

LEGISLATIVE ASSEMBLY OF MANITOBA

Tuesday, 13 May, 1980

Time — 8:00 p.m.

MR. SPEAKER, Hon. Harry E. Graham (Birtle-Russell): The Honourable Minister of Finance.

HON. DONALD W. CRAIK (Riel): Mr. Speaker, I move, seconded by the Minister of Community Services that this House approves in general the budgetary policy of the government.

MOTION presented and carried.

BUDGET ADDRESS

MR. CRAIK: Mr. Speaker, before addressing this Motion I want to first of all pay tribute and thanks to the great numbers of people who have spent a large portion of their time and their efforts to the preparation of the remarks and the policy development, which I want to talk about tonight.

Mr. Speaker, some six months ago at a special First Ministers' Conference on energy policy, the Premier of our province concluded his opening remarks with a statement about the future of Canada which was timely then — on the eve of a new decade — but which is perhaps even more timely now. He stated and I quote:

Our nation is unique in the industrialized western world — we have the potential to be self-sufficient in energy.

But, we sometimes lose sight of this and become preoccupied with our problems, forgetting the potential that is ours.

We have the time to develop long-term solutions to serious problems. We have the chance to realize at least the opportunities that were predicted for our country a century ago, and I believe we have the spirit and the will.

But, we can succeed only if we face up to reality now, and take the hard decisions, and make the adjustments which are imperative to ensure our self-sufficiency and our economic well-being.

Mr. Speaker, that statement was made in the context of a discussion of national energy matters, but it was and remains an accurate and forthright assessment, both of our country's overall development prospects, and of our here in Manitoba, for there is no province in Canada, none, that offers its citizens more solid, long-term opportunities than we enjoy in Manitoba today.

We are on the threshold of a period of potentially unparalleled achievement, and unlike certain other jurisdictions, we have already made some of the most critical adjustments necessary to ensure it.

After two years of consolidation and transition, we can once again take pride in an economic and budgetary base, which is sound and secure and which will support the kind of concentrated, co-operative effort all sectors of our economy must make to ensure success in realizing the prosperity our heritage offers to us and to future generations of Manitobans.

This Budget, the third it has been my privilege to present on behalf of our Progressive Conservative

Government, will sustain our recovery and the important economic and fiscal gains of the last two years, and it will address the major immediate and longer-term challenges facing our economy in a realistic and positive way.

In my last Budget a year ago I stressed our government's determination to do all we can to make the 1980s a decade of recovery and stability, a decade of opportunity and of promise for the people of Manitoba. This year's Budget will play an important part in the attainment of these goals.

It will prove the value of fiscal responsibility and accountability by making possible far-reaching improvements in social and economic programs; improvements which simply could not have been made if the runaway deficit we inherited from our predecessors had not been dealt with in a decisive way.

Second, it will provide welcome new protection against inflation, particularly for families with children and for the elderly — those who are most in need of additional assistance.

It will carry on the process of tax reduction and tax reform we initiated in our first days in office, and

It will continue the sound financial management policies and procedures which are so essential for ensuring confidence in our economy, and thereby for expanding further the wide range of productive new investments and permanent job opportunities which have highlighted the rebuilding process of the last two years, and ultimately for ensuring a steady rate of growth in the standard of living of our citizens.

Finally, it will show that this is a government which is acutely sensitive to Manitoba's underlying economic and demographic trends, a government that is building not only for this year, but for the decades to come.

Mr. Speaker, at the same time it is important to acknowledge what all of us in this House recognize to be true, that this Budget is being presented against a background of political and economic circumstances, which may well be the most ominous yet to confront Canada and the rest of the free world in the second half of this century. In the coming months we will be witness to watershed events in the histories of our Confederation and of the community of nations — events whose outcomes will far outweigh in significance this or any other Budget. We can only hope the benefits we so often take for granted, but for which our forefathers sacrificed so much to pass on to us and to our children, will not be lost to the blind ambitions of demagogues.

But important as they are we cannot allow ourselves to become unduly preoccupied with events over which we have virtually no control. We have major responsibilities here and it is essential that we get on with the job.

On the economic side, the job of revitalizing our economic base is under way.

Over the past two year the Manitoba economy, with relatively few exceptions, has demonstrated renewed strength across the broad spectrum of our

most important industries with the private sector reassuming its traditional leadership role, a role which, in cooperation with government, is imperative for the optimum effectiveness of our economic system and for the long-term growth of this province. No where has the rekindling of private sector confidence been more apparent or more important than in mining and manufacturing, two of our strongest growing sectors in 1979.

As the Minister responsible for mineral resource development, I am gratified by the resurgence in virtually all aspects of mining activity in the province during the last year. Although world market conditions have played a significant part, industry leaders themselves have emphasized repeatedly that the new investment climate in our province, including the taxation reforms introduced in our last Budget, have been key determinants of their decisions to make Manitoba once again a focal point for mineral exploration and development, instead of a jurisdiction to be avoided.

The members are no doubt familiar with the key statistics of the performance of the mining industry in 1979, but for the record I will repeat them here:

Following a year of decline in 1978, the value of mineral output recovered last year by over 28 percent to a total of 600 million, the largest in Manitoba's history.

Some 14 million were expended on new exploration and development and a substantially higher total is planned for 1980. Mr. Speaker, I think perhaps the most important comment that can be made in this regard is the following one:

Exploration investment now stands in constant dollars at the highest level in Manitoba's history.

Major new long-term investment commitments were made by Inco, Hudson Bay Mining and Smelting Co., and Tantalum Mining Corporation of Canada during the year.

As members will see when our preliminary 1979-80 year-end statement is completed in a few weeks, a significant increase was also recorded in the direct contribution by the mining sector to the costs of public services in our province.

In recent weeks, attention has also been drawn to a number of promising new prospects — first, involving a potential major potash development, and secondly, in a joint venture agreement further securing the future of the mining industry in the Flin Flon area, and developments in our largest sector, manufacturing, have been no less encouraging.

Following a period of serious slack which culminated in 1977, with only 3 percent growth in the value of shipments and a drop-off of some 6,000 or 10 percent in manufacturing employment, there has been a dramatic rebound. Shipments have increased 39 percent in the two years since 1977, with 20.2 percent growth last year alone, well above the national average. Manufacturing employment also recovered to an average of 63,000 jobs in 1979, up 9,000 over the 1977 low point.

Perhaps most encouraging of all, given current interest rates, is the fact that manufacturing investment estimates for 1979 and 1980, in aggregate, indicate an increase of nearly 60 percent in 2 years, again well above the national average, and the expansion of productive capacity is taking place in a reasonably balanced way across the entire

sector, it is not confined to a few firms or a few industries.

A few days ago the Minister of Economic Development outlined the government's strategy for insuring continued expansion of the manufacturing sector throughout the 1980s, a strategy which was worked out in close consultation with industry, and which has their endorsement. An important part of the province's efforts will be focused through the Enterprise Manitoba Program.

But as I said earlier, manufacturing and mining are just two examples of the success Manitobans have achieved in rebuilding our economic base. At the conclusion of this Address I will table a review of recent major economic statistics which will provide further evidence of the breadth of the recovery which has taken place since 1977, and I can run down through these, Mr. Speaker:

24,000 new jobs in two years, including 13,000 last year alone, all of them in the private sector and so on.

A drop of over a full percentage point in the unemployment rate between 1978 and 1979, from 6.5 to 5.4.

Renewed and steady expansion in total output from near zero real growth in 1977 to just under 3 percent in 1978 and close to 2 percent in 1979. The latest estimate of the value of our gross provincial product in current dollars for 1979 is 10.5 billion, an increase of some 11.6 percent over 1978, the best performance, Mr. Speaker, for three years.

Personal income growth was about 10 percent to 8.5 billion.

Continued strength in agriculture despite a number of weather, marketing and transportation problems, and so on, Mr. Speaker.

In 1979 the tourist industry had its best growth year in the 1970s, recording total expenditures of approximately 374 million, up 9 percent over 1978 and to repeat again, the best increase of all of the 1970s.

Following the largest percentage increase of any province in 1978, private investment continued to grow last year to over 1.4 billion, for a two-year increase of about 25 percent, and preliminary intentions for 1980 indicate that Manitoba will be one of only a few provinces where the percentage increase in private investment this year is expected to be larger than last year.

Mr. Speaker, for some time we have been forecasting that real growth in the Manitoba economy this year will be in the 2 percent range, close to our estimate for 1979.

Mr. Speaker, during the recent Federal Election campaign I heard the now Prime Minister refer to Canada's real growth rate as being 12 percent. It told a lot about the hands by which our country is controlled, Mr. Speaker, when that was stated, that for all these years you were expecting somebody to know the difference between real growth rate and inflationary growth rate, we suddenly discovered that there was something wanting. In contrast to the decline to near zero growth expected in the national average, we are now looking at a roughly 2 percent in 1980, which it was roughly in 1979.

Recent private forecasts support our projection and suggest that Manitoba's real growth in 1980 will

be not only above the national average, but also the third highest in the country, ahead of all provinces, Mr. Speaker, with the exception of Alberta and Saskatchewan. In that regard I'd refer you to the economic tables, to one table in particular that tells it all at a glance. This is encouraging news, I am sure, for all members of this House and for every Manitoban. Mr. Speaker, it reflects the diversity and renewed strength of our economy and demonstrates the plain fact that despite the doom and gloom predictions of the members opposite, primarily the Member for Brandon East, and given a fair chance, Manitoba and Manitobans will thrive and develop and over time Manitobans will enjoy a standard quality of living above the rest of this continent.

However, the fact that our economy is expected to show greater strength than those of most other provinces in 1980 should not be any cause for complacency. A protracted slowdown in the national economy would inevitably affect Manitoba in a major way and undercut our recovery efforts.

Unfortunately, in the face of some bleak forecasts for the international and national economies for the balance of this year, as well as some increasingly pessimistic signs for 1981, the newly-elected federal government has shown little apparent interest in addressing our most fundamental problems including excessive government expenditure growth and the unacceptably high federal deficit.

It's been over two years since Canada has had a Budget which has received the approval of Parliament. We believe it's essential that a full-scale Budget be introduced at the earliest opportunity in the interests of Canada. We believe it is also essential for the government of Canada to reaffirm its commitment to the process of federal/provincial consultation on economic and fiscal policy.

At the Conference in Lethbridge in April, the four western Premiers set out six major proposals as a basis for joint federal/provincial action to develop an effective national economic strategy, a strategy whose key objectives would include the reduction of current unacceptable interest rates.

I am sure that two of the recommendations must have been particularly interesting to the likes of the members opposite.

First, the Premiers agreed unanimously that a realistic energy pricing policy is a key to achieving Canadian energy self-sufficiency. And more specifically, their communique stated: Canadian energy prices must rise to reduce the disparity between domestic and international prices. Now that is not a self-interest western position. Self-sufficiency is an essential requirement in the national interest. Those who would argue that a price increase can be avoided are deluding only themselves and furthermore, selling Canada and Canadians short of an obtainable target of self-sufficiency.

It is interesting to note that from the heartland of industrial Ontario, the organization best representing the manufacturing sector has stated unequivocally that the best interests of the economy would be served by a self-sufficiency Canadian oil pricing policy.

As far as the position of our government is concerned, actions speak louder than words. We can and will point with satisfaction to the Hydro rate freeze as a clear demonstration of what this

government stands for on energy pricing issues in which it has full domain. Mr. Speaker, that decision taken last year was also based on the principle of energy self-sufficiency as applied to electrical energy.

Mr. Speaker, we would be less than honest if we tried to tell the people of Manitoba that we thought Canada could be self-sufficient in oil and Manitoba secure in supplies at present domestic pricing levels. We still have to absorb price increases, but we remain confident self-sufficiency can be attained at prices below world levels.

At the Lethbridge Conference, the Premiers of all four provinces also stated, and again I quote: An essential part of developing a national economic strategy requires the federal government to reduce the size of its budgetary deficit and ultimately to balance its budget over the economic cycle.

Their statement went on to note that large-scale, viable capital projects could help offset any short-term adverse effects caused by reduction of the federal deficit.

Our government stands ready to co-operate fully with the federal government in implementing a medium-term national strategy which would encompass the recommendations of the four western provinces and which would address itself to other key challenges for the years ahead.

Mr. Speaker, I want to speak to the fiscal period through 1979-80. My colleagues and I take pride in the resurgence in economic activity which has occurred in our province in the last two years, but I believe it is fair to say that our greatest sense of accomplishment results from our success in restoring the principles of fiscal responsibility and accountability in the government of Manitoba.

In my first budget I set out four specific fiscal policy objectives:

First — A reduction in the public sector's share of gross provincial product over time to lessen the government's demands on the economy;

Second — Greater efficiency in government programming to insure that improved and expanded services can be provided for those who require them;

Third — rationalization of taxation measures to simplify our tax structure and make it more competitive, and

Fourth — improved financial reporting to insure that the citizens of Manitoba have up-to-date factual and understandable information about the government's budgetary position.

Mr. Speaker, every one of these objectives has been achieved. Despite the increased expenditures associated with such measures as the new Hydro Rate Stabilization Program, the major reduction in the provincial government's share of our total output, which I announced last year, has been largely maintained. Provincial expenditures as a percent of gross provincial product remain close to 17-1/2 percent in 1979-80, compared to record high percentage of 19 percent only two years ago.

Provincial government employment has been reduced significantly without perceptible disruption in government services. This has been made possible by two primary factors: First, improved management, guided by accountability principle and, second, and equally important, a significant boost in morale. The natural result of a sense of direction and

purpose, and the understanding that merit, not political philosophy, has been restored as the basis for advancement in our civil service. — (Interjections)

MR. SPEAKER: Order, order please. I would like to listen to the remarks of the Minister of Finance.

The Honourable Minister of Finance.

MR. CRAIK: Mr. Speaker, I was going to repeat that but I'll hold it for a later date.

These figures also reflect our efforts to update and streamline programming and our recognition that there are limits on what provincial governments, indeed governments at all levels, can do effectively, and should attempt to do with the hard-earned tax dollars entrusted to them.

The improvements in our financial reporting system are already well known, and it is gratifying that a number of the innovations we have introduced in Manitoba are now being considered for adoption in other jurisdictions. We have regular training courses, Mr. Speaker, for the legions that are coming through from other jurisdictions at the present time, to now consult with us on this turn around.

It is interesting that over the last two years, our system of issuing quarterly financial statements has now become accepted routine and it's almost taken for granted. I should remind members that before this government took office, this Assembly sometimes had to wait as much as a year after the close of a fiscal year, and two years after the initial estimates were tabled to get even a partial accounting of the province's financial position for that year. An accounting, Mr. Speaker, which I must add, the Provincial Auditor, on occasion, refused to endorse.

Now, however, the people of Manitoba are receiving up-to-date and accurate information at three-month intervals during the year, and as we become more experienced with the new system, we intend to make further improvements.

I am pleased to note that up to now, our new financial information system has had a great deal of good news to report.

Members will recall that when we took office, the initial projections we received indicated a potential 1977-78 deficit of at least 225.1 million and 110 million more if uncommitted projects happened to be included. By the end of the year the situation had improved somewhat, but the deficit still stood at an unacceptable record level of 191.3 million, excluding sinking fund payments and the improvement only occurred because we invoked very severe measures of control, which first stopped the huge hemorrhage of taxpayers' dollars, and secondly, gradually reversed the worst plunge into financial imprudence ever witnessed in this province. That legacy of financial irresponsibility has been reversed in two-and-a-half-years, but it remains a clarion example, Mr. Speaker, a clarion example to taxpayers here and elsewhere of the damage that can be inflicted on a province and its people by a government unrestrained by accountability and uninstructed in the constant need for prudence in the use of its taxpayers' dollars.

By the end of 1978-79, our first full year in office, the deficit had been reduced by approximately 56 percent to 84.3 million.

I wish to announce this evening that in 1979-80, the deficit has been cut by almost half once again, to just under 45 million, according to the preliminary unaudited figures that are now available.

The primary reason for the reduction during the year was a series of revenue improvements, particularly equalization adjustments. Details of the year-end results for 1979-80 will become available when the preliminary unaudited statement is completed in a few weeks' time.

Mr. Speaker, the unaudited statements always come out early and the audited ones are always out six months ahead of the time they were ever out before.

Mr. Speaker, for the cost of the Hydro rate freeze, which cost in the last fiscal year 37 million, the Budget of the last fiscal year would be virtually balanced, even on the new combined accounts basis. Under the old accounting system which was followed in this province until we took office, our Budget has been in balance for the last two years.

Mr. Speaker, the deficit which shows in our books is in fact entirely for capital investment, for acquisition and construction of physical assets, and fortuitously we have been able to avoid borrowing in the high interest rate bond markets for the last year.

In summary, in our first two full years in office, the deficit we inherited from the previous government has been reduced by more than three-quarters, to be exact, 76.5 percent.

The lifting of a burden of this magnitude from the shoulders of the taxpayers of our province may well be the single most important contribution any government could hope to make to the economic development of Manitoba in this decade or beyond.

Mr. Speaker, our government's first priority, our most urgent priority, has now been met and the budgetary improvements we are able to introduce this year, and those which will follow in years to come, will be a direct result of our government's determination over the last two years to restore a secure financial base in this province.

Mr. Speaker, I want to refer to the Main Expenditure Estimates of 1980-81, current year.

Early in this Session, the government presented its Main Estimates of Expenditure for the 1980-81 fiscal year. Those estimates totalled approximately 1.99 billion, or an increase of 9.86 percent over the estimates for the previous year. Since those Estimates were tabled, members have been advised that the total will be increased to provide for a major expansion of property tax credit benefits this summer. Later in my address, I will discuss further tax credit reforms and additional supplementary expenditure requirements.

I can state, however, that even with the supplementary authority being requested as of tonight, our province's actual expenditure growth by the end of the current year is expected to remain in the 9 to 10 percent range.

We feel this is an appropriate rate of growth at this time. It permits the dedication of additional financial resources to key priorities without placing unduly heavy pressures on our bottom line position. At the same time, it is consistent with the general spending

growth guidelines which the federal government and all ten provinces agreed to at the First Ministers' Conferences in February and November of 1978. We believe that it is essential for all governments at all levels to continue to observe those guidelines, particularly when the economy is facing growing inflationary pressures.

We remain convinced and we feel the Main Estimates offer plenty of evidence that sound financial management and responsible fiscal policy are keys to genuine program improvement.

I will just touch on some of the highlights tonight, Mr. Speaker. They are contained in detail in the Budget Address which is being distributed.

First of all, there was 65 million or a 12.5 percent increase in the Health field. There was significant improvements in economic development programming in support for municipal services, and there was a 29.5 million addition for the Department of Education. In total, the main estimate provisions, and new measures to be announced tonight, will increase public school finance assistance by 18 percent on a per pupil basis this year.

On the revenue side, I want to turn now to those estimates for 1980-81.

Throughout the past year, our government has continued to examine ways and means for improving the overall revenue-raising system in place in the province. A process of continual review is essential to make our tax structure more competitive with those of other provinces and also to ensure that it is fully consistent with our budgetary objectives.

Since taking office, we have been able to implement a number of changes to assure Manitoba taxpayers significant continuing reductions in their taxation levels, while preserving a satisfactory base for financing program improvements.

Among our more important permanent initiatives have been, first of all:

The 2-point reduction in the personal income tax and termination of the personal income tax surtax imposed by the members opposite. These measures have returned the personal income tax rate borne by individual Manitobans closer to the mainstream among the provinces.

Then the elimination of succession duties and gift taxes. A measure which has been of particular benefit to farmers and small business operators.

Reductions for small business in the corporation income tax rate and in the corporate capital tax through increased exemptions measures which have improved the overall competitive position of these important contributors to the Manitoba economy.

Major reforms in resource taxation which are proving to be extremely effective in encouraging rather than inhibiting new activity in this vital sector.

A wide range of new exemptions under the provincial sales tax for insulation materials, children's clothing and so on.

The elimination of a number of nuisance taxes including the Mineral Acreage Tax and the Mining Royalty and Tax Act applicable to small quarry operators and so on.

It is estimated that in 1980-81, the value of the potential revenue foregone through these measures amounts to at least 36 million. And, Mr. Speaker, if

you take the cumulative tax revenues over the last three Budgets that have been foregone in this regard to leave the tax money in the taxpayers pocket including the sales tax reduction in 1978, this total would come now to roughly 160 million.

This year, we are proposing a number of additional modifications to provincial taxes, both to supplement revenues and to continue the process of needed reform. First of all, gasoline and motive fuel taxes.

Traditionally, provinces have applied volumetric tax rates to liquid fuels of a certain number of cents per gallon or, more recently, per litre. As a result, unlike the provincial sales tax, the yield in these taxes, in real terms, deteriorates markedly over time. For example, the Manitoba gasoline tax in 1972 represented a rate of approximately 48 percent of the average sale price prior to the application of the tax. However, today, as a result of petroleum price increases and other factors, the tax represents about 20 percent of the retail selling price of gasoline before the tax is applied.

Unfortunately, however, as members recognize, the province is faced with the task of finding revenues sufficient to meet increased costs related in part to these petroleum price increases. These increased costs are reflected in the price not only of gasoline itself, but also of certain petroleum-related products, including asphalt, as well as in general transportation costs and ultimately in the costs of government purchases.

While there has never been an attempt by governments in Manitoba to equate fuel taxes precisely to the costs of operating our highway system, it is noteworthy that at the present time, these taxes would cover less than half the budget of the Department of Highways and Transportation.

Earlier this year, the governments of Prince Edward Island and Quebec decided to take action to protect the real value of their fuel taxes by converting their taxes to percentage or ad valorem rates. As well, in the federal government's April 21 policy announcements, the regular federal sales taxes on gasoline and motive fuels were converted from literage rates to a general 9 percent rate on the sale value of products.

In our view, it is essential to deal with the erosion of the provincial share of these taxes at this time.

We therefore intend to convert both our gasoline and motive fuel taxes to a 20 percent rate. The preferential rates applicable to off-highway use and railways will be converted to 15 percent. The rates applicable to aviation gas and turbo gas will be converted to 10 percent and the present rate of tax on heating fuels used for purposes other than a domestic dwelling will be converted from the present 1/2 cent per litre to 5 percent of the purchase price. This latter change also assures that the taxation on heating fuels other than for domestic dwellings will be subject to the same 5 percent tax rate as is applied to electricity, natural gas and coal, etc., under The Revenue Act of 1964. These changes will not impact in any way the heating costs for domestic dwellings. All residential accommodation will continue free of any tax on heating.

To protect current provincial gasoline and motive fuel tax revenues, the literage rates currently in effect will be maintained as a floor until the percentage levies require them to be increased.

To facilitate retention of the current tax collection procedures and to assure equitable application, the percentage rate of tax will be assessed on a uniform basis across the province. More specifically, it will be based on the average price of gasoline and diesel fuels in Winnipeg. The resulting tax will be converted to cents per litre and those rates will be applied uniformly throughout the province. The litre rates of gasoline and motive fuel tax will be the same, for instance, in northern Manitoba as in the south, since the rates of tax will be based on the prices as determined in the Winnipeg area.

To complement our general energy conservation efforts, the government has decided to encourage the use of gasohol as a fuel for automobiles. Members will be pleased to know that interest has been expressed in converting existing facilities for the production of gasohol, and certain gasoline distributors have expressed interest in marketing this product. However, at existing gasohol production costs, the resultant gasohol blend of at least 10 percent alcohol is not competitive with gasoline. In our view, the production of gasohol can make a significant contribution to reducing Canada's overall reliance on non-renewable energy resources and more particularly, reducing our imported oil requirements and improving the national balance of payments in the long run.

Accordingly, in recognition of the currently higher costs entailed in producing gasohol and to provide an incentive for its production, our government proposes to exempt gasohol produced from Canadian-made alcohol from all gasoline taxation. This is intended as an immediate incentive to encourage gasohol production. This incentive will of course be reviewed in subsequent years as gasoline prices rise and production of gasohol becomes more cost competitive with gasoline.

In proposing this measure, it is our intention to ask the Federal Government to re-examine its sales tax on gasohol to complement the Manitoba incentive. As well, in light of the fact that the Federal Government is providing a direct subsidy on imported oil supplies and non-conventional petroleum production to bring the retail price of such products down to a level competitive with the administered domestic price, we will be pursuing discussions with the Federal Energy Minister with a view to having those important national benefits extended to the production of domestic gasohol.

Mr. Speaker, I don't want to under-rate the potential on this, out of the whole western region, west central region of Canada, the best potential area for production of gasohol is Manitoba, and I am sure that if we can see other provinces making moves such as this, we can see an industry based here and in the long-run presenting a very viable economic undertaking for this part of central Western Canada.

All these changes under The Gasoline and Motive Fuel Tax Acts are effective midnight, May 31st.

Members will be interested to know the full implications of these important changes in provincial gasoline and motive fuel tax policy. At the outset, Manitoba's fuel tax rate will remain at levels below those in effect in Ontario and our revenue will not be affected significantly. However, as national non-

renewable energy prices rise, the province will retain its percentage share of revenues from that source.

Of course, if increased prices have a positive conservation effect, we could, over time, realize reduced revenues from fuel consumption taxes. In many ways, this would be desirable. Canada's per capita energy consumption is virtually the highest of all the OECD countries and our use of petroleum products continues to escalate at a rate which is completely inconsistent with a rational energy policy.

Mr. Speaker, I should also mention at this time that one other province has at this time moved to place a differential sales tax rate on automobiles, having a higher rate on the higher gas consumption automobiles and a lower rate on those with a lower gas consumption rate. That sort of differential tax rate is a very effective incentive to encouraging people to go to more efficient automobiles, but given the current problems in the Canadian automotive industry, it is not a very good time to be looking at that sort of a differential tax rate or a tax incentive, but it is one that ought to be looked at in another year when conditions stabilize.

Mr. Speaker, on tobacco taxes — at present, Manitoba's tobacco tax of 25 cents per package of 25 cigarettes is 5 cents per package lower than the rates applied in Saskatchewan, Ontario and Quebec. Our government proposes to align the Manitoba tax with those provinces by increasing the rate by 1/5th of 1 cent per cigarette. That takes the rate from 1 cent to 1-1/5th cents per cigarette, and that is for the Member for Seven Oaks. This change, which will be effective midnight, May 31st, will produce revenues of approximately 4.4 million in 1980-81 and 5.3 million annually. —(Interjection)— You can smoke until May 31st.

Resource Taxation — Last year the government implemented changes in The Mineral Taxation Act to equate returns from production of freehold land with the returns from Crown land and to provide freehold mineral operators with incentives for increased exploration efforts.

Since that time major increases in oil exploration activity have taken place in our province.

However, the process of adjusting The Mineral Taxation Act levies to provide equal returns on freehold land with those on similar Crown land was not completed last year, and it was completed today, not quite completed, almost completed. The Resolution that was passed in the House today was a large measure towards the culmination of this undertaking and that move will provide roughly 200,000 a year from freehold title holders to the Crown over the 1980-81 year.

Water Power Rentals — Currently, Manitoba's water power rental rates are the greater of 50 cents per installed horsepower and 1.25 per horsepower year of output. These rates have been in effect since 1952.

While at least one other jurisdiction has arbitrarily related its water power rates to the Consumer Price Index, we submit that they should be related to the increased market values of the electrical output. Accordingly, it is our intention to increase water power rental rates effective June 1, 1980, from 1.25 to 3.25 per horsepower year of output. The base rate of 50 cents per horsepower year of installed output will be increased to 1.30. Under our freeze on

domestic Hydro rates, these changes will not impact on Manitoba consumers. These changes will yield an additional 7 million annually to the province for the use of our water resources.

Political Contributions Tax Credit — Currently, British Columbia, Alberta and Ontario provide specific incentives in the form of political contributions tax credits to encourage increased public participation in the electoral process.

Manitoba is now in the final stages of a review of issues involved in election financing in this province and will be introducing Legislative changes this Session.

In line with those election financing reforms, we are proposing to implement a Manitoba Political Contributions Tax Credit administered through the National Income Tax System. Under this program, taxpayers will be permitted to deduct from Manitoba personal income taxes otherwise payable a portion of their contributions to recognized Manitoba political parties, recognized Manitoba constituency associations and candidates for election to the Manitoba Legislature.

The Political Contribution Tax Credit will be the same as the Federal Credit and involve a deduction of:

- 75 percent of the first 100 of total contributions;
- 50 percent of the next 450 in total contributions;
- 33-1/3 of total contributions exceeding 550 and the maximum allowable credit will be set at 500.00.

It is estimated that in an average year the effect of this plan will be a reduction to provincial revenues of 200,000.00. Mr. Speaker, I trust that most of that will not go to the NDP.

Corporation Capital Tax — Small Businesses — In 1978, our government provided a major increase in the corporation capital tax exemption for small businesses from the punitive 100,000 imposed by the NDP on taxable capital up to 500,000.00. In the interests of providing a further degree of assistance or relief to small Manitoba business operations, effective July 1st, the exemption will be increased by 50 percent from the current 500,000 to 750,000 of taxable capital.

This measure will reduce the corporation capital tax borne by small business by approximately 375,000 in 1980-81 and about 500,000 in a full year.

This assistance is being reinforced by the reintroduction of two national measures to assist small businesses proposed by the former federal government and announced once again by the new government on April 21, the deductibility of salaries paid to spouses by unincorporated businesses and the introduction of small business development bonds. Honourable members may not be aware that these measures also affect Manitoba's income tax system. We estimate that in combination with these two measures, that these two measures will provide our small businesses with a reduction in Manitoba taxes otherwise payable of in the order of 5 million this year. Mr. Speaker, that's why I mention at this time that there is a 5 million implication for Manitoba in 1980-81 by the federal move in this regard. On the other hand, the small businesses will also be subject to the new temporary 5 percent federal surtax but that measure only affects federal revenues.

Sales Tax — In our first two Budgets, our government introduced some important sales tax

improvements. Tonight I am pleased to announce a number of additional selective sales tax reductions effective at midnight.

First, a series of exemptions will be provided to encourage safety both at home and in the workplace. An across the board exemption will be provided for safety items of special design worn by workers to prevent bodily injury. This exemption will cover a broad range of items from specially designed safety devices and apparel worn by production workers, to police helmets, ear defenders worn by airport workers, and so on. This extension of the current restricted exemption reflects our government's continuing concern for the safety of working people in all industries throughout the province.

Childrens safety seats, which are designed and approved for use in motor vehicles, will be exempted.

A full exemption will be provided for first aid kits, bandages, dressings and fever thermometers, etc. This exemption complements the exemption in the current legislation for drugs, orthopaedic appliances and equipment for the physically handicapped.

The sales tax also will no longer apply to self-contained household smoke alarms.

A complete exemption will be provided for ambulances and related equipment which is carried in ambulances.

Second, consistent with our increasing emphasis on energy conservation, we are proposing major additional exemptions to encourage greater energy efficiency. More specifically, the current sales tax exemption on energy saving devices will be extended to include:

- Storm windows and storm doors,
- Heat pumps,
- Heat recovery units,
- Solar cells, solar furnaces and related equipment,
- Windmills and wind-powered generators and related equipment,
- Timer-controlled thermostats, similar automatic controls for electrical lighting systems,
- Woodburning stoves and furnaces, and
- Wind deflectors for trucks.

Third, to assist in our farm community, the sales tax will no longer apply to farm water systems, drainage tile, ventilation fans for farm buildings, and in addition, on May 31st, the current exemption for domestic heating under The Revenue Act, 1964 and Motive Fuel Tax Act will be extended to include the heating of all farm buildings.

Fourth, to assist fur trappers, the sales tax as it now applies to fishermen, farmers, and so on, will no longer apply to items used directly by licensed fur trappers for commercial trapping of fur-bearing animals. This exemption will parallel, as I said, those now in place for farmers and fishermen. It will not apply to items such as canoes, paddles, outboard motors, snowmobiles, which are used for general transportation, it will not apply as they have in the past on those items.

In addition, a number of other minor changes will be made. The refund qualifying period allowed between the purchase and sale of aircraft will be extended from 30 days to six months, patterns for sewing clothing at home will be exempted and the

sales tax exemption for diplomatic corps offices will be provided directly rather than through the current refund procedures.

Last year, our government simplified the sales tax collection remittance procedures which face small retailers throughout the province. To complement those measures and to acknowledge the invaluable services small retailers carry out in collecting taxes on our behalf, we propose to increase vendors' commission from the present 5 percent of the first 200 in monthly collections to 10 percent effective June 1st. There will be no change on the 1 percent amount allowed on collections in excess of 200.00. This doubling of the low volume commission rate is the first adjustment in the commission structure since 1974.

In total, we estimate that the net effect of the provision of these exemptions will be a sales tax revenue reduction of approximately 2.7 million in 1980-81 and 3 million in a full year.

Mr. Speaker, in total the taxation measures I have announced tonight will increase revenues by approximately 8.5 million in the current fiscal year and 8.9 million in a full year, that is the net.

Our overall estimates of revenues for 1980-81 total 1,882.6 million, an increase of 193 million or 11.4 percent over the initial estimates for 1979-80. However, because actual revenues exceeded original estimates last year, the final 1980-81 revenue growth rate is expected to be considerably less than the print-over-print that I have given you here.

I should add that members will note a change in the Revenues Estimates format this year, which you will see shortly. We have adopted a system of presentation which is closer to that used by other provinces. It provides a simpler and more easily understood split between the province's revenues from its own sources and federal transfer of payments, that is to facilitate the Member for St. Boniface. —(Interjection)— Mr. Speaker, I am sure that anybody except those members across the way will be able to understand it.

In my 1978 Budget Address, I announced our intention to conduct a full and complete review of Manitoba's Property and Cost of Living Tax Credits and related programs.

Completion of that review was deferred last year so that possible federal property and mortgage interest tax credits could be taken into account. On maturity, those federal measures were to deliver up to 250 in annual property tax assistance and 1,250 in annual mortgage interest assistance to all eligible homeowners. Unfortunately, the election of the new federal government has meant the abandonment of those significant measures, and thanks to the friends of the people opposite, these were foregone in their non-confidence motion, which they so judiciously moved at the federal level.

I would like to stress that in initiating our general review on tax credit and related programs, our intention was and continues to be to improve provincial programming. Ultimately, our objective is to ensure that these programs make the most meaningful contribution possible to the overall security and opportunity of all Manitobans and direct assistance to those genuinely in need.

Full details of the review and the reasons for the proposed changes are included in a White Paper on

Tax Credit Reform, which will be tabled at the conclusion of the Address here tonight. However, I would like to take this opportunity to highlight the most important changes for the members of the Legislature.

First of all the general maximum Property Tax Credit will be increased by 100 to 475.00. This major increase in maximum assistance will complement the 100 increase in the minimum to 325, announced by the First Minister on April 9th.

Second, the maximum Property Tax Credit for senior citizens will be increased by 150 from 375 to 525. In addition, as announced by the Premier on April 9th, the Pensioners' School Tax Assistance Program will be expanded from 100 to 175. The enhanced levels of assistance under that program will apply on top of the new basic Property Tax Credit of 325. In this manner, we are responding to the concerns expressed by pensioner homeowners about their school taxes and about the method of application for the rebates. Effective this year, all pensioner homeowners in Manitoba with school taxes under 500 will have their full school tax obligations offset by provincial assistance, delivered at the time they are required to pay their property taxes.

The Property Tax Credit increase means that senior citizen homeowners will also be eligible for an additional 200 in assistance through the income tax system in relation to their needs and incomes, bringing the total assistance available to 700.00.

Tenants who are senior citizens currently do not receive assistance under the Pensioner's School Tax Assistance Program, which is restricted to homeowners only. Accordingly, we propose to extend similar assistance to senior citizen tenants. This new measure will provide them with direct provincial payments of up to 175 to cover 10 percent of their rent over 1,625 annually — the rent level at which the basic 325 Property Tax Credit applies. Combined with the 525 maximum Property Tax Credit for senior citizens, this measure will provide senior citizen tenants also with up to 700 in property tax assistance.

Third, the more comprehensive combined family income measure used for federal Child Tax Credit calculations will replace the current measure — taxable income of the higher income spouse. In our view, this combined family income measure provides a better standard for relating supplemental assistance to needs.

Fourth, the Cost of Living —(Interjection)— Mr. Speaker, we're getting comments from somebody across the way who knows. That means he's probably collecting it.

Fourth, the Cost of Living Tax Credit will be retained at three percent of personal exemptions reduced by one percent of the new combined family income measure. This redefined income will reduce the incidence of Cost of Living Tax Credit payments to higher income Manitobans generally, and also to secondary and tertiary income earners in higher income families, and direct a higher proportion of benefits toward those with a genuine need.

I should point out, Mr. Speaker, that all of these are now in discussion and arrangement with the federal government which will require their agreement with regards to the federal tax forms.

Fifth, a new Manitoba Supplement for Pensioners will replace the Manitoba Supplement to the Elderly. Existing maximum payments will be doubled and benefits will be extended to pensioners over 55 rather than 65.

Sixth, the Manitoba Shelter Allowance for Elderly Renters, which we implemented effective January 1st this year, is making a real contribution to the security of our senior citizen community. We are proposing to enrich the benefits available under SAFER and to extend SAFER benefits to pensioners over the age of 55.

Seventh, SAFER benefits will be extended to low income families with children. This will involve the delivery of substantial rental assistance to a broader range of Manitobans than is possible under the current program.

Eighth, funding for Day Care services will be augmented to permit an expansion in the number of facilities providing care for pre-school children. The additional funding will also be used to extend Day Care to meet the needs of families with children of school age. More specifically, funds will be allotted to noon and after school care, as well as to a general augmentation in the numbers of pre-school Day Care services. Current Day Care charges, including provincial subsidies on a needs-related basis will be retained. These are already among the best available in Canada.

Ninth, the provincial . . .

MR. SPEAKER: Order please. There will be lots of time for debate in the ensuing days. The Honourable Minister of Finance.

MR. CRAIK: Ninth, Mr. Speaker, the provincial social allowance system will be adjusted to include all forms of support regardless of source, in the assessment of an applicant's resources and needs. Specifically, Property Tax Credits, Cost of Living Tax Credits, SAFER payments, Family Allowances, federal Child Tax Credits and other forms of assistance will be included in the calculation of the resources available to the individual.

But, Mr. Speaker, social allowance rates will be increased at the same time to ensure that the current levels of support paid to Manitobans in receipt of social allowances will be maintained.

We believe this integration of existing support payments in the resources of the individual, and similar adjustments in current social assistance levels will make it possible to target subsequent increases in provincial social allowances where there is most need.

Mr. Speaker, I should give the Leader of the Opposition a chance to cool off his pen before I announce Number Ten.

Tenth and finally and most importantly, in further recognition of the pressing needs facing low income families with children and more particularly the needs of single parent families, a new Child-Related Income Support Program (CRISP) will be implemented in 1981.

Under this program families with annual incomes under 7,500 will qualify for maximum provincial support at a rate of 30 per month, or 360 per year, per child and to ensure that benefits available under this program more accurately reflect the costs and

obligations involved in child-raising, a 500 deduction from total income will be permitted for each child. Maximum payments will be reduced by 25 cents for each dollar of additional income above the threshold levels.

Members will recognize that this more selective and targeted approach will guarantee much more substantial support to families, and more particularly single-parent families with children, than those possible up to now under the scattered approach of the Cost of Living Tax Credit Program.

For example, Mr. Speaker, for a family with four children, the new program will provide up to 120 in provincial support payments monthly or 1,440 per year. Taking into account the 500 per child exemption, this full level of support will be available to all such families with total incomes of 9,500 or less. In addition, as noted earlier, as total incomes exceed this level, the provincial payments will be phased out at 25 cents for each dollar of additional income. Thus, for a family with four children, Mr. Speaker, to give you the illustration, they would receive, at a family income of 9,500, the full 120 per month, and then it would scale down after that threshold, until at 15,000 in family income — at 15,260 it would phase out, so they would get the full amount of the 30 per month for child at the 9,500 threshold and from thereon in it would scale down.

Throughout the process leading up to the White Paper, our government paid close attention to the actual benefit delivery mechanisms and to the administrative requirements facing Manitobans in need. The review showed clearly that the procedures for obtaining benefits should be kept as simple as humanly possible.

Therefore, in line with the general integration of benefits principle, our government proposes to coordinate information on the new provincial programs and related assistance measures through a single province-wide information system. This will ensure that all Manitobans will have simple access to all necessary information. Some program details and administrative procedures have not yet been established, but will be worked out between now and the commencement of the new programs on January 1st, 1981.

In a full year we estimate that these reforms to the existing Property Tax Credit, Cost of Living Tax Credit and related programs, together with the implementation of new programs, will deliver an additional 29.6 million in provincial shelter and needs-related support to Manitobans. That is the net new amount of cash flow that will be going into these programs. Moreover, the proposed changes involve a significant reorientation in the existing benefit structure towards those in most need. The Supplementary Estimates include 28.6 million to meet the costs of these White Paper initiatives in 1980-81.

In summary, it would be safe to say that the reforms announced tonight represent our best estimate of where real needs for these kinds of programs currently exist, and how these needs can be best met under combined federal, provincial and municipal programming. Of course, changes at any of these three levels would change the emphasis of the needs, and adjustments may be required as time

goes by, as well as extensive monitoring during the initial period of the implementation.

Our review pursuant to preparing the White Paper on tax credits led to two important general conclusions:

The first was that the original intent of the Cost of Living Tax Credit Program was not being met. It had become essentially a shotgun program and a program that was leaking like a sieve. It was not providing target-directed financial relief to those in real need. While no system can be devised which is ideal, we believe that our new proposals will improve the situation dramatically and also address real needs in a new and better way.

To give you an example, Mr. Speaker, of what was happening under that program, you would find, I am sure, that a number of people in this room, in this Chamber, would be in receipt of a Cost of Living Tax Credit, and I don't think it would be the intention of any members in this Chamber to have that happen. You would find, Mr. Speaker, I am sure, that if you got beyond that investigation that there were even a greater number of the spouses of the people in this Chamber who were receiving that credit, and that I don't think was intended either, and that is the sort of problem we encountered in examining this program. When I say it was leaking like a sieve, it was a shotgun program and it was not doing what it was intended to do.

The second conclusion was that the Property Tax Credit method can only partially accommodate the financing of the public school system, but it is an important program to retain as a counter-balance to total provincial control of education, which would necessarily come with total direct provincial financing. It is recognized, however, that all the methods of public school financing by the provincial government must now be addressed comprehensively to overhaul a system which has not been fundamentally changed for fifteen years.

Mr. Speaker, regarding Education Financing, although enrollments have been falling while per pupil assistance has been increasing substantially, we recognize that the public school system is in a difficult period of transition and the problems which accompany the process of a contraction can be very different from those which accompanied the expansion pressures of the 1950s and the 1960s.

Our government remains committed to upgrading direct provincial support for public schools in the coming years. The major focus of that support will be to ensure that high quality education continues to be available to all our children, without undue burdens on local ratepayers. We recognize that special transitional assistance will be required to meet the problems of adjustment and to ensure more effective programming over the long term.

The Property Tax Credit increases contained in this Budget reflect those concerns, as does the general review of property tax assessment issues and procedures which is already under way. By the end of this fiscal year, we hope to be in a position to complement these initiatives with proposals for improvements in direct support through mechanisms such as the Foundation Program.

While a number of options are under consideration, I can say that a key objective of our education finance reform proposals will be the

maintenance of a significant degree of local control over the operations of local schools, with continuing local tax support. We believe that the local autonomy principle would be jeopardized if the province were to provide all or nearly all of the financing for education on a direct basis.

As I said before, we also recognize the importance of ensuring that improvements in direct provincial support for education reflect the new challenges facing school divisions, including declining enrollments and emerging excess capacity as a result of the changing age distribution of the population.

These challenges will increase even more the importance of school boards throughout our province and, of course, throughout much of Canada where exactly the same trend is occurring. It has been, and will largely continue to be the responsibility of locally elected officials to rationalize the public school system in light of reduced enrollments. In some cases, class sizes are becoming too small. In other more serious situations, the total school enrollment is declining to a level where it is difficult to provide the curriculum with the teachers and other resources which have been assigned. In these circumstances, school boards will have to face unavoidable decisions to close some schools and amalgamate classes in others, not only to achieve greater efficiency in the delivery of education services, but also, and more importantly, to assure the continued availability of the best possible educational environment for our children.

In recent months the school divisions have faced some major uncontrollable interest costs, which have been aggravated by high rates. These interest costs have occurred in part because the provincial government's payments of Foundation Grants to school divisions have not flowed in relation to school division requirements, and in part because municipalities have been permitted to retain special levies collected on behalf of the divisions and to lag the actual transfer of those collections.

These factors led the Provincial Auditor to express concern in a number of his reports. In his 1978 Report, for example, he observed, and I quote:

The method of financing school divisions resulted in the divisions' working capital requirement being financed substantially by way of bank loan and overdrafts, thereby creating an excessive interest expense.

The cash flow in accordance with the present regulation improperly increases the cost of education in order to improve the financing expenditure amounts of the province and the municipal corporations.

That's from the Provincial Auditor. Our government proposes to deal with this problem by accelerating the payment of Foundation Grants to school divisions. We intend also to ensure greater equitability in the cash flow between municipalities and school divisions after discussions with both levels of local government.

On the provincial side, the present schedule involves the payment of 20 percent of the estimated spring term grant in each of the four months from April to July, with a final 20 percent balancing payment in September, and the payment of 20 percent of the estimated fall term grant in each of:

October, November, December and January, with a final balancing payment in March. Under our cash flow acceleration proposal, 40 percent of the school divisions' Foundation Grant entitlements will be paid in April, followed by equal 10 percent payments in each month of the academic year. This measure is expected to reduce the uncontrollable interest expenses facing school divisions by approximately 4 million in a full year. Since provision for interest costs under the old schedule is included in school division budgets for 1980, this change may enable divisions to achieve modest surpluses this year.

In considering a more equitable flow-through of the school taxes collected by municipalities, our government is mindful of the fact that the municipalities are also faced with significant borrowing costs from time to time to provide general local government services prior to actual payment of municipal taxes by property taxpayers. However, under the current payment schedule, 20 percent of Special Education Levy Funds are transferred to school divisions in each of the months of July, September and November, and the remaining 40 percent are retained by municipalities until the following January. In many cases this means that school taxes have been paid by the ratepayer to support school services, but are being retained by municipalities until the payment schedule requires them to be transferred. At the same time school divisions are faced with the necessity of borrowing to meet their expenditure obligations. However, as noted earlier, budgets on both the municipal and school sides are already set for this year. Accordingly, it is our intention to initiate early consultations with municipalities and school divisions so that revised payment schedules can be effected.

The Member for Elmwood, Mr. Speaker, says it's overdue and he's dead right. Mr. Speaker, the members opposite would not know it, but it was a problem during their eight years of tenure.

The Supplementary Estimates I'll table at the conclusion of my address total approximately 31.3 million. In addition to the 28.6 million provision for tax credit reform, the largest item in the Supplementary Estimates is an allowance of 2 million for additional forest fire suppression costs.

Members will note that there is also provision for an increase in statutory indemnities and allowances, as well as salary and representation allowances in line with the recommendations made by Justice Hall earlier this year.

The Supplementary Estimates in combination with the Main Estimates tabled earlier in the Session, result in a total expenditure authority request of 2,022,200,000.00. This amount is approximately 139.6 million greater than the estimates of total revenue for the year. We believe a deficit of this size is manageable and acceptable for a number of reasons.

Mr. Speaker, the dramatic improvement in our year-end positions over the last two years has given us a great deal more flexibility, and a great deal more breathing room in assessing our budgetary options.

While the estimated deficit is larger than the actual year-end figures in 1978-79 or 1979-80, it is in line with the earlier estimates for those years, both as a percent of the gross provincial product and as a

percent of total provincial expenditures, and of course is still well below the 1977-78 record.

In addition, the deficit continues to be entirely for capital purposes as opposed to current operations.

Mr. Speaker, nobody in this province will ever equal their record for a deficit unless they ever end up back in office. Mr. Speaker, by the time they end up back in office, there'll be a one percent deficit.

Having said this, however, I want to emphasize, as I did in my Budget last year, that our long-term objective will continue to be a balanced Budget on a combined basis, as and when economic conditions permit and, Mr. Speaker, I guarantee we'll get to it.

Mr. Speaker, re Capital Financing — as I indicated in my Budget Speech last year it is the intention of our government to reduce the need to borrow in the capital market as much as possible, but, when necessary to borrow in the Canadian markets or as a second choice, to borrow in US dollars if it appears to be in our favour to do so.

During the past year one issue payable in a European currency was repaid. When the borrowing took place in 1970, the proceeds of that European units of account issue were 12.5 million in Canadian funds, and the nominal interest rate was 9 percent, but the principal repayment in March of this year cost 27.1 million and the effective interest rate turned out to be 29.6 percent. Mr. Speaker, it would be interesting to read the press release that went out at that time, which I've done.

In June of this year, an issue payable in Swiss Francs will come due and again I anticipate repaying the issue using Canadian dollars borrowed in Canada. When the initial borrowing took place in 1970, again, the nominal interest rate was 8-1/8 percent and the proceeds were some 40 million. Now, the principal amount repayable is approximately 72 million. The difference plus regular interest costs has transformed an illusory interest advantage ten years ago into an effective rate of 24.7 percent today. These two examples illustrate why we believe it is essential to reduce our exposure on off-shore currencies at this time, and a comparison, included with the financial statistics I will table later, will demonstrate the complete debt picture. At exchange rates in effect on May 1, our outstanding debt was 592.5 million higher in Canadian dollars than in the amounts that were initially borrowed. Mr. Speaker, they even make the Hydro mistakes look small.

Later this evening I will be tabling 1980-81 capital authority requirements from Crown agencies totalling 24 million. I should add that the amounts requested do not reflect the total capital programs of the two large utilities, Manitoba Hydro and Manitoba Telephones, since both utilities have available capital authority already voted by the Legislature in past years and since both will use internally generated funds to finance a portion of their programs. Hydro's capital expenditure programs total 124 million, and those of the Telephone System, 90 million. Combined provincial public sector capital expenditures for 1980-81, including those of Crown agencies and departments, are estimated, in aggregate, at around 534 million.

Overall, we estimate our budgetary and non-budgetary borrowing requirements at about 310 million this year. Mr. Speaker, that's with a capital

program of 534 million. Since off-market sources, such as the Canada Pension Plan, are expected to provide around 110 million, our total public market requirements in 1980-81 for direct provincial and guaranteed self-sustaining purposes will be approximately 200 million.

At the conclusion I will table updated information on the province's overall debt position. It will show that during the last year the rapid acceleration of total debt in our province caused by the former government's capital program has levelled off. The outstanding debt at the end of 1979-80 fiscal year was marginally above 4 billion, up only 1-1/2 percent over the previous year, and the provisions in our 1980-81 Estimates for debt charges, including Hydro Rate Stabilization, are down from a preliminary-final of 118.6 million for 1979-80 to 93.8 million, primarily because of the decrease in the rate stabilization costs this year.

But while these improvements are welcome, they don't change the fact that Manitoba is still burdened with a high total debt load and will continue to be for some time.

Our outstanding debt, now close to 4,000 for every man, woman, and child in this province, is still the second highest on a per capita basis in Canada. Mr. Speaker, I hear a lot of noise across the way, but if they really want to make noise, they can stand up and explain the 600 million that isn't even included here that they borrowed in their off-shore markets. Nobody has talked to the boys across the way about that yet. They can answer for that when they're answering about some of the other nonsense mistakes that they carried on with.

The average Manitoban, Mr. Speaker, will never really know how expensive those fellows were, and they didn't know themselves and they still don't know. They were a ship out of control.

In these circumstances it is essential that the province and its agencies guard against unnecessary over-extension. Some would argue, and we hear it from across the way, roll over the debt, as if there were some magic in that procedure, but there isn't. It just postpones the inevitable. Eventually the debt has to be repaid or an even larger and more difficult burden will be left for the next generation to add to the other legacies they will inherit from a society which only now is beginning to recognize the need to look further ahead than the next year and to appreciate the absolute necessity of prudent use of our resources now and in the future.

That, of course, was the kind of advice our predecessors ignored when they embarked on the sequence of irresponsible and near-disastrous decisions which were documented in the report of the Commission of Inquiry into Manitoba Hydro, decisions which will cost the province dearly for many years.

The Tritschler Report showed how short-term expediency and political influence came close to jeopardizing much of the future development of Manitoba and how our prospects have been set back and the returns to the people of Manitoba permanently reduced.

Now, however, the situation is beginning to turn around. The foreign exchange element has been removed from Hydro's debt load and we have frozen Hydro rates. Market prospects are improving as well

and we are confident that following the completion of other negotiations and studies now underway, that further development of Hydro resources, development stalled by the actions of the former government, will proceed in a fashion that is in the best interests of Manitoba Hydro ratepayers and thus the taxpayers of Manitoba.

Our renewable energy heritage gives Manitoba a development advantage which is matched in few other regions of the country or the world. This government recognizes that fact and is determined to make that advantage work for the people of Manitoba and for all Canadians.

Let there be no mistake. We believe our Hydro resources belong to the people of Manitoba in the same way as non-renewable resources under the Canadian Constitution, and it follows that we will resist any effort by the federal government to divert revenues from Hydro exports away from Manitoba. But, as I said earlier, we are prepared and indeed committed to share the long-term benefits of our resources with all Canadians in the national interest. In fact, it is the long-term national interest which has caused us to pursue actively the possible sale of firm power through a western Canadian grid, in preference to North-South firm power agreements of a similar type.

Mr. Speaker, I want to say in conclusion on that, we have made an attempt to have a long-term national, rational and provincial plan with regards to our Hydro resources, and it is the first time such has ever been proclaimed.

Mr. Speaker, finally in conclusion. Two years ago I concluded by first Budget Address with an attempt to summarize, as clearly as I could, the principal challenge facing our new government.

It stated that our challenge was not to restrict essential government services for the people of Manitoba, but rather to help build and maintain the economic base, which would make those services possible. I am proud to say that our government has met that challenge.

The citizens of Manitoba are already realizing the benefits, the dividends if you like, of the restoration of fiscal responsibility, and this Budget adds a broad range of further improvements:

First, major direct tax reductions for homeowners, renters, and small business operators across the province, increased and more effective program benefits, particularly for our elderly citizens and families with children, who are most in need of assistance, and Substantial and long-needed program reforms, designed not only to improve the quality of our public services, but also to ensure effectiveness and genuine value for the tax dollars which support them.

This could not have been possible if our government had not acted in a decisive way to restore a secure financial and economic base.

In future years this foundation will permit us to undertake major new commitments and it will guarantee that we can deliver on those commitments, without subjecting our taxpayers and our economy to onerous direct tax burdens or massive, hidden future obligations.

In many respects, Mr. Speaker, our government is very much where we hoped to be in the first year of the 1980s.

The initial transitional adjustment period is behind us; our economy is back on track, and we have blue sky ahead of us, Mr. Speaker. The task now is to maintain and where possible to accelerate the rebuilding process.

Although this is our government's third Budget, in some ways it is really our first. It marks the start of a new stage in our development process and it opens a decade of new opportunities in our province with a set of policies and program reforms, which recognize those opportunities and respond to them with responsibility and realism.

Some have argued that it is not possible to have both humane government and responsible government. That is totally false and this Budget proves it. What it does show very clearly is what good government, competent, dedicated, effective and honest government can do, and it also shows what a moderate, common-sense government, but a government with an aggressive commitment to the development of our province can do to provide a receptive environment for the widest possible range of people, institutions and enterprises.

That is the kind of government, Mr. Speaker, that we must have to realize the opportunities now before us, and that is the kind of government we intend to keep on providing for the citizens of Manitoba in the years ahead.

MR. SPEAKER: Are you ready for the question?
The Honourable Member for Kildonan.

MR. FOX: Mr. Speaker, I move, seconded by the Honourable Member for Rupertsland that debate be adjourned.

MOTION presented and carried.

MR. SPEAKER: The Honourable Minister of Finance.

MR. CRAIK: Mr. Speaker, I have a message from His Honour, two messages from His Honour.

MR. SPEAKER: The Lieutenant-Governor transmits to the Legislative Assembly of Manitoba Estimates of sums required for the service of the province for capital expenditures and recommends these Estimates to the Legislative Assembly.

The Lieutenant-Governor transmits to the Legislative Assembly of Manitoba Estimates of further sums required for the service of the province for the fiscal year ending the 31st day of March, 1981, and recommends these Estimates to the Legislative Assembly.

The Honourable Minister of Finance.

MR. CRAIK: Mr. Speaker, I move, seconded by the Minister of Health, that the said messages together with the Estimates accompanying the same be referred to the Committee of Supply.

MOTION presented and carried.

MR. SPEAKER: The Honourable Minister of Finance.

MR. CRAIK: Mr. Speaker, I wonder if I could be given the opportunity to mention that there is, in addition to the Capital Estimates and the Supplementary Estimates, the Tax Book Comparison of the various jurisdictions of taxes is also available for the members of the House and will be distributed as well.

MR. SPEAKER: Is that agreeable? (Agreed)
The Honourable Government House Leader.

MR. MERCIER: Mr. Speaker, I move, seconded by the Minister of Government Services, that this House do now adjourn.

MOTION presented and carried, and the House was accordingly adjourned and stands adjourns until 2:00 p.m. tomorrow afternoon (Wednesday).

MANITOBA ECONOMIC REVIEW AND STATISTICS

MANITOBA ECONOMIC REVIEW

NATIONAL AND INTERNATIONAL DEVELOPMENTS

During the past year, most of the major O.E.C.D. countries witnessed a slowdown in real growth, an acceleration of inflation, rising interest rates and deteriorating current accounts in their balance of international payments, resulting in part from a renewed round of world oil price increases in 1978 and 1979 and growing international political tensions in the Persian Gulf area. The mild recession which had been widely anticipated in the North American economy did not arrive in 1979, largely because of strong business investment spending and unexpected strength in consumer expenditures. These expenditures, however, along with the impact of the oil price increases, drove inflation to new highs in the United States. The United States has now entered a recession which some observers consider could be more prolonged and more severe than the downturn in 1974 and 1975.

In Canada, growth in real Gross National Product declined to 2.9% in 1979 from 3.4% in 1978. Business investment in plant and equipment increased by a strong 10.4% in real terms, up from 1.0% in 1978, resulting in a moderate increase in growth in final domestic demand. At the same time, the strength in the foreign sector which led growth in Canada during 1977 and 1978, was somewhat eroded in 1979 and the current account deficit in the balance of payments remained above \$5 billion.

The Canadian economy has not yet adjusted to the full impact of world oil prices. The domestic wellhead price, at \$14.75, is currently about half of the average world price. In 1979, the Consumer Price Index increased 9.1%, marginally faster than the 1978 increase of 9.0%. However, underlying inflationary forces intensified quite sharply with the Gross National Product price index rising 9.9% in 1979 compared with 6.4% in 1978. Much of the acceleration was due to inflation imported via Canada's international trading relationships and is continuing to affect final prices in the current year. Inflationary expectations are becoming institutionalized and self-reinforcing, leading many economic commentators to predict rising rates of inflation in the current year even before the effects of domestic oil price increases are taken into account.

MONETARY POLICY AND INTEREST RATES

In 1979, monetary policy was again directed towards the twin objectives of maintaining the external value of the Canadian dollar relative to the world's major currencies and curtailing inflationary pressures from domestic and foreign sources.

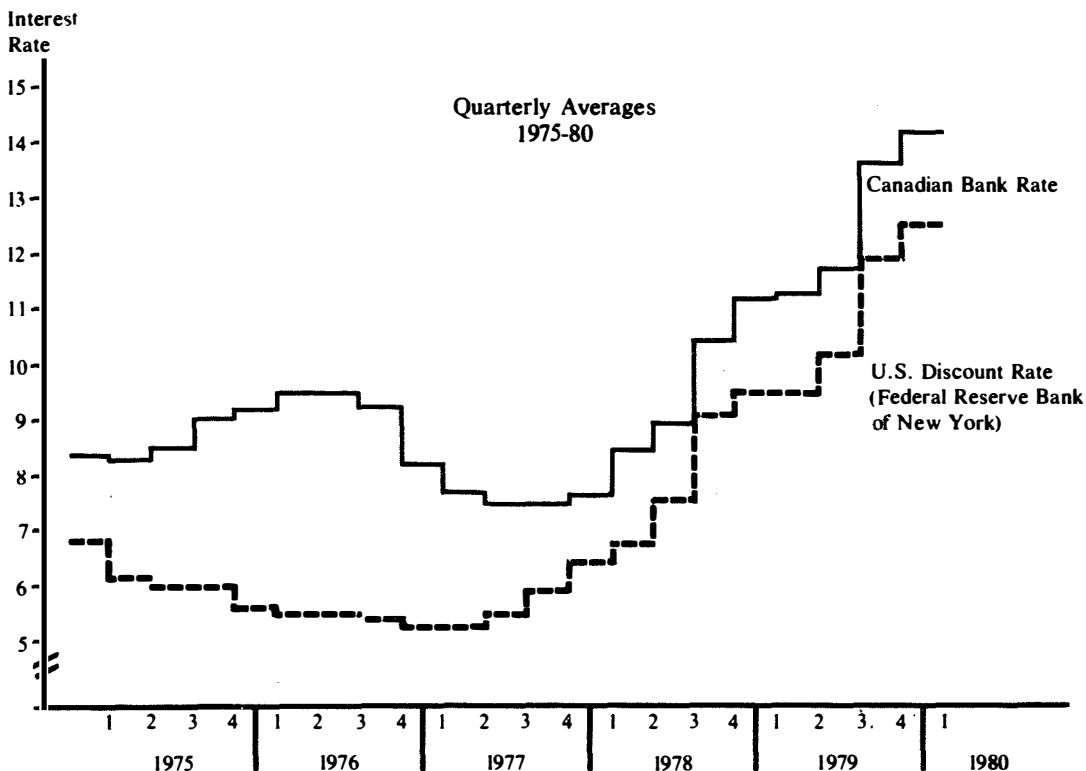
Exchange Rate Policies

Successive and competing rounds of interest rate increases in most western industrialized nations continued through 1979 and accelerated during the first quarter of 1980 in response to persistent bouts of world-wide inflation and serious balance of payments adjustment problems. In Canada, for the 1979/80 fiscal year, foreign exchange transactions, undertaken to moderate fluctuations in the exchange rate, resulted in a \$222 million addition to the federal government's total financial requirements. Total foreign exchange assets, including assets required for official exchange market transactions, increased by \$525 million in 1979, following substantial declines of \$5.5 billion and \$986 million in 1978 and 1977 respectively. The improvement in 1979 has been attributed mainly to the more stable performance of the Canadian dollar following its downward trend in 1977 and 1978.

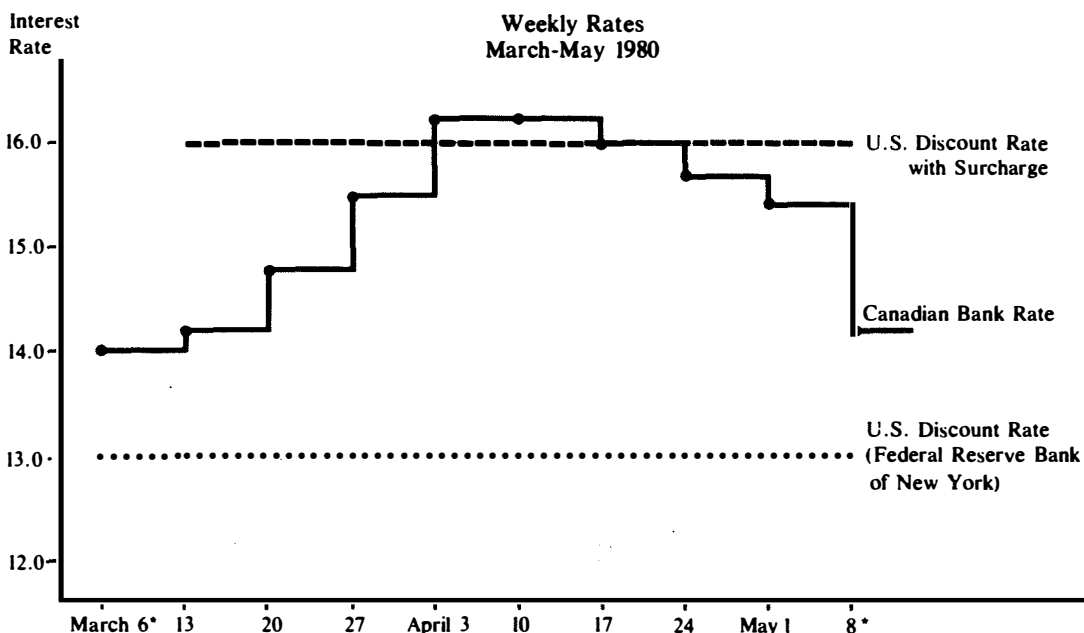
Interest rates in the United States maintained a gradual upward trend until the third quarter of 1979, when a shift to more restrictive monetary policy brought about sharp increases. For example, the Federal Reserve Bank of New York discount rate increased from 9.5% in January to 12.0% in December, 1979 and to 13.0%, with an additional 3% surcharge for frequent borrowers, at the close of the first quarter, 1980. The Bank of Canada increased its bank rate five times in 1979, raising it by 325 basis points, from 10.75% to 14.0%. In mid-March, 1980 the bank rate was allowed to float at 0.25 percentage points above the weekly rate on 91-day treasury bills and by early April, the rate had reached 16.20%, a further increase of 220 basis points. In recent weeks, the bank rate has fallen, to 14.17% on May 8. However, the decline has been more gradual than the decline in short-term American rates and Canadian rates are once again generally above those prevailing in the United States.

While short and long-term Canadian rates have followed pace, they have at times in recent months stood only marginally higher, and occasionally lower than similar American rates, in contrast to differentials of from two to three percentage points during the mid-1970's. Despite the narrowing of differentials in late 1979, the Canadian dollar, buoyed by improvements in the balance of payments and discoveries of new oil and gas reserves, showed some improvement, only to come under further pressure over the last two months when Canadian interest rates were well below those in the United States.

Canadian and U.S. Bank Rates



Source: Bank of Canada Review, March, 1980



* A surcharge of 3 percentage points was applied by the Federal Reserve on frequent borrowings by large banks between March 14, and May 7, 1980.

Source: Bank of Canada, Weekly Financial Statements
McLeod, Young, Weir Money Market Letter

Domestic Monetary Policies

Since the fall of 1975, the Bank of Canada has pursued a policy designed to control inflation "by bringing about a gradual slowing in the trend rate of domestic monetary growth with the primary focus on the money supply defined in terms of currency and chartered bank demand deposits, or M1." A target range for M1 was initially set at 10% - 15%, and was reduced in successive steps to the 6% - 10% range in effect for most of 1979. The growth of M1 remained well within the target ranges until the fourth quarter of 1979 when it dropped below the range. In December 1979 the target was adjusted downwards to 5% - 9%. In contrast, growth of the broader monetary aggregates, such as M2 and M3, has remained at the rapid double-digit rates prevailing in the mid- 1970's. The substantial divergence between M1 and M2 growth rates has led to speculation that effective control of M1 may not provide an adequate check on liquidity, and hence inflation, in the economy.

Total estimated federal government financing requirements of \$11.7 billion are projected for 1980/81. To date, the increase in the public's holdings of federal government marketable securities has kept pace with the increase in net financing requirements. However, the par value of outstanding Canada Savings Bonds dropped by \$1.3 billion during 1979 with a further decline of some \$1.3 billion from January to April, 1980.

The Bank of Canada has warned of the danger that the absorption of domestic savings by the fiscal deficits of governments can militate against investment in plant and equipment and against the increases in productivity and incomes that investment makes possible. Although lower M1 growth rates are anticipated for 1980, federal financing requirements, if accommodated through the sale of federal government securities to the Bank of Canada (i.e. monetizing the debt), could result in renewed expansion of the money supply. While monetary restraint and high interest rates are consistent with the Bank's domestic and external policies, the high interest rates associated with the defense of the Canadian dollar may themselves be inflationary, at least in the short run.

At their conference in Lethbridge in April, 1980, the Western Premiers emphasized the federal government's responsibility for interest rate policy and noted that:

"Current high interest rates are symptoms of much more serious structural problems in the Canadian economy, namely, the balance of payments deficit and the federal budgetary deficit. To address these deeply rooted structural problems, they suggested a number of proposals which could form a major part of a national economic strategy to avoid automatic tracking of Canadian interest rates with those in the United States."

The Western Premiers recognized that "an essential part of developing a national economic strategy requires the federal government to reduce its budgetary deficit and ultimately to balance its budget over the economic cycle." The short-term effects of a reduction in the federal deficit could be offset by undertaking certain large viable capital projects. The Premiers' proposals also included the on-going coordination of foreign borrowing by governments and Crown corporations and a variety of tax measures to mobilize domestic savings and thereby reduce Canada's reliance on foreign capital.

Regional Implications

According to the Bank "the acceleration of the rate of price and cost inflation in Canada in 1979 was due in part to the fact that the Canadian economy has recently been operating at very close to its effective capacity to supply the goods and services that are in demand in Canada and abroad." However, inflationary pressures do not mount equally in all regions; rather they become serious in certain regions and industries while others may be operating well below capacity. Monetary restraint, even when necessary at the national level, may dampen economic activity to a greater extent than is necessary or desirable in some regions and/or sectors which are highly dependent upon external financing. In this context, the Western Premiers indicated their deep concern "about the unacceptable and unfair impact of the high (interest) rates on homeowners, small businessmen, farmers, forest workers and the development potential of the West."

Instruments of control which are somewhat more selective in their effects might be employed to offset some of the effects of monetary policy without frustrating its intention. To this end, Manitoba has argued that closer consultation and information-sharing between the Bank of Canada, the federal government and the provinces could assist in the design of more closely-integrated monetary and fiscal policies which are sensitive to economic developments in the regions and at the same time, serve the national interest.

DEVELOPMENTS IN MANITOBA

Summary

According to recent estimates, Manitoba's Gross Provincial Product reached about \$10.5 billion in 1979, an increase of 11.6% from the 1978 level of \$9.4 billion.

Growth in real output last year is estimated at about 2%, a slight reduction from the 1978 growth rate of close to 3% mainly because of lower agricultural crop production, and a decline in housing starts following the record number of starts in 1978. Despite these dampening factors, many areas of the economy expanded sharply. Renewed vigour in Manitoba's manufacturing sector was reflected in strong increases in investment, employment and final shipments of manufactured goods. Utilities, transportation and communications recorded a year of strong growth in output and, by year end, an upswing was underway in mining production. Considerable investment and employment increases also took place in the trade and commercial services sector of the economy last year. Overall, the unemployment rate was reduced by more than a full percentage point in 1979.

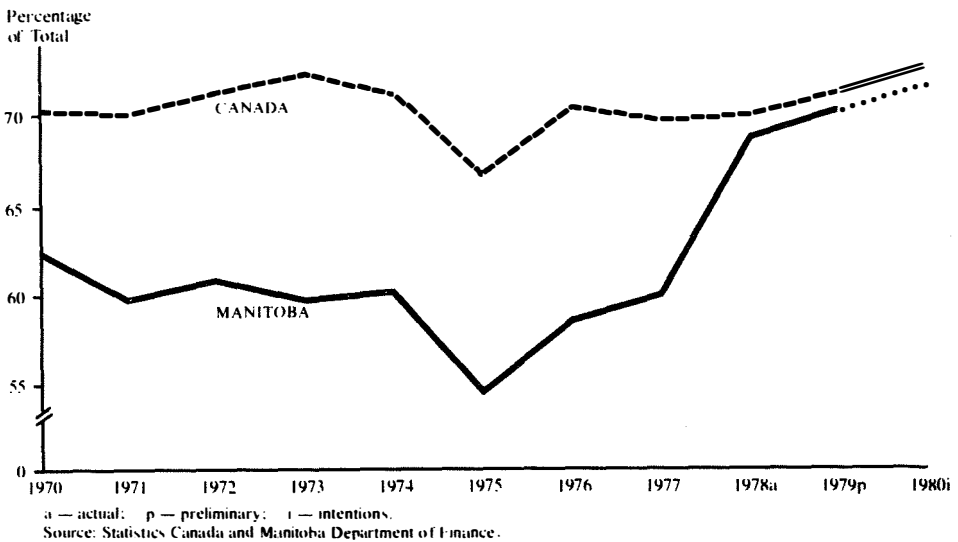
Investment

Investment expenditures in trade, finance and commercial services and in the manufacturing sector were particularly strong in Manitoba in 1979 with increases of 48.4% and 24.6% respectively. Investment in primary and construction industries was up by 10.9%. Offsetting part of these gains were declines in investment spending by institutions and government departments (down 2.8%), investment in utilities (down 5.9%) and in the housing sector (down 28.4%). The result was an overall increase in investment expenditures of a modest 0.4%.

Among the major investment projects in 1979 were several shopping centres (see retail trade section), and a number of office building complexes including the Trizec development at Portage and Main in Winnipeg, the York Centre Development, Colony Square and preparatory work for Great West Life's new headquarters. In the manufacturing sector, plant expansions or new facilities were undertaken in most industries, both in Winnipeg and in other centres in the Province. Some of the major investments included those of Versatile Manufacturing Company, Boeing of Canada Ltd., Tan Jay International Limited, Burrows Business Machines Ltd., CSP Foods Ltd., (in Altona), AA DeFehr Manufacturing Ltd., Dominion Bridge Co. Ltd. (in Selkirk), Dunn-Rite Food Products Ltd., Heritage Foundry Ltd. (in Winkler), Monarch Industries Ltd., Screen Print Display Advertising (Western Ltd.), Wescott Fashions Ltd., and Woodstone Foods Ltd., (in Portage la Prairie).

The private sector share of total new capital investment increased dramatically in the last two years bringing the private share to around 70% from about 60% where it had been for most of the 1970's and virtually eliminating the gap between the private shares in Canada and Manitoba. The annual level of private sector expenditures increased by \$285 million between 1977 and 1979. While some of the change in private and public shares of investment occurred as a result of the slowdown in public sector expenditures, primarily reflecting the phase-down of Manitoba Hydro construction activity, it is felt that this has created a more healthy balance in the overall total.

Private Sector Share of Total New Capital Investment Canada and Manitoba



The outlook for 1980 is for improved investment expenditures in all sectors of the Manitoba economy except for housing where a further decline is anticipated as in most other provinces. Manufacturing is expected to be the leading investment sector with investment intentions up 27.7%, the third largest increase of all provinces. Investment intentions for institutions and government departments, up 8.6%, are also expected to exceed the national average. The preliminary outlook also calls for investment increases in the primary and construction industries (up 12.8%) and in the trade, finance and commercial services sector (up 5.0%). Total private sector new capital spending is expected to increase 7.0% in 1980 increasing its share in total investment to 71.6%, very close to the national share of 72.5%. However, the surveys from which these statistics were derived were conducted before the recent peak in interest rates and could be subject to some revisions.

Prices

The continuing effect of inflationary forces in the international and Canadian economies was evident in the rise in consumer prices in Manitoba last year. The Winnipeg Consumer Price Index advanced by 9.2% last year, up from the 1978 increase of 8.5%, but about the same rate of increase as the national index which was up 9.1%.

In March, 1980 the Winnipeg C.P.I. was up 9.6% from March, 1979 while in Canada the C.P.I. was up 9.3% for the same period. Food prices in Winnipeg continued to increase somewhat less quickly than the national increase with the increase to March, 1980 from a year earlier being 7.4% compared with 8.4% for Canada.

Population

The general westward shift of population in Canada in the 1970's has affected population growth in Manitoba. For the last six years Manitoba's population has been augmented by net in-migration flows from provinces to the east - a reversal of the net outflow which had been typical for many years. At the same time, net flows to the western provinces have increased mainly as a result of lower in-migration. In the last two years, a further sharp increase in migration from all parts of Canada to the west, and in particular to Alberta and B.C., has contributed to an increased net negative total for Manitoba. Preliminary Statistics Canada estimates now indicate that Manitoba's total population declined in 1979, to 1,026,200 on January 1, 1980. However, Statistics Canada recently revised its intercensal estimates upwards for Manitoba, and the next "benchmark" population count will not be available until the June, 1981 Census. In the last Census the population of Manitoba is acknowledged to have been undercounted by 4,000 to 18,000 persons.

INTERPROVINCIAL MIGRATION

Migration Flows In From and Out To:

	<u>Eastern Canada</u>			<u>Western Canada</u>		
	<u>In</u>	<u>Out</u>	<u>Net</u>	<u>In</u>	<u>Out</u>	<u>Net</u>
1970	11,930	15,497	-3,567	16,087	21,728	-5,641
1971	10,904	15,452	-4,548	17,176	19,977	-2,801
1972	11,466	15,040	-3,574	15,135	19,872	-4,737
1973	12,895	12,974	- 79	15,966	21,659	-5,693
1974	14,578	12,474	2,104	18,402	22,103	-3,701
1975	14,833	12,879	1,954	15,355	24,219	-8,864
1976	13,075	10,791	2,284	13,491	20,012	-6,521
1977	13,591	11,455	2,136	14,708	21,008	-6,300
1978	11,812	10,996	816	13,129	21,103	-7,974
1979	12,153	11,132	1,021	11,479	23,434	-11,955

Years ending May 31.

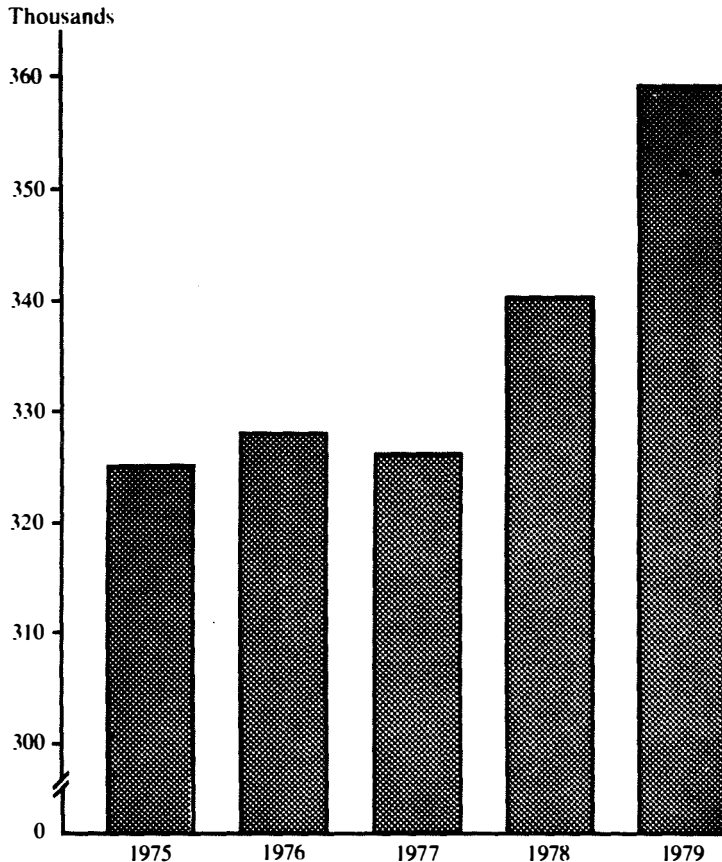
Source: Statistics Canada.

Employment and Incomes

Total employment in Manitoba increased by 13,000 or 3.0% to average 453,000 in 1979. As in the previous year, the fastest employment growth occurred in the manufacturing sector; strong increases were also recorded in wholesale and retail trade, agriculture, and transportation, communications and other utilities.

In the private sector, employment increased 19,000 to an average of 359,000 in 1979. In the two years 1977 to 1979, private sector employment increased 33,000 or 10.1% following growth in the previous two years of only 1,000 or 0.3%. The entire net increase in employment of 24,000 from 1977 to 1979 is attributable to the private sector.

Private Sector Employment



SOURCE: Statistics Canada.

Tuesday, 13 May, 1980

PRIVATE AND PUBLIC EMPLOYMENT

	<u>Annual Averages</u>					<u>Percent Change</u>			
	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1976/ 1975</u>	<u>1977/ 1976</u>	<u>1978/ 1977</u>	<u>1979/ 1978</u>
Private Paid Workers	269	272	271	279	295	1.1	-0.4	3.0	5.7
Employers, Own Account and Family Workers	<u>56</u>	<u>56</u>	<u>55</u>	<u>61</u>	<u>64</u>	<u>0.0</u>	<u>-1.7</u>	<u>10.9</u>	<u>4.9</u>
Private Sector Employment	<u>325</u>	<u>328</u>	<u>326</u>	<u>340</u>	<u>359</u>	<u>0.9</u>	<u>-0.6</u>	<u>4.3</u>	<u>5.6</u>
Public Sector Employment (all levels of government)	<u>92</u>	<u>99</u>	<u>104</u>	<u>100</u>	<u>94</u>	<u>7.6</u>	<u>5.1</u>	<u>-3.8</u>	<u>-6.0</u>
TOTAL EMPLOYMENT	417	426	429	440	453	2.2	0.7	2.6	3.0

Totals may not add due to rounding.

SOURCE: Statistics Canada and the Manitoba Department of Finance.

The total labour force in Manitoba averaged 478,000 in 1979, an increase of 7,000 or 1.5% from 1978. Most of the labour force growth last year occurred among the population aged 25 years or over, reflecting the aging of the "baby boom" group and the continuing increase in the participation of women in the labour force. Although the decline in birth rates which occurred in the 1960's is reflected in the population currently reaching working age, a rapid increase in participation rates for young persons in 1978 and 1979 resulted in growth in the labour force aged 15 to 24 years. The labour force participation rate for all persons 15 years of age and over rose by 0.6 percentage points to 63.7% in 1979.

The unemployment rate declined from 6.5% in 1978 to 5.4% in 1979, its lowest level since 1976 and more than 2 percentage points below the national rate of 7.5%. The seasonally-adjusted unemployment rate in the first quarter of 1980 also averaged 5.4%.

The increase in employment opportunities in the province is particularly evident among young persons, 63.0% of whom held jobs in 1979 compared with 60.1% in 1978 and 59.5% in 1977. Nationally, 57.6% of 15 to 24 year olds held jobs in 1979. The unemployment rate for Manitobans aged 15 to 24 declined by over 2 percentage points to average 9.7% last year.

The Province's Private Sector Youth Employment Program is underway for the third consecutive year in 1980. In the first two years, 1978 and 1979, the program provided support for almost 9,000 jobs for young people. Under the program, which runs from late April through October, eligible employers are provided with a \$1.50-an-hour per person wage subsidy to cover part of the wage costs in hiring young people in newly created jobs.

Work stoppage figures for 1979 reflect the improved industrial relations climate in the Province. A total of 31,120 man-days were lost in 27 work stoppages last year. This is the equivalent of 82 man-days lost for every 1,000 non-agricultural paid workers, giving Manitoba the second best industrial relations record in the country, after Alberta, and representing about one-quarter of the average annual losses in Manitoba during the decade of the 1970's.

Average weekly earnings increased 8.0% in 1979, an improvement from the 5.9% increase in 1978. The increase in average hourly earnings in manufacturing industries was 8.7% up from 5.6% in 1978. Preliminary estimates based on Statistics Canada data indicate that total personal income and personal disposable income were each up about 10%.

Primary Industries

The value of output in Manitoba's primary sector increased about 13% to a total of \$2.6 billion in 1979, mainly as a result of higher world prices for primary commodities. The increase occurred despite a decline in agricultural crop production which comprises about 40% of the total sector. Much stronger growth was recorded in the value of mineral, forestry, fisheries and livestock production.

Agriculture

The value of agricultural production in 1979 increased by 3.4% to \$1.6 billion despite sharply lower yields and acreages of major prairie grains. However, farm incomes remained strong, with cash receipts up 16.1% to \$1.3 billion. Realized net farm income, or income remaining after allowance for operating and depreciation expenses, increased 22.1% to \$354 million according to estimates from the Agricultural Outlook Conference last December. Total net farm income was up by a more modest 5.7% since there was almost no change in 1979 in the value of inventories which is included in the total, following substantial increases in the previous two years.

FARM CASH RECEIPTS AND NET FARM INCOME

	<u>1977r</u>	<u>1978r</u>	<u>1979p</u>	<u>Percentage Change</u>		
				<u>1977/ 1976</u>	<u>1978/ 1977</u>	<u>1979/ 1978</u>
	(\$ millions)					
Crop Sales	482.9	611.9	716.5	- 1.7	26.7	17.1
Livestock Sales	386.2	493.0	571.7	7.6	27.7	16.0
Other Sources	<u>21.7</u>	<u>13.8</u>	<u>11.1</u>	<u>38.1</u>	<u>-36.7</u>	<u>-18.9</u>
TOTAL FARM CASH RECEIPTS	890.8	1,118.7	1,299.4	0.6	25.6	16.1
REALIZED NET INCOME	<u>183.0</u>	<u>290.0</u>	<u>354.0</u>	<u>-26.8</u>	<u>58.5</u>	<u>22.1</u>
Value of Inventory Changes	<u>114.0</u>	<u>46.0</u>	<u>1.0</u>			
TOTAL NET FARM INCOME	297.0	336.0	355.0	2.4	13.1	5.7

r - revised; p - preliminary

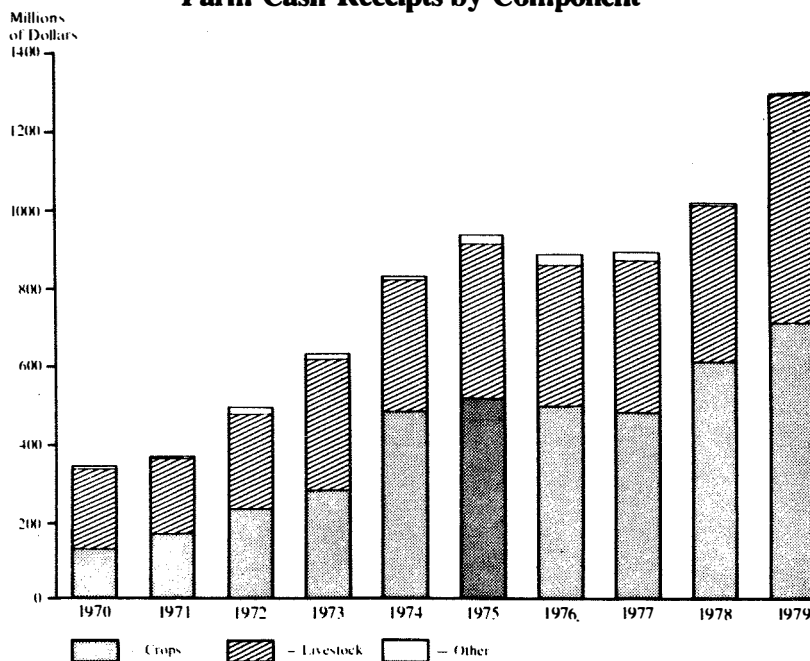
Totals may not add due to rounding.

SOURCE: Statistics Canada and the Manitoba Department of Agriculture.

In the crop sector, spring flooding and adverse weather conditions as well as grain delivery problems resulted in a shift to greater oilseed production from grain crops. Volumes and production values of rapeseed, flaxseed, graincorn and sunflowers increased in 1979. Among the major grains, higher prices for wheat, barley, oats, rye and mixed grains offset some of the decline in volumes, with the result that the overall estimated value of crop production will show very little change from 1978. Other crops produced in Manitoba include buckwheat, field peas, potatoes, mustard seed and horticultural crops (tame hay, silage corn, sugar beets).

Cattle price increases and a substantial increase in the volume of hog production accounted for most of the 19.5% increase in the value of livestock production to \$512 million in 1979. The number of cattle produced declined slightly in the year and hog prices softened somewhat, particularly towards year-end. Poultry and dairy production continued to increase in 1979. However, the value of sheep and wool production was off marginally.

Farm Cash Receipts by Component



Source: Statistics Canada.

According to March seeding intentions published by Statistics Canada, wheat, wheat, barley, and rapeseed acreages are expected to return to more normal levels in 1980. Acreage of graincorn which has increased more than 500% in the last two years is expected to show a further increase of nearly 40%. Rye acreage is also expected to be up, and flaxseed, although down from 1979 because of a more normal growing season, is expected to exceed plantings in most years during the 1970's. Warm April weather enabled farmers to begin seeding operations earlier than usual this year. However, moisture levels are below normal and, if the recent dry period is not offset by rainfall in coming weeks, performance of the agricultural sector could be seriously affected. The Department of Agriculture has noted other difficult conditions facing farmers, such as high interest rates and high input prices. The Department is monitoring the situation and will encourage financial institutions to continue their support for farmers, particularly young producers.

In January, 1979, Manitoba hosted a Conference of Western Premiers and representatives of the federal government, industry and labour on the topic of grain handling and transportation. Since that meeting some progress in improving the system has been achieved, in part through commitments by the Governments of the Prairie Provinces and at the federal level to increase the number of grain hopper cars, and through the federal appointment of a Grain Transportation Coordinator. These developments were reviewed by the Western Premiers at their meeting in Lethbridge in April, 1980 when the Premiers called on the federal

government to maintain an effective national transportation system as a part of its responsibilities in Confederation. Among their concerns regarding further needed coordination of effort, the Premiers noted the need for expansion of capacity at all ports in western Canada including the new facility at Prince Rupert, at the Port of Vancouver, at Churchill, and at Thunder Bay. The Premiers expressed concern about the inadequacies of an interchange agreement to move grain to Prince Rupert from both C.N. and C.P. railway lines and requested an agreement extending to Churchill. The Premiers also discussed the issues of rail line abandonment, compensation and abandoned rights of way.

The Government of Manitoba is involved in a number of programs to enhance agricultural prospects and support family farms in the province.

The first full year of activities have been successfully completed under the Canada-Manitoba Value-Added Crops Production (Agro-Man) Agreement. Fifteen separate projects have been launched in more than seventy-five demonstration locations in all agricultural regions of the province.

Most of the project activities have been established on farms in co-operation either with the Faculty of Agriculture, University of Manitoba or producer associations interested in the demonstration and production of crops which have potential for processing in Manitoba. Forages and grasslands are included as value-added crops since better management of these crops will provide opportunities for livestock producers to increase their efficiency. Expanded activities are planned for 1980-81 with more emphasis being directed to the land and water management projects.

As a good supply of quality water is vital for the successful development of Manitoba farms and agricultural communities, the Agri-Water Program has been developed as a 10-year, \$11.9 million program to assist farmers and rural communities in alleviating water shortages which result from drought, water supply breakdown or an insufficient supply of on-farm water.

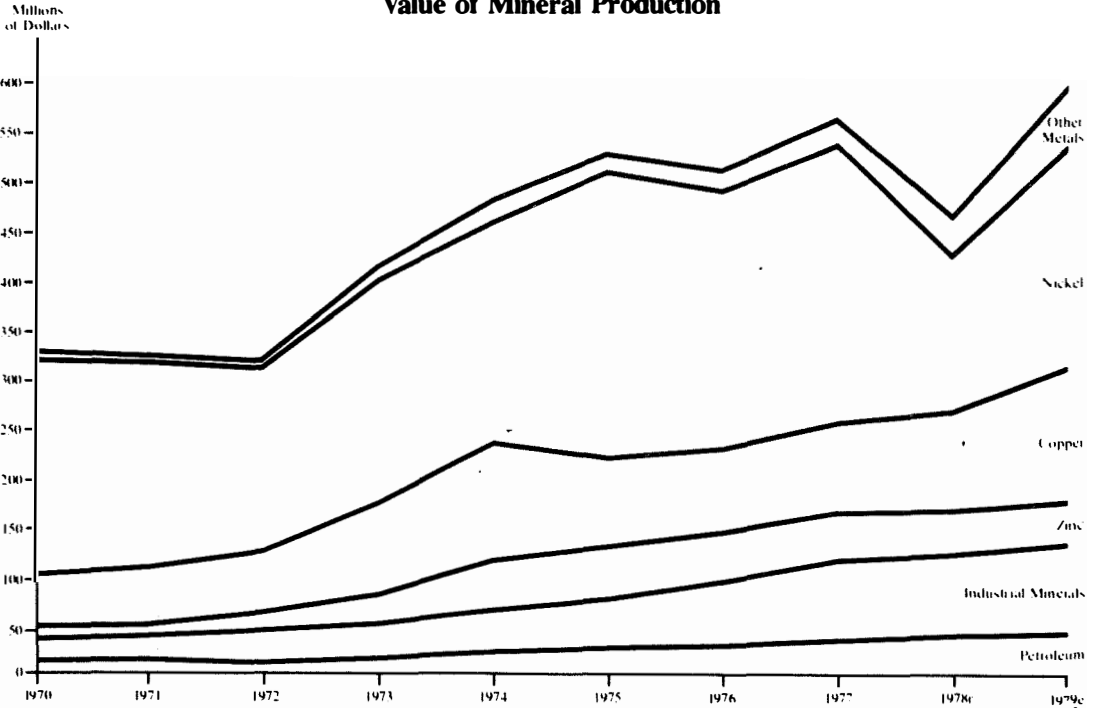
The Agri-Water Program emphasizes the development of off-farmstead water sources and the installation of facilities to obtain a dependable supply when on-farm conventional sources are inadequate. Technical, design and financial assistance are included.

The Manitoba Agricultural Credit Corporation provided \$30 million in loans to farmers in the year ended March 31, 1980. Of this total \$23 million was approved for land purchase of which \$17 million was in the form of direct loans and \$6 million in leases converted to purchase agreements. The remaining direct loans of \$7 million were approved for permanent improvements to land and buildings, debt consolidation, livestock, equipment and other miscellaneous purposes.

Mineral Resources

The value of mineral production, including metals, industrial minerals and fuels reached an estimated \$600 million in 1979, an increase of 28.3% from the 1978 total of \$468 million. The increase occurred mainly as a result of stronger world metal prices that offset lower production volumes of several metals which was due in part to a strike at Sherritt Gordon Mines Limited operations during the year. However, during 1979 mining production started an upswing and by the end of the year, production was running ahead of the same period in 1978, and employment was up by about 10%.

Value of Mineral Production



r - revised; e - estimated

Source: Manitoba Department of Energy and Mines

Metallic mineral production increased 36.4% to \$461 million in 1979 with Manitoba's major metals - nickel, copper and zinc - continuing to account for nearly 90% of the total value. Other metals produced in Manitoba include cobalt, tantalum, gold, silver, selenium, cadmium, lead and tellurium.

The value of industrial minerals was up 8.2% in 1979 to \$91 million. Cement, sand and gravel, and stone comprise most of the value industrial minerals. Peat, clay products, quartz, lime and gypsum are also produced in the province.

Petroleum production reached \$48 million last year, up 5.1% from 1978 due to the increase in the domestic wellhead price for oil.

VALUE OF MINERAL PRODUCTION

	<u>1977r</u>	<u>1978r</u>	<u>1979p</u>	<u>Percentage Change</u>		
				<u>1977/ 1976</u>	<u>1978/ 1977</u>	<u>1979/ 1978</u>
	(\$ millions)					
Nickel	285.0	160.8	221.9	7.9	-43.6	38.0
Copper	92.1	99.1	139.3	11.9	7.5	40.6
Zinc	48.2	43.7	44.6	-4.1	- 9.3	2.0
Other Metals	21.3	34.5	55.6	36.9	61.9	61.1
Industrial Metals	81.6	83.7	90.5	18.0	2.6	8.2
Fuels	<u>40.4</u>	<u>45.9</u>	<u>48.3</u>	<u>20.5</u>	<u>13.6</u>	<u>5.1</u>
TOTAL	568.7	467.8	600.2	10.4	-17.8	28.3

r - revised; preliminary.

The value of tantalum production is included for the first time with "Other Metals".

Totals may not add due to rounding.

SOURCE: Statistics Canada and Manitoba Department of Energy and Mines.

Among the major mining investments completed in 1979 was a \$36 million underground mine development by Sherritt Gordon Mines Limited at Ruttan Lake which will completely replace the open pit operation during 1980, and a \$33 million concentrator built by Hudson Bay Mining and Smelting Co., Limited at Snow Lake.

Acreage recorded for exploration in 1979 was up more than 55% to 785,095 acres. Exploration expenditures totalled \$14.3 million, up 5.1% in 1979 with expenditures expected to increase a further 22.4% to \$17.5 million in 1980. Emphasis continues to be on the search for base metals, particularly in and around the major mining areas of the province. Uranium exploration is being carried out in the northwestern part of the province but at a somewhat reduced rate than previously. A renewed interest in gold, evident during 1979, is expected to gain momentum during 1980.

Industry spokesmen have indicated that changes the government made last year to the mining taxation system contributed in an important way to the upsurge in mineral exploration activity. Major capital programs are also expected in the next few years. Hudson Bay Mining and Smelting Co., Limited is undertaking a \$100 million capital program in the next four years to revamp its metallurgical facilities at Flin Flon as well as spending over \$40 million on improving ore availability by developing new mines at Trout Lake, Stall Lake and Spruce Point. Inco Limited has announced a \$20 million exploration program which will include exploration outside the Thompson area in the next five years, as well as \$10 million in capital expenditures for a commercial evaluation of a new nickel smelting process at Thompson. At The Tantalum Mining Corporation of Canada Limited, a \$1 million expansion plan is underway which will increase mill capacity by 40%.

Higher oil prices together with royalty and tax changes, and successful exploration in neighbouring North Dakota have all contributed to a renewal of interest in oil and gas exploration in the south western part of the province. In 1979, approximately \$10 million was spent on oil and gas exploration resulting in the drilling of 25 new wells, 11 of which were in production by year end. Crown lease sales for oil and gas exploration, which were discontinued by the previous government in 1971, were reintroduced in 1979. Sales of Crown leases, worth close to \$1 million in 1979 and a record \$1.2 million in the first sale for 1980 indicate that oil and gas exploration will continue to improve. Two additional sales are planned for 1980. Shell Canada has announced a \$14 million capital investment program for its St. Boniface refinery involving technological advances in energy conservation and added flexibility to supply asphalt, gasoline and petroleum distillate. The St. Boniface refinery has a capacity of 28,000 barrels a day and currently supplies about half of Manitoba's light oil products.

Prospects for the future development of Manitoba's mineral resources are further enhanced by the possibility of commercial production of potash. A letter of intent has been signed between the Province and International Minerals and Chemical Corporation (Canada) Limited permitting the company to undertake detailed exploration and evaluation of known potash deposits in western Manitoba. A \$2 million exploration program to fully delineate potash deposits is to begin this spring. The province has retained a 25% right of participation in the development of these deposits.

Manitoba Mineral Resources Ltd., Hudson Bay Mining and Smelting Co., Limited and Granges Explorations A.B. have recently signed a "memorandum of intent" to develop a copper-zinc ore body near Flin Flon. Under the voluntary joint-venture, HBM & S would invest \$28 million to develop the property and earn a 44% interest. Manitoba Mineral Resources Ltd., will hold a 27% interest and Granges Exploration A.B. a 29% interest.

Forestry

Increased prices for pulp wood and a reduction of inventories on hand led to a 10% increase in wood sales to about \$44 million in 1979, although the volume of wood production was about the same as in 1978, according to estimates by the Department of Natural Resources.

Primary wood manufacturing activity, including sawmilling and pulp and paper production, increased by an estimated 20.0% in 1979, to \$150 million. Strong demand for pulp and paper, especially in the northern United States market, resulted in an increase in prices for these products.

The value of secondary wood manufacturing, including a wide variety of processed wood products such as shingles, sash and door products and insulating boards, increased by an estimated 18.8% in 1979 to \$196 million. Primary and secondary wood manufacturing employs a total of about 4,500 persons.

The total value of sales in the logging, primary and secondary sectors of the forest products industry in 1979 totalled an estimated \$390 million, up 18.2% from 1978.

Projects initiated under the joint Canada-Manitoba Northlands Agreement, involving the construction of access roads to new timber areas and a program of reforestation are continuing in the current year.

Fishing

The value of Manitoba fish sold by the Freshwater Fish Marketing Corporation in 1979 increased by an estimated 18.8% to \$26.6 million. Production for the Corporation was up by 23.6% to 34 million pounds and the return to fishermen increased by a substantial 43.4% to \$16.2 million.

Continued penetration of the European market and a major sale of five million pounds to the United Kingdom accounted for much of the increased sales. Winter fishing, which is encouraged by the Corporation in order to take advantage of the more limited availability of fish from other areas in the off-season, is growing in significance to the Manitoba industry.

Construction and Housing

Construction spending in the trade, finance and commercial services sector increased by 55% to \$215.5 million in 1979, following an increase of 37% in 1978. In manufacturing industries, construction expenditures were also up strongly last year, by 19% to \$36.4 million. Institutions and government departments spent a record amount on building construction, \$337.6 million, an increase of 7.4% from 1978. Despite strength in these sectors, total building construction, both new capital and repair expenditures, declined by 3.3% in 1979 to \$1.5 billion due mainly to the slowdown in residential construction. High interest rates may also have led to the postponement or curtailment of some construction projects.

Significant progress was made during 1979 in improving industrial relations in the construction industry with the establishment of a Labour Management Review Committee early in the year. The Committee reviewed options for improving the collective bargaining system and rebuilding the relationship between labour and management in the industry.

As a result of continuing discussions between the provincial government and representatives of the construction industry, agreement has been reached for a quarterly exchange of information on the Province's building construction intentions. The first report to the industry, to be available this May, provides information on specific projects which will be tendered including size, scheduling, and type of work involved.

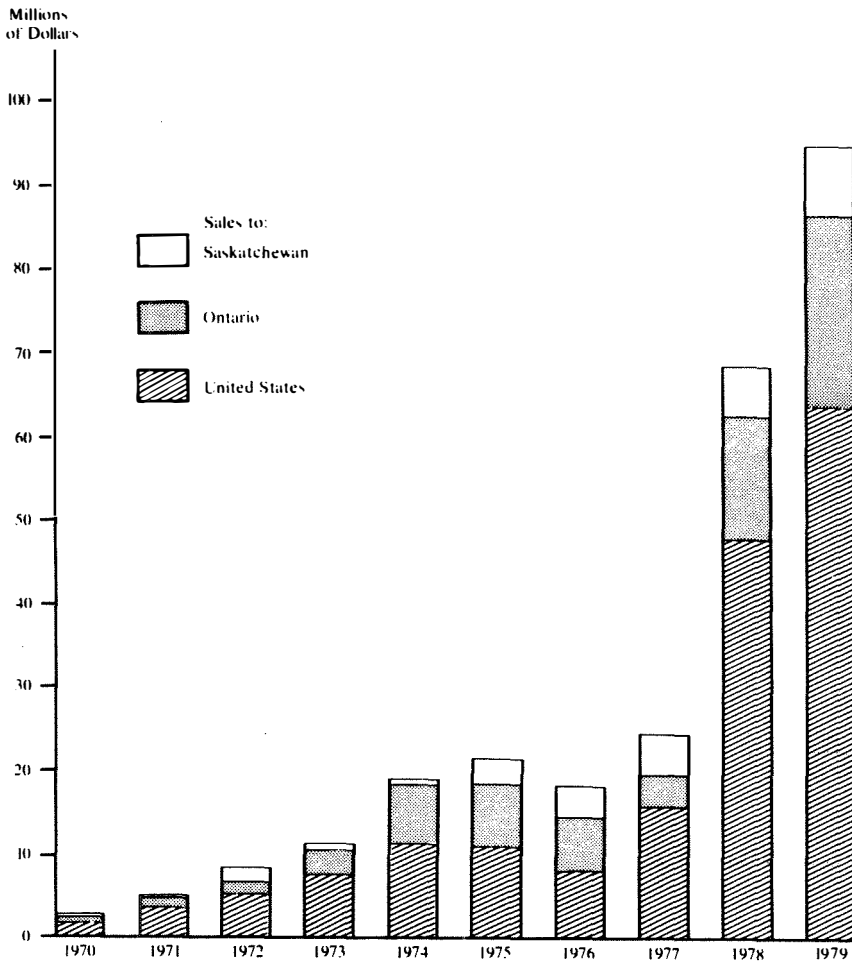
Housing starts in Manitoba declined to 5,772 units in 1979 in part because of an adjustment following the record 12,121 starts during 1978. In Canada as a whole, a decline in housing starts began two years earlier, in 1977, and has continued in each year since. For the three years 1977 to 1979, total housing starts in Canada were down 7.8% from the preceding three years, while in Manitoba total starts increased by 5.3%. High interest rates are likely to continue to constrain the residential construction market throughout North America in 1980.

Energy

Electrical energy from Manitoba's abundant renewable hydro resources provides 18.1% of the province's total energy needs. Oil and gas supplies, mainly from oil fields and refineries in Alberta, provide 49.5% and 30.5%, respectively, of total energy requirements with the remaining 1.9% coming from coal and coke.

Total electricity available for sale in Manitoba increased by 16.6% to 21.5 million megawatt hours in 1979. The increase in available electricity resulted from the completion during the year of the Long Spruce and Jenpeg generating stations. The final four generating units at Long Spruce and the last unit at Jenpeg brought the total generating capacity of the integrated hydro system in Manitoba to 4,117 megawatts, an increase of 7.6% over 1978.

**Manitoba Hydro
Extraprovincial Sales**



Source: The Manitoba Hydro Electric Board.

Increased sales of electricity, including sales to the United States, northwestern Ontario and Saskatchewan, resulted in growth in gross revenue from electrical energy in Manitoba of 21.5%, to \$402 million. Construction of a 500 KV transmission line to the United States was begun in January, 1979 and completed in March, 1980. The new line provides the third interconnection with the United States and a doubling of export capacity to the American market. Following testing, the line was scheduled to come on-stream in early May. It is important to recognize, however, that according to recent estimates, there is still a significant loss on exports to the U.S. because the cost of the power exported exceeds revenue from sales. They are in effect being subsidized by the ratepayers of Manitoba at current average rates.

A third interconnection line to Saskatchewan was completed in 1979 as well. Agreement has also been reached with the provinces of Alberta and Saskatchewan to undertake final feasibility studies for a Western Electric Power Grid. The power grid would be part of an energy self-sufficiency plan for the three provinces. Discussions with Alberta have centred around a firm power sale in 1987 of up to 1,000 megawatts of hydro-electric energy. Saskatchewan has also expressed interest in firm power sales.

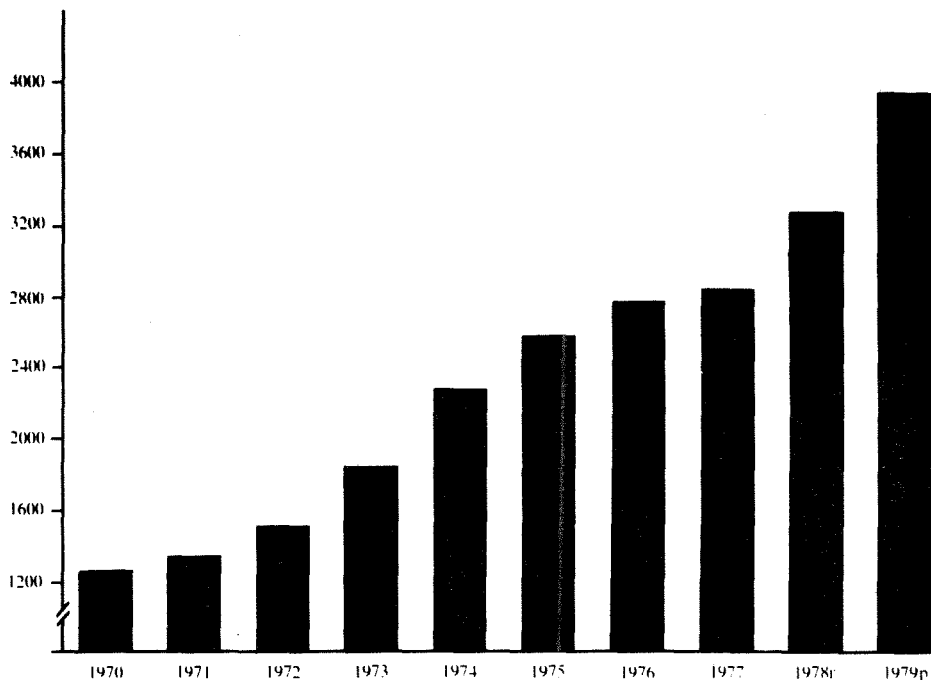
The five-year hydro rate freeze initiated in 1979 plays an important role in the province's economic strategy to build on renewable energy resources and to attract needed new investment to the province. The Province has also announced the creation of a Manitoba Energy Authority to provide a central focus for initiatives in a broad range of energy matters - including expanded export opportunities, supply monitoring and contingency planning. The Manitoba Energy Council is being restructured to encourage public participation in energy matters, especially conservation, research and development, and to complement the operations of the new Energy Authority. An agreement with the federal government has been reached to help finance new energy conservation initiatives, particularly in housing, motive fuels, community services, product development and renewable resource development, including more effective use of hydro-electric resources.

Manufacturing

Growth in manufacturing shipments accelerated to 20.2% in 1979, from 15.6% in 1978, bringing the total value of manufacturing shipments to almost \$4 billion. Nationally, manufacturing shipments slowed down from 18.4% growth in 1978 to 16.6% in 1979. Manufacturing investment in Manitoba in 1979 and intentions for 1980 (see investment section) indicate that 1980 is likely to be another strong year.

Value of Manufacturing Shipments

Millions
of Dollars



r — revised; p — preliminary.

Source: Statistics Canada

As in 1978, the machinery and primary metal industries were the growth leaders last year, with shipments increasing by 37.8% and 34.3% respectively. Shipments of transportation equipment increased by 30.6% in 1979 while fabricated metal shipments and shipments of paper and allied industries were each up by 21.1%. Food and beverages continues to be the largest industrial division in Manitoba's manufacturing sector, with shipments up by 18.8% to \$1.3 billion in 1979. Despite labour shortages for most of the year, shipments of clothing, knitted goods and textiles increased 16.4% in 1979 or slightly faster than the 1978 increase of 16.1%. Growth in shipments of chemical and electrical products and wood, furniture and fixtures accelerated to 17.7% and 18.5% in 1979. Printing and publishing had a near stable growth rate of 12.4%, while growth in non-metallic mineral shipments, which were affected by the slowdown in construction, slowed to an 8.5% increase from 1978's growth rate of 15.6%.

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MANUFACTURING SHIPMENTS BY INDUSTRY

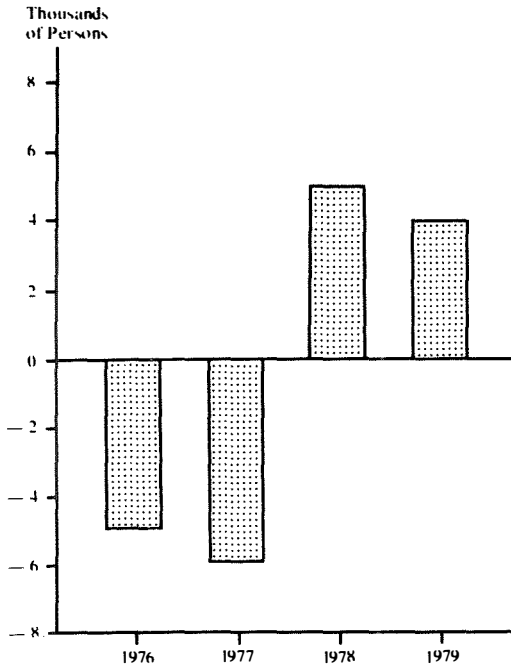
	Value of Shipments <u>1979p</u>	Percentage Change		
		<u>1977/ 1976</u>	<u>1978/ 1977</u>	<u>1979/ 1978</u>
	(\$ millions)			
Food and Beverage	1,284.9	6.3	9.8	18.8
Machinery	365.3	-16.3	21.6	37.8
Metal Fabricating	318.0	1.6	10.4	21.1
Clothing, Knitting and Textile	261.9	- 0.8	16.1	16.4
Transportation Equipment	256.4	- 3.2	12.4	30.6
Paper and Allied	236.6	2.8	21.1	21.1
Primary Metal	211.3	4.9	38.4	34.3
Wood, Furniture and Fixtures	194.5	7.9	15.2	18.5
Printing, Publishing and Allied	173.8	16.1	12.8	12.4
Non-Metallic Minerals	134.0	10.9	15.6	8.5
Chemical	121.2	13.8	0.9	25.0
Electrical	109.9	1.0	32.7	11.8
Other	<u>283.0</u>	<u>1.0</u>	<u>31.1</u>	<u>7.3</u>
TOTAL	3,950.8	2.7	15.6	20.2

p - preliminary.

SOURCE: Statistics Canada (CANSIM) and Manitoba Department of Finance.

Employment in manufacturing industries increased by 4,000 to an annual average of 63,000 in 1979. New plants and plant expansions late in the year have meant continued growth in employment. In the first quarter of 1980, manufacturing employment averaged 66,000, a further increase of 3,000 over the 1979 annual average.

Change in Manufacturing Employment



Source: Statistics Canada.

The Department of Economic Development and Tourism, in conjunction with the federal Departments of Regional Economic Expansion and Industry, Trade and Commerce, has identified six growth sectors which are to play a strategic role in the general development of Manitoba: aerospace, electronics, food products, light machinery, transportation equipment and health care products. The first five, for which comparisons with Canada are available, all achieved growth rates in excess of the national average over the past year.

The \$44 million joint Canada-Manitoba Enterprise Manitoba Agreement is close to the half-way point in its five-year term with activity underway under all of its programs.

In recent weeks Enterprise Development Centres funded under the Agreement commenced operation in Brandon and Winnipeg. The centres will provide small business support services and temporary locations for new firms in their first two years of operation. Under a \$4.5 million contract with the Manitoba Research Council, an industrial technology

centre has been opened in conjunction with the Winnipeg Development Centre. Under a \$2.5 million contract, the Manitoba Research Council will expand and operate a food products technology centre at Portage la Prairie. The technology centres are expected to move towards self-sufficiency through fee-for-service charges for their technological assistance.

The recent federal government decision to purchase F-18 fighter aircraft is expected to yield significant industrial benefits to Manitoba's aerospace industry, possibly involving several hundred new jobs over the next few years. Although supply contracts have not yet been concluded, Manitoba firms are in a position to participate in about 10% of the Canadian production resulting from the purchase. Industrial offsets will offer additional opportunities for Manitobans.

Recently the Minister of Economic Development and Tourism outlined details of the Manitoba Government's strategy for improving manufacturing in the 1980's. The Government will be responding to key issues raised by the six industry sector Advisory Boards which have been in existence for the past year.

The Department has a promotion program to create a greater awareness of the capability of Manitoba industry. Included is a major export development strategy which will build on a computerized inventory of the manufacturing capacity of Manitoba firms, scheduled for completion this fall. The export strategy also involves the establishment of a Mexico trade office to provide Manitoba manufacturers with access to this growing market. In the area of skilled labour shortages, a problem facing all industrialized areas as they enter the 1980's, the Department is working closely with the Manitoba chapter of the Canadian Manufacturer's Association to develop career information programs to attract young people to industry.

The Department will also be continuing to aggressively carry out its investment strategy for attracting new capital to the Province, emphasizing Manitoba's intrinsic benefits - location (including proximity to resource developments in Western Canada), industrial infrastructure, business climate and stabilized hydro rates.

Tourism

Travel expenditures in Manitoba, including expenditures by residents, other Canadians, Americans and other foreigners reached \$374 million in 1979. The increase for the year, 9.4% was the greatest of any year during the 1970's and reflected both the increased attractiveness of Canadian holidays for foreign visitors and the greater number of Canadians travelling in Canada as the lower value of the Canadian dollar

increased tourism costs outside of the country. Nonetheless, the number of American visitors to Manitoba declined in 1979, partly as a result of gasoline shortages in the United States and flooding in southern Manitoba in the spring and early summer. The total number of visitors to Manitoba increased somewhat to an estimated 2.8 million.

The increase in the total number of visitors and a 12.3% increase in the number of delegates to major Winnipeg conventions and conferences, to about 90,000 in 1979, resulted in increased occupancy rates for accommodation facilities in the Province. The Winnipeg Convention Centre and the Tourist and Convention Association of Manitoba report that current bookings indicate another strong year for conventions and conferences in 1980.

Activities under the \$20 million Canada-Manitoba Tourism Development Agreement got underway during the past year. The Agreement, known as Destination Manitoba, was signed in late 1978. A Tourism Development Strategy study is being conducted by a consortium of consulting firms to provide an overview of the Manitoba tourism industry and to assist in identifying development opportunities. The study is expected to be completed later this year and will be used to establish guidelines for the capital development phase of the Tourism Agreement.

Another program presently operating under the Destination Manitoba Agreement provides marketing assistance for tourism attractions. Grants of up to \$2,000 for local attractions or for events of one or two days' duration, and up to \$25,000 for regional attractions or for events of three or more days' durations will be available to eligible applicants.

A total of \$1 million is also available to support projects of tourism industry organizations, to improve and upgrade productivity in the industry, such as strengthening manpower resources.

In launching the 1980 tourism marketing campaign, the Minister of Economic Development and Tourism recently indicated that his Department expects further increases this year in the number of visitors to Manitoba and in total tourism expenditures.

Retail Trade

A number of major new shopping facilities were opened in Winnipeg in 1979. The Southwood Shopping Mall was completed in early summer, and later in the year the St. Vital regional shopping centre and the downtown Eaton Place shopping complex were opened. Also during the year, a fourth new shopping centre was in the planning stages, Kildonan Place, for which building permits were issued in April, 1980.

The expansion of facilities contributed to a sharp increase in wholesale and retail trade employment last year. Employment in these industries increased 6.4% to an average of 83,000 in 1979.

Retail sales totalled nearly \$3 billion in 1979, an increase of 7.6% from 1978, according to estimates compiled by Statistics Canada. Part of the relatively slow overall growth rate in sales is related to the slowdown in housing starts in 1979. Sales of furniture, appliance, hardware, TV and radio stores declined by 4.5% from 1978. Clothing and shoe stores recorded the fastest growth in sales, 17.8% in 1979.

OUTLOOK

In the current year, the Manitoba economy is expected to perform better than the national economy despite the impact of the recession in the United States and recent peak interest rates. Overall, real growth is expected to continue at around the 2% rate recorded last year, while most other provinces are likely to experience significant slowdowns in growth or even declines in output. The continued moderate strength in the current outlook, at a time of considerable national and international uncertainty, is an indication of the resilience of Manitoba's economic base and of the initiative of Manitobans in availing themselves of economic opportunities.

The Manitoba economy is not immune to national and international economic circumstances however. The province exports many of its primary products, manufactured goods and also an important share of its renewable hydro electric power, and imports many commodities from other parts of Canada and abroad. These trading relationships are among the factors which will affect Manitoba's development in the 1980's. As well, major national developments such as demographic changes which are affecting labour supply and the need for social and medical services, and the enormous adjustments which are required to mobilize capital and human resources to develop Canada's renewable and nonrenewable energy resources hold implications for the future of our province.

The Manitoba Government has already undertaken a series of initiatives to complement the efforts of the province's business community and of individuals to realize the major benefits achievable in Manitoba. The preceding pages of this review have discussed some of these initiatives, including programs of the Departments of Economic Development and Tourism, and Agriculture, energy policy, and changes in minerals

taxation. Equally, if not more important, has been the overall achievement of the provincial government in restoring responsible financial management in the public sector, reducing the deficit to a manageable level, and creating a sound base and the needed flexibility for meeting future challenges.

The changing age distribution of population has, over the past two or three decades, had enormous and pervasive impacts on the economy and the demand for public services. In the 1950's the consumer needs of young and growing families helped support a high rate of economic growth; in the 1960's Canada's young population created pressure on the educational system and on the capacity of our schools; and in the 1970's the maturation of the "baby boom" group placed strains on housing markets across the country. As we enter the 1980's, the "baby boom" group represents a mature and skilled work force. However, shortages of skilled labour entering the work force are beginning to become evident. In future decades, the aging of the "baby boom" group will mean greater demands for health care and services for the elderly.

The Departments of Labour and Manpower, Education and Economic Development have undertaken an important redirection of manpower and training programs in order to prevent skill shortages from becoming a serious constraining factor in Manitoba's development. The mechanisms for identification of potential shortages and for prioritization of training needs have been improved. In the current year, training programs have been reoriented to ensure that the majority of training takes place in critical skill areas. Discussions with the federal government during the upcoming renegotiation of training program agreements will take place against the back drop of the need for skilled labour in the western region as a whole, as well as here in Manitoba.

Recognizing that women will continue to be an important source of labour force growth, the Government of Manitoba in conjunction with the Canadian Employment and Immigration Commission is lending greater support to trades' apprenticeship training for women under the New Careers program. The federal and provincial governments are also increasing their efforts to provide information on career opportunities not only to high school graduates, but also to persons changing occupations during their working lives, and designed to meet particular needs, such as those of northerners and women.

An indication of the changing demands for public services is contained in a recently-published set of Statistics Canada projections on hospital space demands over the next five decades. Those projections indicate a tripling in demand for health care facilities for the elderly and a doubling for the general population. However the report also contained an important note of caution, stating:

"Before a massive building program is undertaken, some lessons could be learned from other sectors of society that have tried to accommodate the baby boom generation. Such endeavours must be tempered with restraint because the baby boom is a demographic trap for the unwary. As the education system has belatedly discovered, the boom was followed by a bust. Now that enrollment is declining, the problem of what to do with empty schools left over from the era of expansion looms ever larger."

National energy policy has an important regional development dimension which will require the joint action of federal and provincial governments. The Western Premiers, recognizing the major adjustments which will be required to develop new energy supplies and move Canada toward energy self-sufficiency, have called for "a realistic energy pricing policy" as a key component in the development of an effective national economic strategy, serving the needs of all Canadians.

As well as continued development of the Manitoba's renewable and non-renewable resources, important opportunities in the 1980's will exist in linkages with regional developments in western Canada. The four western provinces accounted for about 36% of total Canadian real growth in the 1970's, an increase from 28% of the total in the 1960's. In 1980, real growth of about 2.8% is expected in the west compared with a slight decline in output in the rest of Canada according to the latest forecasts of the Conference Board in Canada. This regional strength, will be a continuing source of new opportunities for growth in the economy of Manitoba.

ECONOMIC STATISTICS - MANITOBA

	1976	1977	1978	1979	Percentage Growth Rates		
					1977/ 1976	1978/ 1977	1979/ 1978
GROSS PROVINCIAL PRODUCT: (\$ millions)	7,970.0	8,588.0	9,389.0	10,476.0	7.8	9.3	11.6
NEW CAPITAL INVESTMENT:							
Total (\$ millions)	1,812.4	1,897.3	2,018.0	2,026.7	4.7	6.4	0.4
Private Sector (\$ millions)	1,062.0	1,138.0	1,385.6	1,423.1	7.2	21.8	2.7
Public Sector (\$ millions)	750.4	759.3	632.4	603.6	1.2	-16.7	-4.6
SECTORAL INDICATORS:							
Agricultural Production (\$ millions)	1,085.0	1,216.0	1,537.0	1,588.9	12.1	26.4	3.4
Manufacturing Shipments (\$ millions)	2,766.0	2,841.4	3,285.8	3,950.8	2.7	15.6	20.2
Mineral Production (\$ millions)	515.0	568.7	467.8	600.2	10.4	-17.8	28.3
Electric Power Available (millions of kwh)	15,189.0	14,503.0	18,423.0	21,486.0	-4.5	27.0	16.6
Housing Starts (units)	9,339.0	9,410.0	12,121.0	5,772.0	0.8	28.8	-52.4
Retail Trade (\$ millions)	2,408.0	2,513.0	2,726.6	2,935.0	4.4	8.5	7.6
Gross Tourism Expenditures (\$ millions)	331.4	332.7	341.5	373.7	0.4	2.6	9.4
INCOMES:							
Farm Cash Receipts (\$ millions)	885.1	890.8	1,118.7	1,299.4	0.6	25.6	16.1
Total Personal Income (\$ millions)	6,478.0	7,022.0	7,702.0	8,480.0	8.4	9.7	10.1
Personal Disposable Income (\$ millions)	5,405.0	5,920.0	6,594.0	7,260.0	9.5	11.4	10.1
Average Weekly Wages and Salaries (\$)	208.5	226.3	239.7	259.0	8.5	5.9	8.0
POPULATION: Statistics Canada	1,021.5	1,029.1	1,033.5	1,032.0	0.7	0.4	-0.1
June 1st Estimate (thousands)							
LABOUR FORCE:							
Labour Force (annual average; thousands)	447.0	456.0	471.0	478.0	2.0	3.3	1.5
Employment (annual average; thousands)	426.0	429.0	440.0	453.0	0.7	2.6	3.0
Participation Rate (%)	61.2	61.7	63.1	63.7	-	-	-
Unemployment Rate (%)	4.7	5.9	6.5	5.4	-	-	-
CONSUMER PRICE INDEX: Winnipeg (1971 = 100)	150.6	162.7	176.5	192.7	8.0	8.5	9.2

SOURCE: Statistics Canada (CANSIM) and Manitoba Department of Finance.

r - some data have been revised in accordance with updated Statistics Canada information.

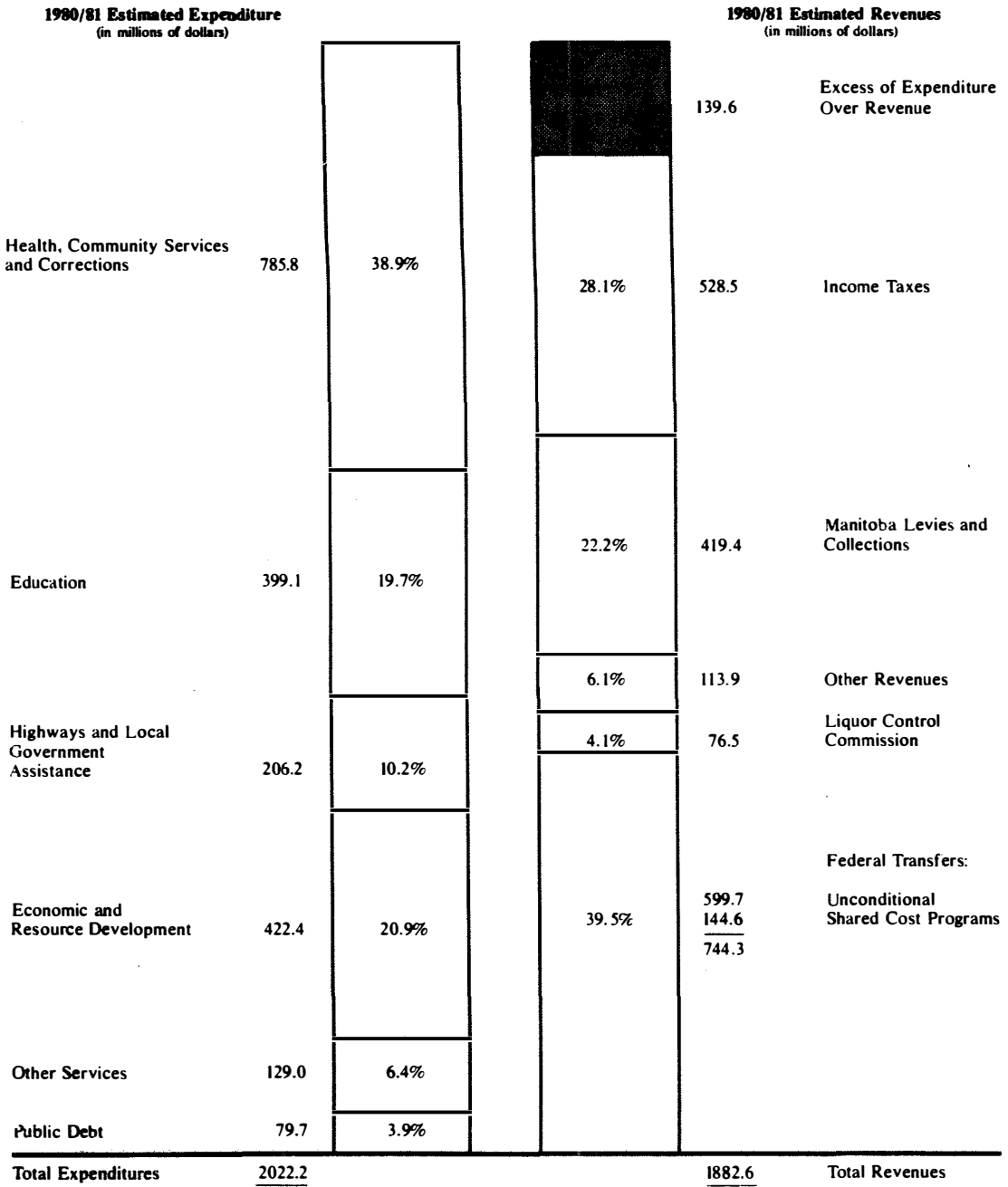
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Tuesday, 13 May, 1980

APPENDIX B

FINANCIAL STATISTICS

Estimated Expenditures and Revenues 1980/81



Tuesday, 13 May, 1980

1980/81 EXPENDITURE ESTIMATES

MAIN AND SUPPLEMENTARY

	<u>1980/81</u> <u>Estimate</u>	<u>% of</u> <u>Total</u>
Health, Community Services & Corrections.....	\$ 785,754,700	38.9
Education.....	399,082,700	19.7
Highways & Local Government Assistance.....	206,176,100	10.2
Economic & Resource Development.....	422,399,000	20.9
• Agriculture.....	\$ 33,896,500	
• Co-operative Development.....	828,900	
• Cultural Affairs & Historical Resources.....	9,473,500	
• Economic Development & Tourism....	50,423,400	
• Development Agencies.....	399,600	
• Energy and Mines.....	8,153,200	
• Finance (excluding Public Debt & Hydro Rates Stabilization).....	193,060,200	
• Labour & Manpower.....	15,156,600	
• Natural Resources.....	54,187,700	
• Northern Affairs.....	32,628,200	
• Canada-Manitoba Enabling Vote.....	10,104,200	
• Hydro Rates Stabilization.....	14,087,000	
Other Services.....	129,036,600	6.4
• Legislation.....	\$ 4,375,100	
• Executive Council.....	1,048,700	
• Attorney-General.....	39,992,900	
• Civil Service.....	14,816,400	
• Consumer & Corporate Affairs & Environment.....	9,023,200	
• Fitness, Recreation & Sport.....	1,866,600	
• Government Services.....	47,413,700	
• Flood Control & Emergency Expenditures.....	3,000,000	
• General Salary Increase.....	7,500,000	
Public Debt.....	79,744,100	3.9
	<u>\$2,022,193,200</u>	<u>100.0</u>

1980-81 REVENUE ESTIMATES

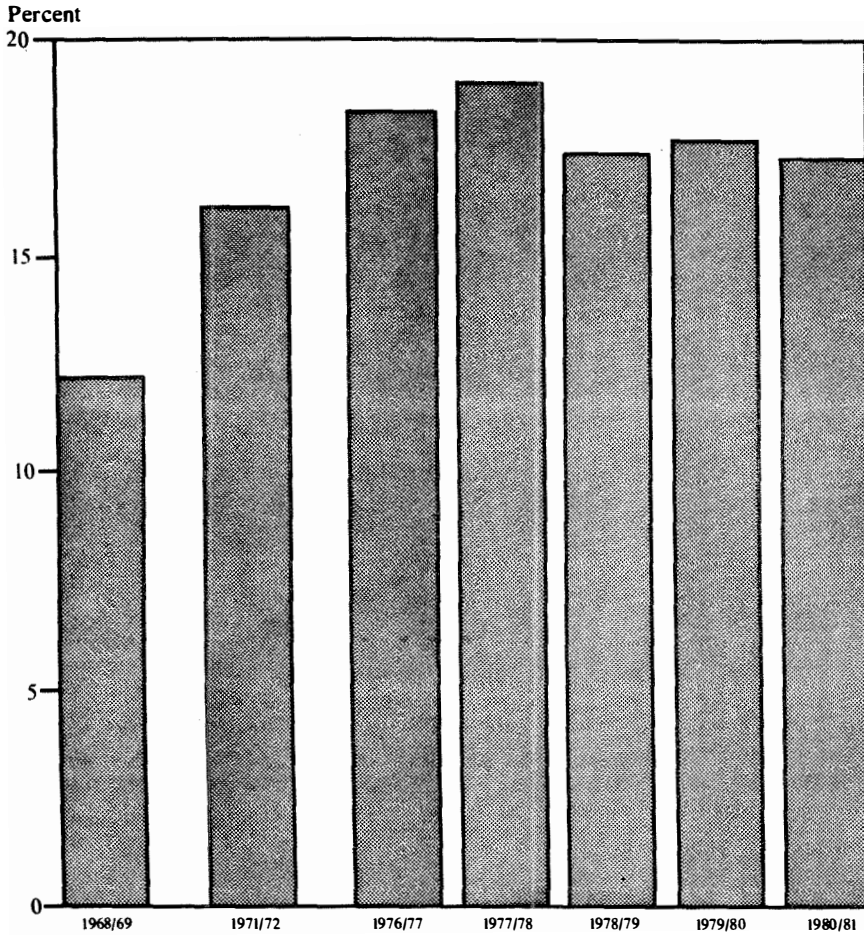
	<u>1980-81</u> <u>Estimate</u>	<u>% of</u> <u>Total</u>
Income Taxes.....	\$ 528,465,000	28.1
● Individual Income Tax.....	\$400,456,000	
● Corporation Income Tax.....	128,009,000	
Manitoba Levies & Collections.....	419,386,000	22.2
● Gasoline Tax.....	\$ 61,00,000	
● Mineral Tax (Incremental).....	9,500,000	
● Metallic Minerals Tax.....	22,500,000	
● Motive Fuel Tax.....	19,500,000	
● Corporation Capital Tax.....	14,300,000	
● Revenue Act, 1964, Part I.....	19,500,000	
● Tobacco Tax.....	30,700,000	
● Retail Sales Tax.....	238,000,000	
● Others.....	3,886,000	
Other Revenues.....	113,912,300	6.1
● Fines & Costs.....	\$ 5,681,500	
● Land Titles Fees.....	5,750,000	
● Insurance Corporations Tax.....	8,100,000	
● Motor Carrier Licences & Fees.....	7,638,500	
● Automobile & Drivers' Licences.....	21,325,500	
● Mines & Minerals.....	4,504,100	
● Water Resources.....	11,250,900	
● Parks.....	3,594,000	
● Others.....	46,067,800	
Liquor Control Commission.....	76,500,000	4.1
Federal Transfers.....	744,339,500	39.5
Unconditional:		
● National Equalization.....	\$317,000,000	
● Established Programs Cash Transfer.....	280,509,000	
● Government of Canada Subsidy.....	2,173,000	
Total Unconditional Transfers.....	\$599,682,000	
Conditional - Government of Canada - Shared-Cost Receipts:		
● Education.....	\$ 32,204,300	
● Community Services & Corrections...	73,994,000	
● Northern Affairs.....	19,139,100	
● Economic Development & Tourism.....	8,383,400	
● Other.....	10,936,700	
Total Conditional Transfers.....	\$144,657,500	
	\$1,882,602,800	100.0

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SUPPLEMENTARY ESTIMATES OF EXPENDITURE
FOR THE FISCAL YEAR ENDING MARCH 31, 1981

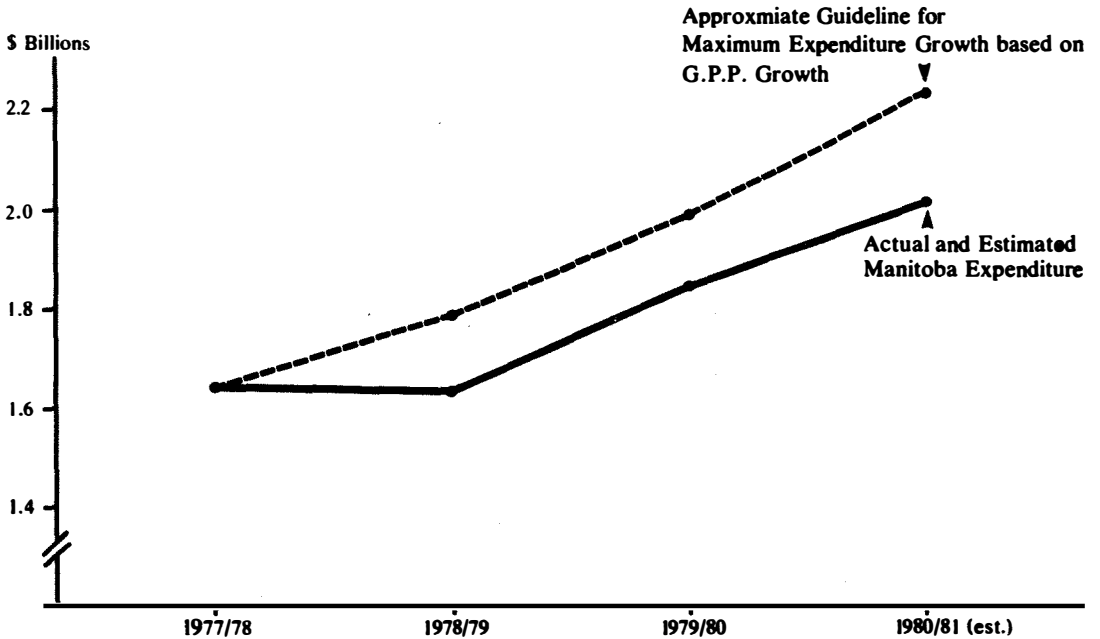
<u>Appropriation</u>	<u>Service</u>	<u>Year Ending</u> <u>March 31, 1981</u>
LEGISLATION (I)		
1.	INDEMNITIES (STATUTORY)	
	(a) Members.....	\$ 148,200
3.	MEMBERS' ALLOWANCES (STATUTORY)	
	(a) Constituency Allowance.....	\$ 34,200
ATTORNEY-GENERAL (IV)		
1.	GENERAL ADMINISTRATION	
	(b) Planning and Management	
	(2) Other Expenditures.....	\$ 175,000
FINANCE (VII)		
10.	ENABLING VOTE - TAX CREDIT REFORM.....	\$28,600,000
COMMUNITY SERVICES AND CORRECTIONS (IX)		
5.	REHABILITATIVE SERVICES	
	(c) Rehabilitation Services to the Disabled	
	(4) External Agencies.....	\$ 225,000
NATURAL RESOURCES (XII)		
7.	FORESTRY	
	(c) Forest Protection	
	(3) Forest Fire Suppression.....	\$ 2,000,000
SALARY AND REPRESENTATION ALLOWANCE (XXII)		
1.	Salary and Representation Allowance Increases in the Several Departments of Government - Premier and President of the Council's Compensation, Minister without Portfolio's Compensation, Ministers' Compensation and Leader of the Official Opposition Party Compensation.....	\$ 95,000
TOTAL SUPPLEMENTARY ESTIMATES.....		<u>\$31,277,400</u>

Government of Manitoba Total Expenditures as a Share of Gross Provincial Product 1968/69 to 1980/81



Fiscal Year	% Share
1968/69	12.2
1969/70	13.9
1970/71	15.6
1971/72	16.2
1972/73	16.3
1973/74	16.2
1974/75	16.9
1975/76	18.3
1976/77	18.5
1977/78	19.0
1978/79	17.4
1979/80	17.7
1980/81 (est)	17.2

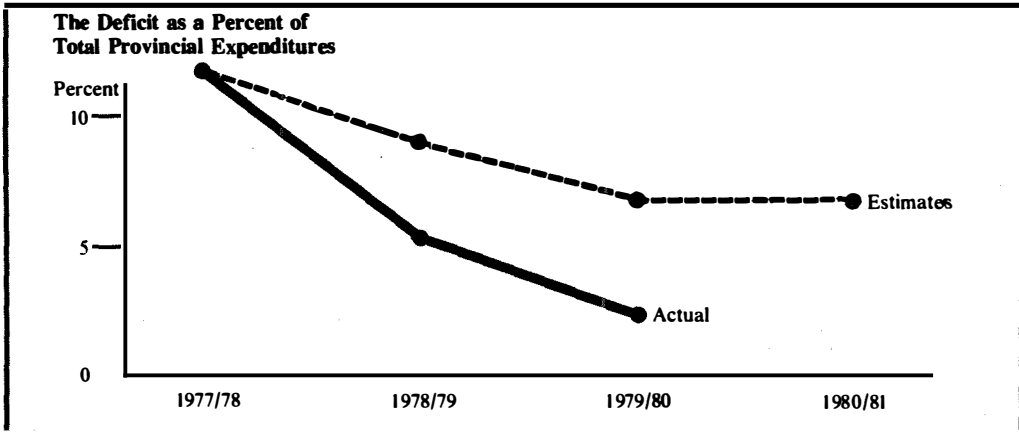
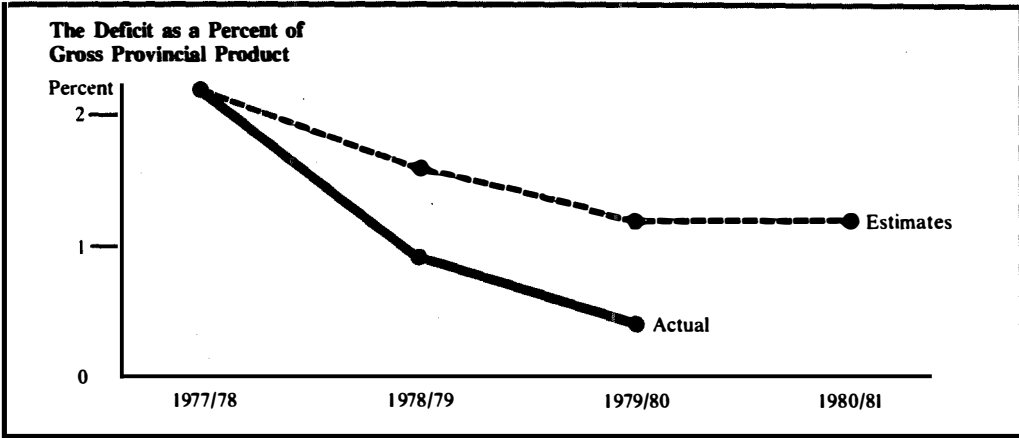
Manitoba's Compliance with National Public Sector Expenditure Growth Guidelines



The above chart shows that Manitoba's expenditures since 1977/78 have been less than the maximum which would have been allowable under the national guidelines agreed to by the federal government and all provinces at First Ministers' Conferences in February and November 1978.

An equally important guideline affecting Manitoba's and other governments' expenditure growth relates to the need for a rapid reduction in deficits.

Restoration of a Manageable Deficit



INTERPROVINCIAL COMPARISON OF
MAJOR SOURCES OF REVENUE

1978/79 - Latest Published Comparisons

	----- Percent Distribution -----			
	Provincial "Own Source"			
	Revenues			Federal Transfers
	Taxes, Fees, etc.	Resource Revenues	Sub- Total	
%	%	%	%	
Newfoundland	49.5	1.3	50.8	49.2
Prince Edward Island	45.0	0.1	45.1	54.9
Nova Scotia	51.5	0.4	51.9	48.1
New Brunswick	50.8	0.7	51.5	48.6
Quebec	77.4	0.8	78.2	21.8
Ontario	82.7	0.8	83.5	16.5
Manitoba	64.1	1.4	65.5	34.5
Saskatchewan	58.2	23.7	81.9	18.0
Alberta	34.9	55.2	90.1	9.8
British Columbia	76.9	7.5	84.4	15.6
10-PROVINCE AVERAGE	69.3	10.1	79.4	20.7

Totals may not add to 100.0 due to rounding.

SOURCE: Statistics Canada and Canadian Tax Foundation - based on provincial estimates.

NOTES:

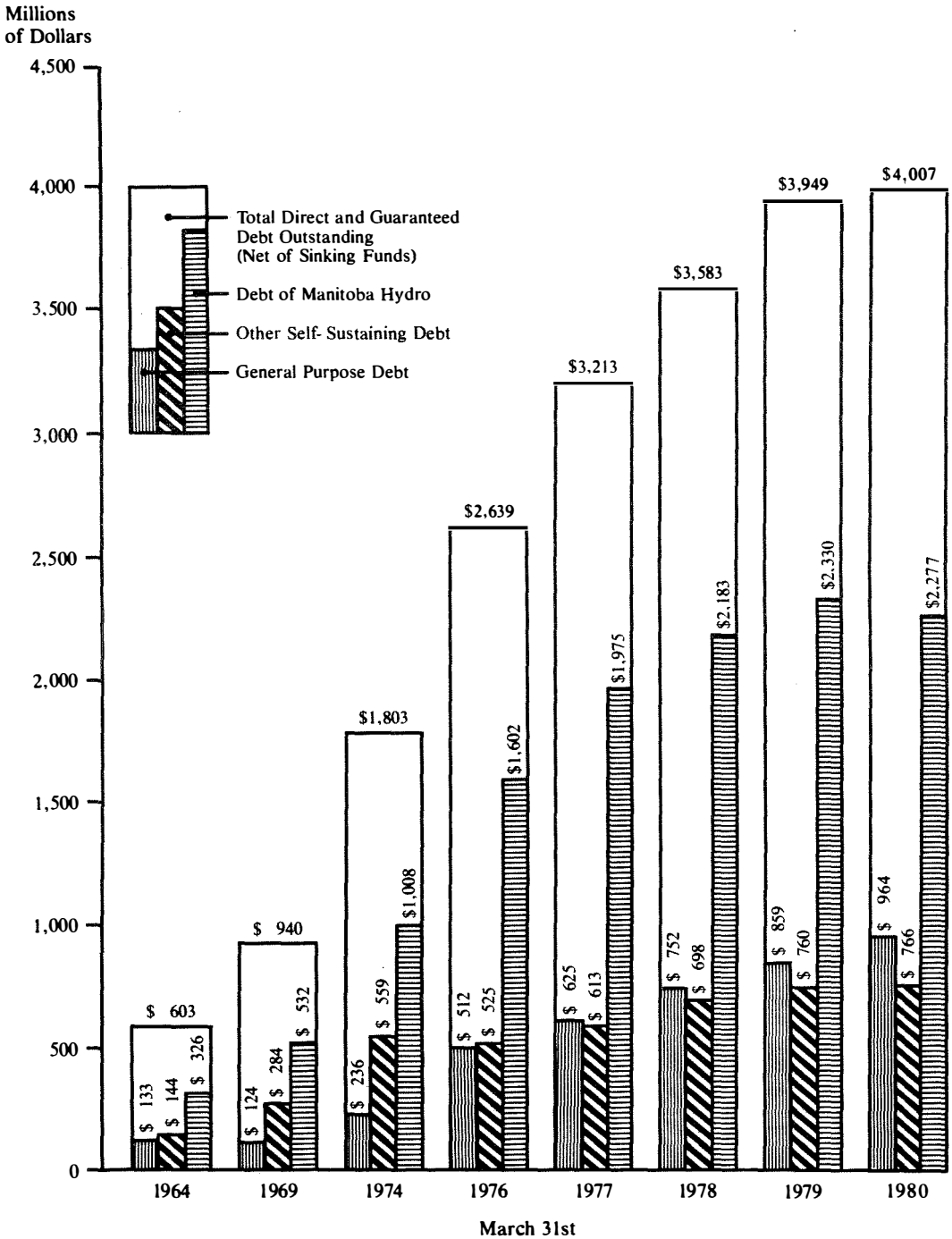
These comparisons are based on Statistics Canada's Financial Management series which differs somewhat from individual provinces' accounting systems. The Quebec "own source" revenue percentage includes additional income taxation related to special joint program "opting out" arrangements not applicable in other provinces.

1980/81 CAPITAL AUTHORITY REQUIREMENTS
FOR SELF-SUSTAINING PROGRAMS

"Schedule A Capital"

Manitoba Agricultural Credit Corporation.....	\$19,300,000
Insulation Loan Program.....	3,700,000
Co-Operative Association Loans and Loans Guarantee Act.....	1,000,000
	<hr/>
	\$24,000,000

Province of Manitoba Direct and Guaranteed Debt: By Purpose



NOTE: The above table indicates the Total Direct and Guaranteed Debt of the Province of Manitoba (after deducting Sinking Funds) based on the Canadian Dollar Equivalent on the date of issue for all foreign debt.

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PROVINCE OF MANITOBA
STATEMENT OF VALUATION AND PURPOSE OF BONDS, DEBENTURES
AND OTHER SECURITIES OUTSTANDING
AS AT MARCH 31, 1980

(in thousands)

<u>Valuation of Debt</u>	<u>Par Value</u>	<u>Canadian Dollar Equivalent at Date of Issue</u>	<u>Exchange Rate as at March 31, 1980</u>	<u>Canadian Dollar Valuation</u>	<u>Foreign Exchange Fluctuation</u>
Direct:					
Payable in:					
Canadian Dollars	1,242,163	\$1,242,153	\$ 1.00	\$1,242,153	\$ -
U.S. Dollars	423,000	452,733	1.1962	505,993	53,260
Swiss Francs	905,000	453,883	0.6445	583,272	129,389
European Units of Account (1)	38,350	46,852	1.9385	74,340	27,488
Japanese Yen	27,000,000	113,177	0.004786	129,222	16,045
Deutsche Marks	150,000	67,578	0.6108	91,620	24,042
Hong Kong Dollars	150,000	33,513	0.2347	35,205	1,687
Total Direct		\$2,409,894		\$2,661,805	\$ 251,911
Guaranteed:					
Payable in:					
Canadian Dollars	1,016,889	\$1,016,889	\$ 1.00	\$1,016,889	\$ -
U.S. Dollars	926,000	930,904	1.1962	1,107,681	176,777
Swiss Francs	160,000	56,114	0.6445	103,120	47,006
Deutsche Marks	85,000	26,027	0.6108	51,918	25,891
Pounds Sterling	4,212	8,880	2.5742	10,842	1,962
Total Guaranteed		\$2,038,814		\$2,290,450	\$ 251,636
Total Direct & Guaranteed Debt		\$4,448,708		\$4,952,255	\$ 503,547
Less: Sinking Funds		441,188			
Net Direct & Guaranteed Debt		\$4,007,520			
Purpose of Debt					
General Government Programs		\$1,161,143		\$1,248,038	\$ 86,895
Other:					
Manitoba Hydro-Electric Board		\$2,460,043		\$2,808,491	\$ 348,448
Manitoba Telephone System		472,468		539,607	67,139
Manitoba School Capital Financing Authority		204,225		204,225	-
Manitoba Agricultural Credit Corporation		71,438		71,913	475
Manitoba Housing & Renewal Corporation		20,491		21,081	590
Manitoba Water Services Board		8,448		8,448	-
Federal-Provincial Loan Agreements		14,086		14,086	-
Universities		30,965		30,965	-
Municipal, Hospital & Other Indebtedness		5,401		5,401	-
Total Direct and Guaranteed Debt		\$4,448,708		\$4,952,255	\$ 503,547
Less: Sinking Funds		441,188			
Net Direct & Guaranteed Debt		\$4,007,520			
(1) Payable in various currencies					

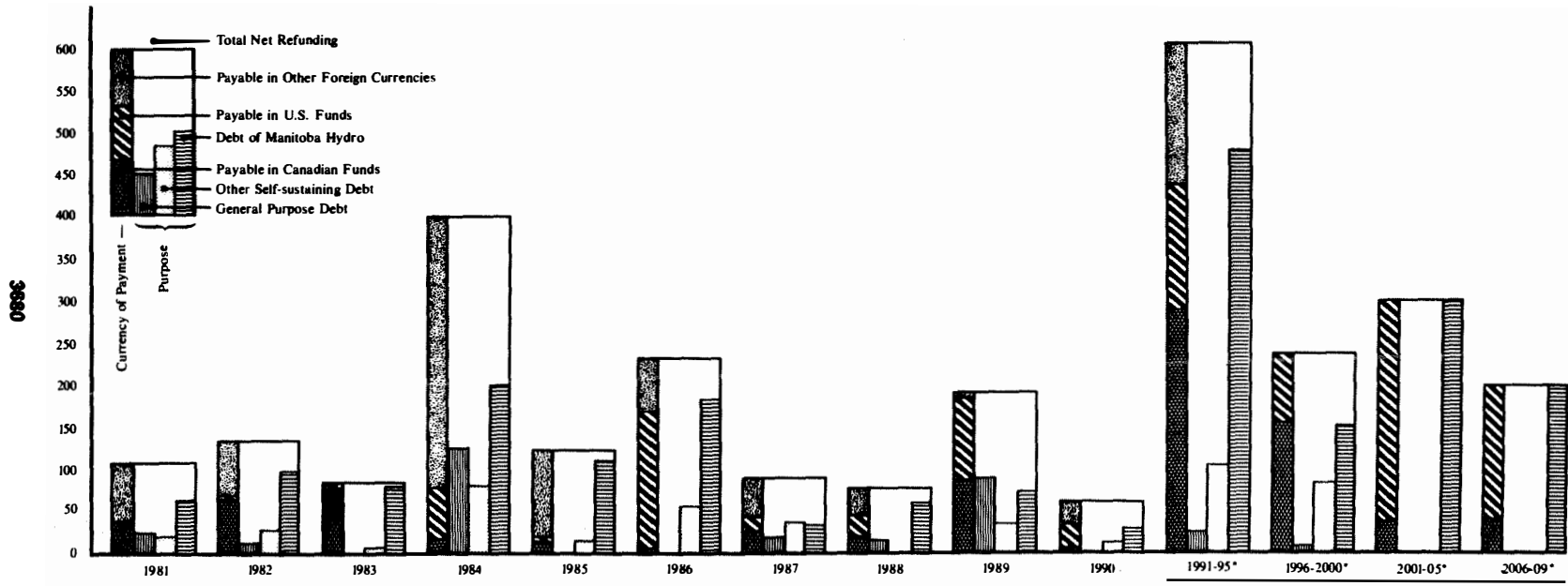
Tuesday, 13 May, 1980

**SUMMARY OF PROVINCE OF MANITOBA
DIRECT & GUARANTEED DEBT PAYABLE IN FOREIGN CURRENCIES
REFLECTING EXCHANGE RATES AS AT MAY 1, 1980**

	Canadian \$ Equivalent at Date of Issue (000's)	Canadian \$ Equivalent as at May 1, 1980 (000's)	Unrealized Loss (000's)
<u>By Purpose:</u>			
Manitoba Hydro	\$ 1,654,452	\$ 2,047,105	\$ 392,653
Manitoba Telephone System	164,260	253,271	89,011
Other Self-Sustaining Debt	22,428	23,326	898
General Government Programs	336,755	446,704	109,949
	<u>\$ 2,177,895</u>	<u>\$ 2,770,406</u>	<u>\$ 592,511</u>
 <u>By Currency:</u>			
United States Dollars	\$ 1,379,556	\$ 1,597,456	\$ 217,900
Swiss Francs	509,997	759,984	249,987
German Deutsche Marks	93,605	155,124	61,519
Pounds Sterling	8,073	10,261	2,188
Hong Kong Dollars	26,635	28,715	2,080
Japanese Yen	113,177	133,839	20,662
European Units of Account	46,852	85,027	38,175
	<u>\$ 2,177,895</u>	<u>\$ 2,770,406</u>	<u>\$ 592,511</u>

Province of Manitoba Direct and Guaranteed Debt Net Refunding Requirements by Fiscal Year:

By Currency of Payment and Purpose.

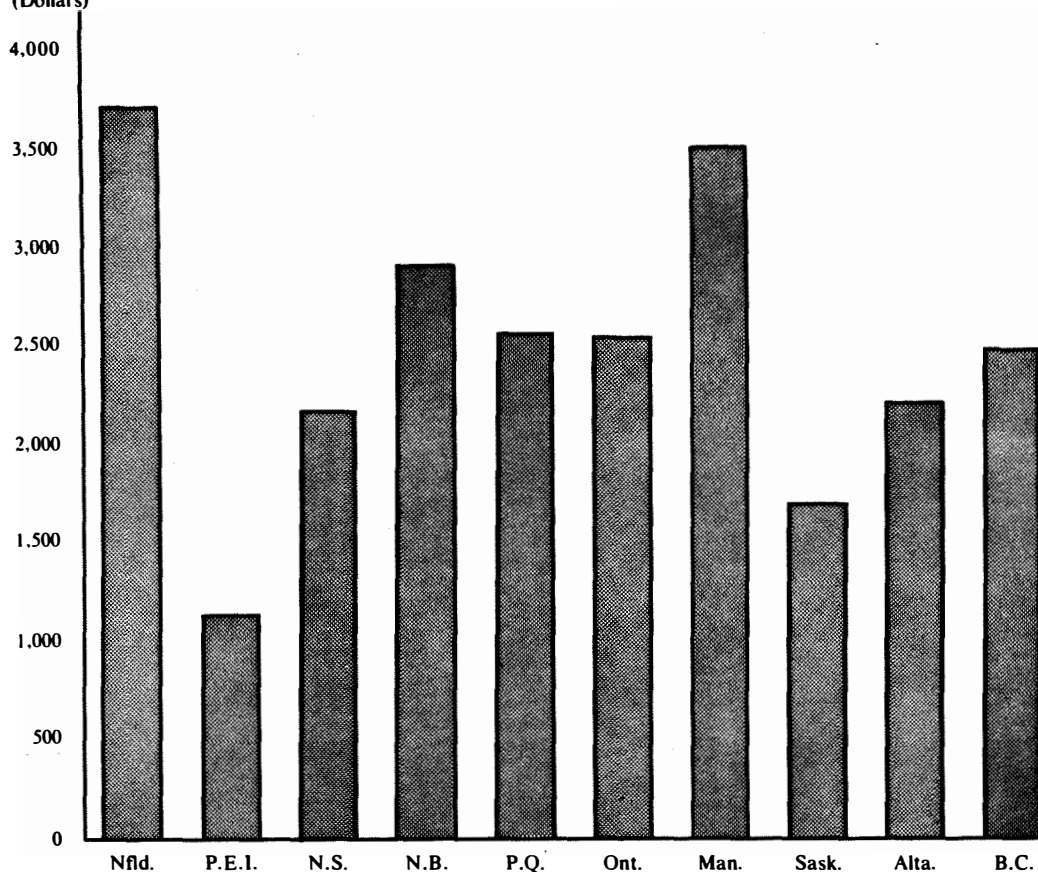


NOTE: The above table indicates the amount that the Province of Manitoba will have to borrow for the purpose of repaying Direct and Guaranteed Debt after application of sinking funds based on the Canadian Dollar Equivalent on March 31, 1980 for all foreign debt.

5 year Totals shown after 1990

Provincial Per Capita Total Debt Comparison — 1978

Total
Debt Per Capita
(Dollars)

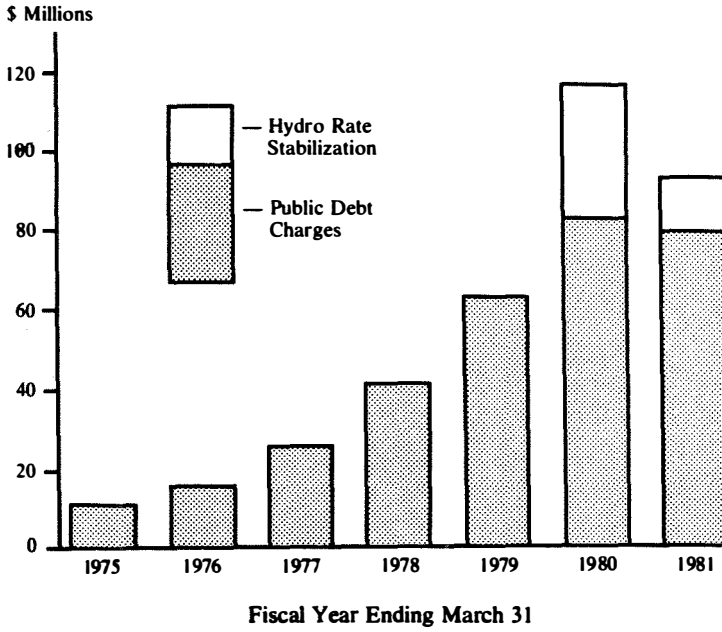


Province	Total Debt Per Capita — 1978* (Dollars)
Newfoundland	3,702
Prince Edward Island	1,127
Nova Scotia	2,164
New Brunswick	2,924
Quebec	2,567
Ontario	2,544
Manitoba	3,531
Saskatchewan	1,709
Alberta	2,222
British Columbia	2,497

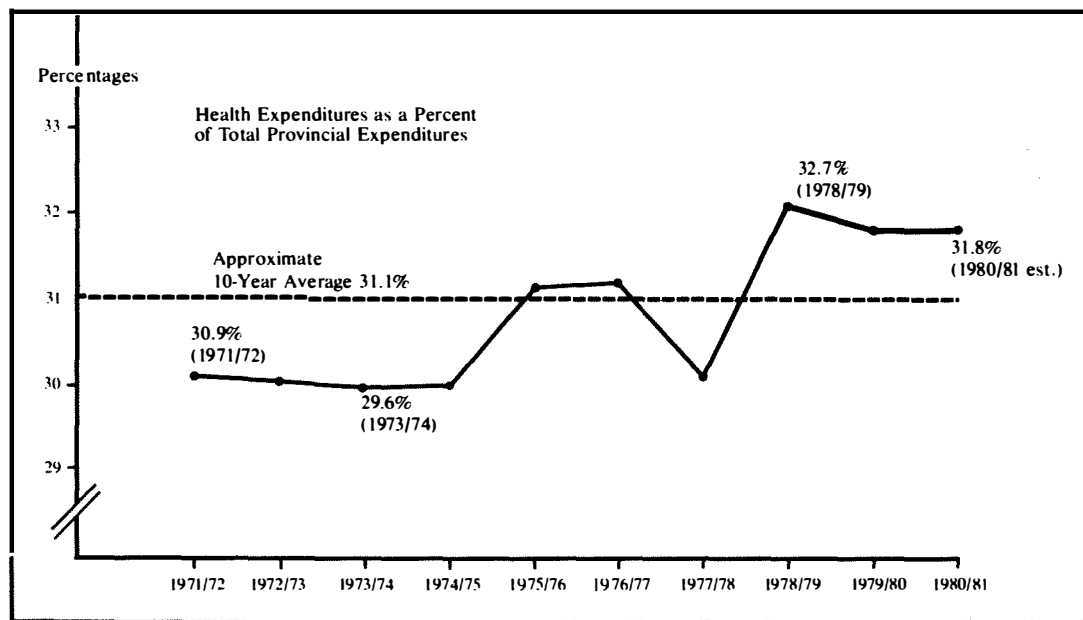
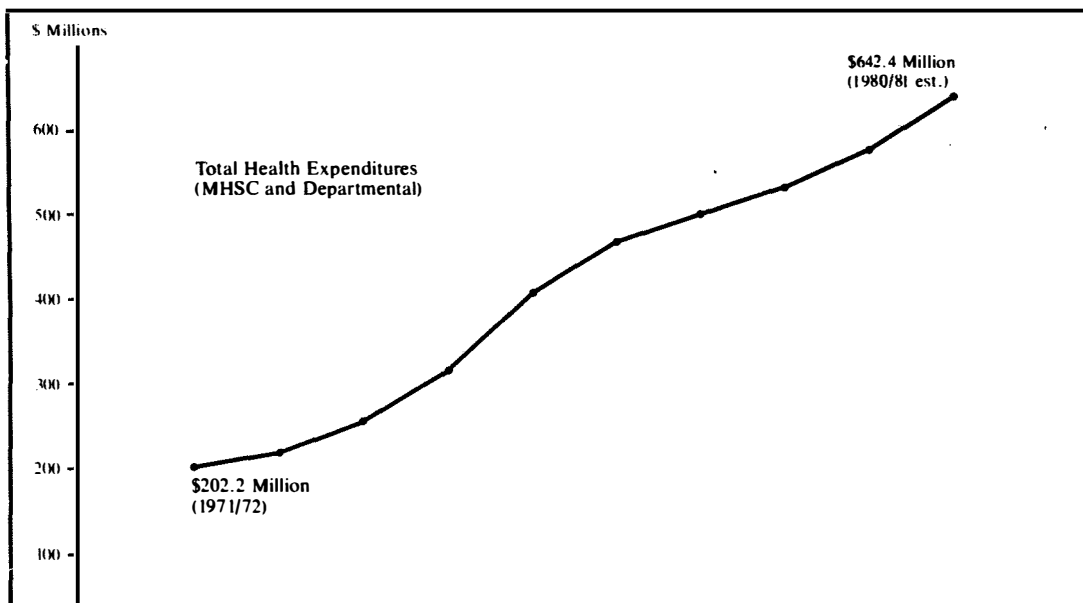
*Fiscal Year Ending March 31, 1978

Source: Bank of Montreal — Provincial Summaries, July, 1979

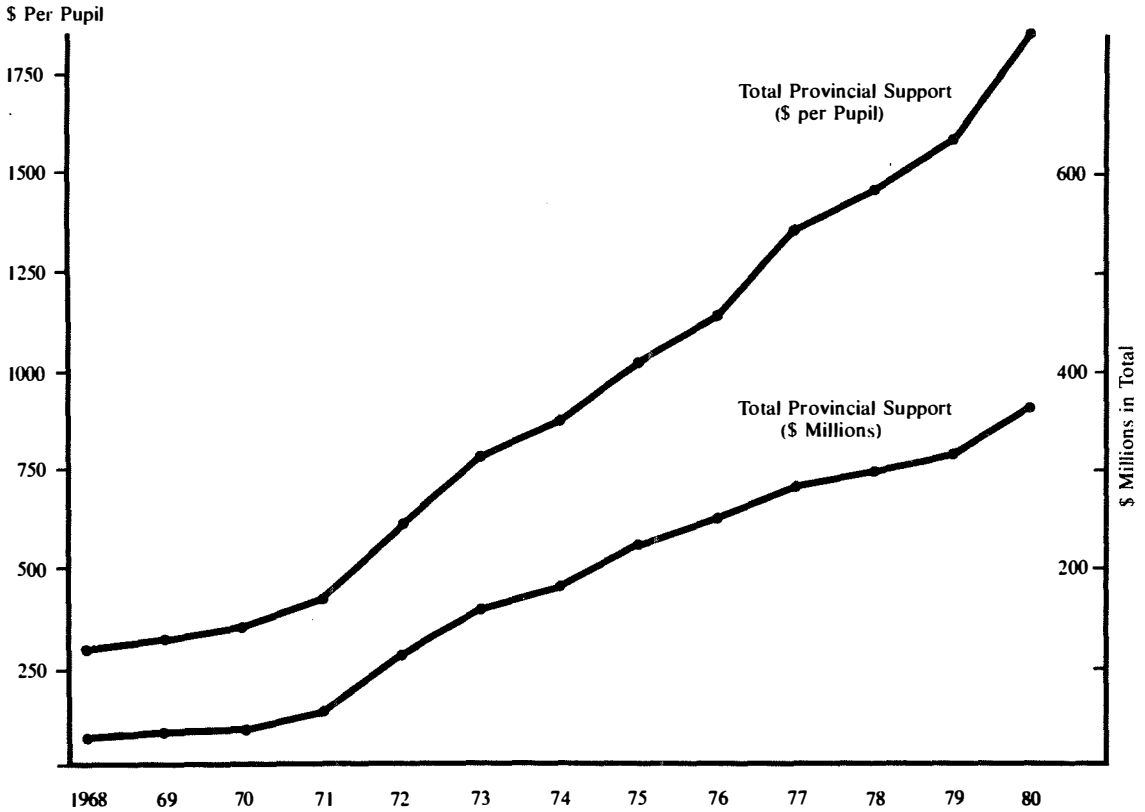
Public Debt and Hydro Rate Stabilization Charges



Health Expenditures — A Consistent Priority



Total Provincial Contribution to Public School Financing: 1968-80



Total support includes direct assistance to school divisions and indirect assistance through Property Tax Credits and related programs.

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WHITE PAPER ON TAX CREDIT REFORM

**The Honourable Donald W. Craik
Minister of Finance**

May, 1980

1. Background:

Since its election in 1977, the Government has been committed to an orderly and careful review of all aspects of Government operations in Manitoba.

The record deficit and levels of taxation facing Manitobans in 1977, made it clear that Government must be operated with greater efficiency and effectiveness in order to meet its responsibilities without continued excessive borrowing or taxation.

The Task Force on Government Organization and Economy identified a number of specific areas of concern within government, including the effectiveness of the tax credit programs.

In the 1978 Budget, the Government announced that it would undertake a comprehensive review of the tax credit programs, and that it would publish a White Paper based on that review.

The review process has been delayed by uncertainties as to federal government policies. In particular, the system of property tax and mortgage interest tax credits proposed by the last federal government would have provided major benefits to Manitoba homeowners, affecting the Property Tax Credit Program in a very direct way. It now appears unlikely that the federal government will undertake any significant action that will affect these programs in the near term.

2. The Objectives of the Review:

The purpose of the tax credit review has been to ensure that the tax credit programs are effective in meeting their basic objectives. Although, from time to time, there have been a wide range of objectives assigned to these programs, it is the opinion of the Government that their primary purposes are:

1. To provide significant and equitable provincial assistance to homeowners and tenants in meeting the costs of school and general municipal property taxation.
2. To provide extra assistance in relation to the actual needs of Manitobans.

These are the objectives against which the performance of the two tax credit programs is measured in this White Paper.

PART I: The Property Tax Credit Program

The Property Tax Credit Program provides assistance to Manitobans in meeting their school and municipal property taxes and, for tenants, the property tax component of their rents. It is recognized as a significant element in the Province's contribution to the financing of the public school system.

For the 1979 tax year, the program provided:

- a) basic assistance of \$225 to all homeowners and tenants, regardless of income
- b) up to \$150 in additional assistance, based on need as measured by property taxes (or 20% of rent for tenants) and taxable income.
- c) an additional payment of up to \$100 to be applied against school taxes in excess of \$375 available to pensioner homeowners.

The review of the Property Tax Credit Program confirmed that the general structure of the program resulted in a satisfactory mechanism for the delivery of property tax relief to homeowners and tenants.

In some cases, however, the program resulted in very uneven benefits being provided to Manitobans in essentially the same need or income position. In addition, it failed to provide adequate assistance to many in the greatest need of extra help.

1. Income Definitions:

The income definitions used to determine eligibility for the needs-related component of the Property Tax Credit Program do not accurately reflect financial need.

Entitlement to assistance in addition to the basic payment is calculated using the taxable income of the higher income earning spouse. This results in very different levels of property tax credits being paid to families in similar financial situations, because of differences in the distribution of earned income between the spouses.

For example, a family of four with one income earner and a total income of \$20,000 would be entitled to about \$250 in property tax credits (in the 1979 tax year). A family of four with two income earners and a total income of \$20,000 would be entitled to \$325 in property tax credits. The financial situation of the families is the same. Their property tax credit entitlement is different under the current income definitions used for determining property tax credit payments.

The taxable income definition also excludes income from a number of sources. The first \$1,000 of interest or investment is excluded, for example. The taxable income definition also permits a variety of discretionary deductions from total income, such as contributions to Registered Retirement Savings Plans, Registered Home Ownership Savings Plans, and specific incentives for various investments including drilling funds and Canadian films. Typically, those in a position to earn income from these specially treated sources, or to take advantage of these discretionary deductions, are generally better off financially than those who are not in such a position. But the taxable income definition will tend to overstate the need for income-related property tax credits among such people.

It is the view of the Government that eligibility for the needs-related component of the Property Tax Credit Program should be calculated on the basis of total family income as opposed to the income of the highest-paid spouse, and that it be based on total rather than on taxable income.

There are, however, already two income concepts involved in the income tax administrative mechanism, the taxable income used to calculate tax liability, and the family income definition used to calculate entitlements under the federal Child Tax Credit Program. It is not practical at this time to introduce a third income concept, without unduly complicating an already complicated process.

In the view of the Government, however, the family income definition in use under the federal Child Tax Credit Program will permit benefits paid under the Manitoba Property Tax Credit Program to be closely related to the actual financial needs of each family. Accordingly:

The Government proposes to use the family income definition currently in use under the federal Child Tax Credit Program to calculate eligibility for the needs-related component of the Property Tax Credit Program.

Although this income concept does not reflect total resources available to the family as accurately as might be wished, it is more comprehensive than the taxable income of one spouse concept used under the current property tax credit system, in that it includes the income of both spouses.

This reform will ensure that funds available for property tax assistance are applied on a more uniform and comparable basis to all families in Manitoba. In the longer term, however, the Government would prefer an income definition that reflects income more comprehensively. Accordingly:

The Government will seek a review of the income definitions available for tax credit purposes within the national income tax collection framework as part of the upcoming general Fiscal Arrangements review.

2. Increased Property Tax Assistance:

The review has concluded that, in order more effectively to meet its objectives of providing significant property tax relief to all citizens and adequate special assistance to those in the greatest need, the Property Tax Credit Program should be significantly enriched, both in general terms, and in respect to the particular needs of specific groups in the community.

Accordingly:

As announced April 9, the basic property tax credit for 1980 has been increased by \$100, from \$225 to \$325. This increase will be made available to homeowners on their property tax statements for this year. Tenants will continue to obtain their property tax credits through the income tax system.

The maximum income-related property tax credit will also be increased by \$100, from \$375 to \$475, for the community as a whole, and by \$150, from \$375 to \$525 for senior citizens.

As announced April 9, the Pensioners' School Tax Assistance Program has been increased by \$75, from \$100 to \$175. In addition, the program now covers school taxes in excess of \$325; last year it applied only to taxes in excess of \$375.

Pensioner tenants will now be eligible for direct provincial payments of up to \$175, to cover 10% of their rent over \$1,625 - the rent level at which the basic \$325 property tax credit applies. This will provide tenants with equivalent support to that being offered homeowners.

These reforms in the Property Tax Credit Program will significantly improve the ability of the program to meet its

objectives of providing general property tax relief, and of meeting the specific needs of those who need the most help. They will be of specific benefit to low income senior citizens across Manitoba.

3. Additional Improvements:

The review also identified two other anomalies under the Property Tax Credit Program, one which results in overpayments, and one which results in unfairly reduced benefits.

Under the existing program, unmarried persons sharing accommodation are all entitled to full property tax credits in relation to their share of the rent. For example, two unmarried persons sharing an apartment with monthly rental of \$400, basing their individual property tax credit entitlements on rental of \$200 each, would each be able to claim the basic property tax credit and income-related relief as well. Under the higher program benefits established for 1980, the two people could receive as much as \$950 in total property tax credits. That amount would be far in excess of the assistance available to a married couple in the same situation.

Similarly, children living at home and paying rent can claim and receive property tax credits, despite the fact that their parents already receive full property tax credits based on the taxes actually paid on the property, and even though the rents they pay may be little more than notional.

In both these cases, the result can be significant overpayments that do not contribute to achieving the objectives of the program. Accordingly:

In cases of shared rental accommodation, the property tax credit shall be available only to one applicant. This will result in the same levels of property tax entitlement regardless of whether the people sharing the accommodation are members of the same family or not.

Children living at home will no longer be permitted to claim secondary property tax credits over and above those claimed by their parents.

On the other hand, the treatment afforded couples married during the year results in unfair reductions in available property tax credits.

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The current program limits the property tax credit to one spouse during the year of marriage, and the last day of the year is used to determine the applicant's status as married or single. Under the higher 1980 benefits, this could result in a difference in entitlement of \$475 as between a couple married on January 1, and one married the day before, on December 31.

The Government believes this should be changed to recognize the fact that spouses incur separate rental or property tax obligations prior to marriage in many cases. Accordingly:

Couples shall be permitted to submit separate property tax claims for the period of the year prior to marriage, and, one spouse may add the rentals or property taxes incurred after marriage.

This extended benefit will not be made available where the couple elects to claim one spouse as a dependent for tax purposes.

Conclusions:

Although the basic mechanism employed in the Property Tax Credit Program is considered to be reasonable, the Government believes that these reforms in income definitions, levels of assistance, and in the removal of anomalies, will permit the program more effectively to meet its objectives of providing significant general assistance to homeowners and tenants in meeting property tax costs, and of providing effective extra assistance to those who need it most.

PART II: The Cost of Living Tax Credit Program

The Cost of Living Tax Credit Program makes payments to Manitobans entirely on the basis of taxable income and personal exemptions. Following its establishment in 1974, the program was represented at various times as a sales tax reduction, an income tax reduction, and a general income support program.

In the view of the Government, however, its proper purpose is to provide additional income support for those Manitobans who need it most.

Sales tax relief is more effectively provided by eliminating sales taxes entirely on essentials, as has already been done in most cases in Manitoba. Income tax relief is best achieved by reductions in the rate of income taxation, as the Government has done since its election in 1977.

Accordingly, the review of the tax credit programs evaluated the Cost of Living Tax Credit Program in terms of its effectiveness as an income support program for those with the lowest incomes.

The program was judged to have been neither efficient nor effective in meeting the objectives of an income support program. Instead, by dispersing payments among 465,000 Manitobans - the majority of whom are not in need of this kind of assistance - the program has dissipated resources needed to provide more substantial assistance to those who need it most in Manitoba.

The program relies on individual taxable income in determining level of assistance. As discussed earlier, this income concept is not an accurate reflection of the financial need of the family.

At present, cost of living credits are paid to many secondary and tertiary income earners of well-to-do families. For example, a family with a total income of \$35,000, with one spouse earning \$30,000, and the other earning \$5,000, would qualify for a cost of living credit of \$70. Other income earners in the family, including children living at home, would also qualify for cost of living tax credits.

In addition, until 1978, persons confined in penal institutions for the entire year were permitted a cost of living tax credit, despite the fact that their total living costs and more were already being borne in full by the public purse.

In the Government's view, if it is to function as an effective and efficient program of income support, the Cost of Living Tax Credit Program must base its eligibility requirements on income concepts that are reflective of the real need of people across Manitoba.

Accordingly:

The Government proposes to use the family income definition currently in use under the federal Child Tax Credit Program to calculate eligibility for the Cost of Living Tax Credit Program.

This will have the effect of increasing the proportion of cost of living tax credits which will be paid to those who most require income assistance.

In the Government's view, however, there continues to be a need for additional measures to meet the needs of those who most require the help and support of Government, low income pensioners and those raising children on low incomes, including many single parent families in Manitoba.

New Targetted Assistance Measures:

Since its election in 1977, the Government has attempted to address specific situations of obvious need on a priority basis. In 1978, the Pensioners School Tax Assistance Program was introduced. SAFER - the Shelter Allowance for Elderly Renters Program - became effective on January 1, 1980.

In the Government's view, however, there continues to be a need for additional measures to meet the needs of those who most require the help and support of Government, low income pensioners and those raising children on low incomes, including many single parent families in Manitoba.

Accordingly, using funds freed up by the reform of the Cost of Living Tax Credit Program, the Government proposes to establish a number of new assistance measures, targetted specifically to help those who need it most.

1. Improved Income Support for Pensioners

There are a number of current, successful programs to provide income support to senior citizens. The Manitoba Supplement for the Elderly provides payments of up to \$94 a year to single senior citizens, and up to a total of \$202 a year for couples, where the only other sources of income are Old Age Security and the federal Guaranteed Income Supplement. SAFER provides rent subsidies to those whose rent represents too large a proportion of their income. The specific reforms being undertaken in the Property Tax Credit Program will be of significant benefit to low income senior citizens.

The Government is concerned, however, that current levels of assistance being provided to senior citizens should be increased and that specific assistance should be provided to retired persons under the age of 65.

Accordingly:

The Manitoba Supplement for the Elderly (MSE) will be changed to The Manitoba Supplement for Pensioners (MSP) and will be available to retired persons between the ages of 55 and 65, in addition to senior citizens.

Payments under MSP will be double those currently available under MSE: up to a maximum of \$188 per year for single pensioners, and up to a maximum of \$405 per year for couples.

The SAFER program of rent subsidies will be enriched to provide larger subsidies, and will be made available to all retired persons between the ages of 55 and 65, in addition to senior citizens.

The more generous benefits provided under the Manitoba Supplement for Pensioners will have the effect, in combination with other government pensions and supplements, of guaranteeing senior citizens in Manitoba a minimum annual income of \$4,690 for single people and \$8,368 for couples. In combination with the reforms in the Property Tax Credit Program, this will result in significantly greater income support for those senior citizens with the lowest incomes.

At the same time, the extension of MSP and SAFER to retired persons between the ages of 55 and 65 represents a meaningful level of assistance to this group.

2. Improved Support for Low Income Families

The reforms in the Cost of Living Tax Credit Program will result in a greater proportion of total payments being made to members of families who are in genuine need of financial help.

In the Government's view, however, there is a need for more generous and specific measures to provide support to those raising children on low incomes, including many single parent families.

Accordingly:

The SAFER program of rent subsidies will be extended to include low income families with children, effective January 1, 1981.

Effective January 1, 1981, the Government will establish a new Child Related Income Support Program (CRISP), which will provide direct payments of

up to \$30 per month per child to low income families.

In our view, governments have paid too little attention to the urgent requirements facing lower income families raising children. In many cases, these families must cope with additional problems as a result of marriage breakdowns. There is a clear need for significant and timely financial help, to help sustain families in these situations.

The problem is most obvious in the Inner City area of Winnipeg, although it is by no means limited to that area. One recent study suggested that pupils enrolled in 47 different Winnipeg schools come from families with average incomes under \$10,000; according to the same study, over 60% of the students at one school come from single parent families.

The Cost of Living Tax Credit Program was not an effective or adequately targetted mechanism of support for low income families. With personal exemptions in the order of \$500 per child and cost of living tax credit calculated as 3% of personal exemptions, the maximum cost of living tax credit amounts to \$15 per child per year.

CRISP will guarantee all families with children whose total annual income is under \$7,500 and whose assets are under a prescribed maximum value, provincial support of \$30 per month per child. In addition, a \$500 deduction from total family income will be permitted for each child in calculating eligibility. For families with incomes above \$7,500, payments will be phased out at 25¢ for each additional dollar of income.

For example, a family with four children will qualify for the maximum benefits of \$120 monthly (\$1,440 per year) up to an annual family income of \$9,500. As income exceeds this level, the family's entitlement will be reduced by 25% of the excess. Thus, this family will qualify for:

\$110 monthly at \$10,000 total income;
\$ 89 monthly at \$11,000 total income;
\$ 68 monthly at \$12,000 total income;
\$ 47 monthly at \$13,000 total income;
\$ 26 monthly at \$14,000 total income; and
\$ 5 monthly at \$15,000 total income.

Additional illustrations of CRISP benefits are included in Table 1.

Combined with eligibility for rent subsidies under SAFER, CRISP will provide, not only a significant real benefit in terms of increased income, but also an enhanced sense of security for these families.

One additional implication of the growing number of single parent families and the higher participation rate of women in the labour force in Manitoba is a requirement for more day care programs. There is a particular need for lunch hour and after school programs for working mothers with school age children. Accordingly:

The Government will provide additional funds to support the establishment of more full-time day care programs in Manitoba.

As a priority, the Government will support the establishment of noon hour and after school day care programs for children of school age.

Increased availability of day care services will increase the ability of many lower income and single parent families to become more independent and secure through employment.

In the design of CRISP in particular, the review has had to deal with the question of the eligibility for assistance of Treaty Indians. Since the federal government provides support to these groups, there was concern that extension of CRISP benefits would represent a doubling-up of assistance payments.

This entire jurisdictional dilemma is currently the subject of a series of tripartite studies. A principle of the discussions has been the maintenance of the federal-Indian relationship. Generally speaking, provincial governments have moved to fill identified gaps in federal programming, rather than supplanting or duplicating federal programs. A program similar to CRISP, established by the province of Saskatchewan, does not extend benefits to Treaty Indians.

Therefore, at this time, CRISP payments will not be extended to Treaty Indians. Should the Manitoba Indian Chiefs request it, and should the federal authority undertake to provide full funding, Manitoba would be prepared to extend CRISP to Treaty Indians.

Conclusions:

The Cost of Living Tax Credit Program is being reformed to ensure that it provides income support efficiently to those who need it most.

Using funds freed up by this reform, the Government is establishing a series of targetted assistance measures to provide significant help to those who need it most - low income pensioners, and those raising children on low incomes, including many single parent families.

PART III: Implementation of the White Paper Reforms

1. Integration of Income Support Programs

In reviewing the tax credit programs, and in the development of the proposed new targetted income support measures, the Government has been sensitive to the fact that layering or stacking of various income-tested or needs-related programs can result both in problems of delivery, and in real access problems for the citizen due to the resulting complexity of the system.

This problem has persisted for years at both the federal and provincial levels, and while it is impossible to achieve complete tax and transfer integration, the Government proposes to take a series of initial steps to deal with some of the major aspects of the problem.

At the present time, eligibility for social allowances in Manitoba is calculated by taking into account essential expenditures and income. However, such payments as family allowances, federal child tax credits, provincial tax credits and so on have not been formally included in the income calculation. They are considered in an informal way in establishing levels of support, but this kind of ad hoc consideration is imprecise and difficult to evaluate in an objective manner. It may well tend to leave certain groups ineligible for support, despite real needs, and to provide support where needs are less urgent. It is also undesirable in that it makes individual access to support subject to an implicit application of judgment by public servants; the Government is of the view that the individual's access to support should be clear and explicit in all cases.

Accordingly:

The Government will take all federal and provincial support payments explicitly into account in calculating income for purposes of social allowances.

The Government will increase the needs component of social allowance calculations by the amount of all family allowances, federal child tax credits, and provincial tax credits for which the family or individual is eligible, to prevent any reduction in benefits as a result of this approach.

The Government will review social assistance entitlements on a regular basis to ensure that levels selected are appropriate.

The effect of these measures will be to make clear and explicit all elements involved in determining the eligibility of Manitobans to social assistance, and to assure that such assistance is adequate.

2. Simplified Administration

The large number of income support programs in existence at both the federal and provincial levels leads to a number of mechanical and administrative complexities that affect the delivery of assistance to those who need it most.

Manitobans in need are faced with a range of complicated and unduly demanding form-filling requirements. For example, senior citizens currently face different application forms for the Manitoba Supplement to the Elderly, SAFER, Pensioner's School Tax Assistance, and for property and cost of living tax credits. Low income families must deal with separate agencies for child care support, property and cost of living tax credits, and, potentially, for the new CRISP and SAFER benefits that will become available in January of 1981.

There are considerable difficulties involved in the basic process of finding out what services or programs of support exist.

Accordingly:

The Government will establish a central office from which all necessary information and application forms for all programs may be obtained, together with assistance in completing necessary applications.

The Government will undertake a study of the feasibility of centralizing the administration of these related programs to minimize duplication of forms and administrative requirements.

The Government believes that more effective communication to the public about the range of services and support programs available is necessary. In the simplest possible terms, programs people don't know about can't help them.

3. The Timing of the White Paper Reforms

The Government proposes to introduce the reforms spelled out in this White Paper on the following schedule:

The increase in basic property tax credits to homeowners will show on 1980 property tax bills.

The increase in the general maximum property tax credit to \$475 and to \$525 for senior citizens will apply to the 1980 tax year.

The enhanced Pensioners' School Tax Assistance level of \$175 will be available to reduce 1980 school taxes.

The \$175 additional payment to senior citizen tenants will become available in January, 1981.

The Manitoba Supplement for Pensioners, providing benefits double those paid under the Manitoba Supplement for the Elderly will become available to senior citizens and to retired persons between the ages of 55 and 65 in September, 1980.

The enhanced SAFER program will become available to retired persons between the ages of 55 and 65 in January, 1981.

Additional funding to support the expansion of day care, and of noon hour and after school care programs will commence in September, 1980.

SAFER will become available to low income and single parent families in January, 1981.

The Child Related Income Support Program will commence operations in January, 1981.

The timing of the introduction of these reforms reflects the minimum time required for the development of the various administrative mechanisms for the operation of the new and extended programs.

The White Paper Reforms will require supplementary expenditure authority for 1980-81 of \$28.6 million.

PART IV: The White Paper Reforms; Conclusion

The reforms set out in this White Paper represent a fundamental improvement in the efforts of the Government to provide adequate shelter and income assistance to those Manitobans who need it most. They include major reforms to the existing programs that will permit them more effectively to meet their objectives.

Further improvements or reforms may be suggested during public discussion of this White Paper, and the Government is open to constructive suggestions. We are, however, of the firm view that the reforms set out here are needed, and will proceed with their implementation on a timely basis.

In line with the kind of comprehensive review we have conducted of the tax credit programs, the Government is undertaking a similar review of public school financing. This review will concern itself with the Foundation Program and other grants, as well as the potential inequities in the application of school taxes to farms and small business premises. The Government intends to complete this review by the end of this fiscal year.

It is the Government's view that the White Paper Reforms, by providing for the more effective use of resources to provide more help to those who need it most, reflect the values and the wishes of the people of this Province. It is hoped that this White Paper will contribute to a broad and useful public discussion of these important reforms.

Tuesday, 13 May, 1980

SUMMARY OF THE WHITE PAPER REFORMS

PROGRAM	PROGRAM FEATURES	
	1979 (PRE-REFORM)	WHITE PAPER PROPOSALS
I. <u>PROPERTY TAX CREDITS:</u>		
Maximum Credit	\$375	\$475
Minimum Credit	\$225	\$325
Income Offset On Supplementary Portion	Taxable Income; one spouse	Net Income; Both Spouses
II. <u>PENSIONERS' SCHOOL TAX ASSISTANCE:</u>		
Increased Maximum Credit	\$375	\$525
Homeowners' Assistance	\$100	\$175
Tenants' Assistance	0	\$175
Qualifying School Tax Level	\$375	\$325
III. <u>SHELTER ASSISTANCE:</u>		
Senior Citizens	Basic Program	Enhanced Subsidy
Retired Persons, 55 to 65	Not Eligible	Eligible
Low Income Families with Children	Not Eligible	Eligible
IV. <u>COST OF LIVING TAX CREDIT PROGRAM:</u>		
Maximum: single taxfiler under age 65	\$ 79.50	\$ 86.70
Maximum: married taxfiler with two dependent children	\$179.10	\$195.00
Maximum: single senior citizen	\$129.30	\$141.00
Income Offset	Taxable Income; Individual	Net Income; Both Spouses
V. <u>INCOME SUPPORT FOR PENSIONERS:</u>		
Maximum; single senior citizen	MSE \$ 93.84	MSP \$187.68
Maximum; senior citizen couple	MSE \$202.32	MSP \$404.64
Eligibility Age	MSE - 65 Years	MSP - 55 Years
VI. <u>CHILD RELATED INCOME SUPPORT PROGRAM:</u>		
Maximum annual Payments:		
1 Child	- 0 -	\$360
2 Children	- 0 -	\$720
3 Children	- 0 -	\$1,080
4 Children	- 0 -	\$1,440
VII. <u>DAY CARE SUPPORT:</u>		
Full time programs	On-Going Support	Expanded Support for New Programs
Noon Hour/After School Programs	No Support Program	Support for Establishment and Operation of Programs

WHITE PAPER
ON
TAX CREDIT REFORM
ILLUSTRATIVE TABLES

Table 1 Illustrations of Child Related Income Support Program Payments

CRISP provides low income families with monthly assistance payments from the Province. The maximum assistance payments of \$30 per month for each child will be made available to families with total incomes of up to \$7,500, plus a \$500 exemption per child. Once total income exceeds these levels, the assistance will be phased out at 25¢ for each additional dollar of income. The following table illustrates the impact of this program at various total family income levels and numbers of children.

Total Family Income*	NUMBER OF DEPENDENT CHILDREN			
	(1)	(2)	(3)	(4)
\$	\$	\$	\$	\$
7,000	360	720	1,080	1,440
7,500	360	720	1,080	1,440
8,000	360	720	1,080	1,440
8,500	235	720	1,080	1,440
9,000	110	595	1,080	1,440
10,000	-	345	830	1,315
11,000	-	95	580	1,065
12,000	-	-	330	815
13,000	-	-	80	565
14,000	-	-	-	315
15,000	-	-	-	65
16,000	-	-	-	-

*Includes family allowances and federal child tax credits at 1980 levels.

NOTE: CRISP supplements cost of living tax credit levels which involve maximum annual payments of \$179, \$195, \$211, and \$227 for families with one, two, three and four children, respectively.

Table 2 Illustrations of Manitoba Supplement for Pensioners

The Manitoba Supplement for Pensioners provides senior citizens with double the maximum assistance available under the Manitoba Supplement to the Elderly, from \$94 to \$188 annually for single people and from \$202 to \$405 for couples. Eligibility under the new program is broadened to include retired people between the ages of 55 and 65. The following table illustrates the assistance levels provided under this new program.

S I N G L E				M A R R I E D			
Other Income	Total OAS/GIS	MSP	Total Income	Other Income	Total OAS/GIS	MSP	Total Income
\$	\$	\$	\$	\$	\$	\$	\$
0	4,502	188	4,690	0	7,963	405	8,368
25	4,490	176	4,691	50	7,939	381	8,370
50	4,478	164	4,692	100	7,915	357	8,372
100	4,454	140	4,694	200	7,867	309	8,376
150	4,430	116	4,696	300	7,819	261	8,380
200	4,406	92	4,698	400	7,771	213	8,384
250	4,382	68	4,700	500	7,723	165	8,388
300	4,358	44	4,702	600	7,675	117	8,392
350	4,334	20	4,704	700	7,627	69	8,396
400	4,310	0	4,710	800	7,579	21	8,400

NOTE:

1. The comparable minimum guaranteed income levels for 1979 were \$3,871 for single senior citizens and \$7,183 for married senior citizens.
2. OAS/GIS are calculated at April - June, 1980 levels and include the \$35 per month GIS increase.

Table 3 Illustrations of General Property and Cost of Living Tax Credits

The general maximum and minimum property tax credit are increased by \$100 to \$475 and \$325, respectively. The cost of living tax credit is calculated at 3% of the applicant's personal exemptions. Maximum payments under both programs are reduced by 1% of family net income. Following are illustrations of the assistance levels provided under these programs.

FAMILY NET INCOME *	1980 PROPERTY AND COST OF LIVING TAX CREDITS	
	SINGLE TAXFILER	MARRIED TAXFILER
	\$	\$
0	562	648
2,500	512	588
4,000	482	558
5,000	462	538
6,000	442	518
7,500	412	488
10,000	375	438
12,500	350	388
15,000	325	338
20,000	325	325

*After employment expenses, Unemployment Insurance and Canada Pension Plan deductions.

Table 4 Illustrations of White Paper Program Benefits - Senior Citizen Tenants

The White Paper Programs include the following set of targetted initiatives for senior citizen tenants.

- . Manitoba Supplement for Pensioners at double the Manitoba Supplement to the Elderly maximums.*
- . Maximum property tax credits of \$525 compared with \$375 last year.*
- . Minimum property tax credits of \$325 compared with \$225 last year.*
- . SAFER to provide additional help where rents are high in relation to income.*
- . Additional rental assistance of up to \$175 to cover 10% of rents over \$1625 annually.*
- . Cost of living tax credits calculated at 3% of personal exemptions reduced by 1% of family net income.*

Following are some illustrations of the assistance levels provided under these programs.

<u>Family Net Income</u>	<u>Single</u>	<u>Married</u>
\$	\$	\$
5,000	1,091	1,970
7,500	691	1,000
10,000	641	713
15,000	550	618
20,000	500	518
25,000	500	500

Table 5 Illustrations of White Paper Program Benefits -
Senior Citizen Homeowners

The White Paper Programs include the following set of targetted initiatives for senior citizen homeowners.

- . Manitoba Supplement for Pensioners at double the Manitoba Supplement to the Elderly maximums.*
- . Maximum property tax credits of \$525 compared with \$375 last year.*
- . Minimum property tax credits of \$325 compared with \$225 last year.*
- . Pensioners School Tax Assistance of \$175 compared with \$100 last year.*
- . Cost of living tax credits calculated at 3% of personal exemptions reduced by 1% of family net income.*

Following are some illustrations of the assistance levels provided under these programs.

<u>Family Net Income</u>	<u>Single</u>	<u>Married</u>
\$	\$	\$
5,000	741	1,196
7,500	691	757
10,000	641	713
15,000	550	618
20,000	500	518
25,000	500	500

Table 6 Illustrations of White Paper Program Benefits -
Low Income Families With Children

The White Paper Programs include the following set of targetted initiatives for low income and single parent families with children.

- . CRISP of \$30 per child per month at incomes up to \$7,500 annually plus a \$500 exemption per child, reduced by 25 cents for each additional dollar of income.
- . SAFFER to keep rents reasonable in relation to income.
- . Maximum property tax credits of \$475 compared with \$375 last year.
- . Minimum property tax credits of \$325 compared with \$225 last year.
- . Extended day care and noon/after school programs.
- . Cost of living tax credits calculated at 3% of exemptions reduced by 1% of family net income.

Following are illustrations of the benefits available under these programs.

Family Net Income	<u>Single Parent Family</u>				<u>Two Parent Family</u>			
	-----No. of Children -----				-----No. of Children-----			
	(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)
\$	\$	\$	\$	\$	\$	\$	\$	\$
2,500	1,698	2,074	2,450	2,826	1,714	2,090	2,466	2,842
4,000	1,683	2,059	2,435	2,811	1,699	2,075	2,451	2,827
6,000	1,663	2,039	2,345	2,515	1,679	2,055	2,361	2,531
8,000	1,117	1,352	1,603	1,966	1,133	1,368	1,619	1,982
10,000	438	531	977	1,422	454	547	993	1,438
12,000	398	414	430	850	414	430	446	866
14,000	358	374	390	406	374	390	406	422
16,000	328	344	360	376	344	360	376	392

NOTE:

These illustrations do not include day care support.

**MINISTERIAL STATEMENTS
ON
ECONOMIC MATTERS**

**FEDERAL-PROVINCIAL CONFERENCE OF
FIRST MINISTERS ON ENERGY
OTTAWA, NOVEMBER 12, 1979
OPENING STATEMENT
BY
PREMIER STERLING LYON**

Prime Minister:

My colleagues and I have noted your new government's firm commitment to a new era in federal-provincial relations, and we welcome it.

We are convinced your commitment is a genuine one. We have already seen substantial evidence of your willingness to consult with our Province and others on major policy issues.

We recognize . . . and have tried to emphasize . . . that the purpose of our meeting today is not simply to deal with oil and natural gas pricing. It has a much broader objective, to attempt to achieve progress in establishing a comprehensive, joint federal-provincial energy strategy that has so long been lacking in this country.

Manitoba's Perspective on Energy Matters

Manitoba has always brought a unique perspective to national energy and economic policy discussions. I would like to take a few moments to outline some of those special perceptions.

Along with the other Western Provinces, Manitoba has experienced a sense of alienation which was the natural and understandable result of decades of national development policies designed to promote the interests of central Canada. Only recently has this sense of alienation begun to disappear, and largely because the West has secured the economic leverage, through our natural resources, to ensure that our citizens will have an effective voice in the key decisions which must be made about the future of our country.

And, as a Western Province, with a long history of dependence on primary industries, we recognize, too, the vulnerability of an economy which is not balanced and diversified. Manitoba now enjoys such diversity, but we are anxious to strengthen it, and we fully understand and endorse the efforts of the other Western Provinces to do the same. Those outside the West may not understand the rationale for Heritage Funds, but after years of attempting to establish a strong industrial base in the face of tariff, transportation and fiscal policies which have been inimical to it, we in Manitoba know their purpose and well understand the motivation behind them.

Along with our western neighbours, we are also an energy producer, and a major one. We produce very little oil, less than 1% of national production, but, we have substantial hydro electric generating capacity . . . capacity in excess of our current needs . . . and even greater untapped reserves which, over time, are becoming increasingly attractive as an alternative for non-renewable energy forms, not only within our own borders, but for other provinces, and for parts of the United States as well. We believe further development of Manitoba's hydro resources must be recognized as an essential priority for a new Canadian energy strategy.

Following a series of hydro rate increases which, in total, exceeded 150% in five years, our Government has already introduced some important new measures . . . including a five-year rate freeze . . . to maximize hydro's contribution to our future development by way of job creation and rational maximum utilization of hydro power within our Province, and we are embarked upon active policies to encourage as well the extension of its benefits to our sister provinces and to our American neighbours.

But, despite our resources, our overall economic base makes us eligible for equalization transfers from the federal government, a significant portion of which are attributable to the fact that we produce such a small amount of oil and, of course, no natural gas. Currently, equalization payments from the federal government account for approximately 15% of our total revenues, and on a per capita basis are fairly close to those of Quebec. This is quite different from the other Western Provinces, where only Saskatchewan is an equalization recipient, and on a much smaller scale than it once was.

Of course, we in Manitoba well remember the time not too long ago when Saskatchewan's equalization entitlements were much higher and Alberta was also a recipient, and we remember as well the '30's when even today's resource-rich Alberta faced an extremely serious debt repayment problem. We remember, too, the initiatives that had to be taken by the leaders in those days and particularly the efforts of a former Manitoba Premier, the Honourable John Bracken, to press for a system of corrective inter-regional transfers. This kind of history has made the citizens of our Province, and those of the other Western Provinces well aware of the ebb and flow of economic strengths in the different regions of our country, and of the importance of a federal government which has the economic and fiscal strength to stabilize provincial revenues across the country.

Finally, I should make it clear that Manitoba, as a net importer of fossil fuels, obviously has a direct interest in questions related to the supply and price of oil and natural gas.

There have been suggestions that because of our abundant hydro resources and our relatively high percentage of natural gas consumption relative to oil, Manitoba may be somewhat less vulnerable to the effects of significant price increases than other provinces. The facts are that our total energy consumption breaks down as follows:

- hydro, less than 20%
- natural gas, about 30%
- and oil, nearly 50% or half of our energy demand.

In short, a serious vulnerability problem does exist for Manitoba, particularly in such areas as:

- home heating, because of our severe winters,
- transportation, especially in northern and rural areas where added costs, rail line abandonment and other factors have already placed a heavy burden on local residents, and
- our agricultural sector, where following far-from-favourable growing conditions this year, our producers are facing the effects of increases in a broad range of production costs.

In addition, of course, we cannot insulate ourselves from the overall impact of a major price increase on the national economy, especially when other factors, such as interest rates and a slowdown in the U.S. economy, are already causing serious concerns for Canada.

Oil Pricing

The estimates of the consequences of a major price increase for the national economy . . . for real growth, for the Consumer Price Index, for the rate of job creation, and so on . . . are well known.

But . . . what have been less well spelled out . . . are the consequences if such an increase is not implemented.

The stark fact is that we are already into a very tight crude oil supply situation which will continue and which should serve as a clear warning signal that decisive steps must be taken to augment domestic production and to begin reducing non-essential demand.

Unless we achieve increased production from reserves, every estimate we have seen indicates that we will face an escalating increase in our dependence on offshore oil, with all the supply and price vagaries attached to it. One need only contemplate the current situation in Iran to understand the undesirability of increasing dependence on offshore oil.

We are faced with what some might call a Hobson's choice.

I suggest we really have no choice at all.

Canadians will pay in any case . . . but by charging an artificially low price, we will still be paying two ways — through growing import subsidies paid for indirectly by taxes, and through failure to develop new supplies. By directly paying increased prices, we reduce offshore dependence, generate new supplies in Canada, and progress towards the national goal of self-sufficiency.

In these circumstances, we believe it is short-sighted . . . and offensive to common sense . . . to contend that oil prices can remain where they are or, indeed, remain tied to the precise formula set out in the current agreement which ends in January.

In our view, it is unfortunately necessary that prices be increased, on a phased basis, toward a level which is adequate to ensure the achievement of self-sufficiency by the 1990 target date which has been established by the Government of Canada . . . or sooner if possible. The level of this self-sufficiency price cannot now be defined by us with precision, but, in simple terms, it means the price necessary to ensure optimum development and utilization of our domestic supply sources.

We would expect, of course, that mechanisms would be established to monitor and to review periodically the effectiveness of any new pricing schedule, as well as other aspects of our energy strategy on both the supply and demand sides. Specifically, we should monitor the returns of the oil companies to ensure that they are being utilized in the national interest, in support of our self-sufficiency objective.

Natural Gas Pricing

Turning to the question of natural gas pricing . . . in contrast to oil, there is no shortage of domestic supply. In fact, we appear to have reserves that will last for many decades into the future. That being the case . . . and while not abandoning the fundamental discipline of the market price of the product . . . should we not review the rationale for moving gas prices upward in "lock step" with the price of oil? We would hope that Alberta and the federal government would be prepared to review gas pricing arrangements to ensure an incentive for greater utilization of gas resources as a substitute for oil.

I should point out that, according to our reading of their effects, the proposals now before us, which would maintain the current price ratio between gas and oil for "old" gas and introduce a more favourable ratio for "new" gas sales, would be of no help to Manitoba and, in fact, could result in less favourable treatment for us than for any other province.

Of necessity, self-sufficiency implies support for extension of gas pipeline facilities to eastern Quebec and the Atlantic Provinces. All that is at issue is the financing of this extension. As with all major national developments such as the Trans Canada Pipeline and the railways, we feel the new gas pipeline extension should be financed on an equitable basis by all Canadian citizens . . . not, as currently proposed . . . from added charges on only gas customers in Saskatchewan, Manitoba, Ontario, and western Quebec who are served by the existing system.

The currently proposed pipeline tariff would involve a “tilting” of transmission rates, resulting in higher unit costs to Manitoba — a problem not unlike the freight rate concerns we have been voicing for so many years.

Other Elements of An Energy Strategy

We all recognize, of course, that final decisions on pricing must rest with the major producing provinces and the Government of Canada. However, these decisions must reflect, as much as possible, the kinds of legitimate concerns I have just mentioned in connection with extension of the gas pipeline as well as concerns of other governments, and regions. And, of course, they must be consistent with our overall national economic policy and energy strategy objectives.

As I suggested earlier, it is essential that we concentrate our attention today on the broad elements of a comprehensive energy strategy within which rational pricing decisions can be made . . . including the allocation and use of the proceeds from increased prices.

Overall Objectives

I have already made it clear that Manitoba endorses self-sufficiency as the primary objective of energy strategy. We also fully support the other goals which have been suggested today: increased Canadian ownership and participation, and reliance on the private sector and the market.

Revenue Sharing

On the so-called “revenue sharing” issue, our Province believes first of all that the constitutional legitimacy of provincial resource ownership must be maintained. This is a principle which the previous federal government sometimes treated with casual indifference.

Having said this, however, I believe all of us around this table recognize that the Government of Canada has legitimate constitutional access by way of taxation to revenue from petroleum products. Clearly, from time to time, it may be essential in the national interest for these powers of taxation to be exercised to enable the federal government to fulfill its national and regional responsibilities.

And, of course, the resource developers themselves require continuing adequate returns and sufficient incentive to ensure that exploration and development will proceed at an accelerated pace.

A Canadian Energy Bank

The proposal for a Canadian Energy Bank is an interesting one, at least in theory. We are prepared to explore the preliminary suggestions which are now before us. We are naturally interested in the various means that might be available for the co-ordinated development of our vast renewable resource potential.

I might note, in this connection, that even without the existence of a federal-provincial financing vehicle, our Province and others have already realized benefit from loans provided to us from the Alberta Heritage Fund.

Hydro Development

As all First Ministers are aware, the Western Provinces have also been involved in intensive discussions concerning possible establishment of a Western Power Grid, or at the very least, stepped-up inter-connections among some of our electrical utilities. This work has proceeded without federal assistance up to now, and we have been very encouraged by indications that there is genuine interest, particularly on the part of the Alberta Government, in a long-term contractual arrangement which could well make possible extended development of our northern hydro resources for the benefit of our region. Saskatchewan is, of course, a part of our negotiations with Alberta. We have also offered to co-operate with Ontario, particularly for the supply of power into Northwestern Ontario, and that offer still stands.

Such a Western Grid and similar grids in other regions could in time lead to the creation of a viable national power grid . . . a concept which has been discussed for many years.

One attractive feature of the Western Grid is that it will permit the rational substitution of renewable hydro-electricity for power generated by fossil fuels — coal and gas which can be used for other purposes.

Certainly a national energy strategy should encourage such substitution when it can be justified on economic grounds in any part of Canada.

The Western Grid negotiations have taken place in the absence of an energy bank and illustrate again the point provincial governments have been trying to make for a number of years that the national interest and sound economic objectives are not considerations which are unique to the Government of Canada. Prime Minister, I know that your government in its initial months in office has been well aware of this and we hope this awareness will be translated into concrete, effective policies which build upon such provincial initiatives.

Our Government recognizes the potential importance of future federal support for our efforts to ensure that our hydro resources are developed in the interests of both our own Province and Canada as a whole. Federal loan capital has been available in the past for transmission facilities and it may well be that additional participation in various ways will be required in the future to develop facilities to harness the more environmentally acceptable and virtually "cost-free fuel" — waterpower.

If we have the wit . . . but more importantly the will . . . hydro-electric resources can be a more significant component of our national energy.

The same kind of thinking which has led us to consider a Western Power Grid . . . that is, utilizing our resources in a way which is in the best interests of the entire region . . . should, we feel, go into any decision concerning stepped-up refining capacity in the Prairies. In this connection, improving our heavy oil upgrading is an obvious priority which our governments should look at quickly.

We believe that for valid economic and regional distribution reasons the location of a major refinery in Manitoba could be considered as part of our national strategy.

Demand and Conservation

On the demand side, we are aware of the questions surrounding the effectiveness of the price instrument in encouraging conservation. We feel attention should also be paid to other conservation options.

I would recommend that serious consideration be given to initiating a major joint effort, under our Energy Ministers, to develop an integrated, complementary set of federal-provincial conservation programs. Such a set of programs could be built in part upon the current energy conservation agreements . . . some of which, including our own, are still under negotiation. However, the emphasis of those agreements is largely on pilot demonstration projects and we see an expanded set of conservation programs encompassing a much broader range of measures, such as:

- program to increase the efficiency and use of public transit systems, and
- incentives to encourage conversion to the use of more plentiful sources of energy such as natural gas or electricity, where appropriate.

A review of such programs could include consideration of options for rationalizing various provincial and federal insulation incentives, such as CHIP. We are currently reviewing our own insulation loan program now that preliminary information is becoming available on the first few years of its operation and we think such a study of both programs should precede any discussion of a transfer of responsibilities for CHIP to the provinces.

Adjustment to Higher Prices — Cushioning

I want to turn now to the question of adjustment to higher prices and the possibility of so-called “cushioning” measures by the federal government, such as tax relief in the form of credits, to offset at least some of the negative consequences for provincial economies and for individual and commercial consumers. Obviously, this is a critical part of the overall strategy.

I would hope that the provinces may receive a more specific briefing on federal thinking on this matter later in our meeting today, and, of course, we will also be interested in any information you can give us, Prime Minister, on the options which may be under consideration for financing such adjustment plans.

As I stated earlier, Manitoba has a number of special concerns in this regard, including our relatively long and severe winters, and the resultant impact on energy demand, problems of transportation costs, especially for northern and rural areas of our province, and the essential requirements of our agricultural sector. The following suggestions are advanced for consideration:

1. May we suggest that there is no better time than now to acknowledge the inequitable burden in the overall cost of living which is borne by Canadian citizens living in the northern regions of our country.

In our province, by way of example, Manitobans living in remote communities, our native residents on reserves and residents in larger resource communities such as Thompson, Flin Flon, Lynn Lake, Snow Lake, Churchill, and The Pas have for years paid an extra price for their determination to live on the frontier.

And because they are so energy dependent, is this not the time to acknowledge their special situation and make provision across Canada for special tax credits for all residents of the north?

2. In acknowledging special situations, let us not forget those Canadians on low and fixed incomes, particularly senior citizens.

Your government has already proposed tax credits in respect of mortgage interest and property taxes. This mechanism could also be considered for provision of assistance toward heating and other energy costs for those in need.

The Future of the Equalization Formula

Before concluding, I want to return to one point I raised earlier, and which has considerable significance for our Province that is, the future of our current equalization system.

As I indicated before, Manitoba is an equalization recipient, and, for this reason, we have noted with special concern the growing pressures on the current formula and the associated impacts of changing energy prices.

We welcome the indication that your government will not make a unilateral change in the current arrangements, but instead will work with the provinces in assessing a broad range of options in line with the Kingston commitment to strengthen our equalization system. Every change in oil and gas prices exacerbates the equalization dilemma and for this reason . . . concurrent with the development of new national energy and economic development strategies . . . our government would urge that an equalization review begin immediately, preferably under the aegis of our Ministers of Finance, and that a report on current federal-provincial transfer arrangements be prepared by no later than the end of next year.

Conclusion

In summary, then, Manitoba is suggesting a new, comprehensive, joint federal-provincial energy strategy. Its principal features include:

1. support for a goal of energy self-sufficiency by 1990, or sooner if possible;
2. recognition of the importance of hydro development, including a Western Power Grid;
3. "self-sufficiency pricing" for oil, to encourage increased domestic production and decreased reliance on imports;
4. special "cushioning" programs such as tax credits for northern residents and senior citizens to help offset the negative effects of higher oil prices;
5. consideration of a new pricing system for natural gas reflecting our favourable supply situation which would keep gas prices from rising in "lock-step" with oil; and
6. a major new set of federal-provincial conservation programs, including measures to encourage public transit and better use of available energy forms.

Prime Minister, earlier I commended your Government for initiating a new era in federal-provincial relations. You have demonstrated a willingness to listen to provincial governments, and all of us realize a sense of good will is essential to our federal system.

This good will is necessary now more than at any other time in our recent history. The challenges facing Canada will require the closest possible co-operation among our governments and a renewed sense of common purpose.

Our nation is unique in the industrialized western world — we have the potential to be self-sufficient in energy. But we sometimes lose sight of this and become preoccupied with our problems, forgetting the potential that is ours.

We have the time to develop long-term solutions to serious problems. We have the chance to realize at least the opportunities that were predicted for our country a century ago. And, I believe we have the spirit and the will.

But, we can succeed only if we face up to reality now . . . and take the hard decisions . . . and make the adjustments which are imperative to ensure our future self-sufficiency and our economic well-being . . . and, at the same time, cushion the dollar impact on our people, especially those least able to bear the costs.

The severe pressures which will have to be faced in the years ahead will require strong federal leadership, and they will also require complementary and supportive leadership at the provincial level. On behalf of my colleagues in the Government of Manitoba . . . I can guarantee that you will have that support from our Province.

Tuesday, 13 May, 1980

WESTERN PREMIERS' CONFERENCE 1980
COMMUNIQUE: WESTERN ELECTRIC GRID
LETHBRIDGE, ALBERTA
APRIL 23, 1980

The Premiers agreed that the provinces have made considerable progress since their 1978 conference in Yorkton where the Premiers first agreed to undertake a study on the concept of an Electric Power Grid.

Specifically, the Western Premiers noted that an agreement was recently signed to undertake a final feasibility study on the construction of transmission facilities linking the Provinces of Manitoba, Saskatchewan and Alberta and on the sale and purchase of electricity between those three provinces. That study is expected to be completed by September 30, 1980 after which time decisions will be made as to whether or not to proceed with the grid.

The concept has changed considerably from that envisioned in the first study, but the Provinces of Manitoba, Saskatchewan, and Alberta look forward to receiving a report on the possible benefits from interprovincial sales.

If the grid proceeds, in addition to the economic benefits to each province, there would be additional benefits of displacing the use of fossil fuels with renewable hydro-electric power helping to contribute to the goal of energy self-sufficiency. Other potential benefits are being examined. The construction of an Electric Power Grid could also demonstrate in a positive and concrete manner what can be achieved through interprovincial co-operation.

WESTERN PREMIERS' CONFERENCE 1980
COMMUNIQUE: GENERAL ECONOMIC REVIEW
LETHBRIDGE, ALBERTA
APRIL 23, 1980

High interest rates are causing hardship for many Canadians and represent a serious current economic problem for the country. The Premiers are deeply concerned about the unacceptable and unfair impact of the high rates on homeowners, small businessmen, farmers, forest workers, and the development potential of the West.

Acknowledging the federal government's responsibility for interest rate policy, the Western Premiers regretted that there had been little progress in meeting the mutually agreed commitments made at the First Ministers' Conference on the Economy in November 1978. They were disappointed that the Governor of the Bank of Canada was unable to attend the Western Premiers' Conference to discuss current monetary policies and the policy options open to Canada.

The Western Premiers pointed out that current high interest rates are symptoms of much more serious structural problems in the Canadian economy, namely, the balance of payments deficit and the federal budgetary deficit. To address these deeply rooted structural problems, they suggested a number of proposals which could form a major part of a national economic strategy to avoid automatic tracking of Canadian interest rates with those in the United States.

1. The Premiers agreed that a realistic energy pricing policy is a key to achieving Canadian energy self-sufficiency. "Canadian energy prices must rise to reduce the disparity between domestic and international prices," they said. They agreed that the increased revenue generated by such price increases should be re-cycled into investments in Canada to reduce our reliance on outside capital and foreign energy sources.
2. Action is required to reduce Canada's reliance on foreign capital. Among steps required are a variety of tax measures which influence both the out-flow of Canadian savings and the in-flow of foreign savings. The federal government should examine such measures to increase the availability and effective mobilization of domestic savings for investment in Canada.

3. Incentives should be put in place to encourage Canadians and Canadian companies to buy equities in companies doing business in Canada, and so ensure that the dividends and investments of these companies stay within Canada.
4. Federal and provincial governments should give consideration to an ongoing co-ordination of essential borrowing by governments and Crown corporations in international markets. Federal and provincial Ministers of Finance could, for example, meet annually to plan and co-ordinate foreign borrowing in the light of current economic circumstances and the need to reduce Canada's reliance on foreign capital.
5. The Premiers noted that the recent major natural gas discoveries in Alberta and British Columbia could provide a means to increase Canada's exports, thereby improving the balance of payments and strengthening the dollar. Subject to firm assurances by the National Energy Board that long-term Canadian natural gas needs are protected, the Premiers urged the federal government to consider approval of further natural gas exports. Such exports should be tied, if practical, to a commitment to build the Alaska natural gas pipeline.
6. The Western Premiers recognized that an essential part of developing a national economic strategy requires the federal government to reduce the size of its budgetary deficit and ultimately to balance its budget over the economic cycle. The Premiers noted that it was important to distinguish between government spending on programs and services and government investment on capital projects which will enhance Canada's economic position (e.g., port facilities, railroad upgrading, hydroelectric and other energy projects). While a reduction in the federal deficit would likely have some adverse short-term effects, they could be offset by undertaking certain large viable capital projects. These projects would have the desired effect of increasing employment in a period of slower economic growth and at the same time providing productive assets which will strengthen the Canadian economy in the 1980's.

The Premiers also noted that an important step in resolving Canada's balance of payments problem is to be able to identify the source of the difficulty. In 1979, for example, there was a \$4.4 billion financial drain from Canada, the source and nature of which is not known (entered in balance of payments tabulations as "errors and omissions") even though its magnitude is greater than the entire merchandise trade surplus, and more than twice the size of the cost of Canada's family allowance program.

Continued expansion of the housing stock is very important in much of Western Canada where the population growth significantly exceeds the growth rate in Canada as a whole. The Premiers observed that just under one-half of all 1979 dwelling starts in Canada were made in Western Canada. Noting that the record high interest rates coupled with elimination of the federal capital cost allowance incentive for multiple unit residential buildings have significantly reduced dwelling starts in Western Canada, the Premiers called on the federal government to restore incentives for private sector investment in rental construction.

The Premiers concluded by agreeing that a First Ministers' Conference on the Economy would be particularly appropriate as they had not met since November 1978.