ECONOMIC DEVELOPMENT COMMITTEE
10:00 o'clock Tuesday, March 19, 1974

MR. CLERK: Gentlemen, if I may have your attention. The hour of ten has passed. Is it your will to proceed with the meeting?

MR. GREEN: Proceed.

MR. CLERK: Your first item of business then will be the election of a chairman. Are there any nominations?

MR. GREEN: I nominate Mr. Shafransky.

MR. CLERK: Mr. Shafransky - are there any further nominations? Carrying on, I would declare nominations closed and ask Mr. Shafransky to take the Chair.

MR. CHAIRMAN: The first order of business is to establish a quorum for the committee on Economic Development. What is the will and pleasure? Seven? Then the quorum will be seven. The order of business for this morning is on Economic Development Committee. I am going to call upon Mr. Green, the Minister responsible for the Manitoba Development Corporation to introduce his people. Mr. Green.

MR. GREEN: Mr. Chairman, the report of the Manitoba Development Corporation will be presented by the chairman of the Corporation who is present, Mr. Parsons - Mr. Sidney Parsons.

MR. CHAIRMAN: Mr. Parsons.

MR. ASPER: Mr. Chairman. . .

MR. CHAIRMAN: Yes, Mr. Asper.

MR. ASPER: Could we have an understanding that the proceedings will be recorded and transcribed?

MR. CHAIRMAN: Fine. Is that agreed? Agreed, the recordings will be recorded and transcribed.

MR. PARSONS: Gentlemen, I believe we all have copies of the Manitoba Development Corporation statement. If you do not, our secretary, Mr. Kuhnle has more statements here that can be passed around to you. While he's passing out the statements, the procedure this morning that I would like to pursue is that we could go through the Manitoba Development Corporation statements, cover any questions you may have regarding the statement itself, then I would like to present to you statements and reports on our equity investment accounts, if that's agreeable.

MR. CHAIRMAN: Is that agreeable? Then we can proceed with the actual report. Page 1 - pass? Mr. Gordon Johnston.

MR. JOHNSTON: Mr. Chairman, just so that we all understand what we are doing here. I expect members of the committee will want to be able to question Mr. Parsons and other members of his staff and because you start going through the report page by page, it may not be sequential, if that's the term, to talk about different matters. Now is Mr. Parsons going to give a general statement or are we going to start in page by page and then members start in whenever they feel they have something to raise? What is going to be the procedure?

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Chairman, I believe that Mr. Parsons has some general remarks to make and then the questions and then page by page. The other point that was mentioned is that you are going to question members of his staff. The position at present is, that I would pursue, that the chairman speaks for the corporation, he can get assistance from his staff as and when he chooses.

MR. CHAIRMAN: Mr. McGill.

MR. McGILL: Mr. Chairman, before Mr. Parsons begins, I understood him to say that he would deal with the report and then he would present some additional information as to the loan positions. I wonder, if it's his intention to give us a supplement bringing us up to date on the MDC position on loans, could we have this now, so that we will have an opportunity to be reviewing it as he is giving us his explanations. I think it would be very helpful to the committee members in order to. . .

MR. PARSONS: You mean to bring you right up to date to the present time on our loan position?

MR. McGILL: To the present time on loan positions. Last year I think we had a supplement to your statement which is a year behind.

MR. PARSONS: Yes, for each one of our equity investment accounts we have that.

MR. McGILL: Could we have it distributed?

MR. PARSONS: Yes we have a package. We intend to distribute it and if you want to do that now before we go through the statement it's fine, that. . .

MR. McGILL: I would like to have it as soon as possible, Mr. Chairman.

MR. PARSONS: Well, all right.

MR. CHAIRMAN: That is agreeable, Mr. Green?

MR. GREEN: Well, Mr. Chairman, I believe Mr. Parsons should be permitted to proceed with his presentation in the manner in which he wishes to do it and then the members of the committee can ask him questions or get more information, but I believe that the chairman is entitled to make first of all his presentation.

MR. McGILL: Mr. Chairman, there is no objection at all to Mr. Parsons making his explanations. We'd merely like to have as much lead time to go. . .

MR. CHAIRMAN: Well I believe that Mr. Parsons indicated that there is that intention of providing you with the supplementary, and I'm sure that in making his presentation that he has a particular time that he would like to have those distributed, which will be relevant to the discussion at that particular time. So if we can proceed on that basis and it's understood that the supplement will be distributed - Mr. Asper.

MR. ASPER: I'm not sure if we are all talking about the same thing. I understand the chairman to be talking about financial data on equity investments by the fund as a separate submission that he intends to make to the committee, and that I think he can choose his own time. I would agree with my friend from Brandon that it would be advantageous for us to be having that while we're hearing his submission. That's strictly up to him, I think he is entitled to make that judgment.

But, Mr. Chairman, the point I'm making, and I think Mr. McGill was making, is that I would hope that the chairman of the MDC would make a general statement prior to going through this report in the nature of an updating, because we are looking at a report which deals with facts which are obsolete or irrelevant in some cases because of the lapse of one year. And there is updating information I'm sure that he could give us.

MR. CHAIRMAN: Well Mr. Asper, I believe that there has been quarterly reports and it is - Mr. Green.

MR. GREEN: Mr. Chairman, the Chairman of the Corporation is here to present the report of the Manitoba Development Corporation for the year ended March 31, 1973. Up until two years ago that is all he did and that is all the questions that he was prepared to answer. As of last year, we introduced a new procedure whereby members of the committee would ask the chairman questions on any point up to the existing time and the procedure is that the chairman will be prepared to answer them. But why do we not let him proceed. Maybe a lot of the question as to how he is proceeding and what will be presented will be more clear after the chairman makes his presentation.

MR. ASPER: Well, Mr. Chairman, that's acceptable, if we're talking about the chairman making some opening remarks - is that what the Minister's referring to?

MR. GREEN: The chairman will proceed with his submission just as is done by a Hydro chairman or the Telephone chairman and then members of the committee will pursue whatever questions they want to, including questions up to the present day, but the chairman is not going to be able to present a consolidated statement up to the present time. Why do we not let the chairman proceed and then members will see what he has left out and what they want to get from him.

MR. CHAIRMAN: Thank you, Mr. Asper.

MR. ASPER: Mr. Chairman, I'll accept the Minister's suggestion.

MR. CHAIRMAN: Well it's not a suggestion, it is a procedure that we have followed in all committees. It has happened in the Public Utilities Committee where the Chairman makes his introductory remarks and which are relevant to the report in bringing it up to the present, and I believe we could proceed on that same basis with the Chairman of the MDC.

MR. ASPER: Yes, Mr. Chairman, I was..

MR. CHAIRMAN: Mr. Johnston.

MR. JOHNSTON: I believe you started out to go page by page, and that's. . .

MR. CHAIRMAN: Well, fine, so I closed a book.

MR. JOHNSTON: Okay, fine.

MR. ASPER: I'm simply asking that I be recognized when he's concluded his remarks then.

MR. CHAIRMAN: I'll put you on the list. Mr. Parsons, proceed.

MR. PARSONS: Thank you. Gentlemen, I want to make a few remarks regarding the past MDC statement, the 31st of March, 1973. You have all had this. I am not going to go through it page by page but I would like to make some general remarks. Our losses as you know totalled $17 million. I would like to refer to the Auditor's report, and I'm totally in agreement with what Mr. Ziprick had to say, that the method of funding the corporation in my opinion is not realistic. In order that we should arrive at a break even point we are borrowing money short term, we are lending long term, this overall creates a loss which we can do nothing about unless the corporation is recapitalized. Mr. Ziprick mentioned this in his remarks. We are. . .

MR. ASPER: Mr. Chairman, I may have misheard Mr. Parsons. Did you say you are totally in agreement or in disagreement?

MR. PARSONS: In agreement with his remarks. Also our statement, as you see, we have - in the $17 million loss there is an $8 million reserve with regard to The Pas Complex. This is an ongoing thing until we have it recapitalized. What is happening there of course, we are charging it out and reserving it. This is almost 50 percent of our loss. We hope this year to have that capitalized so that it will not reflect in our statement. We are endeavouring to bring the Corporation around into such financial structure that we can in future years come very close to breaking even, but in order to do this, as Mr. Ziprick mentioned in his report, we would have to consider the recapitalization.

I don't think there is anything on our balance sheet, I think it's fairly straightforward. If there are any questions on that I will cover it later. And on our statement of income and expenditures - as I say our loans receivable from our equity investments, I'm going to give you statements on all of those accounts and we will discuss those. I have packages made up and right after this presentation we are going to hand them out. You can either ask questions after we have reviewed them this morning or we will of course come back and review these at another meeting.

On our Loans and Equity Investments in Receivership last year, which is on page 16, I would just like to run through that briefly because I know there have been several questions on this, bring you up to date as to what's happened in the last year. Columbia Forest Products, that account was placed in receivership; is made up of really two businesses. Dormond Industries, which is door manufacturing out in St. James. We took over that corporation, it has been in continuous production. We are operating it and it is quite successful. The largest portion of this loan related to the Sprague plant. Of course you know that the Chipboard plant burned down a year - well December of '72. Since that time we have been operating it - it has been operated in receivership as a sawmill, the lumber of course being sold and the chips being taken over and sold to M & O in International Falls. That plant at present is on strike.

Cowl Limited is a Fort Garry Muffler Manufacturing Plant that went into receivership. We were successful in selling that as an ongoing operation to J. B. Carter. We did take a loss in that operation when we sold it, but we did maintain all the jobs that were started out there and it has carried on quite successfully since then. Our loss in that will probably be in the area of 250 to 300 thousand dollars. We do have a personal guarantee of one of the original shareholders, there may be some recovery there. I can't give you the amount that we might recover in that, but we'll probably be looking at a $250,000 loss.

The Dent's Processing Limited plant that went into receivership has now been reactivated. We were successful in selling that plant to F. G. Bradley who are food processing people. We will have a slight loss in that but it will probably be - oh $20,000 at the most. We were fully reserved on that so actually our statement will show a recovery as far as the Dent's Processing.

MR. G. DERKSEN: We have collected that account in full. General machine, that is still being wound up - question?

MR. BANMAN: G. Derksen, did you say it was collected in full?

MR. PARSONS: Yes. General Machine & Welding is still being wound up. There has been some sales of some machinery, the actual loan receivable is down to $80,000 now.

(MR. PARSONS cont'd). . . . . That is also reserved.

Lighting Materials and Fixtures - that company is still in receivership and hasn't been completed yet. We have received $80,000 in the last year but there will probably be a substantial loss in that company.

Manalta Furniture is still outstanding. That receivership has been outstanding for years and hasn't been wound up yet. The same with the next small one, they are both fully reserved.

St. Jean Sportswear - it's still in receivership but we're rapidly winding that up. We have sold the equipment for about 17-18 thousand dollars. There is still some more to sell. We have bid on the building ourselves. There will be a loss in that account probably in the area of $100,000.00. That's taking - the building actually cost, oh, about $120,000, so if you take that at the full value of the building, there wouldn't be too large a loss but at the present day value, we haven't had bids anywhere near that to cover it, so until you sell it, we don't know what it's really worth.

That summarizes basically the ones that were in receivership. We had on the statement, and I noticed there was a question on it, it was property that we are holding for resale of $900,000.00. It's not summarized in here so I thought I would give you that. It shows on our statement on page 10, $926,000. I know there was a question on it as to what we were holding for resale. It's Bakers Narrows Lodge, it's a lodge up north. We still own that 100 percent. It is being rented out and used as a store at the present time. There's Pioneer Electric Building in Brandon which we own. There's a Lighting Materials Building in Fort Garry, and at this particular time there is The Valley Motor Lodge in Minnedosa. It has since been sold and is operating. There's a breakdown if you wish: there's Bakers Narrows a net of $30,000; The Pioneer Electric Building was $195,000; the Lighting Material Building at Fort Garry is $493,000, the Valley Motor Lodge was $208,000.00. Incidentally, the Valley Motor Lodge was - there was a value of $258,000, had a reserve of $50,000 against loss which brought it down to 208, but we did sell it for the $260,000.00.

I think the balance of the statement is pretty well self-explanatory and I really don't have any more remarks to make on our MDC statement - and at this point I want to have the questions regarding our own statement, but in the meantime if you wish, we can distribute the packages; we brought packages of material for you on our subsidiary companies, they're not all included in this package this morning. We have a problem with some of them - we are meeting a little earlier this year than we did last year and some of the statements weren't available. I hope to have them within two weeks to cover them all. The ones we'll be presenting, I'll ask Mr. Kuhnle our secretary to hand them out to the members of the committee.

MR. ASPER: Mr. Chairman, while we're waiting, I wonder if I could ask a very simple question.

MR. CHAIRMAN: Mr. Asper.

MR. ASPER: Mr. Parsons, the report begins with your letter of transmittal, and then it's followed by a report by you and then followed by financial statements. Neither your letter of transmittal nor your report is dated. Could you tell us the date on which it was prepared or the date on which it was handed to government, to the ministry?

MR. PARSONS: Offhand I can't, no.

MR. ASPER: Could you recall approximately what month roughly this report was prepared and submitted? Is it three months, six months ago or. . . ?

MR. PARSONS: Oh, it would be probably December.

MR. ASPER: December '73?

MR. PARSONS: Yes. Now, if there are any questions on the Manitoba Development Corporation statement?

MR. CHAIRMAN: Mr. McGill. Mr. Minaker.

MR. MINAKER: Through you to Mr. Parsons. Mr. Parsons, could you tell me what percentage of equity is normally required by a company that comes to the MDC for a loan, what percentage to the amount of loan? In other words, is it ten percent or twenty percent? An example might be if someone had $100,000, could they get a million dollar loan from MDC? Is there some kind of a guideline in relation to this percentage?

MR. PARSONS: No, there's no percentage of equity. You mean, that we would partake in as equity?

MR. MINAKER: No, what I am saying is what amount of collateral would have to be put up by the person requesting a loan at time of investment - the granting of a loan.

MR. PARSONS: That varies depending on the type of industry and what they're going to do. There is no set rule that - you're using 10 percent, 100,000 to borrow a million doesn't hold, there's no set percentage such as that. We take a look at each one and what they're doing and what their projections are.

MR. MINAKER: Could you tell us what was the percentage in the case of William Clare and Company in the $1.25 million loan?

MR. PARSONS: Very small. They had probably $35,000 invested.

MR. MINAKER: They came forward with $35,000 invested and were able to achieve a $1.25 million loan?

MR. PARSONS: Yes.

MR. CHAIRMAN: Mr. Asper.

MR. ASPER: Before we get to the questioning on these statements, I wonder if the Chairman would. . .

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

MR. GREEN: I think that there should be no misunderstanding. The first loan that William Clare got on the amount that they had was approximately 600,000. I'm not suggesting that that makes any great change in Mr. Minaker's question, but that is the fact; the second loan was based on something else.

MR. PARSONS: If we're going to go to fact, the first loan was $100,000 on the 35,000. If you want to discuss that, the first 100,000 loan that he got was to show that he could actually get into the publication business. It was - if you like - seed money to get all the authors and all the program together. He did that very well and then came back to us and there was a $600,000 program followed that. Since then we've gone into a further loan but -- in your initial question, he invested, he and his partner invested 35,000, we put 100,000 up so there was really 135,000 initial capitalization to go into this publishing business.

MR. CHAIRMAN: Gentlemen, could we proceed? You have been given statements from the various material. . .

MR. GREEN: Let them ask their questions.

MR. CHAIRMAN: Do you wish to go helter skelter or proceed in that particular order, then we can have some . . .

MR. PARSONS: Mr. Chairman, I ask if they could, now that we have the MDC statement, if there are questions on it I would like to answer those before we get into the presentation of this material. We gave it out so that other members could look at it maybe in advance while the other ones were asking questions. But I'd like to cover the questions on the MDC statement if we could.

MR. CHAIRMAN: Mr. Asper.

MR. ASPER: Mr. Chairman, the first question I have is, we've been presented with 11 financial statements and Mr. Parsons suggests he will be within two weeks presenting other statements. I wonder if he could begin by telling us what other statements he plans to put before the Committee.

MR. PARSONS: The other ones that are listed under our Equity Investments this morning . . .

MR. CHAIRMAN: It's on page 14.

MR. PARSONS: . . . on page 14 and 15 lists all the companies. I will present statements for all of them except Omnitheatre, which is of course out of business. So you will receive statements or reports. Now we may not have up-to-date statements, so there may be the odd one that there'll just be a report on but you will have all of those either this morning or within two weeks.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Chairman, on a point of order. Mr. Shutiak has handed me a note, just so that there is again no misunderstanding - Mr. Parsons is speaking from memory - the Manitoba Development report was forwarded to the Minister on January 30th, 1974.

MR. CHAIRMAN: Mr. Asper.

MR. ASPER: Mr. Chairman, I understand what we're going to do is question in general terms before we get to the specific activities of the corporation. And if that's the case, I'd like to ask a question that arises from the Auditor's report - and I might say that

(MR. ASPER cont'd). . . I think all of us agree, and there's no quarrel that the Auditor makes a very substantial contribution to the development of the MDC's financing in his suggestions for changing. He makes the point though, that at some point during the fiscal period '73 the MDC received $15 million roughly from the Government of Manitoba which the Government of Manitoba or the MDC then took and paid back to the Government of Manitoba by way of interest or some charge, which he implies - and if those are the circumstances that occurred then I would agree with him - was an improper entry by the Government of Manitoba taking it into income into its profit and loss for the year ending '73. Now my question is: could you describe the events that occurred that required the $15 million to come in and go out referred to in the Auditor's report on page 5 under a heading Manitoba Development Corporation? Well, I'll read you the sentence.

MR. GREEN: But he's looking at his own Auditor's report.

MR. ASPER: I'll read the sentence, it's only one sentence. "In our view the province should not have included in its revenue and expenditure accounts for the year ended March 31st, 1973, receipts from the Manitoba Development Corporation amounting to $15,141,660 as an offset to its interest expense, when in fact most of this amount was not realized from the Manitoba Development Corporation's earnings but financed from the province's advances." Now, the implication of that statement, or what the statement says to me is that somebody said: Here's fifteen million, or here's the money, use this money, we'll make it an advance or a loan, you use this money to pay us the interest you owe us and that will make our profit fifteen million higher and perhaps your profit fifteen million lower. I'm not sure - but it looks like a Peter and Paul operation. Could you expand on what the Provincial Auditor is referring to?

MR. PARSONS: Well, I think what he's referring to in our budget every year we allow for interest payments that we have to make for the moneys that we're borrowing for the province, so we put those in our budget and that budget is passed and approved; we receive the money, in effect we pay back interest on the borrowed funds from the province.

MR. ASPER: So what happened then was the government loaned you money to pay to the government interest that you owed the government?

MR. PARSONS: Yes, or interest to a bank or anything else. It's part of our budget. We pay interest on moneys borrowed. We have to be borrowing funds from the government to do business so we are paying them interest, yes.

MR. ASPER: Well then, Mr. Parsons, you're an accountant, a chartered accountant by training. Doesn't this give one set of books without this disclosure? Doesn't this make one set of the books either yours or the Government of Manitoba's - I'm not sure what the term is, but it strikes me as being misrepresentation.

MR. PARSONS: No, not at all.

MR. ASPER: Well . . .

MR. PARSONS: I'll tell you I would like to eliminate the interest payment to the government; if they would capitalize their money then it wouldn't come back of course.

MR. ASPER: That may be the answer.

MR. PARSONS: Well, that's the only answer to get around the problem that you're talking about. Otherwise proper accounting is the way we're doing it. It's a cross entry in your mind; I see what you're saying, but in order to properly account for it we are charged interest and we pay for it.

MR. ASPER: But you didn't have the money with which to pay for it, so you borrowed the money from the Government of Manitoba.

MR. PARSONS: All our money comes from the Province of Manitoba.

MR. ASPER: My point then is . . .

MR. PARSONS: From the Budget the same as any other department.

MR. ASPER: Your books then reflect an interest payment in your "P and L."

MR. PARSONS: That's correct.

MR. ASPER: So that if there's an inaccuracy in the representation of the financial statement, that would be in the province's books not yours.

MR. PARSONS: No, I don't think it's in the province's books either.

MR. ASPER: Well, as an accountant let me ask you this. If two companies have different year ends, and therefore different accounting periods, and company A buys goods from company B and company B therefore shows a profit, and then at the end of the year company B

(MR. ASPER cont'd). . . . . says, we want to return the goods, you've got a statement that does not accurately reflect what happened.

MR. PARSONS: It accurately reflects it at a given point.

MR. ASPER: But at the time of reporting, which is January in this case, January '74, and the Provincial Auditor's Report is dated - well it doesn't say when it's dated, I don't think - the same money - what I'm getting at, is that the same money is used twice. It's double booking.

MR. GREEN: No.

MR. PARSONS: No it isn't.

MR. GREEN: No.

MR. ASPER: Yes it is.

MR. GREEN: That's absolutely ridiculous.

MR. CHAIRMAN: Mr. . . .

MR. ASPER: Well then, not necessarily from your point of view. You borrowed money and you used the money to pay back the lender money you owed him.

MR. GREEN: The banks do this all the time. The bank does it all the time.

MR. PARSONS: I think when you borrow funds from a bank you pay them interest back for the funds you've borrowed . . .

MR. GREEN: With the money that they loaned you. That's right.

MR. PARSONS: No, I don't think there's anything wrong with . . .

MR. ASPER: Well, there's a very substantial difference, Mr. Chairman. Just a minute. There's a very substantial difference. If I'm a borrower from a bank, I'm at arm's length with the bank, I don't own the bank. Here you have the Government of Manitoba . . .

MR. GREEN: Mr. Chairman, whether there is a difference or not - on a point of order - whether there is a difference or not, it is not really something which reflects on the statement of the Manitoba Development Corporation, and Mr. Asper has already said that. The Auditor has not complained about - in the Auditor's report vis-a-vis the Manitoba Development Corporation which is contained on pages 8 and 9, he doesn't mention this. Because what the Fund has done is borrowed money and then paid its bills, one of its bills being interest to the person who loaned it the money. And I suggest that this occurs with many financial institutions and is not something that reflects on the Manitoba Development Corporation statement. It is something -- well you know this is a unique situation. But in any event the Auditor's remarks relate to the government's financing which he feels he has to point out. He does not even mention it vis-a-vis the MDC because it's not a factor.

MR. CHAIRMAN: Mr. Asper, just a minute. Mr. Banman?

MR. ASPER: Well excuse me, Mr. Chairman. Let me just -- the question is: under whose instruction did that fiscal transfer take place?

MR. GREEN: What do you mean?

MR. PARSONS: I don't really understand what you mean by a fiscal transfer, this goes on all through the year; it's not just done at one period during the year. I think I can give you an example as an accountant. When a parent company lends a subsidiary money they charge interest for it and the subsidiary pays the parent company that interest back. . .

MR. ASPER: Correct. But Mr. Parsons . . .

MR. PARSONS: . . . and it reflects in the subsidiary's statement as a charge and as income.

MR. ASPER: Yes, but Mr. Parsons, then the parent and subsidiary statements are consolidated and those inter-company charges are wiped out, as you know. Now Mr. Parsons, let me ask you this question.

MR. PARSONS: Just a minute now. The . . .

MR. ASPER: Well let me ask you . . .

MR. CHAIRMAN: Well, Mr. Asper you've asked a question. Would you allow for the answer to be given before you proceed with the next one.

MR. ASPER: Yes, Mr. Chairman.

MR. CHAIRMAN: Mr. Parsons.

MR. PARSONS: I don't think you're correct when you say that they would eliminate the interest. Now when you are consolidating a statement you would consolidate the P and L's and and so on, you would eliminate the investment in that, but you would not eliminate or change or cross entry on a thing like an interest charge. You shouldn't anyway.

MR. ASPER: Well, Mr. Parsons, are you familiar with the fact as to how the government consolidates. For example, does the government account show the $40 million accumulated loss or is that left over in the MDC?

MR. PARSONS: That's in the MDC account. I don't know what they do in the consolidation.

MR. ASPER: So, if that procedure were followed, you could have any government - if what you've just said were the case universally - you could have the MDC showing a loss of - or a profit for that matter - of several hundred million dollars, and several other Crown corporations showing other losses and yet a government, any government, reporting a surplus in its operations unless they're consolidated. You don't offset - you show a profit or a break even over here and a loss over there - the net effect that isn't presented in these statements, either the Provincial Auditor's or yours, they're not combined. Is that fair — is that clear to your knowledge?

MR. PARSONS: I think you would have to ask the Provincial Auditor how he does it, I'm not positive on how he consolidates it . . .

MR. ASPER: Okay.

MR. PARSONS: Okay, that really has nothing to do with us.

MR. CHAIRMAN: Mr. Banman.

MR. BANMAN: Mr. Parsons, you mentioned recapitalization. Are you advocating that the fund would have sufficient funds at its disposal when it's recapitalized so that it would not have to keep running back to the government asking for more money and that it would be self-sufficient?

MR. PARSONS: Not right off, no. What I'm advocating is that we should at least capitalize the amounts that we have invested in our equity accounts, it's roughly 20 to 25 million dollars, because we don't receive any interest on that money. Eventually we will receive dividends. But no, it would be some time - at some point. I'm not sure where that point is exactly now. The corporation should, by the money it's receiving back in from its loan accounts, investment accounts, be able to operate without drawing additional capital funds from the government every year.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Mr. Chairman, to Mr. Parsons; you indicated recapitalization in your opening remarks and you indicated to some degree what you felt was required to settle the loans where you have equity in companies and so forth. Would you also be including, say the recapitalization of all outstanding losses and interests on these loans such as, say, CFI as well?

MR. PARSONS: Well I think the CFI is a separate issue that's going to be resolved when the capitalization of the Manitoba Forestry Resources takes place. But . . .

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Well, I have just one on the list.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: The next question is: Well, wouldn't it seem sensible if we were going to recapitalize the MDC to do it completely, to clear the slate and start afresh? Would this not be the most sensible approach?

MR. PARSONS: I don't know that would make very much difference to the MDC if we were carrying forward a loss. The loss that we have of course is represented by borrowed funds, which means we're paying interest all the time on a loss position.

MR. MINAKER: Mr. Parsons, maybe I'm not following completely the responsibility of the MDC with the Churchill Forest Industry loans, but it always continues to show up in the MDC report that a certain percentage of the loss is related to CFI, and I had maybe wrongly assumed that when you said recapitalization - and I think also in your opening remarks you indicated something to the effect that the CFI situation would probably be settled this year - something to that regards - and I was just wondering, is there an estimate that MDC has placed on the overall losses to date if CFI was, say, sold by the receiver to the Crown? Is there any idea of the total losses to date including what the, say, the anticipated value of the CFI complex is at the present time? How many dollars are we talking about?

MR. PARSONS: I haven't got the exact figure, probably take up 50 percent of our loss, because if we recovered all of the CFI moneys - as I stated earlier, we have been reserving against those interest charges - if we got the 100 percent back, then we would reverse those

(MR. PARSONS cont'd). . . . . reserves against our deficit picture and would probably get us back between upwards to $20 million.

MR. MINAKER: Mr. Parsons, will you be giving us an up-to-date CFI operating . . . ?

MR. PARSONS: No.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: To Mr. Minaker. The Chairman of the Manitoba Forestry Resources Limited will be appearing before committee with an up-to-date statement -- well, with the latest statement. I don't know whether - you know, if I say up-to-date, Mr. Asper will think it should be dated tomorrow at the latest.

MR. CHAIRMAN: Let's not create any controversy. It will be the statement of the Annual Report. Mr. Green, you're on next. Are you finished, Mr. Minaker?

MR. MINAKER: Yes, thank you.

MR. CHAIRMAN: Mr. Green.

MR. MCGILL: Mr. Chairman, do you have my name on your list?

MR. CHAIRMAN: I'm sorry, I did have your name and I thought it was right at the beginning, and I've crossed it out. Mr. McGill. My apologies.

MR. MCGILL: Well, Mr. Chairman, to Mr. Parsons. Referring to some of his explanations on the statement of assets and liabilities, he mentioned the property held for resale and he gave us a breakdown of those figures, and one of the figures was a Pioneer Electric building - for 190,000 did you say? Is that what you valued the building at? For 195 . . . ?

MR. PARSONS: 195,000. And that's on a lease at the present time.

MR. MCGILL: It's a lease purchase arrangement?

MR. PARSONS: Yes.

MR. MCGILL: Can you tell me what rate of interest is built into that lease purchase arrangement? I was just looking at the terms on page 19. It says that there's a purchase of a building and it's listed at 275,000, the option, 20-year term with monthly lease payments. Now that seems to work out to about 5.06 percent interest. Am I wrong in that or is that the rate of interest that you're charging?

MR. PARSONS: I'd have to check that back. I'm sorry, I don't have that right at my fingertips.

MR. MCGILL: Is it possible that you'd be lending money on a lease purchase arrangement at 5 percent interest or roughly that?

MR. PARSONS: Oh, it's possible, but I can't say offhand on that one whether it is.

MR. MCGILL: Well I just . . .

MR. PARSONS: It depends on the . . .

MR. MCGILL: . . . it doesn't fit with other rates of interest here, that's why I'm asking.

MR. PARSONS: No, that's right, it. . .

MR. MCGILL: You can yet that information, can you?

MR. PARSONS: Yes, I'll take it as notice and have it for you the next meeting.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Chairman, I'm not sure that I or others have understood what is meant by recapitalization and therefore I'd like to advance some questions on that. Now on your balance sheet, Page 11, show advances to the Province of Manitoba of $174 million and capital stock of $5 million. Is that correct?

MR. PARSONS: Yes.

MR. GREEN: Now if the capital stock was $179 million - in other words, if the entire advances were 174 plus 5 if they were considered as share capital instead of advances from the government, that would solve first of all, the problem raised by the Leader of the Liberal Party, and would eliminate that expense of $12 million.

MR. PARSONS: That's correct.

MR. GREEN: So that if the entire fund was capitalized rather than an advance from the government to the fund, then the loss figures by merely the bookkeeping - and I'm not advocating this, I'm merely suggesting that bookkeeping could change the loss from roughly $17 million to $5 million.

MR. PARSONS: That's correct.

MR. GREEN: And my own growth fund which I purchased, and the private sector in which I've lost considerable money and have not paid any dividends, they are dealt with on the

(MR. GREEN cont'd) . . . . . basis that everything that we put in is share capital, we're not entitled to interest on it. Would that be a normal situation for a growth fund, that the moneys that it uses, that a growth fund - let's say Guardian Growth or Investors Mutual - that the growth funds do not operate on the basis of loan capital, they operate on share capital?

MR. PARSONS: That's correct.

MR. GREEN: And they still lose money, some of them. I can tell you mine lost money. So that the government, or the Manitoba Development Corporation -- would I be correct in saying that it has chosen the system of bookkeeping that is most conservative - and I use that word without animosity - which magnifies the problems of the corporation and minimizes its successes. That the only thing that you could have done to make this less satisfactory is to reduce that 5 million share capital to $5. 00 share capital, then you would have a worse situation.

MR. PARSONS: Yeah, then we would be paying interest on that much more.

MR. GREEN: So that the statement as demonstrated by the corporation is one which, I repeat, to the extent that all of the moneys invested are shown as loans rather than as share capital would maximize the problems of the corporation by mere bookkeeping?

MR. PARSONS: Yes.

MR. GREEN: And would it also be correct to say that where you have reserved and your reserved are shown on your expense statement in your incoming revenue, you show a provision for uncollectible accounts and losses on investments, you show that as $18 million. Page 12.

MR. PARSONS: Yes.

MR. GREEN: Now my understanding is that you have taken your equity operation, such as Western Flyer Coach, and have valued them as if they stopped operating today on what would be the worst recovery situation, and that that has already been shown as a loss.

MR. PARSONS: That's right.

MR. GREEN: And if on any year those corporations or any of them reach their projections, not only would that loss be wiped away, but there would be suddenly an unactual profit, because you would wipe out what had been reserved as a loss.

MR. PARSONS: That's correct.

MR. GREEN: So it would be correct to state - and I'm asking you as an accountant, and if I'm wrong I want to be pointed out as wrong - that the chosen method of operation is to in each case try to reflect the poorest financial position rather than the most satisfactory one.

MR. PARSONS: That's correct. We have. If you look on Page 18 on the notes of the financial statement, it outlines how we do these to make the allowance. That is, we've done this for the last two years; it's probably over-conservative to make our allowance this way. No normal financial institute would ever do this. You're not going to have a 100 percent loss on your investments and they normally would not have a 100 percent allowance against equity capital, nor would they reserve 50 percent of the loan. That is ultra conservative, and I think the Provincial Auditor agrees and says we're probably incorrect in taking that attitude and we probably are showing the worst possible picture by doing it that way.

MR. CHAIRMAN: Mr. Asper.

MR. ASPER: Well, Mr. Parsons, just to expand on the other side of the coin of the proposition that Mr. Green put to you, because I don't think you can say what he said without turning the coin over - if his propostion were carried out and that the -- or his hypothesis . . .

MR. GREEN: I made no such proposition.

MR. ASPER: Or his hypothesis then, were carried out whereby instead of showing a loan of a hundred and some fifty or seventy million dollars from the Province of Manitoba, this were all shown as capital, is it not a fact, as an accountant, that the Province of Manitoba would show an expenditure probably of something like 17 or 18 million dollars a year to service that capital on its books?

MR. PARSONS: Certainly they would.

MR. ASPER: So that it doesn't really matter in which pocket the loss is shown. It's in . . .

MR. PARSONS: That's right.

MR. ASPER: Unless - if one doesn't consolidate those two, he never gets the true picture - unless he consolidates. Am I correct?

MR. PARSONS: Well, if both your parent and your subsidiary are both in borrowing

(MR. PARSONS Cont'd). . . . . positions then there's going to be an interest charge that somebody is going to have to pay for at some point.

MR. ASPER: Yeah, so, it's equally true to say that if the hypothesis advanced by Mr. Green, that all of the money used by the MDC were share capital on which no interest was payable the advancer of that capital, the Government of Manitoba would show an expense on its side equivalent to the expense that you show in paying the government more or less?

MR. PARSONS: If they paid the same interest charge, yes.

MR. ASPER: Right, okay. Well, Mr. Parsons, on the same point. Does the MDC statement consolidate with its subsidiaries to the extent that one is permitted under the rules of the Canadian Institute of Chartered Accountants when the 50 percent equity is achieved, does this statement reflect your share of profit and losses of the subsidiaries?

MR. PARSONS: No, it doesn't, it's not a consolidated statement.

MR. ASPER: Then a true statement of the MDC or evaluating the MDC's position would have to say that it's this position - for example, you show a deficit of some $39 or $40 million, that would be increased or decreased, based on the performance of your subsidiaries in order to evaluate the MDC. Am I correct?

MR. PARSONS: Yes, are you asking me which it would?

MR. ASPER: No, no. I'm not . .

MR. PARSONS: Your statement is correct, it would be increased or decreased.

MR. ASPER: Yes, so that one can evaluate the MDC by looking at just a loan.

MR. PARSONS: You have to evaluate what our value is in that equity position, as I just stated. It has been undervalued all the way through. Now if we took a true evaluation of each one; we have valued it by writing off a hundred percent of our equity or reserving 100 percent of our equity and 50 percent of our loans, plus we've also taken a look at what . . . has lost for that year and reduced our value of our investment by that. If you actually took them on an ongoing company basis, then I would say that we are over-reserved in the way we have done it and therefore our statement show a lesser position than it would if we took a proper and true evaluation as an investment house would.

MR. ASPER: Now, you say this statement is basically conservative, based on the performance of the subsidiaries.

MR. PARSONS: Not necessarily based on the performance of the subsidiaries.

MR. ASPER: The value rather.

MR. PARSONS: It was based on a policy that we set on reserving against our equity investments.

MR. ASPER: Yes, I understand. My question is, this statement does not - correct me if I'm wrong - does not take into account the potential write-off of CFI? Am I correct?

MR. PARSONS: That's correct, it says that right in it.

MR. ASPER: Yeah. Now therefore this statement can hardly be described as a conservative statement when we have statements for example from the Minister of Industry and Commerce that there will be at least a 50-60 million dollar loss and that was two years ago in CFI, which will alternately be reflected in this statement some place.

MR. PARSONS: Well, it depends on how it's capitalized. I don't know whether it will reflect in this statement. From the MDC's point of view, I hope that when it's capitalized the whole thing is taken completely out of this so that we don't show that 50 or 60 million dollar loss. And it's stated right in this statement that the CFI, there's been no provision for capital loss on that.

MR. ASPER: Just to get back to what Mr. Green was suggesting to you as a possible method, you wouldn't suggest. . .

MR. PARSONS: Incidentally, I don't agree with the Minister of Industry and Commerce that there might be a 50 or 60 million dollar loss.

MR. ASPER: You mean you think it might be higher or lower?

MR. PARSONS: No, I think if you went to build that complex today it would be well probably very close to the figure that we've got invested in it now.

MR. ASPER: What would you realize if you tried to sell it today, which is probably a little more relevant?

MR. PARSONS: Well I don't know, it depends. The market is booming right now, you might sell it for more, I don't know. We're not looking for a purchaser at this time that I know of but . . .

MR. EVANS: . . . Mr. Asper is referring to a statement that I made taken out of context and was released at least two years ago.

MR. ASPER: Yes, Mr. Chairman, I don't say it's out of context, I'll just perhaps give the Minister the opportunity to repudiate it. But the statement I'm looking at says . . .

MR. CHAIRMAN: Mr. Asper, we are here to hear the report from the Chairman of the Manitoba Development Corporation. I do not believe that this is the particular time to be debating what was stated two years ago. You can bring that under other circumstances, under Industry and Commerce report. I think we can proceed with the questions to the chairman rather than enter into a debate with other members of the committee.

MR. ASPER: Well, just to clarify the Chairman's position, Mr. Chairman, you would I take it then disagree with a statement reportedly made on November 9, 1972 to the effect, by Mr. Evans, that there would be a 50 to 60 million dollar write-off. You disagree with that?

MR. PARSONS: I wasn't particularly agreeing with it--I don't know there'd be a 50 or 60 million, I think that's high, but maybe at that point it looked well to them. But prices, the way they've gone up today, I think to build that now you'd probably--you wouldn't lose, there wouldn't be 50 or 60 million dollars less than what we've got in it. But I don't think that's relevant.

MR. ASPER: Then the question is, going back to what Mr. Green suggested was, the loss of $39 million that you show, taking into account what has to happen with CFI, are you suggesting that the MDC deficit on a realization basis is less than $39 million or greater? Including the CFI loans that you're showing here . . . ?

MR. PARSONS: I'm not in a position to say. It depends on how the CFI thing is handled. As it states right in this statement, we have not made any provision for capital loss on CFI. Now, when the CFI problem is resolved, and I am not here to even discuss that, then it will be reflected in our statements.

MR. ASPER: Well, Mr. Chairman, to you, Sir, I am going to ask one last question and then pass - I hope we will be able to stay on the general aspect of this because I have a number of general questions. My next question and I want to state in advance to you, Sir, Mr. Chairman, that my putting of this question is not to imply that I know the answer. I ask this question because of the statements in the Speech from the Throne and the events that are happening in Ottawa with the green book on Guidelines for MLAs and Civil Service. I believe that the report of the chairman should - and I hope we'll pass law at this session that will cause this to come into effect - but I believe the report of the chairman of all lending agencies of government should contain a statement that says: There are or there are not loans made in which members of the Legislature, senior civil servants, etc., have any financial interest.

MR. GREEN: MLAs are prohibited by the act.

MR. ASPER: Yes, I know that. Now, Mr. Chairman, that's an interesting point that the Minister says: MLAs are prohibited from the act, except when they happen to have acquired . . .

MR. GREEN: By the act.

MR. ASPER: By the act, from having loans, except when they happen to have acquired those loans prior to becoming MLAs.

MR. PARSONS: That's right.

MR. ASPER: And, Mr. Chairman, I put this question to Mr. Parsons - and I hope we can get a quick "no" and go on to the next thing - are there any loans made by the MDC to persons, firms or corporations in which any MLA or employee of government has a financial interest to your knowledge?

MR. PARSONS: No, not to my knowledge.

MR. ASPER: Thank you.

MR. CHAIRMAN: Mr. Johnston? Mr. Minaker.

MR. MINAKER: Mr. Parsons, through the Chairman to you, you indicated - or at least in our discussions in answers of questions back and forth - that this recapitalization is a proposal possibly of future type of accounting, but we're talking about the accounting principles here before us right now, and I'm wondering what is the present deficit to date of the operation of MDC? I think in the year ending it shows 39 million or thereabouts. What is the actual deficit under the present accounting principle?

MR. PARSONS: Well, that's what it is under the present accounting principle.

MR. MINAKER: I said to date.

MR. PARSONS: You mean including this year?

MR. MINAKER: Yes.

MR. PARSONS: Well there will be another 17 million dollar loss for this year.

MR. MINAKER: Now, is that all financed by demand loans from the government?

MR. PARSONS: Yes. Not all, the majority of it . . .

MR. MINAKER: What proportion approximately would be by demand loans?

MR. PARSONS: I didn't know, can I refer to our treasurer? What is it? - is it about 80 percent, Al? It would be in the neighbourhood of about 80 percent. You have funded debt of 25 million or 24,950 . . .

MR. MINAKER: One more question, Mr. Chairman. In this recapitalization, would you suggest possibly that the actual operating cost of MDC should be placed under the main estimates rather than written off against the cost of the loan? Is this a consideration being taken by MDC?

MR. PARSONS: Well, the cost of the money for capitalization would be under some department. Do you mean our total . . .

MR. MINAKER: We're talking about salaries, administration and so on, the operation of MDC. Would it not be better handled under the main estimates of the government rather than charged to the cost of the loans under the present conditions, and then the suggestion of recapitalization?

MR. PARSONS: Well, if the corporation is going to arrive at a point where we have sufficient capital that we're lending it out and borrowing it back, and we're revolving it and we're lending it at a higher rate than we are borrowing it for, then it's feasible that we could cover our operating costs in the margin between what we're borrowing from and what we're lending for. Therefore it wouldn't be necessary to go through that kind of a procedure. We hadn't looked at it that way.

MR. MINAKER: Last question, Mr. Chairman. Would you or your people have any idea what the actual operating costs have been over the past five years, say for salaries, administration and so on, excluding the interest on the loans that's included in that 39 million deficit?

MR. PARSONS: Oh yes, it's all stated in this statement. Our salaries are under expenses, and our statement of income and expenditure have been for the last five years.

MR. CHAIRMAN: On Page 12.

MR. MINAKER: What page was that, Mr. Chairman?

MR. PARSONS: On Page 12. If you look at the last two items under expenses - Salaries and Other Expenses. That is the cost of operating the offices of the corporation.

MR. MINAKER: That would be for the one year, right?

MR. PARSONS: That's correct.

MR. MINAKER: I'm asking for the last five years. Would you have an idea; approximately?

MR. PARSONS: No, but we could add it up. Yes, I suppose you'd go back . . .You still have to add it up though.

MR. CHAIRMAN: There's a comparison for '72.

MR. PARSONS: That's fine, Mr. Chairman. It's stated right in here.

MR. CHAIRMAN: Mr. Green. Mr. Minaker, are you through with your questions?

MR. MINAKER: Yes, thank you.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Well, Mr. Chairman, it's really not a question, but I want to make it clear when I said that the statement was prepared to show the maximum of problems and the minimum of favourable things, I took for granted that everybody knew that the CFI situation was being treated differently and I did not intend to have that reflected. And the reason that it's treated differently is that it was indicated on several occasions that we are waiting for the commission report before changing what is presently happening with the CFI operation.

MR. CHAIRMAN: Mr. Asper.

MR. ASPER: Well, Mr. Chairman, I'm still trying to stay on the general and so I would like to ask the chairman a question related to the kind of report he makes, and I'd like his advice to the committee.

The fact is that on January 1974, Mr. Parsons, you submit a report and attached to that report are financial statements and financial data as of the year March '73, to which you've attached an accountant's report, auditor's report dated July 20, '73. And so, approximately six months minimum and perhaps ten months maximum have elapsed since the information

(MR. ASPER cont'd) . . . . . contained in the financial part of the report was audited. I wonder if you wouldn't agree that it would be far better, far more informative and far more effective for this committee if at the very least your report that accompanies the auditor's statement revealed the material changes that have occurred since the moment of the statement. I know that's not been the practice in the past, but you have a statement here, your statement, and the financial data as I think my friend from St. James raised the point, deals with the William Clare situation for example - I'll use it as an example - as it was on March 31, '73. But in fact it's radically changed by the time you write your report.

And I'm referring - if you want my authority for this, the proposition that I'm asking your advice on - to the ruling by the Canadian Institute of Chartered Accountants or the policy bulletin on general standards of financial statement presentation which says: "In the event or transaction between the date of the balance sheet and the date of the auditor's report thereon which may have a material effect on the financial position or net income of the business should be disclosed." What I am suggesting is that, would you agree that that should extend to the chairman's report to the Minister so that we would be six months to nine months to the good in our up-dating as we receive this report.

MR. GREEN: They report to me all the time, just so that there's no misunderstanding, I don't report to you but they report to me all the time.

MR. ASPER: Well, Mr. Chairman, we're very familiar on what kind of reports we get from the Minister, and that's why I'm looking to the chairman perhaps to resolve the problem.

MR. GREEN: But, Mr. Chairman . . .

MR. CHAIRMAN: Order please.

MR. GREEN: Well the reading of what Mr. Asper read is that any difference between the financial statement and the date of the auditor's report should be referred to by the auditor. There's nothing to say that that would not happen under this circumstance. That has nothing to do - the date of the auditor's report is July 20, 1973.

MR. ASPER: Yes, we're talking about the chairman's report, Mr. Chairman.

MR. GREEN: That's not what you read from.

MR. ASPER: The principle of reporting that is adopted by professional societies, the accountants, the engineering, the Law Society and so on, all contain the principle - this is the suggestion I'm making to the Minister - all contain the principle that when a report is made and refers to a period that is significantly prior to the dating of the report, that events that have occurred from the dating of the material, the date of the report should be covered in the report.

MR. GREEN: We don't have to accept those suggestions. Well, we are now asking questions of the chairman and I am not accepting Mr. Asper - because I've learned not to accept what he says is generally accepted or what is contained in a report or what something says, because it is very unreliable to accept his statements in that respect. The member has a right to ask questions of the chairman and we have indicated that the chairman will answer questions up to the date that he is appearing before committee.

MR. ASPER: Mr. Chairman, my question to the chairman of the MDC is one of advice to this committee. Would he agree with the proposal that it would be more effective, we as legislators doing our job, if his report format were changed - to adopt that principle.

MR. PARSONS: No, I don't agree. And as we are doing with our statements right today, we're trying to bring you up-to-date, but at the time my report was written it probably wasn't much different than the auditor's report. The only solution to solve what you're saying in presenting this a year later is to have a committee meeting in the fall maybe; I don't know whether that would help you. But what we do, we do bring this up-to-date, we're not trying to get around - but to put in a report like you're saying, I think would be difficult and I don't think would be practicable to try and do it.

MR. ASPER: Well, on January 31 or whenever the Minister says, refreshed your memory on the date of the report - how much for example you show in the information given, you show that you had a loan to William Clare - an investment in William Clare of $275,000, that's the information that we the Legislature get some time in January . . .

MR. PARSONS: You get quarterly reports too.

MR. ASPER: But I'm referring to your report. Your report says . . .

MR. CHAIRMAN: Well, Mr. Asper . . .

MR. GREEN: Exactly, on a point of order. The chairman is just stating what the members of the Legislature are informed about. The members of the Legislature and all of the

(MR. GREEN cont'd) . . . . . public of Manitoba and anybody outside of Manitoba who wishes to read the Manitoba Gazette, which is not exactly pornographic literature and very exciting, but it is there for everybody to see.

MR. ASPER: I'm not sure it isn't pornographic when you consider what it's doing to the public of Manitoba as reports what you're doing. The question to the chairman is, in response to his statement that there's very little difference, there isn't much difference between the events reported in this report at their date March 31, 1973 and the date of his report. I ask you to confirm that by telling me how much money we had invested in William Clare (Manitoba) Limited and what percentage of the equity we owned in William Clare Limited at the date of your report which you say is January 1974. Because you've shown . . .

MR. PARSONS: No, I didn't say my report was January 1974, we said we delivered the statements to the Minister on January 1974. What was your question.

MR. ASPER: Well my question previously, at the beginning was, what is the date on which you wrote and submitted what is referred to as the Report of the Chairman in this report? And your Minister . . .

MR. GREEN: Mr. Chairman, he asked two questions. What date was this report prepared by you and what date was it submitted to the Minister. The record will show that he asked those two questions. Mr. Parsons said, I can't remember but it may have been around September--December. Then Mr. Shutiak, because I asked him I wanted to make sure, because it appeared to me that what was being suggested was that the report was presented to me in December, was not presented to other people until much later, asked him to get me the actual date on which I received the report. That date was January 30, 1974.

MR. ASPER: And to the chairman's recollection, he suggested that he had probably written the report in December.

MR. PARSONS: No, I didn't reply to the question on when I wrote the report. You asked me when these were delivered to the Minister, I thought it was the end of December - all right it was the end of January. This report was written in September or October and the statement of course had to be printed after that.

MR. ASPER: All right.

MR. PARSONS: So the auditor's report was--getting back to whether I should put all this up-dated information in the report . . .

MR. ASPER: My question is. At the time you wrote the report . . .

MR. PARSONS: . . . what I would have to do is give my own statement in order to up-date all these things to bring them up-to-date and you're picking on one here which happened to be William Clare and our percentage of equity increased throughout the year, but you know we would have to go through each account then in my report, which isn't practical. If you want to bring it up-to-date you get these reports in the Gazette and at this meeting we're quite prepared to bring them up-to-date as close as we can with all our companies.

MR. ASPER: Well, Mr. Parsons, in the report . . .

MR. CHAIRMAN: Mr. Asper, you know, you're asking questions on matters that are just a waste of time. You can ask questions specifically to the point and up to date. The chairman indicated that he was prepared to give you the latest information, he has provided this packet which has fairly up-to-date information. As to the particular timing when it was delivered I don't think it really matters. It's an annual report that we're getting from the Manitoba Development Corporation and it is the practice that has been used and in existence for many years. Now there is more information which is more up to date and the fact has been mentioned that there are quarterly statements made in the Manitoba Gazette.

MR. ASPER: Mr. Chairman, I'm not quarelling with the Manager of the MDC, I'm simply trying to see if I can get some advice from him to the committee that we may take into the Legislature on the form of reporting. It's of no big moment so I'll pass on the point. I simply make the point of order that at the time the report was written there were material changes, some of which were reported, such as increased loans, and some weren't. I don't know how he chooses.

MR. CHAIRMAN: Mr. Asper, I believe it has been indicated that the up-dated information can be given on questions. So can we proceed?

MR. ASPER: Ten months later, Mr. Chairman.

MR. CHAIRMAN: I have Mr. Minaker on the list. Mr. McGill? Well I seem to always miss . . . Mr. McGill.

MR. McGILL: I don't have a very high priority here. I'd like to ask Mr. Parsons. He has presented his annual report and made some general remarks, and to that he has submitted a list of financial statements. Now could we just review the way in which you decide which financial statements he will present to the committee as a supplement to the information contained here. We have a long list of reports of assistance granted or to be granted to companies during the year. Now how did you determine that these eleven companies would be the ones that you would provide statements?

MR. PARSONS: These are the ones that we have equity investments in.

MR. McGILL: Are they? And they're the ones that are listed on page 14 or 15. Oh I see.

MR. PARSONS: And that is how, they're the ones that we are supplying statements on.

MR. McGILL: Well then, we have one for--No. 2 is William Clare dated December 31, 1972. Is that the best we can do on a statement?

MR. PARSONS: Yes. That's what I say. Having this meeting this early we haven't been able to get the auditor's statement off but I will bring you up to date in the . . .

MR. McGILL: Not even '73, eh?

MR. PARSONS: No. December 1973 the statements aren't off. We were pushing to try and get them for this committee. We hope that--well, we should have that one within two to three weeks so we'll probably have it, we'll then have it for the next sitting, I don't know.

MR. McGILL: Well then, I notice that there is no statement attached for Saunders Aircraft. Do you have any equity position in Saunders?

MR. PARSONS: Yes, we have, and as I stated there are four of these statements that will be presented to you next week we didn't have ready for this meeting.

MR. McGILL: I assume Saunders Aircraft still have their cut-off June 30, 1973?

MR. PARSONS: No, theirs is the end of October.

MR. McGILL: And the statement is not ready?

MR. PARSONS: Yes, the statement is ready. We didn't have it ready to present this morning, we had to get copies and so on; we will have that ready for you next week or for the next session.

MR. McGILL: For the next session. I see.

MR. CHAIRMAN: Next session of the committee.

MR. PARSONS: Next session of this committee.

MR. McGILL: How many others besides Saunders are missing from this list that you have equity position to?

MR. CHAIRMAN: The Chairman indicated right from the beginning but, Mr. Parsons, you may proceed.

MR. PARSONS: You have the list there and if you check them off, Dawn Plastics is missing, Flyer is missing, Micro-Com, Saunders. I think that's it. Four.

MR. McGILL: There's just four statements still to come to this list?

MR. PARSONS: And we will have them for you within the next . . . You see last year when I presented them this committee sat a month later. I had a little more time to get them ready for you.

MR. CHAIRMAN: Okay? Mr. Minaker.

MR. MINAKER: Yes, Mr. Chairman, I would like to get into some of the details of the report if I might, if we're finished talking in generalities. On page 12 you have under Other Expenses $494,000. I wonder, can you elaborate what these expenses are?

MR. PARSONS: Yes, those are general operating expenses which cover our rents, printing, stationery, general office expenses, other professional fees when we hire consultants, legal fees, audit fees, travel, general corporate business expenses other than--we break the salaries out, all the rest go into one category.

MR. MINAKER: Mr. Chairman, I would like to ask a few questions relating to those particular companies where assistance was granted and are now either in receivership or have gone through receivership; a particular one was Omnitheatre. Would you have any idea the date of the final loan to Omnitheatre?

MR. PARSONS: The final loan?

MR. MINAKER: Yes. What date that occurred?

MR. PARSONS: No. We can . . .

MR. MINAKER: Can you get that information?

MR. PARSONS: Oh yes.

MR. MINAKER: I think, Mr. Chairman, if some creditor shows . . .

MR. PARSONS: We can get loans up to a certain date. It doesn't say the specific date the loan was granted.

MR. GREEN: I believe that the information is obtainable. The other thing that I'd like to point out to Mr. Minaker is I don't think that any of that was done during the fiscal year, end of March 1973. I think it was all before that.

MR. PARSONS: I think that's correct. We can--I could have that . . .

MR. MINAKER: That's what I'm asking, Mr. Chairman. Was the loan made in '73 or not? The other thing would be, what was the date of the receivership of Omnitheatre and when it took place.

MR. GREEN: I'm not correct. There was apparently $100,000 in the '73 statement. I'm sorry.

MR. MINAKER: Yes. I would like to find out when the exact date of that loan took place. Also when did Omnitheatre go into bankruptcy or to receivership? I'd like to find that out.

MR. PARSONS: All right. We'll give you that date too.

MR. MINAKER: Also, is there any money owing to any former employees of Omnitheatre from services rendered for that company? Do you know if there is? Or any claims to that effect?

MR. PARSONS: No, they've been settled by the receiver. There's no outstanding claims that I know of. I think the receivership is settled now.

MR. MINAKER: All claims have been settled with regards to employees?

MR. PARSONS: To the best of my knowledge, yes.

MR. CHAIRMAN: Mr. Johnston.

MR. GREEN: No, Mr. Minaker still.

MR. MINAKER: Well I'll pass to somebody else. I don't want to hold the floor . . .

MR. G. JOHNSTON: Mr. Chairman, to Mr. Parsons. Mr. Parsons, when did you become the Chairman of the MDC?

MR. PARSONS: September, 1972.

MR. G. JOHNSTON: What do you consider to be the role of the MDC in the carrying out of your duties?

MR. PARSONS: The role of the MDC?

MR. G. JOHNSTON: The role of the board of directors and yourself. What do you consider your philosophical role to be?

MR. PARSONS: You mean as Chairman of MDC?

MR. G. JOHNSTON: Yes.

MR. PARSONS: Well as Chairman, of course, I preside over the Board of Directors who are carrying out the functions of a development corporation as laid out by our act and guidelines.

MR. G. JOHNSTON: Well, do you not consider the function of the MDC to put out money at reasonable risk, not always to get every dollar back, but also to create jobs and create business activity?

MR. PARSONS: To create business activity, yes. We look at the overall--every application we get for funds we take a look at it on a business basis as close as we can, to see if in the best judgment of our staff and board that it's a good, has a good possibility of success. We also take a look at what it's going to do in the way of employment, the type of industry it is, whether it might be going--how the competition is. Industry that's well-serviced in Manitoba we may not be desirous of starting up more competition, but each one is looked at on a basis of what it's going to do.

MR. G. JOHNSTON: Well, I come down to a specific loan, the William Clare series of loans.

MR. PARSONS: Yes.

MR. G. JOHNSTON: How is the board of directors and yourself, how did you consider this loan to do much for Manitoba?

MR. PARSONS: Well, it was the time that publishers were being rapidly taken over by the United States group and pretty well the Canadian publishing industry is controlled by U.S. parents. We were looking to try and create, or maintain an industry of publication in Canada. There's good Canadian authors and so on here that weren't getting proper support, so we looked at several in the publication field. William Clare had concepts that we felt had a pretty

(MR. PARSONS cont'd) . . . . . good chance of success and therefore we entered into loans with him. His program over-all, he did all the work he could in Manitoba that was available as far as printing of magazines and all this art work where he used authors here. There was 11 or 12 Manitoba authors entered into his editing program on the films or in the Indians Without Teepees or in his mathematic program. He didn't actually himself employ many people in office. He opened up an office here when he was establishing and working with the Manitoba authors here. It was doing something for the over-all publishing industry in Canada as well as for the ones directly in Manitoba.

MR. G. JOHNSTON: Well, when the board of directors consider the financial statement for 1972 - I'm talking about your board of directors - and we see a loss of over $200,000, and the fact that in the appendix that was put in with the statement - and I have it in my hand - where 1974 is discussed, and it states that development work will not be completed until late 1975, and then I believe Mr. Clare himself stated publicly that there was going to be no profit till 1981, my question to you is: how could the board of directors keep advancing money when a $204,000 loss is shown in '72 and the outlook for the firm is so gloomy?

MR. PARSONS: Well I don't think in the publishing business that this $204,000 was all planned. It shows as a loss, there's no revenue coming in; it's all being expended and it will be up until, well, they're still producing the Mathematics and Module books, and till all those are finished producing there's not going to be any--well, they're going into a publishing program now with them. But until the revenue, until those are sold and there's royalties, there's no revenue to this company. In a publishing business it is a long term. And when you say we had a loss, he was following right along a program even though it was showing a loss.

MR. G. JOHNSTON: In the making, or the approval given by the board for this loan or any other loan, is there ever any political interference from the Cabinet or from any particular Minister? Has any--the question I'm putting to you is, has any loan been made with reluctance by the board because there was pressure politically?

MR. PARSONS: No.

MR. G. JOHNSTON: So every loan that has been made has been made by a majority decision of the board and no interference whatsoever?

MR. PARSONS: That's correct. The board make their decision. They're responsible for it. There's no . . .

MR. G. JOHNSTON: How did William Clare . . .

MR. GREEN: Mr. Chairman, on a point of . . .

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

MR. GREEN: Mr. Chairman, just a point of information. I don't think that anybody is trying to give wrong information. I advised the House that with respect to one particular advance relative to McKenzie Seed, the Fund felt that that was something over which they had little supervision or control and that it was advanced on government rather than Fund responsibility. But I've already advised the House of that.

MR. PARSONS: Yes, I'm sorry. I wasn't thinking of A. E. McKenzie. We have been lending money to them and the board did send that back. It's a separate act of the government; we didn't actually control it and we sent it back for advice, and on that particular one we were advised to carry through with financial support for it and we did guarantee an additional bank loan because of that. But that was a board decision. We sent it back to the governmentbecause it really doesn't come under as an MDC subsidiary or an ordinary loan.

MR. ASPER: Mr. Chairman, on the same point of information . . .

MR. CHAIRMAN: Mr. Asper, on a point of information.

MR. ASPER: Mr. Chairman, on the same point that the Minister responsible for MDC raises, would you like to correct that statement by what he said and by the suggestion that the government of Manitoba instructed the Manitoba Development Corporation to make a loan to Crocus Foods?

MR. PARSONS: Oh, that's Part II of the Act. All right, it was . . .

MR. GREEN: They didn't do it. That is not correct. Because they've now--my understanding is that they have made a temporary loan under Part I, and Part II is awaiting Capital Supply.

MR. PARSONS: That is correct.

MR. ASPER: That the loan made to Crocus Foods was on the instructions of government, wasn't it?

MR. PARSONS: No, not on the . . .

MR. GREEN: Well, Mr. Chairman, I don't think anybody is trying to again mislead. The government is interested in Crocus Foods. It asked that it be done under Part II. The Fund did not have Capital Supply under Part II. We asked them to consider whether they would make an advance under Part I pending the Capital Supply being received under Part II, but then they then considered it as to whether they would make a loan under Part I and did.

MR. ASPER: Well isn't it a fact that they made the loan under Part I upon the assurance of government that a Part II direction would be made to them and they'd get it . . . ?

MR. GREEN: No. Because, Mr. Chairman, I could give no such assurance and told the Chairman that. That there is no way that I can assure that the Legislature will give Capital Supply under Part II. We told them that we would ask for it but whether it would come or not, there was no way I could give that assurance.

MR. CHAIRMAN: . . . proceed, Mr. Asper? You're on--Mr. Johnston, you're finished?

MR. G. JOHNSTON: No.

MR. CHAIRMAN: Continue.

MR. G. JOHNSTON: Mr. Parsons, how did the William Clare loan come to be made? Did someone from Manitoba seek him out in B.C. or did he come here? Or what?

MR. PARSONS: Yes, I think he came here to us and it was following a statement that was made by the government that they were interested in seeing a Canadian publishing industry supported in Canada and retained by Canadians. This probably encouraged three or four publishers to come here to see if we were really serious in trying to promote publishing in Canada and helping Canadian authors, and that is really probably how Mr. Clare came to us.

MR. G. JOHNSTON: Do you consider your terms of reference, in your terms of reference, that you should supply Manitoba money to people who not only don't live here but they are not creating any significant amount of jobs in Manitoba?

MR. PARSONS: Our terms of reference don't say that we can't do this.

MR. G. JOHNSTON: So you would encourage other people from outside the province to apply for loans using the same criteria?

MR. PARSONS: If people from outside of the province came to us we would consider it. We're not encouraging or discouraging it, but under our terms of reference we can do this.

MR. G. JOHNSTON: Well I find that statement astounding, Mr. Chairman. However. . .

I'd like to turn now to the Saunders Aircraft firm. How many aircraft have been sold and at what price, and describe the financing please.

MR. PARSONS: I wasn't going to discuss Saunders until we brought it up. I would rather leave that until I present the statements.

MR. G. JOHNSTON: Okay. I'll speak for that, certainly. I pass.

MR. CHAIRMAN: Mr. Asper.

MR. ASPER: Following the subject raised by the Member from Portage, could you tell us exactly, or within 10 or 20 thousand dollars how much money the government of Manitoba through MDC has got invested in William Clare? At this moment.

MR. PARSONS: At the present time?

MR. ASPER: Yes. The reason I ask for a specific figure is that . . .

MR. PARSONS: If you'd like to look on the statement. Now William Clare is one of the statements here so just to answer your question, if you look on there, February 28, 1974, we had $1,062,420.00.

MR. ASPER: Has any money been advanced?

MR. GREEN: Is that rounded off, Mr. Chairman?

MR. ASPER: Has any money been advanced since that?

MR. PARSONS: In March?

MR. ASPER: Yes.

MR. PARSONS: Yes, it's being advanced on a program. I don't specifically know whether there's been any cheques between the end of February and the first of March. This is the most up-to-date information that we've got out of our accounting. Now there may have been a few cheques in the last week or two.

MR. ASPER: In other words, you have a continuing commitment to keep advancing money?

MR. PARSONS: Yes, and it's right on our program and we go up to $1,300,000, - $1,600,000 . . .

MR. ASPER: $1,350,000.00. Does that sound right? I'm reporting what Mr. Clare himself said in an interview last week. $1,350,000.00.

MR. PARSONS: Yes. It's right down here. Yes.

MR. ASPER: So our commitment is $1,350,000 of which approximately $1.1 million roughly might have been advanced by now? Does this include any bank guarantees, or would those be on top?

MR. PARSONS: No, there's no bank guarantee. If you look on the sheet, that's as they are.

MR. ASPER: That's it? Plus anything that may have been advanced on the program basis since the date of this. I know you wouldn't have it here, but could you for the next meeting provide us with a schedule showing when the money was advanced, aggregating each month to make it simple, so much in each month, what the dates of those advances were. Would that be possible for you to get for us?

MR. PARSONS: Yes, we could do that.

MR. ASPER: Okay. Now, according to statements that Mr. Clare made in January of 1973 - this was to the Financial Post - he said that he owned 51 percent of the stock, that MDC owned 24 percent of the stock and he had a silent partner who owned 25 percent of the stock. Then we have this statement of yours that indicates that with the additional money that you advanced since then that you now own 80 percent, and Mr. Clare told somebody on television the other night that he and his silent partner now own the remaining 20 percent between them. Is that correct?

MR. PARSONS: Yes.

MR. ASPER: Now in the first place, we've now got 80 percent. How did we get that? Why did we get it?

MR. PARSONS: Why did we get it?

MR. ASPER: Well the report we're considering, your report, shows that at that point . . .

MR. PARSONS: When we went into the further advances then we took the . . .

MR. ASPER: Was that part of the original deal or was that something you renegotiated?

MR. PARSONS: No that's something we renegotiated when we went into the second phase.

MR. ASPER: You wanted more equity for what you were putting in?

MR. PARSONS: Yes. It's the only security we have really in that.

MR. ASPER: Well who's Mr. Clare's silent partner?

MR. PARSONS: I don't know his name, he was originally his Toronto salesman. He owns maybe three or four percent of the shares originally. I don't know that he's classed as a silent partner.--(Interjection)--Pardon?--(Interjection)--Yes, a name like that - McArdy - I don't think he classes him as a silent partner, he never has certainly indicated to us he is.

MR. ASPER: Well he refused on this public interview he had on television to disclose who his partner was and I was wondering why that was being kept a secret.

MR. PARSONS: I didn't know it was being kept a secret.

MR. ASPER: The MDC knows who he is and . . .?

MR. PARSONS: Certainly.

MR. ASPER: Okay.

MR. PARSONS: And he was a very minority shareholder, he worked for him and he gave him a small interest in the company when he was selling the film program.

MR. ASPER: How much does William Clare get paid for running this company?

MR. PARSONS: I'll have to give you that the next meeting, I don't know.

MR. ASPER: Would it be a full salary?

MR. PARSONS: Yes, he's full-time.

MR. ASPER: Full-time. Do you control his salary?

MR. PARSONS: Yes.

MR. ASPER: So whatever salary he's getting is approved by you?

MR. PARSONS: Oh yes.

MR. ASPER: Would it be in excess of $30,000.00?

MR. PARSONS: No.

MR. ASPER: In excess of 20?

MR. PARSONS: Yes.

MR. ASPER: So somewhere between 20 and 30?

MR. PARSONS: Yes, and I'm not trying to dodge it . . .

MR. ASPER: No, I understand.

MR. PARSONS: It's approximately 24, but . . .

MR. ASPER: Yes, that's good enough. Now how much again have Mr. Clare and his partner invested - $35, 000. 00?

MR. PARSONS: Yes, 35.

MR. ASPER: Was the formula always that you would go from day one up to as high as a million dollars and they would have only $35, 000 in it?

MR. PARSONS: No the first phase I told you was $100, 000 to lay out the program and show what they could do in the publishing. Then we went $600, 000 to bring it up to complete the programs with Canada West which was Indians with Teepees which was completed and that book was subsequently published. His film strip program, he ran into overruns in cost and didn't complete it so there was a financial setback there where he had expected to make a profit. The Mathematics in Modules now is going on to completion from there. What happened with his film program he hoped would be sufficient to generate some of the capital necessary to complete the Mathematics program. It wasn't, we advised him that we thought that it was best for him to sell that off and not spend his time doing that and we would advance the money to complete the Mathematics in Modules program, which is the third phase really, which is what we're into now. We did that after reviewing the program with Rand McNally and got them to put up all the costs for the development after.

MR. ASPER: Now Mr. Clare has 20 percent of the company and he has $35, 000 invested which is proportionately nominal compared to our equity . . .

MR. PARSONS: That's correct.

MR. ASPER: Was any checkout done on Mr. Clare or was he brought independently by the MDC, or was Mr. Clare brought to the MDC by government?

MR. PARSONS: I don't know how he arrived, whether he was brought by the government. We have a full file on Mr. Clare and his background and checked it out all ourselves, but there's nothing to indicate to me - I wasn't chairman then of course - that he was ever brought in by the government. He came here, I think he may have seen Industry and Commerce but he wasn't certainly brought to us by the government.

MR. ASPER: Let me suggest then . . .

MR. PARSONS: He approached the government after this to find out what branch of the government he would approach for financial help. In that proportion I suppose he was told to come to see the MDC as most people would that are looking for financial assistance.

MR. ASPER: Your first introduction to Mr. Clare or the knowledge of Mr. Clare and his proposal came from Mr. Clare and not from government? Could you perhaps check that and report back to us on that if you're not . . .

MR. PARSONS: No, I don't have to check it. He approached the government, he approached Industry and Commerce to find out where he could obtain help to do this. That's how he came to the MDC. Does that not answer your question?

MR. ASPER: Well my question is, did you then receive some instruction or direction from the Department of Industry and Commerce?

MR. PARSONS: No.

MR. ASPER: Well then that doesn't--if Mr. Clare says something to the contrary, he's wrong, is that correct?

MR. PARSONS: Did he say something to the contrary?

MR. ASPER: Yes. Mr. Clare has suggested that Mr. Evans made a speech, I believe in Vancouver . . .

MR. PARSONS: That's how he got here in the first place because he heard that the Manitoba Government were interested in publishers. That's what I say. He came here to Industry and Commerce for financial help and they guided him over to us.

MR. ASPER: All right. I'll perhaps come back to that because it's not the nub of what I'm asking. Did Mr. Clare have anything . . .

MR. CHAIRMAN: Mr. Evans, on a point of order?

MR. EVANS: Mr. Asper said I made a speech in Vancouver. I did not make any speech in Vancouver about the publication industry.

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

MR. GREEN: Mr. Speaker, just so there's no misunderstanding. There are many people who approach the government or other MLAs and ask them where they could get money from the Manitoba Government and in many cases they are told to go to the Manitoba Development

(MR. GREEN cont'd) . . . . . Corporation. So if the honourable member wants to know whether that occurs, I can tell him that it occurs often. The Manitoba Development Corporation then considers these applications.

MR. ASPER: Well I hope it doesn't occur with such spectacular results as often as this.

MR. GREEN: Well, Mr. Speaker, you know, the results remain to be seen. Rand McNally has invested far more money in this operation--Rand McNally which is a private publishing company have apparently invested far more money in this particular development than have the people of the Province of Manitoba.

MR. ASPER: It certainly doesn't show in the financial statements.

MR. GREEN: Well it shows it because - you'll have to get Rand McNally's financial statements.

MR. ASPER: No, we have William Clare's financial statements and it shows no contribution from Rand McNally.

MR. GREEN: Well, Mr. Chairman, the honourable member . . .

MR. ASPER: There's a statement from the auditors on this and he refuses to certify. . .

MR. CHAIRMAN: Order please. Mr. Asper, would you contain yourself, I believe Mr. Green was speaking on a point of order and has explained the situation and that you can get that information from Rand McNally.

MR. GREEN: That's right.

MR. ASPER: Well on the point of order, Mr. Chairman, the auditors . . .

MR. CHAIRMAN: Mr. Asper.

MR. ASPER: On the point of order raised by Mr. Green. The auditor's statement of William Clare (Manitoba) Limited that we have in front of us, is not a clear certificate and it shows no such contribution . . .

MR. GREEN: Oh, but Mr. Chairman - on a point of privilege.

MR. ASPER: . . . qualified certificate and if the Minister wishes to debate it, may I ask him if he will bring to this committee either the auditors who signed the statement or the chairman of the Manitoba Institute of Chartered Accountants.

MR. GREEN: Mr. Chairman, on a point of privilege. The honourable member has suggested because Rand McNally investment does not appear on the statement that somehow I have made an incorrect statement. Rand McNally's--(Interjection)--if the honourable member wishes to get particulars as to the involvement of Rand McNally in the development of this project, the chairman of the corporation is before him and he can get them if he will ask for them.

MR. ASPER: Mr. Chairman, I won't debate it.

MR. GREEN: No you won't.

MR. ASPER: Well, Mr. Chairman, the Minister has invited me to, so I revise that statement. Mr. Chairman, it is an unusual thing for an international accounting firm, Arthur Anderson & Co . . .

MR. CHAIRMAN: Mr. Asper, do you have questions of Mr. Parsons?

MR. ASPER: Well, Mr. Chairman, I was simply answering the Minister's suggestion that we had statements in front of us when we have qualified statements.

MR. GREEN: I didn't say you had statements in front of you.

MR. CHAIRMAN: Order please. Would you proceed with the question, Mr. Asper.

MR. ASPER: Yes, Mr. Chairman, before we get to the statement which is a year and five months old, my question is, what outside assets, other assets, does Mr. Clare have to justify an advance of $600, 000 to his company? Did Mr. Clare personally guarantee this loan, did he put up any security? He could have died before you collected . . .

MR. PARSONS: Do you mean did we consider lending the money on the basis of his outside . . .

MR. ASPER: No, did you ask for any security?

MR. PARSONS: Oh yes, we always ask for security.

MR. ASPER: Did you get any?

MR. PARSONS: What he had, but it was very limited.

MR. ASPER: Did he personally guarantee that?

MR. PARSONS: I don't think so. His personal wealth is not great, I can tell you that.

A MEMBER: It is now.

MR. GREEN: If the Honourable Member for Portage la Prairie is suggesting that William Clare has enriched himself by the money that has been advanced by the Manitoba

(MR. GREEN cont'd) . . . . . Development Corporation, I wish he would tell us, because then we will do something about it. But I would like you to know on what basis Mr. Clare has enriched himself that his personal assets have now gone up by virtue of his arrangement, because we will then do something about it.

MR. G. JOHNSTON: Well then, to answer that question, I ask Mr. Parsons this question. How much money and what . . . ?

MR. GREEN: Well that's a point of privilege. The honourable member has suggested that William Clare has enriched himself by this program.

MR. G. JOHNSTON: Well perhaps when we get to this answer we'll find out. I'm asking Mr. Parsons how much money has been repaid, what the schedule, monthly or yearly, repayment schedule is for the one million three that he has now?

MR. CHAIRMAN: Order please. Mr. Minaker is next on the list.

MR. G. JOHNSTON: Well perhaps Mr. Minaker would yield just to have that one question answered.

MR. GREEN: No, that has nothing to do with your statement that he's rich now.

MR. ASPER: $25, 000 a year isn't very good.

MR. CHAIRMAN: Mr. Minaker.

MR. ASPER: I'm not finished but if you want to go on Clare you go ahead. I'll come back.

MR. MINAKER: Mr. Chairman, through you to Mr. Parsons . . .

MR. CHAIRMAN: Order please. Mr. Minaker.

MR. MINAKER: I wonder if you could indicate when all of this $1. 35 million will be loaned out. You obviously have indicated a schedule and I'm wondering. . .

MR. PARSONS: Yes, I've been asked to bring that forward and I will. Also the past Mr. Asper asked me to bring forward - I will give you the projections on when it will all be paid out.

MR. MINAKER: The other thing is, Mr. Clare the other night on TV indicated it was 55 modules and I notice in the report here it's 48, and I'm wondering is he proposing an additional 7 modules in this series that either you are not aware about or it was not included in this particular report, or was it a mis-statement by Mr. Clare?

MR. PARSONS: To the best of my knowledge this is correct.

MR. MINAKER: Now, you indicate Manitoba purchases in 1973 of $91, 000. How much of that was related to Indians Without Teepees. Any of that?

MR. PARSONS: Yes, I imagine a portion of it is. We can get you a breakdown of that also. That is the total Manitoba purchases so it should include--that was done by Hignell Printing, I believe.

MR. MINAKER: Now also there was indication that there was considerable cost by Rand McNally. Now my understanding is that the typesetting for this work is being done in Winnipeg.

MR. PARSONS: That's correct.

MR. MINAKER: Would you know how many modules have been done to date?

MR. PARSONS: No, I'd just be guessing.

MR. MINAKER: Would you find out for us, Mr. Parsons? And my understanding is there's roughly 100 pages per module and I think I've asked a couple of the printers what it would cost to do this work, and we're talking about I think it's $20. 00 per page, so we're probably talking about $2, 000 a maximum per module so we're looking, I would think, at a total of $96, 000 that would go into this in terms of typesetting. Is this correct? Roughly the actual typesetting?

MR. PARSONS: I don't know that your figures are correct at a hundred pages either, nor your $20. 00.

MR. MINAKER: I believe we are correct that there are an average of a hundred pages. Now my next question is, is the art work done for this book in Winnipeg?

MR. PARSONS: I couldn't answer that.

MR. MINAKER: I wonder if you could check to confirm that the art work is done in Toronto? And the next question is: If the art work is done and paid for by William Clare and it's done in Toronto, and if the typesetting is done in Manitoba and the negatives are sent to Chicago, what expenses does Rand McNally have other than, say, promotional costs? And I would like to know, is there any agreement between William Clare and Company and Rand McNally to share promotional costs on their U. S. distribution?

MR. PARSONS: No, William Clare don't pay any promotional costs.

MR. MINAKER: Is there any agreement with Rand McNally in terms of percentage of royalty to cover part of this promotional cost ?

MR. PARSONS: No, there is an agreement between Rand McNally and William Clare in the amount of royalties that William Clare receive.

MR. MINAKER: But is this royalty reduced a proportionate amount so that part of the promotional costs . . .

MR. PARSONS: I don't know what they--they retain 60 percent, I believe it is, approximately 60 percent to cover all their costs which would include promotion.

MR. MINAKER: The next question is: Have you got the estimated royalty returns on this investment for this particular module?

MR. PARSONS: Yes, we have a schedule that was laid out by Rand McNally on what they would estimate the return would be.

MR. MINAKER: Could we receive a copy of this schedule at the next meeting?

MR. PARSONS: Yes, there's no problem in that. We have it all scheduled.

MR. MINAKER: Okay. the next question is, is the book on schedule?

MR. PARSONS: No, it's a little behind but not too much behind.

MR. MINAKER: Will this behind schedule, is it related to author problems or production problems or what?

MR. PARSONS: Basically keeping the authors going, although Mr. Clare said that he's pretty well up-to-date. They are a little behind. He has to keep working with them all the time.

MR. MINAKER: I would imagine, Mr. Parsons, there's a fairly tight schedule of operating costs to production in the scheduling of this book.

MR. PARSONS: It is quite a close schedule with Rand McNally and so far he's meeting that schedule.

MR. MINAKER: Would it appear at the present time that it might be over-expended and further loans be required?

MR. PARSONS: No, it doesn't look to be. There's not any indication at this point.

MR. MINAKER: I see the next question is: I think there's, of the Manitoba authors, 12 people involved. I believe--isn't there only three that are involved with the Mathematics Module series?

MR. PARSONS: Two or three, yes.

MR. MINAKER: And are the three authors already working? Either professors or--doing a full-time job?

MR. PARSONS: Yes, oh yes. Most of these authors are university professors or otherwise occupied. Because they don't actually receive too much in the way of money until the royalties start coming in.

MR. MINAKER: The other question, Mr. Chairman: There's considerable amount of expenses shown for development and travel and so on. Is it normal in the publishing industry to pay for expenses of authors in other cities, say in Washington or in Chicago, to be charged back to the company if they had a meeting in that location? Is this a normal procedure with publishing companies and . . . ?

MR. PARSONS: I don't know; I'm not familiar with other publishing companies but I would think so.

MR. MINAKER: But are we paying costs like this with William Clare?

MR. PARSONS: No, most of the costs are with his travelling.

MR. MINAKER: There's no expenses of any authors . . . ?

MR. PARSONS: I wouldn't say no, but there's very little.

MR. MINAKER: Could you check into that, Mr. Parsons?

MR. PARSONS: Yes we could check into it.

MR. MINAKER: And report on whether or not William Clare Company is paying expenses of authors in other locations. --(Interjection)--He said he'd check and report back. I know he is.

MR. ASPER: I think that Mr. Parsons may not have surely understood the question. Will Mr. Parsons confirm that, as it's been stated publicly, that the bulk of the money being paid by this company to professionals is being spent outside of Manitoba? You can confirm that, surely?

MR. PARSONS: The bulk of it?

MR. ASPER: Yes.

MR. PARSONS: Yes, it probably is.

MR. ASPER: Well, that's all you wanted to know. I think we knew that. I didn't want to leave the impression that you didn't . . .

MR. CHAIRMAN: Well, Mr. Asper, that is fine. You're on the list. You can bring your questions when it comes up. Mr. Green.

MR. GREEN: Well, Mr. Chairman, just with regard to the Clare matter. At the time of the second consideration, that is the advancement of funds, I gather that there was an arrangement with Rand McNally which made it appear that the further advance would be justified by the ultimate return, but can you tell us what type of arrangement Rand McNally entered into? I don't think that that has specifically come out.

MR. PARSONS: We went into the program with Rand McNally. They outlined what they could do with this "Mathematics in Modules", outlined the amount of dollars that they would have. In their best estimation, they will have roughly four to five million dollars invested in the program before they start getting any money back. They are actively involved in this program right now. They hope to get the program, the first modules going this fall. In conversation with them they say they never really--it takes about five years before they start getting a return on their dollar for any publications. From the time that they start after they've got the books written, it will take anywhere up to five years before they start getting an actual return. They looked at the program and they were very enthused about it, and now it's committed for that kind of dollars.

MR. GREEN: Yes. I'd like to know whether this is--I take it this is a fairly sophisticated, well-established publication institution in the United States, and I would be interested whether they gave you any indication as to just what quality of work this publishing Canadian firm was doing.

MR. PARSONS: Yes, they were very impressed with the work that William Clare did. The whole concept, the way they put it together, the way the art work was done, they said it was really an outstanding publication. They gave every indication it was very well done. Our staff were down to see them, of course, in Chicago and went over this with them.

MR. CHAIRMAN: Mr. Patrick.

MR. PATRICK: Mr. Chairman, I have a couple of questions to Mr. Parsons. My first question is in salaries and wages in your supplementary statement or sheet that we have. Special at end of March 1974. You show salaries and wages paid in 1973 were $150, 000. Were these paid in Manitoba or were they paid outside of the province? Or what portion have you . . . ?

MR. PARSONS: I'll have to get that breakdown. I don't have that - unless one of my staff has it. I'll have to take that as notice; I don't know that.

MR. PATRICK: Okay, as long as we can get the information. My second question is: In 1972 statement, the statement shows telephone expenses of $14, 000, which looks quite high. Have you got any verification of the statements of $14, 000 of telephone calls, and is there verification who made the calls and so on?

MR. PARSONS: Oh yes, this is keeping track of his authors and keeping up-to-date, the phone expenses were high, but it's also cheaper to keep phoning them than it is travelling to the various centres.

MR. PATRICK: There's been a verification of . . . ?

MR. PARSONS: Yes, this is an audited--that would be checked.

MR. PATRICK: Well okay. In view of that, can I ask you, if you look in your last statement that we have before us, and if you look at the bottom paragraph of your statement, the first page . . . accountants, and perhaps you can explain what this means - and I'm quoting the paragraph: "Because of the significance of the matters discussed in the preceding paragraphs, we are unable to express an opinion on the accompanying consolidated financial statements taken as a whole." Can you give us some idea of what that paragraph means?

MR. PARSONS: They're basically talking about the second paragraph where they say the major portion of the Company's assets consists of filmstrip of the mathematics program, and they're talking about the development charges as of 31st December, 1972. And they're talking about the recovery of the costs dependent upon the successful development of these programs. I think that's the portion of the statement that they're saying that they really don't wish to express an opinion on.

MR. PATRICK: It doesn't make reference to the whole statement, does it? The whole financial statement?

MR. PARSONS: No, it says "because of the significance of the matters discussed in the preceding paragraphs," which would be the top three paragraphs. The first one is a general

(MR. PARSONS cont'd) . . . . . review, which is a normal auditing thing. The second and third paragraphs are probably the two that they're referring to when they say "because of the significance in the preceding paragraphs." So really they're not, although the statement is qualified it is just those two paragraphs that they're qualifying in this statement, as to that they wouldn't want to express an opinion as to whether they're going to be recovered as stated there.

MR. CHAIRMAN: Mr. Asper.

MR. ASPER: On that point, Mr. Chairman, and I think you and I both know what they're saying. They're saying, are they not, that because this financial statement shows an asset of $244, 000-odd or, roughly $244, 000, which they don't know whether it's an asset or a liability or whether it's going to be recovered or not recovered, they can't express an opinion that clearly says that the net loss for that year, which is 1972 year, is only $204, 000. It should perhaps be--they're suggesting that maybe it should be $280, 000 or maybe it should be $400, 000 and some, because nothing has been written off on the development expense. That's what an accountant does when he does that, isn't it?

MR. PARSONS: It's exactly as you . . . He's not willing to express an opinion on the unamortized portion whether it's recoverable or not. It's not a liability but whether it's a recoverable asset or whether it should be stated as a loss, he is not putting himself in the position of making an opinion on that. He is drawing it to the attention that he doesn't want an expressed opinion. That's why he's qualifying his statement.

MR. ASPER: Mr. Parsons, you'll know and I think you can confirm, that it is a very unusual and regarded as an undesirable event when an auditor disclaims a statement.

MR. PARSONS: He's not disclaiming the statement, he is qualifying his statement to the extent that he is not prepared to say whether the unamortized development costs is a true asset or whether it could be a portion of the loss. That is the part he is qualifying.

MR. ASPER: And then he goes on to say that because it's of such materiality, of such significance to the whole presentation of his financial information, he refuses to express an opinion on the statement as a whole.

MR. PARSONS: Well that's correct. The statements could be changed by the amount of $244, 000.

MR. ASPER: Okay.

MR. PARSONS: That doesn't mean that the rest of the assets and the rest of the statement are not, you know . . .

MR. ASPER: He just won't give an opinion. Now, my question then is: In the period following this, this company was advanced and it spent, well, between March 31, 1973 and February 28, 1974, another half million dollars at least; can you confirm as well that the majority of that money was not spent in Manitoba? By that I'll accept anything over 51 percent. I would suggest that substantially more than 51 percent was spent outside of Manitoba.

MR. PARSONS: That's probably right.

MR. ASPER: Okay. Well could you tell us how much?

MR. PARSONS: No. I've already taken that . . . Mr. Patrick asked me that and I will . . .

MR. CHAIRMAN: Mr. Parsons has taken that as notice to bring to your attention.

MR. ASPER: Okay. Now, could you tell us what experience, what credentials, what track record of success in business and in similar ventures Mr. Clare had to induce you to spend a million two on his expertise? Betting on his expertise ?

MR. PARSONS: Do you want me to express what his qualifications are?

MR. ASPER: Well I'd like an honest opinion . . .

MR. PARSONS: We have a file on it. I can't right off the top give you . . .

MR. ASPER: I'd like to know factually what financial successes, or failures, he had prior to your betting a million two on him in this venture. What are his qualifications . . . ?

MR. PARSONS: I'll have to make up a report for you; I can't give it to you verbally here.

MR. ASPER: Well, Mr. Chairman, because of the significance of the matter involved, I don't think it's unusual for us to ask that question, and I would ask that it be approved by the committee.

MR. PARSONS: I said I would . . .

MR. CHAIRMAN: Well, Mr. Asper, Mr. Parsons indicated that he will have this, so . . .

MR. ASPER: Okay. Presumably we can deal with that when at the next session.

MR. CHAIRMAN: Next meeting of the Economic Development Committee.

MR. ASPER: Mr. Parsons, in a discussion I had with someone at Rand McNally, I raised the question of asking whether the prospects, with the likelihood of a relationship with Rand McNally, could he give an opinion that the Province of Manitoba's MDC would realize the return of its million two from that venture. Now this individual in fact laughed at that suggestion. Are you suggesting that the contract with Rand McNally is likely, probably, to produce the repayment of the million two plus the cost of borrowing that money?

MR. PARSONS: Yes.

MR. ASPER: That's your belief. Okay.

MR. PARSONS: Who did you talk to at Rand McNally?

MR. ASPER: I'll ask the questions, Mr. Parsons. --(Interjections)--I'll make you an offer. I'll make the Minister an offer. Well, the Minister's interjecting so I'll make him an offer. The offer is this. If he will permit the person to come before this committee I'll be delighted to personally . . .

MR. CHAIRMAN: Order, please.

MR. GREEN: Mr. Speaker, that person can go wherever he wants.

MR. ASPER: No. No. To testify before this committee.

MR. GREEN: Why does he not go and testify before the media of the Province of Manitoba, just as Mr. Clare did? They'll invite him. I'm sure if you people want to talk to him, he's available. That's that.

MR. CHAIRMAN: Order, please.

MR. ASPER: Mr. Parsons, could you give us a breakdown of--when you're getting the breakdown that we discussed, could you give us a breakdown of how the million two has been spent, on what it's been spent, and to whom it's gone.

MR. CHAIRMAN: Mr. Asper, the question was asked by Mr. Minaker and Mr. Parsons indicated that he will be bringing this information at the next meeting.

MR. ASPER: Yes, I thought we were talking salaries . . .

MR. PARSONS: It might be a fairly extensive thing to get the names of all the people but . . .

MR. ASPER: No I don't mean the names, just the qualification or what kind of money was spent on each thing, to whom, where they were . . . Okay?

MR. PARSONS: Well, just a little more detail than . . . ?

MR. ASPER: Now, Mr. Clare stated on television the other night that he doesn't regard this company as a Manitoba company, it's more of a national company I think his term was. Well if that's the case, why has the Manitoba Development Corporation invested in it as opposed to it being a Manitoba company? Wouldn't it be more appropriate, if it's a national company in its scope, that it seek financing elsewhere? For example, did they go to the IDB?

MR. PARSONS: I don't know whether they went to the IDB at all. To start off with, legally it's a Manitoba company; it's registered here. Mr. Clare classed publication and publishing as such as a national thing because it is spread across the country in the various authors, and the benefit, so it depends on the context of how you ask that question to him whether he would say it was national or not because, you know, he could say it's international because some of the authors are in the States.

MR. ASPER: But the benefit that he implied of a company like this was national in that its consumers and customers were of a national scope.

MR. PARSONS: Well I think there will be a national benefit. All departments of education are going to benefit from this Mathematic in Module concept.

MR. ASPER: In all provinces?

MR. PARSONS: Yes.

MR. ASPER: Then why wasn't he suggested by MDC to find his money from the national financial organization, the IDB?

MR. PARSONS: I don't know if that's a good question or not.

MR. ASPER: Well, looking at the charters of the two corporations, the Industrial Development Bank and the Manitoba Development Corporation, the split in activity has always been aimed at. Those companies which have a lasting national outlook and benefit are normally financed by the Industrial Development Bank, the national development company, and those which have a local benefit are financed by the MDC.

MR. PARSONS: No, I don't think that's correct. The IDB finance a tremendous number of Manitoba contractors that are not national.

MR. ASPER: Then it would be--by your logic it would be within your terms of reference to, if you liked a business investment that was located purely in the Province of Ontario, that created jobs only in the province of Ontario but that had a national benefit, that would be a legitimate investment for MDC.

MR. PARSONS: I'm not saying whether we'd invest in it or not but it's not precluded from our act.

MR. CHAIRMAN: Mr. Minaker. Mr. Asper.

MR. ASPER: Excuse me, one last question on that subject then I would like to yield the floor and come back to it. Mr. Clare said the other night, he said a number of times, I believe, that one of the initial conditions that was imposed on him by the MDC was that he take up residence in Manitoba. Now, given the fact that there are no Manitoba employees working for William Clare, and that any jobs that have been created have been created in the main outside of Manitoba, why was the condition dropped that Mr. Clare move to Manitoba? Why was it dropped--I'm asking in simple terms, why isn't it a requirement that he have some stake in our province and pay his income taxes to this province on the money we're paying him?

MR. PARSONS: He did have a residence here, although his family still stayed in Vancouver.

MR. ASPER: Wasn't that a temporary apartment? Wasn't that residence just an apartment that he used when he came into town to deal with the MDC, basically?

MR. PARSONS: Well, he had an apartment full-time here.

MR. ASPER: Could you tell me approximately out of 365 days how many days he spent in Winnipeg - or Manitoba?

MR. PARSONS: I would say he spent almost as much here as he did in Vancouver. He is on the road all the time.

MR. ASPER: Well, Mr. Parsons, I'm suggesting as a fact that Mr. Clare is receiving a salary from a Manitoba corporation which is financed 99 point something percent by the MDC, and his legal residence is not Manitoba, and the taxes he pays on his income are paid to the Province of British Columbia. Is that correct?

MR. PARSONS: Yes.

MR. ASPER: Now, is it not a normal requirement that at least that condition should have been - which apparently was by his own statement - imposed on him? Why was it withdrawn?

MR. PARSONS: Well, I don't know whether it was withdrawn as such. He showed us that in his amount of travelling and the authors he was dealing with he was better off based in Vancouver, so there was no use us forcing the company to have additional expenses by living here and having to fly out to the coast, because the majority of the authors were on the west coast in the module program. That wouldn't make too much sense to us to force him into higher expenses. It was an original condition, true.

MR. ASPER: But if it made sense to you to finance a company that was going to be doing all of its work or the majority of its work outside of the province, wouldn't it normally be a condition, wouldn't you think it a reasonable condition to impose, that at least the president be a resident?

MR. CHAIRMAN: Well, Mr. Asper, the question has been answered. You're asking the same question various ways and the answer has been given.

MR. ASPER: But were there any other conditions imposed on Mr. Clare or the company other than repayment of the loan? Were there any other conditions as to operation imposed when this loan was made? Like that preference be given to Manitoba authors?

MR. PARSONS: Oh yes.

MR. ASPER: Is that in writing? Is that part of the loan agreement?

MR. PARSONS: It was in our--I'm not sure whether it was in the letter of offer. It is one of the general conditions, also that he give, not only authors, but that where possible he gets all his printing, his type-setting and so on done here, and the firm that he has been using, B & W, have developed quite an expertise because of his involvement with them that they didn't have before; but he has, wherever possible, he has put the business into Manitoba.

MR. ASPER: That represents the minority of his spending, though, even trying to give preference.

MR. PARSONS: Yes. There's a lot of it you can't get done here and the expertise, for instance, of film strips, we worked with him to try and get them here and there was nobody

(MR. PARSONS cont'd) . . . . . could do them here. They eventually ended up in Toronto, but there just wasn't the capacity to do them here, nor was there enough to develop the business for people to bring the equipment here to do it. We also looked at that.

MR. ASPER: So what benefit did you think Manitoba would get by making this deal?

MR. PARSONS: Well, Manitoba gained the benefit of supporting a publisher and started creating Canadian industry. We were losing Canadian publishing right across the board. This was an attempt to develop a Canadian publisher again. There was Canadian authors that could be used that weren't being. It created more for--well, it created for Manitoba but probably more so nationally. In retrospect now, looking back on it, it probably is more of a national thing than it looked to us at that point.

MR. ASPER: During this period of approximately 2 years during which advances were made, you stated that the first advance was $100, 000 and then another $600, 000, or $500, 000 to bring it up to $600, 000, and then bits and pieces to bring it to the $1. 2 million.

MR. PARSONS: No, not bits and pieces, it was in three specific loans.

MR. ASPER: Okay. So then perhaps another three loans of $150, 000 or $300, 000 or so in larger amounts over a period of . . .

MR. PARSONS: No, you've asked me that and I will get you them on a monthly basis because they're on a . . . program.

MR. GREEN: Well, Mr. Chairman, I think you should distinguish between advances and a commitment, because I am now misunderstanding. I understand that there was the first initial loan, then brought up to $600, 000 or so, and then another commitment . . .

MR. PARSONS: That's correct. It's commitments - there were three separate commitments that may have been advanced--you know, there may have been a various number of advances, but there were three separate commitments. Each one against a program.

MR. ASPER: Okay. Have all of these loans, the decisions to make the loans, been handled by the Board, the MDC Board, and has the Board been unanimous in granting those loans?

MR. PARSONS: Oh no. I'm not--our board when they approve them, they are just shown as approved.

MR. GREEN: Well, Mr. Chairman, I believe it is our . . .

MR. ASPER: There were no dissents?

MR. GREEN: Well Mr. Chairman . . .

MR. PARSONS: We do not record dissents.

MR. GREEN: In any case, Mr. Chairman, I do not think that it is appropriate that we now try to determine the differences of opinion within the Board. The fact is that the Board approved the loans. And I'm not referring to this one specifically but that is a general statement. I do not think that it is appropriate to try to recreate a debate which has taken place within the Board. The Board makes a decision.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Mr. Chairman, I'd like to pursue the question of the president of the publishing company being located in Vancouver. My understanding of the publishing business is that the backbone of any company is its editors and its president, who is a good contact man, and my understanding is you have to have contacts with the educational institutions and people in that particular field or in the field that you are publishing for. What I can't figure out, and maybe you can advise me, is why you would have the publisher, or at least the president of the publishing company in Vancouver, the editor - who is a very key person, in my understanding - in a publishing company located in Toronto, because of him being located in Toronto the art work has to be done relatively close to the editor because of passing back and forth across the nation work that's partially completed or incomplete. So, Mr. Parsons, would you advise us why you haven't asked the editor to come to Winnipeg so that the art work could be done here, or why we haven't got the publisher and the editor located in Winnipeg if this is the backbone of a publishing company? Because you indicated that Mr. Clare was located in Vancouver because of travelling expenses. I would then wonder why you wouldn't put the editor closer to Mr. Clare if it's efficiencies you were looking for in the operation of this company, because you now have a problem of Mr. Clare going down to Toronto instead of to Winnipeg and also you have to have some work done in Winnipeg and then send it down to Toronto and back and forth.

MR. PARSONS: Now after all that, what was your question. Why weren't they both here?

MR. MINAKER: Yes, why haven't you asked the editor to locate in Winnipeg and why are

(MR. MINAKER cont'd) . . . . . they separated? Your answer in terms of efficiency for the president being located in Vancouver doesn't seem to hold up with why the editor would be located in Toronto.

MR. PARSONS: Well the editor isn't a full-time employee, I don't think. This is why you don't put all the professors that are writing it all in one city or else it would save a lot of travelling expenses. They are all doing other jobs as well. These authors are--it's part-time with them. It's not a full-time job.

MR. MINAKER: I think we are talking about an editor now, not the authors.

MR. PARSONS: Well I would have to check to see if he's a full-time employee. This is basically why I don't think he's moved. I don't think he's a full-time employee.

MR. MINAKER: Well Mr. Parsons, is it not a fact that the publishing companies who are successful have good editors and have good promotional and public relations or contact men, so that in essence our William Clare Company, which we are part owners of, is basing its whole operation on two individuals who are not either full-time employed or possibly located in the area where their head office is located. Is this correct?

MR. PARSONS: Yes, that's correct.

MR. MINAKER: So that we're actually gambling, then, that we hope that these two individuals will stay on long enough that we can recoup the moneys?

MR. PARSONS: Yes, that's right.

MR. MINAKER: Now, you indicated that there was an agreement with William Clare and Rand McNally. I would presume--does Rand McNally have a commitment from William Clare that all modules have to be printed before they will--at least prepared and typeset before they will print any of them?

MR. PARSONS: No. No, they're on a program.

MR. MINAKER: There is a program. Is there any limit to the number of total that have to be completed before they will proceed?

MR. PARSONS: Yes, they have to complete each segment. They are doing the Grades 7 and 8 this fall. They are going to run a test then. But they would all have to be done before they would run any of them, but they are pretty well completed now and then they go on to the next phase, so they're in groups.

MR. MINAKER: What you say is yes, before they would enter a group they would have to have--if there's ten in that group they would have to have them all completed.

MR. PARSONS: Before they would proceed, yes.

MR. MINAKER: So they will partially print the book. They're not waiting for all 48?

MR. PARSONS: No.

MR. MINAKER: You also indicated that in the publishing business there's a time lag of of about 5 to 6 years before the money starts to recoup itself.

MR. PARSONS: No, I said before you would fully recoup all your costs. This is the way Rand McNally--it starts coming back after the first year and then gains momentum.

MR. MINAKER: I see. When is the completion deadline set presently for Mathematics in Modules?

MR. PARSONS: They say we will start to get income back from that program by the end of 1975.

MR. MINAKER: End of '75 we'll start?

MR. PARSONS: Yes.

MR. MINAKER: When is the actual program for Mathematics in Modules - the production program that William Clare is responsible for - when is its deadline set for in that schedule?

MR. PARSONS: Well there are various deadlines for him too, and I was asked the question before. He is pretty well up-to-date on his schedule with Rand McNally to turn over the copies to them.

MR. MINAKER: What is the present schedule to turn over the final copies, all 48?

MR. PARSONS: I don't know, I'd have to check. It's some time this fall.

MR. MINAKER: Then my next question is: If the book is completed we don't know when, whether it's a year or two years, and royalties start to come in, and we'll probably reach a peak by 1980, in the interim period what will happen to William Clare Company? Is there proposed other publishings or are we going to require additional funds to keep it going in this interim period?

MR. PARSONS: We haven't gone into that phase at all with William Clare.

MR. MINAKER: So at the present time William Clare might become dormant after two years until enough funds come in to . . .

MR. PARSONS: It's possible, yes. We haven't gone into that next phase. It's bad enough working for this next year carrying through that program without looking beyond that.

MR. MINAKER: Couldn't one interpret this more or less as just speculation to some degree, Mr. Parsons?

MR. PARSONS: Yes, I suppose the publishing business is speculation.

MR. CHAIRMAN: It is now 12:30, time of adjournment. The house leader will indicate when the Committee on Economic Development will be meeting next.

MR. GREEN: I'll try and call it very quickly. I suspect that I would like to call it for the Communities Economic Development Fund, mainly for information's sake on questions that have been asked, but I will undertake to members that we will try to meet on a regular basis, maybe once a week, until we deal with the reports.

MR. CHAIRMAN: Until such time, Mr. Parsons will require some time to complete his other reports, so we will continue on this when the date is set.

MR. McGILL: Mr. Chairman, it's not clear when the next meeting will be, as the House Leader has suggested, but does Mr. Parsons know when the other four statements will be available?

MR. CHAIRMAN: Well, Mr. Green will be in touch with him and I'm sure that once that is established we can set the committee to continue with the MDC report.

MR. McGILL: Will these statements be available to the committee members as soon as Mr. Parsons has them available?

MR. PARSONS: With the permission of the Minister, we could make them available, and send them out before that, if we have them available, if that's your wish.

MR. GREEN: We'll get them to whatever meeting . . .

MR. CHAIRMAN: Committee rise.