all the answers to all of the questions that were asked, at least presented those briefs because they felt very strongly about a particular subject. I think the Minister owes an apology to those people who came before this Committee and presented briefs with the best of intentions, expressing the feeling that they had about the contents of the Government White Paper and the Government's Land-Lease Program. I think he owes an apology in suggesting that 70 percent of those briefs aren't worthy of consideration. Even in his own Convention he gets criticism, and yet he has the audacity to suggest that the people who presented briefs before this Committee did not know what they were talking about. I think they did, sir, and I think that this entire reference in the first part of this whole report is a bunch of garbage and should be thrown out.

I have no objections to the recommendations, and I think the one which was proposed by my colleague the Member for Gladstone should be included, because there were several recommendations that we take a look at the question of gift tax, succession duty tax and capital gains tax. And I don't think that it would hurt to have that recommendation contained in the Report so that the Government can have a look at that to determine if there is, not in their own minds, but if there actually is any deterrent to the transfer of property within this province from father to son or father to neighbour's son or to nephew or whatever, as a result of the application of these taxes. I know the Government have already made up their mind on that point. I'm not so sure, and I don't think that the House is going to be so sure, because in the light of the presentations that were made before this Committee there is undoubtedly some considerable feeling that it is preventing a good many transfers of property from father to son or father to anybody else within the community. I think that the point was well made that if that incentive was provided there would perhaps be less concern about foreign ownership. And I might add that there was very little concern expressed over foreign ownership during the entire course of the hearings. The Minister knows what was the focus of attention and yet he tries to gloss over it in the report. I suggest that we wipe out the entire first part of that report and go ahead with the recommendations, which I to a large extent could agree with.

MR. CHAIRMAN: Mr. Walding on a point of order.

MR. WALDING: Mr. Chairman, as a manner of procedure, do we need a motion to adopt this report as is and are we going to discuss it as a whole or go through it page by page, or what is the procedure . . .

MR. CHAIRMAN: I believe it would be in order that we have a motion before us, something I neglected, that we have a motion that the report be adopted and then the discussions derive from thereon. I would entertain such a motion.

MR. WALDING: I would so move.

MR. CHAIRMAN: Moved by Mr. Walding that the committee consider the draft report to be submitted to the Legislature at the forthcoming session. -- moved the adoption of the report. Now gentlemen we can pursue - I'm sorry, I should have brought that up first, that we should have started with this motion and we can continue the debate. Mr. Johnston.

MR. G. JOHNSTON: Mr. Chairman, if the Minister of Agriculture wishes to reply to the points raised by Mr. Jorgenson, I'm willing to wait my turn.

MR. CHAIRMAN: Mr. Uskiw.

MR. USKIW: Yes, I simply want to point out that the evidence that Mr. Jorgenson has presented here this morning indicates indeed the confusion in the minds of many people including the writers who were reporting on the proceedings, and I think anyone that attended all of those hearings would appreciate the confusion basis the various presentations that were made and the cross-examination that took place of those individuals or groups. It was very evident that they were not at all conversant with the terms and conditions of the various programs of government. It was very apparent also that they have been misled to some degree by a number of people unknown to the committee. That was very apparent at a number of hearings.

MR. CHAIRMAN: Order please.

MR. USKIW: So that to suggest that we set the record straight by enshrining those provisions in legislation so that that kind of misinformation cannot be cast about the province by anyone and that people fully understood the purpose of the program just through the reading of the legislation, the provisions that relate to it, I think that is a very reasonable observa-

(MR. USKIW cont'd) . . . tion and recommendation, Mr. Chairman. Every brief virtually had some sort of vagueness as to their understanding, or the writer's understanding, of the government's land-lease program and the credit program. And I hasten to add that the members of the Opposition did not enhance their understanding through a number of positions that they have taken publically both in the House and out of the House. They have tended to further confuse. And I allude this remark entirely to the members of the Conservative party.

MR. CHAIRMAN: Mr. Johnston.

MR. G. JOHNSTON: Mr. Chairman, I'm in general agreement with the four suggestions made for consideration by the House. The first one calls for a change in the system of land title registration and I think that's acceptable to all members of the committee. We were asked on many occasions how this could be recorded and we discovered of course that it can't be recorded under the present system.

The second one, calling for an amendment to the Agricultural Credit Corporation Act, perhaps later in the proceedings the Minister could spell out exactly what changes would be made. I think we have an idea of what he's talking about, but I'd like to hear from the Minister exactly what changes would be made so that the committee knows before hand.

Now, the third recommendation is for the Government to consider legislation relating to land use, and no one can quarrel with that, I presume that the government would be doing nothing this year in that regard and perhaps someone from the government could give that understanding.

The fourth one, that the special committee be reconstituted, I think is agreed up by members of the committee.

Mr. Chairman, I would like to add a fifth point to be considered by the government. And that is that the government consider the whole question of taxation of farmland That was brought up in many, many briefs, almost all these farm organizations and certainly many individual farmers. . .

MR. CHAIRMAN: Would you repeat the No. 5 that you suggest ?

MR. G. JOHNSTON: Yes, No. 5. That the government consider the whole question of taxation of farmland. On many occasions we heard from both individuals and organizations, farm organizations, that while on one hand they may be asking for young farmers to receive some sort of a subsidization to help purchase land, they gave as a valid reason, in their opinion, that the farmers are under going a heavy, unfair form of taxation which in turn they are subsidizing the food consumers of the country. And I think they have a point. So I think that the government should, along with considering the four points that I mentioned here, one is for a change in law and the others are merely suggestions, that this fifth suggestion of mine be brought forcibly to the attention of the government as a recommendation of this committee.

MR. CHAIRMAN: Mr. Uskiw.

MR. USKIW: Mr. Chairman, I should like to respond to Mr. Johnston on the first point, namely that the amendment to the legislation, the MACC legislation, or Act, would be confined to housekeeping amendments which would define the present provisions of the agreement for sale and the lease provisions, would more definitively insure for example, security of tenure, the rights of descendants, etc. These are the areas where some members of the Opposition, not all, have alluded that since those are by-laws of the corporation, policy decisions of government outside of legislation, that those may be changed at the whim of government and therefore there is no security to the lessee, and I simply point out that by writing it into the Act I think that would deal with that particular problem adequately.

MR. CHAIRMAN: Mr. Graham.

MR. USKIW: I want to deal with the next question. I have no particular objection to adding number five, that government consider the question of taxation of farmland. There's no reason for me to object that that be done. I think that's a fair suggestion.

MR. CHAIRMAN: Mr. Graham.

MR. GRAHAM: Mr. Chairman, in response to some of the remarks of the Minister of Agriculture when he talks about enshrining in legislation, some of the points that--there has been a certain vagueness in the Agricultural Credit Corporation land lease document. I think that, while I'm not a lawyer, I think that it is consistent with legal practices that those terms be spelled out in the lease, that when a person signs a lease that the terms that are spelt out in the lease are the determining factors, and while we can maybe enshrine it in legislation, I think the actual terms of the lease are the binding ones rather than just the general principle

(MR. GRAHAM cont'd) . . . of the legislation. So I would ask the Minister to consider seriously, if he wants to make changes, then I suggest that those changes be made in the actual lease form itself, rather than the broad umbrella of legislation.

MR. CHAIRMAN: I believe, Mr. Graham, that there was . . .

MR. USKIW: On a point of order, Mr. Chairman.

MR. CHAIRMAN: Mr. Uskiw, on a point of order.

MR. USKIW: I think that we're talking about the same thing here, Mr. Chairman. All I was suggesting was that the legislation in fact spell out the terms of the lease, and therefore you couldn't draw up a lease form different than the Act unless there was a change of the Act. That's what I'm trying to suggest.

MR. CHAIRMAN: I believe that the amended lease form was made and was attributed at the Morden meeting, spelling out more clearly the lessee's right to pass on to the sons or relatives directly, the continuation of a lease agreement. Mr. Jorgenson.

MR. JORGENSEN: On a point of order as well, I wonder if Mr. Johnston would care to give us the correct wording of that amendment to the report that he would like so that we can formally adopt it as a part of the report.

MR. CHAIRMAN: Well, he's made the suggestion, I think we should proceed section by section and come to that particular recommendation. His wording was, that the government consider the whole question of taxation of farm land.

MR. USKIW: Mr. Chairman, I think . . .

MR. CHAIRMAN: Mr. Uskiw.

MR. USKIW: As I understood the position of Mr. Johnston, it was that he agrees with the recommendations 1 through 4 and would add one more, and that would be some consideration by government on the question of land taxation. But the wording of it I didn't get and if he wants to be specific I think we should entertain a motion from him as to the exact provision he would like added to the report.

MR. CHAIRMAN: Mr. Johnston.

MR. G. JOHNSTON: Mr. Chairman, I'm open to suggestions on the wording but my original suggestion was that the government consider the whole question of taxation of farmland. Now perhaps that's over-simplistic and I'm open to suggestions on typing it up.

MR. CHAIRMAN: Are there any suggestions for wording of No. 5? Mr. Walding?

MR. WALDING: . . . the issue before the committee for discussion at this moment or will it come at the end of our consideration of the report?

MR. CHAIRMAN: Well this was a suggestion that we add No. 5 . . .

MR. JOHNSTON: Perhaps I would move it and then if it passes it would be open for discussion. I so move that . . .

MR. CHAIRMAN: Moved by Mr. Johnston, that No. 5, the government consider the whole question of taxation of farmland, as the fifth recommendation to the Legislature. Mr. Walding.

MR. WALDING: Mr. Chairman, the wording saying that the question of taxation of farmland refers I suppose primarily to property taxes, assessment would come into it as well; although it could easily be argued that the matter of gift taxes and succession taxes are also a matter of taxation of farmland. It would seem that if this committee is to consider those areas of taxation, that people who live off of farmland, that is in the cities, and towns, would have an equal interest in property taxes and assessment, as I know my constituents do, and that many people who are in a position to leave an estate would also be interested in succession duties and gift duties, it would seem to open up a very wide field of discussion, much of it not particularly relevant to this committee. It would seem to suggest a completely new committee or task force to look into the whole area of taxation on a much wider basis rather than just a narrow area of farmland.

MR. CHAIRMAN: Mr. Graham.

MR. GRAHAM: Thank you, Mr. Chairman. I'd like to continue from where the Member for St. Vital left off, and surprisingly I can't find too much to argue with him. I think that basically this is one of the concerns that was expressed in these hearings, by many people, was the entire question of taxation and we as a committee are not making any recommendation on what form of taxation should be reduced or which form should be increased. All we as a committee are saying is that these views have been expressed by people in their appearance before us and we consider it of sufficient importance to inform the government of

(MR. WALDING Cont'd) . . . that and suggest that the government look at the whole question of taxation. We're not telling them how to look at it or what they should do, but we are expressing a concern as a committee who have heard the views of many people on that matter. I think we would be remiss in our duties as a committee if we did not put forward to government the findings that we have arrived at by listening to the people.

MR. CHAIRMAN: Mr. Jorgenson

MR. JORGENSON: Mr. Chairman, I don't know how you can divorce one from the other, the total package of taxation on farmland has always posed a great problem and will continue to do so unless there are some adjustments made. In my own municipality, as a result of the special levies that are going to be applied against school divisions right now, this coming year, there is a good possibility that land taxes in those areas will go up a dollar an acre. That's a pretty substantial increase. There is no question that that form of taxation perhaps plays a far more important role in determining who is going to stay on the land and who is going to go off than anything. The ever-increasing burden of taxation is forcing a lot of people off land and I don't know how you can divorce it from the whole question of farm ownership. So therefore, it would be very difficult to suggest that only the gift tax, the succession duty tax, and the capital gains tax are the ones that we should consider because the whole package is causing a real problem amongst farmers who are, as was evident by submissions that were placed before this committee, carrying a disproportionate share of education costs in the rural areas.

Now, I want to perhaps make a suggestion in amending the resolution that is before us, and I wonder if we can do that without the formal motion if Mr. Johnston would agree to it so that we can make sure that we study--at least we recommend to the government that they study the whole package. May I suggest that the recommendation reads as follows: That the government consider the total effect of all taxation on farmland as it applies to farm ownership. And really that's what you're worried about, farm ownership, that's the purpose of this committee hearing, to determine how we can best effect transfers of land from one generation to another or from one Manitoban to another, so that we can maintain the kind of the farm population that the government says it's anxious to maintain. And if you accept that change in the recommendation perhaps it may cover the subject adequately.

MR. GRAHAM: Can we add one more phrase, "and land use"?

MR. JORGENSON: Farm ownership and land use.

MR. GRAHAM: That's right.

MR. CHAIRMAN: Well there is a recommendation dealing with land use.

MR. JORGENSON: Yes, but this applies to taxation not simply the question of land use, as to whether it is used for recreation, urban or agricultural use. This is a different application.

MR. CHAIRMAN: Well recommendation No. 3 doesn't that make the . . .

MR. JORGENSON: No, that only deals with whether or not you're going to use the land for agricultural purposes, for recreational purposes, or for urban development. That, as I understand it, is the burden of that particular legislation.

MR. CHAIRMAN: It wouldn't consider the idea of zoning what is proper for agricultural use and so on.

MR. JORGENSON: Yes, recommendation No. 3 takes care of that, but recommendation No. 5 takes care of taxation as it applies to land use. It has a different context, I believe.

MR. CHAIRMAN: Mr. Uskiw.

MR. USKIW: Well, Mr. Chairman, I can see a lot of logic in the suggestion that is being made, I can also see a lot of interpretation of that suggestion. For example, one could interpret that recommendation or suggestion to mean that government should look at taxation as a means of devising a land-ownership policy which could, for example, imply that if one is a non-resident owner that one maybe should be taxed higher than a resident owner, and all of the ramifications of that kind of discussion. So, you know, now if that is what you're saying, if that's your intent, that is quite separate from the question of whether land is paying a disproportionate share of school taxes, that's another ball game altogether which has to relate to the total taxation of the province. So, you know, if you are relating it to ownership that's one side of the question; if you're relating it to how do we fund the school foundation program, that is a much broader discussion and a much broader study that has to be undertaken; it has to involve urban as well as rural studies once you're talking about the foundation package. This can't be separated, quite frankly.

MR. CHAIRMAN: Mr. Graham.

MR. GRAHAM: Mr. Chairman, I don't know how many members of this Committee were also members of the Municipal Committee two or three years ago when we were discussing this very same problem regarding the agricultural use of land that had been zoned as commercial in the green-belt area and the area adjacent to the urban centres--I think we as a committee should recognize some of the work that was, or some of the concerns that were expressed at that Committee as well because it has definite, very definite connotations in the agricultural use of land --how it is going to be taxed, if it's going to be taxed for commercial as against agricultural; the question of tax deferral, which was a proposal that was put forward at that time; and the other avenues that are open to government, and I think that we as a committee should recognize that and suggest to government that it is a concern, and a continuing concern. The whole question of the many ramifications of taxation in the use of land is very important in the agricultural sector because so far we have been dealing mainly with agricultural land.

MR. CHAIRMAN: Mr. Adam.

MR. ADAM: Thank you, Mr. Chairman. I'm not sure whether our terms of reference includes going into, looking at property taxes--in fact I don't think there is anything there to indicate that this Committee is supposed to at this time look into property taxes. I've heard very little criticism from those who presented briefs on property taxes relating to services provided to farm property. We did hear some criticism on the disproportionate taxes on farmland for education purposes, but in order to look into the whole spectrum of taxes I think we have to look at the urban, at the rural, the commercial in the rural towns, and so on; I can't see how we can divorce one area and say this is going to be it. I don't think our terms of reference is covered.

MR. USKIW: I think that's quite -- Mr. Chairman, if you read Page 1 of the Working Paper the terms of reference are quite clear and Mr. Adam is quite right, it does not encompass the question of taxation per se. I think that at some point the Committee may come up with the recommendation after they've had further hearings that taxation could be a mechanism in dealing with the questions that have been raised in the Working Paper and in the Resolution. So that's a valid point.

MR. JORGENSEN: What perhaps Mr. Adam has not appreciated is the fact that this is a recommendation to be submitting before the government, and there is no valid reason in the world why this Committee cannot recommend to the government that this whole matter be looked into, and if need be contained in the terms of reference of the Committee when it's convened, or if it is convened, after the next session. So I don't see where the point that Mr. Adam has raised is a valid one under the circumstances.

MR. USKIW: Yes if it's in the context of how it relates to the ownership of land, that is in its proper context.

MR. JORGENSEN: Well, yes. I may read the proposal that I made, and I'm not sure whether it's been accepted by the Committee or not, I'll read it over again just to make sure that we understand just precisely what we're recommending. "That the Government consider the total effect of all taxation in farmland as it applies to farm ownership and land use." If that narrows it down to the point where it's satisfactory to the Minister that we're not broadening it out too much, well then perhaps we can have a motion to accept that recommendation and then proceed from there.

MR. USKIW: I think that would depend on the mover of the motion whether he wants to embody that additional reference in his motion.

MR. CHAIRMAN: Mr. Johnston.

MR. G. JOHNSTON: I am inclined to accept the recommendation of Mr. Jorgenson, but I did hear someone say on the other side of the table that this would naturally include the examination of gift tax and succession duties. Well perhaps that's a matter of interpretation but that has nothing to do with farmland succession duty or a gift tax. That is a form of taxation which affects some farmers no doubt but I would think that that's a different question to tax on farmland. So I'm willing to accept the suggestion that Mr. Jorgenson informally moved, that the government consider the total effect of all taxation on farmland and its effect on farm ownership and land use. Do you need a seconder? I don't . . .

MR. CHAIRMAN: Oh I believe that if you are willing to accept that in place of the

(MR. CHAIRMAN cont'd) . . . wording that you gave, that that should be adequate as one of the considerations to be put in the recommendations.

MR. HENDERSON: Mr. Chairman, if you're going to vote on that I'd like to have a little bit of clarification on this. Do you mean now that your recommendation would be broad enough that it could include succession duties and gift tax in the next hearings that would be held, or would that be in your recommendation?

MR. CHAIRMAN: I don't believe that that is what Mr. Johnston indicated.

MR. G. JOHNSTON: I'm willing to hear questions from other members of the Committee. I don't think it is in there but if people want to talk about it I guess it's fine with me but that wasn't my intention, my intention was to get before government and the committee the question of heavy school taxes on farmland, that was the main subject. Now if the people who appear before the committee wish to discuss related taxation, well then I suppose we'd listen to them.

MR. CHAIRMAN: Mr. Uskiw.

MR. USKIW: Mr. Chairman, on that point I would make the observation that if we start going on that tangent we can then introduce a dozen other forms of taxation that have adverse or beneficial effects on the ownership of land and we'll have to involve the whole department of Finance before we're through. So I think Mr. Johnston's original position is the right one, that if we want to recommend something on that question that we simply leave it at that and government consider the question of taxation as it relates to the ownership of farmland, and that may be interpreted in many ways but I think it has to be left that open. I just don't know how we can throw in specifics.

MR. CHAIRMAN: Mr. Jorgenson.

MR. JORGENSON: Well I have no objection to accepting that recommendation as Mr. Johnston has now agreed to propose it. I would prefer to leave it just at that and proceed.

MR. CHAIRMAN: Well gentlemen what is your will? Shall we proceed with a page by page passage in this . . .

MR. USKIW: Well, Mr. Chairman, I think the motion before us is that the Report be accepted unless there's a contrary position taken.

MR. CHAIRMAN: Mr. Johannson on a point of order.

MR. JOHANNSON: Point of order is, what is before us is an amendment moved by Mr. Johnston.

MR. USKIW: Yes, that is correct.

MR. JOHANNSON: That's the motion before the Committee right now and that has to be voted on before we proceed to anything else.

MR. CHAIRMAN: Fine. The amendment is that there be recommendation No. 5 dealing with the question of taxation of farmland be added. . .

MR. USKIW: As it relates to the ownership of land.

MR. CHAIRMAN: . . . as it relates to the ownership of land. All those in favour that this recommendation No. 5 be added. Opposed. Carried.

Now the question on the motion that the report be adopted as presented, to be presented to the Legislature. All those in favour. Mr. Jorgenson.

MR. JORGENSON: I would like to propose another amendment on Clause II, to delete the last part of that particular recommendation. I think that if we suggest that the Agricultural Credit Corporation be amended to include in it "that major principles of the Land-Lease Program to enshrine the rights of its lessees in Legislation" is sufficient without the editorial that follows it.

MR. CHAIRMAN: You've heard the amendment. Point No. 2 in the recommendations that the sentence "such actions should help to eliminate the suspicions and confusion (based on wrong information and misunderstanding) which seem to surround the program" be struck off from the report of the recommendations.

Mr. Uskiw.

MR. USKIW: Mr. Chairman, I simply want to reiterate that had we not had misinformation and confusion then that reference wouldn't be there. But that is a historical fact and therefore I think it's relevant for the purpose of a further discussion of this report, and I insist that it be left within the report.

MR. JORGENSON: It's a historical fact only in the mind of the Minister. It certainly isn't a historical fact in the minds of the people that made presentations before this Committee. I suggest to the Minister . . .

MR. USKIW: It's a historical fact to the members of the Committee.

MR. JORGENSEN: . . . that there is no great confusion in the minds of a good many people who have had experience under this program.

MR. CHAIRMAN: Mr. Adam.

MR. ADAM: Thank you, Mr. Chairman. I have to disagree with Mr. Jorgenson because it still goes through the transcripts. When he receives the transcripts that we've received at Dauphin, Brandon, Morden, he will find that several of the major briefs that were presented to the Committee, these people admitted that they were not familiar with the land-lease program and including - I can mention one off the top of my head Mr. Durston at Dauphin, didn't even know that there was a land purchase option in the agreement. One of the major briefs at Morden also admitted that he was unfamiliar with the program. So I would say that generally there is some confusion.

MR. CHAIRMAN: Mr. Johannson.

MR. JOHANNSON: There's no question but that quite a number of the people who presented briefs opposed in principle government ownership of land. No one denies that, but there was also a great deal of misinformation and lack of understanding and that was brought out in the hearings. Many people were unaware of many and most of the provisions of the land-lease program and they admitted it in the transcripts, and we have the transcripts available. So I would support the Minister.

MR. CHAIRMAN: Mr. Graham.

MR. GRAHAM: Mr. Chairman, I'm considering the whole report and what I would consider to be the proper manner in which a report should be put forward, and it has always been my view, sir, that when recommendations are put forward they are specific, concise, and any of the editorializing that goes on should be in the introductory part, or the report part, it should not be in the recommendation part at all. If you want to take that sentence out, or if you want to retain that sentence, I suggest that that sentence go up in the other part of the report rather than in the recommendation part. I make that as more or less a procedural suggestion.

MR. CHAIRMAN: The suggestion has been made that the - first of all there's a motion that we delete that sentence from recommendation No. 2, and we have a further suggestion that this sentence should be put into the preamble before the recommendation, that that sentence should be placed before the recommendations and that the recommendations be very explicit.

MR. USKIW: Well, Mr. Chairman, I think that is becoming very picayune and I don't see any difference in the substance of this report. The whole of the report will be presented to the Legislature. People will draw from it what they wish to and what they want to belabour from time to time in the debate that follows, so that I see no problem leaving it as it is. It is a fact that that has been a problem and that item too indicates that to correct that problem that we amend the Act. I don't think it's in total . . .

MR. CHAIRMAN: Well, Mr. Uskiw, possibly Mr. Graham who made the suggestion could assist us by suggesting where we can place that sentence before the recommendation, and that would solve a lot of the problems that are arising.

MR. USKIW: Mr. Chairman, on a point of order. The problem is only in the minds of some people. I see no problem with the report.

MR. CHAIRMAN: Mr. Graham.

MR. GRAHAM: Mr. Chairman, the Minister . . .

MR. CHAIRMAN: Pardon me, Mr. Graham unless Mr. Johnston is prepared that we - Mr. Johnston was on the list, so I . . .

MR. G. JOHNSTON: I don't believe the point's all that important but if members wish to include it elsewhere or remove it entirely, I would go along either way. It seems to me as it stays in recommendation No. 2 it's an indirect criticism of the Department of Agriculture, that they can't explain their programs.

MR. USKIW: Well that may be true, Gordon.

MR. G. JOHNSTON: If that one should remain well then I think it's a good idea . . .
but

MR. CHAIRMAN: Mr. Graham.

MR. JORGENSEN: That particular suggestion . . .

MR. CHAIRMAN: Order please.

MR. JORGENSEN: . . . is already contained on Page 5, in the middle paragraph, right at the bottom of the middle paragraph. I don't know why it needs to be duplicated in their recommendations.

MR. USKIW: Wherein lies the sensitivity, Mr. Chairman? What's the problem? No one had defined to me why it's a problem to leave recommendation No. 2 as is.

MR. JORGENSEN: You know, I always believed that when you're submitting a recommendation of this kind that it should be couched in at least some dignified terms, and should be precise and concise and deal precisely with what the subject matter of the recommendations are, rather than cluttered up with editorial comment.

MR. CHAIRMAN: Mr. Graham.

MR. GRAHAM: Well, Mr. Chairman, I'm not going to argue too much about that sentence but I would want to talk now about the Clause 2 in the recommendations.

MR. CHAIRMAN: Point of order. If it's dealing with Clause 2 . . .

MR. GRAHAM: That's what I want to talk about.

MR. CHAIRMAN: Proceed.

MR. GRAHAM: "That the Agricultural Credit Corporation Act be amended to include in it the major principles of the land-lease program, to enshrine the rights of its lessees in legislation." Now do we know what the major principles of the land-lease program are?

MR. USKIW: Whatever they are it's irrelevant as long as they're spelled out in the Act, Mr. Chairman.

MR. GRAHAM: Are they the same as enunciated and distributed to farmers throughout the Province of Manitoba, or is the Minister going to change them? And if they are, then I would like to read into the record what those are as outlined. No. 1 . . .

MR. USKIW: Mr. Chairman, on a point of order.

MR. CHAIRMAN: Mr. Uskiw, on a point of order.

MR. USKIW: Whatever the terms are, of any lease agreement, should be spelled out in the legislation. That is what the suggestion is. Now, if you disagree with those terms or agree with them is irrelevant to this discussion. The question is the confusion in the minds of the public and therefore the confusion is eliminated when it is spelled out in the Act, whether you agree with the Act or you don't, and that's all we're dealing with. We are not now dealing here with the question of what the lease contract should or should not be. You're dealing with the confusion.

MR. GRAHAM: The only way you're going to eliminate the confusion is not by spelling it out in the legislation, because the farmer never has the chance to read the legislation, but he does have a chance to read the terms of the lease.

MR. CHAIRMAN: Well, Mr. Graham, I don't believe . . .

MR. GRAHAM: So spell it out in the lease rather than in the legislation.

MR. CHAIRMAN: Mr. Graham, I believe the Minister did indicate that if it's spelled out in the legislation, that there would be no lease form made that would be--it's different from what is enshrined in legislation. That would spell it out and leases would follow that format.

MR. USKIW: Mr. Chairman, the criticism of the Opposition, the Conservative Opposition, was that what is a contract that can be changed tomorrow or the next year and therefore the government is not committed to the policy that it has enunciated? All we are saying here is to assure that we are committed to the policy that is enunciated, that those provisions be enshrined in the Act, and that no lease agreement will be drawn up in contravention of the legislation. That's the assurance that you have been asking for and that is what we are recommending. I would suspect that the Opposition now doesn't want that assurance so they can continue the confusion of the public mind.

MR. CHAIRMAN: Mr. Blake. Mr. Johannson, on a point of order.

MR. JOHANNSON: Yes, Mr. Chairman, the amendment before the committee is that the last sentence be deleted. Now, members are straying from that particular . . .

MR. USKIW: That's right.

MR. JOHANNSON: . . . motion pretty badly, and would you please bring them back to it?

MR. CHAIRMAN: Thank you, Mr. Johannson. I thought when Mr. Graham was referring to No. 2 that he would be dealing with that particular point. Mr. Graham has made the suggestion that we delete that sentence from that point No. 2 and add it in the preamble. Now, I've asked Mr. Graham if he has a suggestion where this could be added. There has been some

(MR. CHAIRMAN cont'd) . . . suggestion . . .

MR. GRAHAM: You haven't allowed me to make my suggestion yet, Mr. Chairman.

MR. CHAIRMAN: Pardon?

MR. GRAHAM: I would suggest that the whole thing be thrown in the garbage. That sentence.

MR. DILLEN: That's an intelligent recommendation.

MR. GRAHAM: It's just as intelligent as the false assumption . . .

MR. CHAIRMAN: Order please.

MR. GRAHAM: . . . as the false assumption that that sentence makes.

MR. USKIW: That's how you guys operate, exactly how . . .

MR. CHAIRMAN: Order please. Mr. Dillen, on a point of order.

MR. DILLEN: You know, this whole question of the policies of the Agricultural Credit Corporation has gone back to 1973.

MR. BLAKE: That's a point of order?

MR. DILLEN: This is not a point of order, I'm speaking to the motion.

MR. BLAKE: Oh, I have the floor.

MR. CHAIRMAN: Mr. Blake has the floor. I thought you were dealing with the point of order. Mr. Blake.

MR. BLAKE: Thank you, Mr. Chairman. It would seem to me that it's not an earth-shattering amendment that is being proposed. You can take many, many positions on it, on the sentence in question, help eliminate suspicion and confusion - maybe there is, maybe there isn't - based on wrong information and misunderstanding. Well there was wrong information probably provided by the government in the government Paper. This was questioned by many of the witnesses appearing before the commission. So we can argue about this thing all day but it would seem that there was much time taken up on the committee by discussing some minor points, and I sat and listened to debates sometimes for an hour or two hours where witnesses were questioned at length on something that really wasn't that important to the well-being of the farm community of Manitoba, and I think we're going to start getting involved in that very same discussion this morning. Now there's been a simple amendment proposed. I suggest that we get on with the business . . .

MR. USKIW: Hear, hear.

MR. BLAKE: . . . and we either vote on it and pass it . . .

MR. USKIW: Hear, hear.

MR. BLAKE: . . . or vote it down.

MR. USKIW: Right.

A MEMBER: Question!

MR. CHAIRMAN: Question on the motion has been called. All those in favour that we deal with the amendment . . .

MR. USKIW: That we deal with the amendment?

MR. CHAIRMAN: Well the question has been called on the amendment.

MR. CLERK: . . . vote on the amendment.

MR. CHAIRMAN: Okay. All those in favour that the last sentence of the recommendation No. 2 be deleted from the recommendations.

A counted vote was taken, with the following result: Yeas 6, Nays 7.

MR. CHAIRMAN: The motion is lost. Question on the main motion, that the report of the committee be adopted. Mr. Graham.

MR. GRAHAM: Mr. Chairman, before we adopt the report would it not be more proper to consider it clause by clause?

MR. CHAIRMAN: Well, there was a motion that the whole report be adopted. Mr. Graham.

MR. GRAHAM: Mr. Chairman, in all due respect to that motion, that was a motion put forward by the Minister . . .

MR. CHAIRMAN: No, it was put forward by Mr. Walding.

MR. GRAHAM: Oh I'm sorry. I apologize for that. I would hope that we could deal with the various clauses before we adopt the report.

MR. USKIW: Mr. Chairman, a point of clarification. Is the member talking about the recommendations or is he talking about the background?

MR. GRAHAM: The entire report. The report.

MR. USKIW: Mr. Chairman, sir . . .

MR. CHAIRMAN: Just a minute. There is someone else before you. Mr. Jorgenson.

MR. JORGENSON: Well, I'll take advantage of the opportunity. I don't recall asking for the floor but I'll take it. Mr. Chairman, may I suggest then if I have the floor, that we delete all that portion of the report after the first paragraph on Page 3 . . .

MR. USKIW: Mr. Chairman, on the point of order, we have not accepted, for a moment -- at least I'm not aware that we have accepted the idea that we are going to go clause by clause, word by word, of the report.

MR. JORGENSON: I haven't accepted that either. I'm making a suggestion, Mr. Chairman, if I may.

MR. CHAIRMAN: Mr. Jorgenson

MR. JORGENSON: That we delete all that portion of the brief after the first paragraph on Page 3, that is even though such action would detract from the ideal, and delete all of that until you come down to Page 5, starting at the bottom paragraph, up to Page -- No, I'm sorry. On the bottom of Page 6. No, no, I'm right, Page 5. That's right. Bottom of Page 5. In other words, what we would delete - and I think it's unnecessary and it expresses the opinion of somebody who wrote the brief rather than the opinions of . . .

MR. USKIW: The bottom of Page 5, Mr. Chairman?

MR. CHAIRMAN: Starting from Page 3 . . .

MR. JORGENSON: To the last paragraph on Page 5. All that portion be deleted.

MR. CHAIRMAN: Starting with Page 3, the sentence which ends "would detract from the ideal" . . .

MR. JORGENSON: That's right.

MR. CHAIRMAN: . . . "deleting several persons and organizations" right through to . . .

MR. JORGENSON: Page 5, the bottom paragraph: "Finally, many persons and organizations express the view there is a need for a land use policy." Include that and the rest of the report.

MR. USKIW: Question.

MR. CHAIRMAN: Question has been called that the paragraph starting on Page 3, the paragraph starting "Several persons and organizations appearing before your committee recommended" . . .

MR. USKIW: No, correction, Mr. Chairman. I believe the motion was that we delete the last sentence of the first paragraph of Page 3.

SOME MEMBERS: No. No.

MR. USKIW: Oh I'm sorry. All right.

MR. CHAIRMAN: Starting with the paragraph on Page 3, "Several persons and organizations appearing before your committee" up to Page 5, the sentence which ends "if people were better acquainted with these attributes of the program many of these suspicions might be allayed."

MR. JORGENSON: That's right.

MR. CHAIRMAN: That is the motion, that we delete.

A COUNTED VOTE was taken, the result being as follows: Yeas 6, Nays 7.

MR. CHAIRMAN: The motion to delete has been lost. Question on the report.

MR. JORGENSON: We'll have a good debate in the House.

MR. USKIW: We sure will.

MR. CHAIRMAN: All those in favour that the report be adopted . . .

MR. USKIW: It's guaranteed now.

MR. CHAIRMAN: All those in favour the report be adopted as presented, with the clause No. 5 being added, which has already been dealt with. Let's start again. All those in favour that the report be adopted as a recommendation to the Legislature.

A COUNTED VOTE was taken, the result being as follows: Yeas 8, Nays 5.

MR. CHAIRMAN: The motion is carried. The committee will report. Committee rise. Is there any motion required any further?

CLERK: No.

MR. CHAIRMAN: Committee rise. Adjourned.

The following brief, dated February 26th, 1975 was received by the Chairman of the Committee on March 3, 1975. Submitted by Dr. N.E. Cameron, Economist and Non-Rural Landlord

In Search of a Land Policy for Manitoba: A Working Paper has raised some contentious issues and has painstakingly collected much useful information that sheds light on them. For both of those its authors are to be congratulated. Further, the Working Paper has applied some basic economics to yield the conclusion that it is the price of the crop that determines the price of the land, and not vice-versa, which is a big help in any discussion of land policy. However, the issues are important and the time is perhaps short, and the government cannot afford to make any serious mistakes in dealing with the most important sector of its economy. This submission therefore corrects some serious mistakes and misconceptions that do appear in the Working Paper, and extends the analysis to bring out some relevant points that were missed or ignored.

Chapter I: Objectives and Means

The objectives for rural Manitoba boil down to two:

(1) to increase the wealth and/or income of the present rural population, especially of the poorer segment, as a means of achieving greater equity in the distribution of income in the province;

(2) to provide enough new high-paying job opportunities and/or other inducements to maintain the present rural population in their areas, as a means of achieving greater regional equity in the province.

Fulfillment of these objectives is obviously subject to two realistic constraints:

(1) policies must not impose excessive costs on the other residents of the province; and

(2) policies must take into account both changes in agricultural technology and the increase of wages, which for some time now have been such as to persuade farmers either to mechanize and spread out onto more land, or else to move into other types of work. The latter has led to declining rural populations, where the other types of work have been in Winnipeg or other cities, and the former has led to larger farms with much higher financing requirements per farmer.

I put in these objectives and these constraints explicitly because they jointly determine what is and what is not an effective policy solution. For instance, in view of the technological trend it would be foolish policy to expect farming to create new job opportunities to retain those entering the rural labour force. Farming's labour requirements are going down, not up. The new jobs must be created in other sectors, whether agribusiness or rural retail, or even a decentralized government sector.

There is no way around this conclusion unless somehow it is made more attractive to operate small farms than large farms, or than to move to industrial jobs. The Working Paper offers no means of so reversing the trends of the last thirty years; indeed, there are none short of massive subsidies to small farmers, which would at the least impose too large a burden on the other taxpayers. For instance, any general improvements in the net income to farming will improve the lot of the small farmer, but also the ability and the willingness of the larger farmer to either buy him out at a good price he will accept, or else offer him a rent high enough to persuade him into some other occupation. The small farmer will benefit handsomely, all right, but the policy still won't persuade him to stay in farming any longer. With better land prices he may even decide to retire earlier.

Intensive Production

Incredibly, the Working Paper nevertheless contains on pp. 8-9 the proposal that small, labour-intensive farms are the key to creating the new jobs required because they would increase the total output from the fixed rural acreage, and "the more crops and the more livestock are produced, per acre and in total, the more business and employment income will result in rural Manitoba . . . Again, the more farm families there are the better it is for the economy of rural Manitoba" (p.8).

Since there is nowhere any suggestion of a magic scheme to get around the technical facts of agriculture, it follows that these smaller, more intensive farms will have lower gross incomes per capita, even though there would be higher output per acre. With less efficient use of modern specialized machinery, one must also agree that they would have higher costs per bushel of crop, so their net incomes would be squeezed from both sides.

In this a policy that will achieve the objectives set out above? It would increase the per

capita incomes of the rural merchants and implement dealers, all right, but only by cutting the per capita incomes of all their customers. Just how one would stop the resulting rush of farmers to other occupations is not clear either. I suggest that the Working Paper's recommendation of intensive agriculture is bad economics and worse politics. It would achieve an objective of easier entry for new farmers, but nobody would want to become a new farmer if he couldn't earn a reasonable living at it. Only those who had no other better-paying alternative would stay in farming, which by and large means the older and the poorer farmers. This would only worsen the rural income distribution.

Lower Farm Costs

The Working Paper then goes on to assert, correctly, that the lower the costs that farmers have to pay outside their region, the higher will be the income stream in the region, which would help "to sustain a host of business and professional services" (p.8). It is then asserted without any intervening argument that this would "assist in reaching the objectives" (p.9). Since the rest of the Working Paper takes this simple presumption for granted, it is worth digging a little deeper to find out if something has been left out of the argument. The objectives, to repeat, are to raise per capital incomes and wealth, and to provide new jobs, without an excessive tax burden on the rest of the province.

There is no doubt that easier access to land for young people, moderate prices for farm land, and low rent and mortgage payments to non-rural residents would leave more income in the hands of some farmers and that some of it would end up as revenue of local businesses. But what other consequences would there be from these policies? Surely it is not argued that these good things come free?

Lower Rents

Rents can be lowered by some form of public subsidy, at taxpayers' expense. The very low M.A.C.C. rent given on p.79 (\$10 per year on an acre valued at \$200, or 5 percent gross) represents a sizeable subsidy by itself, even if that rent does not include rural tax payments.

Rent can also be lowered by anything that reduces the productivity of the land, such as low crop prices or droughts, but this of course reduces net farm incomes as well and doesn't help achieve either objectives.

Lower Mortgage Payments

Mortgage payments can be reduced by subsidized mortgage rates, as is currently being done by the F.C.C. and M.A.C.C., but of course this subsidy too comes out of the public purse in one way or another.

Mortgage payments can also be reduced if land prices are dropped by some means, such as banning some group of non-rural residents from buying in the market, or else by forcing some existing owners to sell out. It is not clear how much effect this would have on land prices since the productivity and rents which form the basis of land prices would not be affected at all. Dr. Kraft and Dr. Rieken have estimated by the appropriate research method that every \$1 million of extra mortgage money put into the farm land market will raise the price by 53 cents, so elimination of all of the purchases by non-rural residents given for the last 30 months in Table 9 (p. 22 of the Working Paper) would lower the average price by \$11.50 per acre. This is subject to some margin of error, but it makes sense: if land is priced so that its productivity yields 25 percent on its value, while savings earn only 8 percent in the bank and loans cost only 10 percent, who would not expect rural residents to borrow money and use up savings to buy such an attractive investment? Who would not expect their purchases to drive up the market price of land almost to the point where its return per dollar invested was roughly comparable to other possible investments? To argue otherwise is to assume either that rural residents are unable to figure out such complex calculations. Neither assumption is a realistic base for effective public policy.

Even if one chooses temporarily to accept the Working Paper's unsupported guess that non-rural purchases have had a "marked upward effect on the price of farm land", the result of a policy of banning non-rural purchases would still not achieve the reasonable objectives of public policy for rural Manitoba. Land prices would fall, leaving the wealthier farmers in an even better position to expand than before. The net incomes of the smaller-scale tenant farmers and of the non-tenant farmers would not change, and they would continue to want to get out of farming at whatever their current rate is. But their equity in their land would be worth less, and just when these generally lower-income farmers would need to realize it to retire or move to another occupation. In other words, the easier access for young farmers

would be achieved at the expense of a "marked" financial loss for the already poorer group of existing small farmers and of further improvements in the position of the wealthier large-scale farmers. This hardly improves the income distribution in rural areas.

And of course banning the accumulation of larger acreages by already large-scale farmers would only worsen the situation. None of these measures would hurt the farmer running a large, viable operation that could be passed on to a son or son-in-law willing to take it up, since the lower market value of a farm in this case would only result in financial loss on paper as long as the farmer does not need to sell. Only those that sell while land prices are low really bear the consequences, and they will inevitably tend to be the smaller-scale farmers whose farm income is falling behind that of other occupations, and whose children will therefore be less eager to take their farm over as a way of life.

CHAPTER II: Ownership Trends

First, I wish to object to the unwise and inflammatory use of the term "non-resident" in this context. I realize that it is defined such that it is not technically inaccurate, but I could say the same for the adjective "fascist" if I were to define it for these purposes as meaning "non-rural". Where a non-emotive phrase such as "non-rural" exists which correctly describes the situation, the deliberate choice of an emotive phrase is normally described as demagoguery. It has no place in rational discussion of public policy, especially in a document from the civil service.

Second, the only information missing in this otherwise excellent collection of data is the extent and distribution of government ownership and purchases of farm land. This is a curious omission which slights an important and useful initiative of M.A.C.C.

Third, and most important, the Working Paper's evidence that non-rural purchases are "having a marked upward effect on the price of farm land" (p.18) is ingenious but wrong for a reason suggested in the Working Paper itself on p.51. Whenever assessments change more slowly than sworn values of land, those that buy land right after a sharp price increase will have higher ratios of sworn value: assessed value than those who bought earlier. The whole of this chapter stresses that the non-rural purchases are heavily concentrated in the last six months of the thirty-month period studied, and all will agree that 1972-74 is indeed a period of sharply rising land prices (see p.53, for instance). Therefore, what is shown by different sworn value to assessment ratios is more likely only that the municipalities are probably undertaxing those recent purchasers of land.

I do not for a moment deny that non-rural interest has driven up the price of land. All extra demand for farm land drives up the price, regardless of where it lives. I have referred earlier to some sound work which measures roughly the amount of the effect. I argue here only that the evidence on p. 16-18 is misinterpreted and does not back up the authors' claim. If the authors were to compare the sworn value to assessment ratios between groups of buyers in any region in each year or six-month period, they could avoid most of this problem and they might be able to establish that non-rural buyers tend to pay higher prices at any point of time than rural buyers.

CHAPTER III: Prices, Rents, and Farmers' Surplus

The Working Paper correctly points out that it is the high prices of agricultural crops which cause land prices to rise, and not vice-versa. But then in conclusion 5 on p.56 this insight is abandoned for some reason, and as a result the discussion is quite confusing - part right, part wrong. I will try to straighten it out briefly.

Any time farm land is expected to generate more income - whether because of higher prices or because of better seeds or equipment or farming practices - many farmers will want to expand and new farmers will want to start up, and old farmers will want to postpone retirement, and landlords with crop-sharing agreements will want to buy more land. All these people know a good bet when they see one, but there is very little, if any, extra land available. Their extra demand for land to rent or to buy merely bids up the cash rental rates and the land prices till some combination of new, old and other farmers and landlords are persuaded either not to buy or rent more, or else to retire or sell off or rent out what they already have.

The process takes time and depends always on the total revenue farming is expected to generate. Expectations are often based on past performance, though not nearly as much when conditions are changing rapidly. If the market were perfect, which no market is, the eventual rental revenue on it would provide just a normal rate of return per dollar of investment in it. If it were any smaller, farmers and others would switch their funds from other uses into farm land and drive the price up till it was.

In practice the market is not perfect, cash rentals are in many cases fixed by custom for several years, and crop-sharing ratios rarely change, so the average prices and rental rates will not generally rise enough to "capture" all surplus. Some would remain in the hands of even a pure tenant farmer, as I will show below.

A point that must be made clear is that the consumer of food is hurt by higher prices of food whenever this is the source of the extra gross farm income, but the consumer is not affected at all by the rise in land value and cash rents which will inevitably follow such a price rise. Indeed, the consumer will benefit to the extent that more land is improved, and to the extent that the better farmers bid land away from less productive farmers, since both of those moves will increase food supplies and lower food prices.

All that the rise in cash rents and land values does is to redistribute the gross income. Initially the extra gross income due to higher world food prices accrues to the existing farmers, but as they scramble for more land, more fertilizer, more equipment, more labour, they bid up the prices of each and transfer some of that extra income to all land owners, farm supply dealers, and even migrant workers in some areas. Wherever the farmer already owns his own land, of course, the only rental increase is in a "shadow-rent" that he pays to himself for the use of his own land, to reflect its higher market value; from himself as operator to himself as landlord. The farmer actually loses some of his earlier gain only when his out-of-pocket costs rise.

The conclusion that higher land values are good for the retiring farmer and bad for everyone else is therefore wrong. The rise in land prices following a rise in food prices is bad for new farmers trying to get into farming, attracted by the higher expected farm income. The rest either benefit or are indifferent. The rise in land prices can only help consumers, once food prices have risen, by a tendency of rising land values to increase output. All farmers get a large increase in wealth as their land and equipment values go up, which merely reflects their improved earning prospects with higher crop prices. Other landowners benefit by the higher values of their land and by the higher rents whenever these rise. To repeat, only the new buyer of land is hurt, and probably by almost enough to fully offset the greater income potential of the land he wants to buy.

Crop-sharing and Farmers' Surplus

Since about half of the land rented is rented under crop-sharing agreements rather than cash rentals (p.50), it is quite relevant that crop-sharing rents do not fully adjust to higher food prices. Consider a simple example in the table below, using very rough figures.

	<u>1973</u>	<u>1974</u>
Gross income per acre	\$ 100	\$ 150
Rent, at 1/3 crop share	33	50
Other operating costs, incl. labour	67	67
Surplus accruing to farmer	0	33

If all operating costs go up at the same rate as gross income, of course, the crop-share rent and operating costs will together absorb all of the extra productivity and leave nothing extra for the farmer, but only then. In 1973 when the farm prices started up, before the cost increases of 1974, the farmers with crop-sharing agreements made substantial gains as well as their landlords.

If crop shares adjusted this situation would be changed, but in fact crop shares are not usually a matter for negotiation. Only the sharing or non-sharing of fertilizer and chemicals costs is usually negotiated, which doesn't provide much room for adjustment. In fact, therefore, the gains from increased productivity on crop prices will be allocated partly to the landlord and partly to the tenant under half of the tenancy arrangements in Manitoba, though I would expect part of the tenant's share to be transferred later to others as extra farm demand raised various other costs. This contradicts the Working Paper's conclusion 1 on p.55, that the benefits of extra productivity all accrue to the landowner rather than to the operator.

Land Prices and Financing

As agriculture becomes larger-scale and more capital-intensive, its financing requirements increase. This is no surprise, since the same has been happening to industry ever since 1750. The Working Paper assumes that this means all farmers will eventually have to rent all their land (p.81), thus making farmers the "economic vassals" of a group of absentee landlords. Two possibilities are ignored. The first is that of buying part and leasing part. Table 24 on p.67 shows that Manitoba farmers have been doing this on a large scale since 1951,

to the point where it is now the dominant form of farm tenure. The second possibility is that of leasing farm equipment instead of land. The financial arrangements are more complex since farm equipment depreciates, but it is a possibility worth exploring since it is done on a large scale in industry. I am surprised to see no mention of it, nor even much recognition of the first possibility.

Land Prices and Income Distribution

The contrast on p.56 between the "farmer with equity in large acreage" and the "small farmer" is confused, and the conclusion does not follow that "high land prices aggravate the inequality in competitive strength between large and small farmers in bidding for land." The contrast is in fact between a rich farmer and a poor one, which is something quite different.

Consider a contrast at a farm auction between a large-scale full-time farmer on the one hand with debts outstanding against all of his land and equipment, and a small-scale farmer on the other hand with no debts and an outside income from a part-time job. Who would win that bidding?

All will agree that high prices hurt the poor more than the rich. To jump from that to the Working Paper's conclusion we need evidence that large-scale farmers are the rich and small-scale farmers are the poor, considering all sources of income. That is not provided.

Land Prices and M.A.C.C.

The proposal has appeared during the hearings of the Special Committee that if the government were to buy five or ten thousand farms and lease them out at low rents, this would by example force the other rents down. This is outside the Working Paper, but it is a policy which to many seems implicit in the Working Paper's discussion, so I will refute it anyway.

First, by example. Columbia University is in the fortunate position of owning several large apartment buildings close to its campus, which it rents out to selected students at low rents. This is nice for those students, and in fact it allows some of them to go to Columbia who just could not afford to otherwise, and who would be forced financially to attend some less prestigious university. The rest of the student body has to room in the remaining private accommodation, and pays the going market price. To the extent that Columbia's low rent policy allows more students to attend the university, it swells the total housing demand in the area and drives the other rents up, not down.

Second, by logic. Consider the five potential operators Adam, Blake, Cherniack, Dyck and Enns, who can, for various reasons, extract the following amounts of surplus from the average acre before payment of rent: \$70, \$60, \$50, \$40 and \$30. There are only four pieces of land available, being rented out by retired farmers. They will tend to rent it out to the highest bidders, which will include the first four and exclude Enns. The rents paid will be somewhere between \$30, which is just enough to cause Enns to lose interest, and \$40, at which point Dyck also loses interest, and one of the landlords is unable to rent his land.

Now suppose M.A.C.C. responds to Enns' request and buys up one of the four pieces of land to rent to Enns at \$10 per acre. Ignore the effect of this purchase on the price of land, since it won't be that large. Enns is happy, but what happens to the other three pieces of land? The farmer who would otherwise have rented the fourth piece of land for between \$30 and \$40 now finds he cannot do so, and turns to the remaining landlords to see if he can get the use of one of their pieces. The outcome of this process will tend to be a rise in rents by enough to exclude one of the remaining four operators; this will be Dyck, who will drop out of contention once the rental price rises above \$40. The rental price will therefore settle between \$40 and \$50 for Adam, Blake, and Cherniack, and of course at \$10 for the lucky Enns, Dyck may get a job in the city instead.

Either there is a large hole in this logical process, or else the original proposal is wrong and M.A.C.C.'s leaseback operations merely increase rents for the remaining farmers.

Chapter IV: Family Farm Structure and Land Tenure

The argument on p.63, that "it is risky for a farm operator to build his enterprise wholly or in large part on rented land" flies in the face of both facts and the logic of rural life. First the facts. Table 24, four pages later, shows that the dominant group of farmers are those that both own and rent, and that in 1971 they built their enterprises on an average of over 43 percent rented land. Are these 11,184 farmers risky operators? Given their extra ability to diversify their crops, I'd bet their gross incomes and net incomes are more stable than either of the other two groups.

Second, the logic of rural life. Of the 4.9 million acres rented in 1971, three-quarters was rented out by rural residents and one-quarter by the rest. Many of these rural landlords could be expected to be retired farmers still living on the land or in the nearest small town. If these landlords were to switch their land from tenant to tenant every two or three years, what would happen? Tenants would lose interest in maintaining the land for future years, its productivity would fall, and so would its rents. Furthermore, the landlord would lose a friend every time he switched, and it has already been noted that rural Manitoba is thinly populated.

Absentee landlords don't care as much in the short run about rural friends, but they are in a much worse position to supervise the maintenance of their land. As a result, they must be able to trust the tenant more than must a rural landlord. Switching from tenant to tenant is not only not a good way of developing that trust, but it gives the tenant good reason not to put in the extra hours keeping the land in good shape: he wouldn't reap the future benefits.

It is therefore quite unlikely that the actual rental arrangements in the province are viewed by either side as being insecure. Flexible, yes, but not insecure.

Owning, Renting, and Economic Vassaldom

If in fact full-time farmers who rent land "for all practical purposes . . . become the economic vassal of the landlord" (p.83), then indeed the "very fabric of rural Manitoba" is threatened as is suggested on p.61. For Table 24 on p.67 shows that rented acreage has risen from 22 percent to 26 percent of the total land farmed in the last twenty-five years.

But economic vassaldom refers to a situation where a lot of tenants with few resources and no alternative occupations face a few monopolistic landlords with ample resources who can play one tenant off against another, or even withhold their land entirely. While most would agree this has been the case in many countries with large estates, labour-intensive agriculture, poor rural transportation and highly unequal income distributions, it is worthwhile asking whether the same situation exists in Manitoba. Transferring policies between widely different societies without such inquiry is more than a little dangerous.

First the facts. Use of rented acreage has grown, but the nature of the tenants has changed dramatically. In 1951 just under half of the rented acreage was worked by pure - tenant farmers with relatively small average operations. These might be considered by some to be considered by some to be comparable to the tenant farmers of Europe and South America. By 1971, over four-fifths of the rented land is rented by part-owner, part-tenant farmers, who have large-scale operations and ample machinery and equipment. Less than one in five tenants depends solely on rented land, and even there we don't know about outside jobs, since the scale of operation for such tenants is still fairly small.

As a result of this shift in rental patterns, there are actually 500 fewer tenants in 1971 than twenty years ago, even though the total area rented has grown by 25 percent. The group of larger-scale tenants have an average total investment at current values of about \$80,000 in equipment and \$93,000 in their own land to fall back on if they cannot find rentable land, though obviously some have more debts outstanding on that investment than others, even after the 1973 harvest and its income.

Further, great attention was given in Chapter II to the fact that non-rural land purchases were relatively concentrated in the last 30 months. It follows that the vast bulk of purchases by rural landowners must have been at earlier prices, which were far below those of the last two years. This suggests that the current debt burden of these farmers is small relative to that of their non-rural landlords, at least, which increases their equity and strengthens their bargaining position.

On the other side of the market, the Working Paper gives us no information on the landlords who supposedly hold these relatively large, relatively young, capital-intensive farmers in economic vassaldom. We don't know how many there are. At least three-quarters of them are rural, the rest are scattered over Winnipeg, Brandon, Saskatchewan (rural Saskatchewan?) the U.S. and West Germany.

I don't believe it is seriously argued anywhere that the rural landlords are a concentrated class of large estate owners who individually control all the rented land in their area and can bend the tenants to their will. These are surely the smaller-scale farmers who have quit farming but haven't sold their land. There are probably more of them per rented acre than there are tenants. Their bargaining power is about non-existent, both because of their number and because their rental income is probably a large part of their total income.

Aside from land companies, is it argued that the non-rural owners are a concentrated

class of large estateowners? Some are city professionals like myself who have borrowed funds to buy the land sold by a retiring farmer. Some are those who have quit farming and moved to city jobs or retirement but have not yet sold their land for economic or sentimental reasons. Some are West Germans preparing to come to Canada. Some may be western Canada's counterpart to the feudal barons of medieval Europe, but how many? On this critical matter the Working Paper is quite silent, but perhaps we can make clear how difficult it is to acquire the feudal baron's monopoly power in the prairies.

Monopoly Power

To be able to exploit tenants, even weak ones, a landlord must be able to control a significant proportion of the potential rentable land in the area accessible by the tenant. Let us take that area as being within a 10-mile radius of the tenant's base. This is wildly conservative for any farmer who moves his equipment by truck, but objectors can easily redo this with their own numbers. This area contains over 200,000 acres. Assume half of that is farm land and the rest is bush, rivers, towns, etc. Of this, on average for Manitoba in 1971, only 26 percent was rented, or 26,000 acres. Control over a significant proportion of that would require only 10 percent for voting stock which is voted by proxy but it would require more for farm land. Twenty percent is probably the bare minimum to threaten any tenant, or over 5,000 acres in that particular area. Aside from Hutterite colonies and pasture land, how many such large concentrated holdings are there? Is broad provincial policy needed to deal with them, if there are any?

In sum, the picture drawn by the Working Paper of rich, powerful landlords extracting the last dollar of rent from poor insecure tenants is just fiction. It belongs in an ivory tower, not in a government department. Four of five tenants is a large-scale farmer with substantial capital resources and his own land, bought at earlier low prices with low-interest government mortgage money. The farmer has his own land to fall back on, and we don't know what if anything the landlord has to fall back on. Some have almost nothing, most are probably about as wealthy as their tenants. And finally, half of the rental contracts in any case are crop-sharing contracts which are more or less fixed by customary formula anyway, with very limited room for exercise of bargaining power by either side.

Conclusion

The Working Paper is not a policy document and is not final in any way. It provides much useful information that I have used extensively in this submission. It raises important issues, and if I think it is right on some and dead wrong on others, then far better that they be raised than left hidden. Obviously general discussion is badly needed.

My general conclusions are as follows:

- (1) The growth of tenant farming by part-tenant, part-owner farmers is a natural and healthy response by farmers to the increasing capital requirements of modern farming; it merely repeats a previous response in industry.
- (2) Higher land values are only marginally due to non-rural purchases, and mainly due to a natural and healthy response of various groups to higher potential income from farming.
- (3) Lowering land values by government intervention will work against all the objectives the government has for rural Manitoba.
- (4) The government's leaseback policy can be expected to drive rents on the remaining lands up, rather than down as has been claimed.