

## THE LEGISLATIVE ASSEMBLY OF MANITOBA

8:00 o'clock, Thursday, May 15, 1975

COMMITTEE OF SUPPLY - CAPITAL SUPPLY

MR. CHAIRMAN (MR. JENKINS): Schedule A. The item under consideration is Manitoba Mineral Resources Ltd. - \$1, 038, 000. The Honourable Member for Swan River.

MR. BILTON: My calendar shows me that we were on Manitoba School Capital Financing Authority.

MR. CHAIRMAN: Oh yes. That's right. That's right. We were. I'm sorry. Manitoba Schools Capital Financing Authority. The Honourable . . .

A MEMBER: No, wait.

MR. CHAIRMAN: Yes, that was finished. (Interjection)

MR. BILTON: No, I'm not behind. You just put it over us, that's all.

MR. CHAIRMAN: Is the item passed? (Agreed) Manitoba Mineral Resources - \$1, 038, 000. The Honourable Member for Riel.

MR. CRAIK: Mr. Chairman, could we have an explanation of this, and some indication of what the government's plans are with regards to investment this year for Manitoba Mineral Resources? I would guess that this does not show the amount of capital money that is to be expended under the new regulations of The Mines Act, which I assume come under the Department of Mines and Resources. Suffice it to just ask the question at this point, I believe.

MR. CHAIRMAN: The Honourable First Minister.

MR. SCHREYER: Mr. Chairman, the Minister responsible should be here presently, but I can indicate as a starter to the Honourable Member for Riel that the amount involved, as the Schedule shows, is \$1, 038, 000 but there is, in addition to that, an uncommitted authority available of something in the order of a million, so that the program would be able to draw on something in the order of two million dollars. That does not mean, as indeed it did not mean last year, that all that amount would in fact be utilized.

There is a specific program being proceeded with right now in connection with exploration costs on specific properties, which is a \$330, 000 program. The greater part of this amount would be available, you might say, on a contingency basis depending upon the attractiveness of certain mineralization shows, which really would have to be analyzed very closely to determine whether to go to secondary drilling stages, etc. If the honourable member has more specific questions . . .

MR. CHAIRMAN: The Honourable Member for Riel.

MR. CRAIK: Well, Mr. Chairman, I see the Minister of Mines and Resources is here now and perhaps we can get the other part of it. I think the government announced, when it announced the changes in the mining regulations where it assumed the rights to a 50 percent option on new mining developments, that it announced at that time that it intended to invest somewhere up to the order of four to four and a half million dollars per year in exercising the 50 percent option. I wonder if this is apart and separate from what's shown to us here in Schedule A of the Capital Authority.

MR. CHAIRMAN: The Honourable Minister of Mines and Natural Resources.

MR. GREEN: Mr. Chairman, I sometimes lose myself between operations and capital, but I gather that the honourable member has Schedule A, authority requirements for 1975-76 program - \$881, 000; commitments beyond March 31, 1976 - \$1, 187, 000; and uncommitted authority - \$1.30 million. Is that the schedule he is referring to?

MR. CRAIK: Well, Mr. Chairman, it doesn't read those numbers. It reads for the coming year \$1, 038, 000, and the First Minister has indicated an additional \$1 million carried forward.

MR. GREEN: The other item would be separate and apart from that item and I believe it's contained in the operational budget. That is part of the Mineral Exploration Authority program and it is not contained in this item.

MR. CRAIK: I don't find it contained, either, in the estimates of the Mines, Resources and Environmental Management, because on Page 35 of the Estimates Book, the Mineral Exploration and Development shows Other Expenditures \$2, 120, 000 for the coming year, as opposed to \$1, 119, 000 the year before. But I'm really trying to figure out where the announcement fits in of a possible expenditure of \$4 million that was announced at the time of the changes in the mining regulations.

## CAPITAL SUPPLY

MR. GREEN: Mr. Chairman, I would confess that the honourable member has me at a disadvantage. I know that it is not contained in the item that the honourable member is referring to because that deals with the Manitoba Mineral Resources Limited. I know that the item was to be contained either as part of the capital authority or the estimates authority. If he says that it is not in the operating authority then it will be included under the General Purposes capital funds, or there will have to be a separate item set up for it, but I know that it is not in the 1.38 million. It is quite possible that it is in General Purposes.

MR. CRAIK: Well, Mr. Chairman, if it's contained in Schedule B then, General Purposes borrowing of \$40 million, I would ask the question at this time as to what legislative authority is used for the program of the Department of Mines and Resources for taking their option on 50 percent equity in new developments.

MR. GREEN: Mr. Speaker, the item is in General Purposes under the \$40 million. The legislative authority would be the passing of Capital Authority and the regulations under the Mining Act.

MR. CRAIK: Well, Mr. Chairman, I think while we're on the point, I'd like to ask the Minister - having looked at the Mines Act, I haven't in examining it seen any reference to the government taking equity position in mining development. I haven't found any reference in it, and I've looked at this and I realize that the mining regulations were passed prior to the sitting of this House and they were passed as regulations, and I realize that there was a bill, the bill before the House last year, Bill 85 - not 82 but 85 - there was some reference that it may be there. I've been unable to find what legislative authority the government has actually used in announcing the investment of 4 to 4 1/2 million dollars or whatever the figure was, for equity position in mining developments, and I wonder if we could be advised of that.

MR. GREEN: Mr. Speaker, the power to pass regulations and the terms and conditions under which mineral exploration can be conducted in the Mines Act are fairly broad and general. When a regulation is drawn, the regulation is referred to the solicitor's department for approval, and the solicitor's department does not approve a regulation that is not permitted by virtue of the legislation. Now I will admit, Mr. Chairman, that people argue sometimes about what is authorized and what is not authorized, but the authority is the regulations under the Mines Act as approved by the Mines grants. The honourable member says he cannot find an authority. I suggest to him that the authority to make regulations is fairly broad. It specifies what terms and conditions the government may set with regard to giving of mineral authority, giving the right to exploration permits, and the regulations was passed under that authority.

MR. CRAIK: Well I must admit, Mr. Chairman, I don't have the Mines Act before me, but I have read it and I . . . to try and check back, because the move that was made by the government in January of this year to change the mining regulations to an extent that they could now move into taking equity in mining operations, I don't think was ever in the Mines Act or understood to be in the Mines Act, and there were no substantive changes to the Mines Act, to my knowledge, that allowed this change. And I was somewhat surprised when these regulations came out, because this provision in the regulations was really a much more substantive change than Bill 16 which is before us right now. Bill 16 in comparison to the changes in the mining regulation are minor in terms of the total change that we're likely to expect, you know, in the whole mining industry - and by the mining industry I'm including here not just the private companies, but the whole government involvement in taxation and in ownership, future ownership of mines. So when the regulations were brought out, it was somewhat of a surprise to suddenly find that the government could, by regulation and not by coming to the Legislature to debate the issue, could announce that it was now in the position to make a move to take over half of the ownership of all future mines at its option. And I've never been able to find, just on an examination of the legislation, where the government assumed the authority to make these changes. And again I say it was, in my estimation, a much more substantive change than the changes that are likely to be brought about in the royalties system that are proposed in Bill 16. And I would ask the Minister, whether he has it here or not for the benefit of the members of the Legislature, to put forth the legislative basis on which these regulations were made and issued.

MR. GREEN: Well, Mr. Speaker, I've explained to the honourable member that sometimes what certain people see in regulations, what certain people think of, depends on their

## CAPITAL SUPPLY

(MR. GREEN cont'd) . . . . perspective. I know that the legislative authority was regulations. I know that the regulations under the Mines Act provide for conditions under which exploration permits will be issued, etc. I also know that the regulations have to be approved of by the Executive Council before they are approved. I don't feel that, as a Minister, I have to go beyond that, because if they are not legal I assume they can be challenged by someone who wishes to challenge them. We obviously felt that they were legal and that the regulations could be passed.

When the honourable member says that nobody ever dreamed that it would happen, that merely disproved that some people have different dreams than others, because under those same regulations, under those same regulations - and this section I am aware of - I don't have to bring Bill 16 into this House. The regulations under the Mines Act give, and have always given, and passed by the Conservative administration, and I'll read the power: "Fixing the royalties, fees, dues or charges to be paid for any leases, permits, mining or mineral rights, applied for under this Act or for any other privileges granted in pursuance of this Act." Fixing the royalties.

The honourable member thinks that we are trying to avoid debate and we are trying to be arbitrary, and we're trying to ignore the Legislature. I could have taken Bill 16 and passed it as a regulation to this Act, as the power afforded to me, not by a bureaucratic socialist party, but by apparently the non-bureaucratic Conservative or Liberals who passed the Mines Act. It also says that you can prescribe terms and conditions subject to which leases and permits relating to mineral locations, or certain classes, leases and permits relating to mineral cases shall be issued, prescribing terms and conditions. And if one dreams - if you say that no one ever dreamed of it - if one dreamed, he could say that one of the terms and conditions is that you will permit the Crown to be a 50 percent participant, and that's in the regulations under the Mines Act. So those regulations . . . You know, whether it is legal or not legal is a question which I tell my honourable friend, frankly I cannot answer. We assume that it is legal; it has been passed by the Executive Council solicitors as a proper regulation, and we proceed on that basis. But if he will think that some lawyer will say it's illegal, I would say yes. And another lawyer will say it's legal. And when you get to the Supreme Court, five lawyers will say it's legal and four lawyers will say it's illegal, or vice versa. But the fact is that the power is there under the Mines Act, and that is the legislative authority under which we have acted and the financial authority - and I believe that the former Minister of Finance has indicated to me that you are down the line, because this is located in General Purposes. This particular item is located in General Purposes.

I do agree wholeheartedly with what the Member for Riel has said, that that change is far more important, far more significant, of much longer reaching and far-reaching effects on the participation of the Crown in mineral exploration and development and the role of the public than Bill 16. I agree with him entirely. I have said from time to time that I consider taxation to be the least significant public measure by which to deal with this type of question, and the most significant is public participation.

MR. CHAIRMAN: The Honourable Member for Riel.

MR. CRAIK: Mr. Chairman, what the Mines Minister is saying is exactly the point I was trying to make. I have not disputed in any way the right of the government to change the royalty system by regulation, and I full well realize that Bill 16 was brought into the House in this particular case because it is a complicated formula that probably needed some open examination, and that is what we're going through in Bill 16, but we haven't disputed the right of the government to have set the royalty rate under the Mines Act. But the second clause that he refers to in the Mines Act is extending it, well, very tenuously, into an area that was never intended when that clause was written. That clause that he refers to, the second clause that he refers to, the one upon which the mining regulations are based, which now allows the Crown to take a 50 percent equity in new mining development, says in a very obtuse fashion that the Crown has the right to set such regulations with regard to leases, claims, etc. But, you know, leases, claims, etc. and so on, were set back, that that clause was probably written 20, 30 years ago, and at that time it was a case of doing exactly what it says. It set the regulations for those people, you know, taking leases or claims from the Crown. But what the government is doing is extending that to its extreme and saying that a condition of that lease or claim is one which allows the Crown to take 50 percent of the ownership, and

## CAPITAL SUPPLY

(MR. CRAIK cont'd) . . . .of course, Mr. Chairman, probably the greatest debates, not the greatest debates but some of the most important debates on matters of philosophical principle, have been involved in the area of whether or not the Crown should be involved in taking an equity position. And that goes back to the time the MDF Act was brought in, when Part B of the Manitoba Development Fund Act allowed the Crown, at option, to allow the MDF to take an equity position, and never was it done under the former government although the provision was put in there.

Then if you go on in history a little further, in 1971, I think there was a Bill 17 called the Natural Resources Development Act, or something to that effect, that was brought in here, specifically to allow the Crown to go into an equity position in what was stated by the Crown to be the renewable resource field. Then the government justified it, that bill, on the basis that it wanted to set up the Moose Lake Logging operations. But now we find, we go into an area that in terms of importance to the Province of Manitoba, which affects a very major sector of our industry, the whole mining industry, the government moves into that and could move into a 100 percent option, complete ownership, on the basis of an obscure clause in a Mines Act that was written 20 or 30 years ago. And that's the point I'm trying to make. I think that the move of the government to move in, to require capital authority to invest \$4 million a year - or next year it could be \$10 million or more, a multiple of that - is all based on that one very obscure clause in the Mines Act. And I think that, you know, putting things in perspective, you should have been back here with a bill asking for the right of the government to move in to assume a 50 percent ownership in the whole mining industry.

Well the Member for Churchill, you know, can have his opinions on this, but I'm telling you that the most solid and strongest debate that has taken place in this House has been on that basis.

POINT OF ORDER

MR. CHERNIACK: On the point of order, it has been pointed out . . . Pardon? Mr. Chairman, do I have the floor? Apparently there is question as to whether I have a right to speak from this chair. I understood that this afternoon the Minister of Finance indicated that as Legislative Assistant he would, I think he said ask the indulgence of the House that I should represent him, but in any event I think, as Legislative Assistant, I think it's parliamentary practice that I would.

MR. CHAIRMAN: Under the agreement, I . . .

MR. CHERNIACK: Well I'm glad to update the information for those who weren't present. Mr. Chairman, it was . . .

MR. CRAIK: . . . Sir?

MR. CHERNIACK: I'm on a point of order, but I was interrupted by a point of order, so . . . Mr. Chairman, it has already been indicated, I think twice, by the Minister of Mines, and if necessary I'll do it again, that the \$4 million item which the Honourable Member for Riel is referring to is part of the \$40-odd million in General Purposes, and I think the Minister, and certainly I, to the extent that I am in custody of the bill, have no objection whatsoever if we discuss that \$4 million now. But I think, Mr. Chairman, once you're informed that it's included in the 40 million, it should either be now and not again, or not now and under General Purposes. Surely there should only be one debate on that item.

MR. CHAIRMAN: The Honourable Member for Lakeside.

MR. ENNS: I just want to, for clarification, understand the Honourable Minister of Mines' position that he put forward just a moment ago, where he justified the extension of what one could dream is possible under regulations written many years ago, that in that sense of course, just for verification, I would take it that he believes that that right exists for government for any regulations that they now write; that insofar as you're in the process of licensing whatever business it is, the trucking industry, the farming industry, or making the regulations for the lease . . . or something like that, that the position that the Minister has now stated is that in that broad interpretation that the Minister has not stated, that you automatically feel, without recourse to the Legislature, that you at any time have the right to move in an equity position in virtually every facet of life in Manitoba. That is the position that the Minister just indicated to my colleague, the Member for Riel, with respect to mining.

## POINT OF ORDER

MR. CHAIRMAN: The Honourable Minister of Mines.

MR. GREEN: Mr. Chairman, I think that the Honourable Member for St. Johns has a point of order which I would like at least to have dealt with. If we are dealing with the item now, I have no objection, but then we will not deal with it later, to avoid repetition. If we are intending to hold it until the later item, then we will not deal with it now. I will be happy to answer the Member for Lakeside, but I don't want to preclude the point of order being dealt with. It was a legitimate point of order. It's been raised several times.

MR. CHAIRMAN: The point is well taken. Now it's up to the honourable member. You've started - do you want to finish it here on the understanding that you don't discuss it later? If you want to discuss it later . . . The Honourable Member for Riel.

MR. CRAIK: Well, Mr. Chairman, I full well realize that the appropriate place for this is to deal with it where it's included, so if you want to deal with it later, that's fine. The point of order is perfectly accurate. We should be dealing with it on the next item, and I suggest that if the members opposite, having raised it, I assume that they raised it because they don't want to deal with it now, we're quite prepared to leave it till later.

MR. CHAIRMAN: The Honourable Member for St. Johns.

MR. CHERNIACK: I raised it as a point of order simply because it is my responsibility for the time being to follow down the row and check off those items that have been dealt with. I think it would be very well to deal with that item now, and then, after it has been disposed of by I suppose the passage of the item that's actually before us, a note can be made - a record is kept anyway - that of the General Purposes, that one item of \$4 million has been dealt with. I don't think anybody in this committee would object to that procedure, and we certainly don't. I'm anxious to hear the Honourable Minister reply to the Member for Lakeside.

MR. CHAIRMAN: The Chair will rule that the \$4 million item that is contained in General Purposes in Schedule B will be dealt with now, not later. The Honourable Minister of Mines and Natural Resources.

MR. GREEN: I assume, Mr. Speaker, that that's not a contested ruling, that that is agreeable, because it's in the other item.

MR. CRAIK: Mr. Chairman, I really think that the point of order having been raised, you're putting yourself in a very difficult position if you don't defer it. I would very much rather deal with it now, but the fact that it has been raised, you're now going to set the stage for yourself being in a jackpot from here on in.

MR. GREEN: Mr. Chairman, it's agreed that we will deal with it now. Agreed, by agreement, that it is being dealt with now.

MR. CHAIRMAN: Order please. If there is one member decided that he doesn't want to agree, then . . .

MR. ENNS: . . . Opposition will accept the fact that we can deal with it now, provided that we can also deal with it later.

MR. CHAIRMAN: Then I'm going to rule that we will deal with it later.

CAPITAL SUPPLY - CONT'D

MR. CHAIRMAN: Manitoba Mineral Resources Limited, \$1,038,000. The Honourable Member for Brandon West.

MR. MCGILL: Mr. Chairman, I'm dealing with the item of \$1,038,000 under the self-sustaining program, and I'm asking the Minister for some explanation here on this particular item. I can understand how Manitoba Hydro is a self-sustaining item, because I know where their revenues come from - Manitoba Telephones and so on - but when we get down to Manitoba Mineral Resources, \$1,038,000, I just don't quite understand how this can be a self-sustaining program as we understand the position of the Resources' company at this stage. We know that they have not yet had any major successes, and I'm wondering how this million dollars is used or capitalized in an exploration company, where normally I would think the costs of exploration are written off as the exploration proceeds. There may be some particular property that has demonstrated or is thought to be at the stage where it's to be developed, and then I could understand a capital investment. But perhaps I'm missing something here and the Minister will be able to clarify it.

## CAPITAL SUPPLY

MR. CHAIRMAN: The Honourable Minister of Mines.

MR. GREEN: The honourable member may have a valid auditing point, although the Provincial Auditor has not seen it that way, the reason being, I gather - and I'm not certain, but I gather - because up until now the program has been financed by loans from the government to the Manitoba Mineral Resources Corporation. On the assumption that the loan is receivable, it becomes an item that is paid back. We are talking about writing it so that they are grants in which case, I suppose, it will not be self-sustaining.

I have seen, to my recollection, I hope I'm not making a very bad mistake, the mining companies when they issue their statements show as their assets exploration costs in certain cases. These are not necessarily cases where things have been found, and certainly they subscribe for their shares from their shareholders on the basis that they're going into a shareholding program and they show as an asset that they have acquired the exploration programs that they are involved in. They also write off exploration costs so I'm not certain as to how they deal with them, but if you ask me why that is a self-sustaining, I suppose it represents the optimism of every prospector, that the money is being spent in the hope that it's going to be recovered.

MR. CHAIRMAN: The Honourable Member for Brandon West.

MR. MCGILL: Well, Mr. Chairman, certainly there should be some optimism here otherwise there would be no point in proceeding with the exploration, but the report that was given to us by Mr. Koffman indicated that up to this point they had no properties that would qualify as mineralized areas of sufficient size and tonnage and sufficient assay to indicate that they could be developed. I note that their total assets on this statement are - fixed assets, that is - are something like \$41,000 before depreciation, so certainly I wouldn't expect that there is any addition to fixed assets that would involve this amount of money.

I also know that there are loans being provided for the corporation by other sources, other than this Capital Supply. So what I'm really getting at is there's something additional or specific that is being financed in this manner and termed a self-sustaining program, which you say the Provincial Auditor is satisfied with, but which I would consider somewhat unusual in view of the present financial status of this company and its known prospects at this point.

MR. GREEN: Mr. Speaker, if the honourable member will read my last three answers and get that conclusion then he can have it as his assumption. I prefer to go back to my answers.

MR. CHAIRMAN: Item - passed; Manitoba Housing and Renewal Corporation \$46 million--pass? The Honourable Member for Fort Rouge.

MR. AXWORTHY: Mr. Chairman, the issue of housing has been touched upon in this Chamber on several occasions since we've started and I think that in this consideration of the . . .

MR. CHAIRMAN: Order. I wish the honourable members who want to carry on conversations would go somewhere else. It's very difficult for the Chair to hear what the honourable member is saying. I'm sure the honourable member is having a hard time to hear even what he's saying himself. The Honourable Member for Fort Rouge.

MR. AXWORTHY: Mr. Chairman, I thank you for your intervention and only just say that the din from the other side is not something that we're unaccustomed to on this side. But I wanted to make some remarks on this because I think the capital consideration of Manitoba Housing and Renewal Corporation is certainly the appropriate point in our considerations to look at what has been called both by the press and by people in this House as a 'looming crisis' in the City of Winnipeg, and I think we should put some definition on what that crisis means. I think perhaps the first definition is one that perhaps can be expressed and individualized in, and terms of people who, as I've spoken I suppose on average now of 15 to 20 a week in my own constituency, in fact many others from other constituencies have been phoning me because of my own interest in housing, who indicate that at the present moment they are now receiving notices where their rent increases are going up from anywhere from \$30 to \$50 a month, that in many cases that represents an increase in their total income spent on housing from what is normally considered to be the allotted amount of around 25 percent upwards to 40 percent, and that for many of these people - perhaps I can give you one clear example I guess of last Saturday when a group of ladies in my own area, women who are retired school teachers, principals who I suppose are always considered the backbone of our community, they are

## CAPITAL SUPPLY

(MR. AXWORTHY cont'd) . . . . self-sufficient and independent, never asked anything from anybody, have always looked after themselves, and have now reached the stage that because of the intense escalation of costs simply walk in and say they can no longer afford to live in the same apartments that they've occupied for 20 or 30 years.

Mr. Chairman, when the problem reaches those proportions where it is touching upon many individuals who are having a very satisfied and self-sufficient way of life disrupted, then that I think becomes the first characteristic of a crisis.

I think, Mr. Chairman, we can also point to the statistical base to make the argument. That if you look at the housing statistics for Manitoba last year, the actual number of starts in 1974 are around 8,500, down 3,000 from the year before. And if you look at what has happened in the intervening months, in January, February and March of this year, it becomes to my mind an even more frightening comment.

I'd just like to quote from the Central Mortgage and Housing Report up to March 31, which points out, and I'd like to read it: "First quarter starts, total 445 units, which is 72 percent below the comparable 1974 figures, while starts in March fell 85 percent from March 1974 figures. In Winnipeg, the decline over last year is 86 percent and 76 percent respectively." Mr. Speaker, when you are almost reaching a stage where you're building in the first quarter 75 to 85 percent fewer units of housing than we built last year, I don't think it takes a great deal of presence of mind to realize that we have a problem on our hands, and that it's particularly acute, Mr. Chairman, in the field of rental housing, where the estimate is that we normally have to build around 2,500 to 3,000 units a year. At the best estimate that I can arrive at, having talked with a number of people in the city in the apartment building, that while the normal number should be between 2,500 and 3,000 the most that we can expect to be built this year is between 800 and 1,000 - and that is the most optimistic expectations, most people come in much lower than that. But that's the most optimistic expectations. Which means, Mr. Chairman, that in all cases the housing market in Winnipeg has collapsed and the effect of that collapse is to really victimize and put a burden upon a large number of people in the city who for reasons of their own aren't able to keep up with inflationary pressures. They simply don't have the bargaining power in a labour market or they don't have the ability to receive salary increases on a normal range, and they're simply caught behind. And they quite virtually, Mr. Chairman, don't know what to do, and they are really asking for help at this present point in time. So the question comes back - and the member from here keeps asking the question - what's wrong? Why?

Well I think, Mr. Chairman, that housing is one of those areas where there is a sharing of jurisdiction between three levels of government and by the private sector to a large extent. And no one would want to say that the sole responsibility resides in this area solely upon the Provincial Government. But I would contend, Mr. Chairman, that the primary responsibility for leadership in the field rests with the Provincial Government, because it is really the one level of government that can combine and can bring together the financial elements that the Federal Government can provide, at the same time provide some leverage in relationship to the City; that it is in the centre-man's position, it's the one that has to make the play in order to make it work. Frankly, right now, Mr. Chairman, the initiatives - well, that's the wrong word, there has just simply been no initiatives in the housing field by the Provincial Government other than those standardized ones that were set forward three or four years ago which were enunciated in 1970 with a great deal of support and encouragement I think by a large number of people in the community saying that, yes, it was time that we moved more rapidly and extensively into public housing and that we begin to look at the question of land assembly.

But what we are saying, Mr. Chairman, is this: the time has come to review those policies because, frankly, they're not working, and the testimony of why they're not working is in front of us at the present moment; the fact that nothing is being built. I suppose if you really want . . . testimony we can go right back to the MHRC report of last year and find even further evidence that for the total demand of - there's a waiting list I believe of well over 2,000 people for elderly persons' housing in the City of Winnipeg - last year in the 1974 building season, according to this report, there were 436 starts in the City of Winnipeg, not even enough to make a dent in it and not even enough to cover the additional demand that's going to come up on the 1975. So we're falling behind in that area.

Family housing, virtually nothing, Mr. Chairman. There was absolutely nothing being

## CAPITAL SUPPLY

(MR. AXWORTHY cont'd) . . . . built in the family housing field in public housing in the City of Winnipeg last year. Now, that, I suppose if you add up the personal sort of problems being faced by a number of individuals and the rental market in the city, the statistics for the overall province would show a 70 to 80 percent decline, and the fact that the public re-initiated programs themselves are virtually not working, it adds up to a desperate demand for some initiative, and yet what has happened is that the Provincial Government thus far has been frozen in its tracks - sort of dumbstruck it seems - by some kind of phenomena that we can't understand. Whether it's a form of paralysis of being around too long, or went into an ideology, or unable to negotiate with the City of Winnipeg or to bargain with the Federal Government - whatever their kinds of excuses or rationalizations that are brought forward, the fact is that the government, which has primary responsibility for leadership, hasn't found a way out of the problem, hasn't really found a way to solve that problem.

I think, Mr. Chairman, as I said, that the question that must be raised is not to say, "Look, we're going to throw every ounce of responsibility on their shoulders." The thing is that the responsibility for leadership is at the provincial level. It's the one that should make everything else happen and bring things together. And I'd like to point, Mr. Chairman, to a couple of key errors why it isn't happening. We know, for example, that the lack of building is obviously a product of very high interest rates and, in part, a capital shortage, but it is the interest rates which in many cases make the major deterrent for private builders to get into the rental market. They simply can't build and make enough money off it. They'd be much better to put their money in term deposits than to build an apartment block, because at an 11 percent interest rate combined with the other kinds of costs, the hydro and utilities and property taxes, it simply is almost virtually impossible to make any kind of decent return on apartment buildings. And to give one example, I know that some new apartment units are coming on stream this year, some of the few apartment units that are coming on stream this year, ordinary kind of two-bedroom apartments in a suburban location, are going to be renting at between \$300 and \$325 a month, which virtually prices it out of the market for most people. And to reduce it lower means - and at that point the owner is going to make less than 2 percent on his money, 2 percent of his return, so why would he bother to build? Why would he want to invest?

So the question really comes into the problem of availability of credit and interest rate that would encourage certain kinds of accommodation to be built. Of course, if you want to build a \$60,000 or \$70,000 home you could still do it and get away with it in the city, and there are still buyers for that kind of market, but if you're aiming to build accommodation for the income range between \$6,000 and \$12,000, you virtually can't make any return. So the problem is the availability of capital. Now, that's one major problem.

The second one of course, as we well know, is the availability of land, and I don't think anyone would deny that one of the major problems has been the regulations of the City of Winnipeg, the procedures which they have to follow. But let's face up to one fact: those procedures were set out in the City of Winnipeg Act, and I can recall, Mr. Speaker, standing not quite where I am today, a row back, saying to the First Minister of this province when we were debating the City of Winnipeg Act, that you've got to do something to change those procedures in order to get a speed-up in the supply and flow of housing, and the First Minister standing up and blatantly and openly saying, "It's not a problem." Well, the facts are coming to sort of face up to that First Minister now, because it is a problem a year later, and the disregard and indifference that that First Minister showed will be one of the major blots on his record in this province, the fact that the warning was given last year that that's going to happen, and he disregarded it. And he's now paying the price, and a lot of people in the City of Winnipeg are paying the price along with him.

Now, there's another problem that you could associate with it, Mr. Speaker, and that is simply the availability of building lots. And one of the interesting phenomena, we have heard a great deal in the newspapers about the Minister responsible for housing saying that one of the major initiatives for which the capital that we're being asked to pass on will be used, is for land banking and land assembly. And I think - according to the newspaper reports, at least - that MHRC now has in its control some 3,000 acres of housing within the orbit of Winnipeg. One of the side benefits - or not a side benefit, side consequences of that purchasing of housing, is to force the cost of land up, that in fact MHRC itself has become a stimulant translation

## CAPITAL SUPPLY

(MR. AXWORTHY cont'd) . . . . simply by paying, as most people in the land market tell you, highly inflated prices for land. I guess that one problem is - I don't know what it is about government corporations, but they just don't seem to be able to make good bargains or good deals or know how to sort of get a decent price, but one of the inflationary purchases, whether it's bad bargaining - I can't comment on these specific skills or competencies of individuals who do the land purchasing for the corporation, but consider my comment on the fact that when you have a Crown agency buying up available land within the area of Winnipeg and holding it off the market, that helps to increase the shortage of supply. And anyone who knows, sort of, the simple calculus of economics, knows that when you have a shortage of supply the price goes up again. So one of the, again, sort of results or side effects or basic consequences of any . . . activity over the last couple of years in its land program, is again to put a heavier pressure on prices.

So, Mr. Chairman, we can begin to say that the Provincial Government is not totally innocent in this regard, and I know that we are going to hear a great deal about the nasty guys in the federal level who won't give enough money, and the even nastier guys in the city level who won't give the zoning approvals for public housing, but what I'm saying is that we are now in the provincial House, we're in a provincial legislature, and we should be asking the question: what is the Provincial Government doing or not doing in this area? And I think that I have been able to point out very directly that, both through sins of omission and commission, there's a number of areas in which the Manitoba Housing and Renewal Corporation and the practices of the government have themselves become responsible for the inflationary push on housing and for the high escalation in prices and rents that we're now facing. And I think, Mr. Chairman, that that is really the focus of our area, and I think we can also say even beyond its own direct actions in terms of its apparent lack of direction to find other alternatives.

Let's assume for a moment that the City of Winnipeg is nasty and is going to stay nasty for awhile and not approve the things that the province wants in the public housing field, surely we're not so devoid of imagination and creativity that we couldn't have found alternatives to get some moderate priced or low priced housing on the market through other means. Is it so beyond the imagination or ability of all the civil servants, and all the government front bench, and all the backbenchers, and all the resources of the New Democratic Party of Manitoba, that some other ways couldn't be found? Well, obviously it is, because no other way has been found.

A MEMBER: What's your solution?

MR. AXWORTHY: Well, if the member will have a little patience, we'll provide those solutions, and patience also means sort of closing your lip.

One of the questions, Mr. Chairman, about this kind of initiative, is that the Federal Government, I guess well over a year ago, announced that it was prepared to enter into agreements, for example, on rent supplements. Now, what really a rent supplement program means is that they would be prepared to estimate that an individual or a family would be liable to pay up to 25 percent of his income in accommodation; anything over and above that - let's say the rent rose to 30 or 35 percent of his income - that that supplement would then make up the difference, and that would be 50-50 federal-provincial.

Now, one of the results of that, I believe at the last count the Ontario Government has entered into something like 2,700 agreements for rent supplement units in the Province of Ontario. What is the record in Manitoba over the past year? Well according to this report of Manitoba Housing and Renewal Corporation, I think the total number of rent supplements they entered into was 61. I think it was 36 for the Kinew Housing Corporation and 25 for the YWCA or something. Nothing really in terms of one dealing with the specific problem of native housing through the Kinew Corporation, and one for single women, both of them very worthy kinds of endeavours, but not doing an awful lot to help the other thousands of people in a similar predicament.

Now, this didn't take a great deal of imagination or energy to realize that part of the resources of this government should have been applied to overcome the kind of extreme pressure on rent costs and bring in a wider scale rent supplement program, to begin leasing private units, 25 percent or 30 percent of certain private units that would go up. Certainly one area - and I know that I've had correspondence with the Minister in this area - one of the major initiatives that could be taken in this country is that after the 1973 National Housing Act

## CAPITAL SUPPLY

(MR. AXWORTHY cont'd) . . . . amendments were passed, the Federal Government was prepared to say, "We'll put up 100 percent of the financing for non-profit companies. We'll also write off 10 percent of their capital costs and we'll give them up to a \$10,000 start-up grant." But what will be required to make that non-profit housing program really work is the application of rent supplements, to really make it work.

And I would like to point out, Mr. Chairman, that in some of the countries that this government likes to put up as its examples, like Sweden and Norway and Denmark and the Netherlands, as examples of social democracy, close to 40 and 50 percent of the housing in those areas is not supplied by the state, but is supplied through non-profit building societies and other kinds of groups, and the government scales a certain rent supplement program and a rent indexing program to supply that.

Now, here we have a Premier, First Minister, and I suppose his colleagues along with him, saying, "Boy, we like that social democracy all right." But one example where social democracy seemed to work, where they were able to provide an effective housing program through utilizing the non-profit private initiatives of people, this government refuses to follow, and still refuses to follow, other than, well, 61 units, which I suppose is that veritable drop in the bucket. So here was an area in which the Federal Government says, "We'll go part of the way. We'll provide the financing. Now it's up to the provincial governments to take the second step and provide a rent supplement program to make it go." And where is our government? Well, you know, they're still sort of off blaming the government, the feds, for not doing enough in terms of giving them capital for public housing.

While I'm on that, Mr. Speaker, we've heard a lot of sort of jiping from the other side over this question. It may be true that the Federal Government last year did not supply the full amount of the capital for public housing that MHRC wanted, but one reason is that in past years MHRC had been turning back millions of dollars to the Federal Government that they had never used. But the track record wasn't exactly outstanding, and I believe in one year something like \$6 million was turned back, another year \$4 million. Now, I might be off on those figures but certainly substantial amounts of capital were turned back to the Federal Government and so you can't blame them for being a little bit gun-shy in a way. And certainly, and I think that at this point Mr. Danson, as I gather it, is trying to convince his own colleagues in the Cabinet to put more capital in there, and we will welcome it.

But what I am saying is that okay, there have been initiatives taken by the federal level, but they haven't been picked up; the options haven't been exercised. And the only people who can pull that trigger and exercise those options is the Provincial Government, and they haven't done it.

Now, in the land area, Mr. Chairman, we have a similar kind of problem, because, again, there have been increasing demands to say; "Okay, MHRC. You've got 3,000 acres and we're short of building sites in the City of Winnipeg. How about putting some of those building sites on the market? Let's work out a deal. If it requires a building site for a private builder, okay, let's do some joint enterprise things. Let's build some mixed housing. Let's do some public private ventures on this thing, and we'll require a certain number of the units you build for our purposes." But again, that kind of initiative hasn't seemed to be shown. We haven't seen many examples of it. We've had, you know, a couple of co-op things, but in terms of the total numbers that we require, absolutely, you can sort of wipe the slate clean again. It's been sort of stuck in the centre with no movement.

We have recommended, Mr. Chairman, in this House on many occasions before that one of the other alternatives for this government in face of the problems that we have is to begin to divert some of the capital from the Canada Pension Plan. There was an interesting article in the Winnipeg Free Press last Friday where Mr. Cleverley from the Free Press showed how this government has put something like \$45 million into that great sort of voracious tar baby called the Manitoba Development Corporation which has had, you know, a negative effect upon the economy of this province, has sunk \$45 million into it, and we've been asking and saying, "How about taking some of that money, making that capital available at 8 percent interest rate to certain builders who will then again supply units for building purposes." Now we realize that there is federal capital available, but again the Alberta Government, the B.C. Government, the Ontario Government are realizing that they must also begin to supply certain amounts of capital for private buildings. Where is our government? Well, they're still back

## CAPITAL SUPPLY

(MR. AXWORTHY cont'd) . . . . talking about public housing again.

So what I'm saying, Mr. Chairman, is when they plead sort of mea culpa somehow it's just not accurate, that there were initiatives that could be taken and haven't been taken. As a result we're suffering for it. That there were different financial ventures that could have been supplied and they weren't exercised. And, Mr. Chairman, we now are sort of looking at a proposed budget of \$46 million of capital and the question is, are we going to spend capital on public housing that won't be built? Are we asking for capital for land banking that won't come on the market for 20 years? And in the meantime the rents are going up 30 and 40 percent.

Now, if that's the case, Mr. Chairman, then this government has really no, sort of, almost moral right to ask for that kind of money under the kinds of circumstances that we face. Because the situation is just too severe and too difficult and too onerous for too many people for us to close a blind eye in this House to those kind of conditions. And that certainly it's about time that we sort of really seriously looked at this problem as it should be looked at and realize that the solutions are available in a number of areas and they should be exercised.

Mr. Chairman, finally I would say that in terms of the third area, where again I simply won't repeat because we have said this several times before in this House, but just simply to enunciate one further point and one further time the kind of proposals that we have made. That again another way of aiding and abetting the supply of housing stock and of cutting down cost and beginning to provide some initiative, is to take action related to the older housing stock in the city, to provide either a tax incentive for repair and upgrading of older homes or to provide a grant program or repair program for areas outside NIP areas, which really involve only a very small number of housing units in the city, to provide that kind of incentive for the repair and upgrade of older homes in the city so that again we can not only maintain sort of older homes, and also fight against the deterioration of many of our older neighbourhoods. And again we have asked that repeatedly and again say that that's where capital can go, that's where we could apply the kinds of money that is being asked for.

So, Mr. Chairman, I would simply say from the point of view of our group we are certainly not against the public housing program. We don't feel their public housing program has been a particularly good one. That they have asked for a lot of the problems they've had to face. That the kind of situation we see on Nassau Square where a perfectly good site and one that would make for good public housing - there was a great deal of neighbourhood agitation engendered simply because this government refused to really move effectively to supply some of the recreation needs of that area that would have sort of taken off a lot of the heat. But it simply means I think that they have kind of come in with their big boots on and figured they knew what was best and they didn't give a damn what the neighbourhoods cared about and where this was going. I think if there had been a lot more sensitivity showed to that kind of planning then there'd be far less acrimony over the building of public housing now.

So we're not against the public housing itself as long as it's done properly and in the right way. But we're simply saying that that is not enough of a solution. That the combination of a land banking, public housing program doesn't meet the needs that we now face, and we'd simply like the Minister to say now and here that he is prepared or now moving to take another range of initiatives through joint enterprises and mixed housing, putting capital on the market and using the rent supplement program and encouraging the development of the private non-profit groups to get into the housing market. That's the way to get housing moving in this city and a way to deal with what is - if it's not sort of something seriously done by this summer there's just going to be really, I guess - if I could find a word, I'd like to have the ability for hyperbole that my colleague the Member for Fort Garry has to find enough words to sort of provide a deep enough picture of the kind of problems that we're now facing and will continue to face in even a more intense way as time goes on.

MR. CHAIRMAN: The Honourable Minister of Urban Affairs.

HON. SAUL A. MILLER (Minister for Urban Affairs) (Seven Oaks): Mr. Chairman, I didn't hear the member's opening comments, I came in late, but I heard enough of them to know that it's a repeat on what has been said before by him, and he has said it well. It's a stirring defence of the Federal Government, and I don't blame him in that regard; he has need to defend them and they need to be defended believe me.

This year, in January 1975, the Ministers across Canada were called to Ottawa to meet with the Federal Minister of Housing who laid before us his CMHC funding for the fiscal year

## CAPITAL SUPPLY

(MR. MILLER cont'd) . . . . 1975-76. And what we found was that basically the program of CMHC was being frozen at the 1974 level. Ignoring the fact that costs of construction and land have gone up generally across the country - not just in Winnipeg as is implied by the Member for Fort Rouge - but generally across the country, but funds for public housing have been left pretty well at the level they were last year.

The government did increase in one category, and that was in a category - Section 15, whereby it was hoped - and this is a gamble on their part - to attract private sector money by making available lower interest rates - 8 percent money to an entrepreneur who would build under limited dividend at an agreed rent for anywhere between 5 and 15 years, that is a rent control, and as well, make the 25 percent of the units available to the housing authorities of the various provinces.

I, and other colleagues, other Ministers across the country indicated to the Federal Minister that he was gambling on what I thought was not only an uncertain thing, but certain to the extent that it would fail. That the reasons given by the Member for Fort Rouge were in fact valid; that this would not entice private money into the market because the return today on apartment blocks is not good. There are much better investments for people who are looking for investment, and therefore the private sector would not respond. And the facts have been borne out. The fact is that they have not responded. And I will give the Federal Minister of Urban Affairs credit that he is concerned because the projections that he'd hoped for of 210,000 which is even less than 1974, but 210,000 was his target; now we're told that they may be lucky if they'll indeed get 150,000 starts across the country.

Manitoba applied for something like \$41 million I think it was to CMHC. We were initially informed at the end of February, early March, that \$11 million would be made available for public housing. I received that information, I became very upset, took advantage of the fact that the president of the CMAC was going to be in Winnipeg. I met with him and thanks to that meeting - the Premier was with me at the time - the adjustment was made and \$3 million more was being made available to Manitoba. Far below the target of MHRC, far below what we could put on the market. But it is so severe now across the country that the Federal Minister has phoned and is trying to get a meeting going in Ottawa before the end of this month to discuss with all the Ministers across the country what can be done to get housing starts up.

So when the Member for Fort Rouge suggests that the Provincial Government has failed, that it is Provincial Government's responsibility, I suggest to him that what's taking place in Manitoba is taking place right across the country. And to say that the Federal Government is freed of all responsibility is nonsense, because as I recall it the National Housing Act was, I think, first introduced back in 1946 and 1947, and it's purposes was to make moneys available for housing for Canadians across the country, not in any one province. And it is a pretty good instrument and has withstood the test of time.

I think the Federal Government in planning the strategy for 1975-76 were more concerned with using, as they have often in the past, using housing as a fiscal tool in what they consider the danger at the time of how to deal with inflation, instead of recognizing something which we have argued for many years - that housing is a social need and should not be used as a fiscal tool, a monetary tool, to turn on and off whenever the Finance Department at Ottawa deemed it necessary. Because housing is one of the few industries which has that great multiplier effect right through the economy. Housing, not only the construction trade, but all the suppliers, the furniture companies, the hardware, that is the fridges the stoves, etc., that go into housing, all of these are affected. And if you have an overheated economy the attempt is always to cool it off by turning down or turning off the tap of money flowing into housing.

But I can tell the member that the Manitoba Housing Renewal Corporation is trying desperately to use various means to get housing for those people who need it most, and that is those in the lower income level. And he is right when he says that today a moderate apartment block or townhouse built at today's costs of land and construction would rent in the neighborhood of about \$300 and \$350.00. That to me is not meeting the needs of people on moderate and low income. They just can't afford it. And it is a fact across the country there are houses which are for sale and are not selling because people just haven't got the incomes, not enough people with those incomes to buy those houses.

Land is a problem in the sense that the cost of the building sites is too high. The service land cost is too high. The Manitoba Housing Renewal Corporation moved into land banking

## CAPITAL SUPPLY

(MR. MILLER cont'd) . . . . in the fall of 1973 at my urging when money was made available to acquire land, because you have to get into the market sometime. Now, if we had gotten in back in the 60s or 50s even better, sure there'd be land today which would be in the path of services and which could be put into the market almost immediately. When we got into the market in 1973 naturally the land that was serviced or about to be serviced was no longer available except at very high prices, and so MHRC did the natural thing. It did what private developers did 15 years earlier. They acquired land and are waiting until services will reach them. And we are not in the position today, as is implied by the Member for Fort Rouge, that we are sitting on land that could be utilized but are not utilizing it. That is not the case. The land that MHRC had acquired is not serviced and couldn't be put on the market because there's no sewer nor water nor storm drainage for those lands, nor streets or anything else.

So that if he's suggesting that the MHRC are sitting on land, you know, I wish he'd dissuade himself of that notion. That isn't true. To suggest that we make money available at 8 percent to the private sector, I can tell him that the private sector has not picked up that deal which is available through the Federal Government where the private sector should go in or could go in at 8 percent and they're not flocking into the market at all. Because even at that rate and the fact that they've got to guarantee a certain level of rent or a certain number of years, they're holding off. MHRC is trying to enter that market and we have submitted some proposals to Ottawa and we're waiting for a response. And as I say, if I see the Minister before the end of the month I hope to have his answer. I'm not prepared at this time to make known what that proposal is. If the Federal Government accepts it, I think we'll be able to put up a fair number of units starting in 1975.

Reference is made to rent supplements back in 1973. That rent supplement applied at that time only to new units coming on the market. Since then, and more recently, that rent supplement would be made available to MHRC or anyone who owned an apartment block under Section 44. If MHRC could enter into an agreement with somebody who had property or had an apartment block and was prepared to make a certain number of suits available, MHRC could make an agreement and get a subsidy arrangement through Ottawa. And I can tell the honourable member that, in fact, they did this in 1974 in a number of locations. Not as many as we'd like to, and not as many as Ottawa was prepared to share in because Ottawa was concerned about one thing, and it's a valid concern. That this wasn't creating a new stock. You're simply taking an existing number of units and perhaps changing the makeup of the tenants, but you weren't adding to the total stock in the market. And they were concerned about getting more stock on the market. That was their goal and I think they're right, because that should be the thrust. But I don't agree that that will come about by waiting for the private sector to get into it or by trying to attract them with an 8 percent interest money, because it hasn't worked across Canada.

The problem with regard to the land use, the zoning, it's a real problem. The member mentions Nassau Square and he blames it all on the Provincial Government because Provincial Government went in there with their plan and couldn't sell it, the neighbourhood wouldn't accept it. And that is a fact of life, the neighbourhood did oppose it. It is through now, I believe, and they are going ahead. It took a long time. And from that a certain number of lessons were learned. But to suggest that it was because there was no thought given to the needs of the neighbourhood with regard to space, I can tell the honourable member that in fact MHRC went out and simply purchased land, the old Loblaw property, and that site is available to the City of Winnipeg at cost. They have been informed of this. So that if they want to use that site for recreation they can. So MHRC did more than its share to meet the problem.

The problem is greater than that, though. The problem had to do - and you can't - I'm not being critical here - because having been in the municipal level I know what the problems are. There is a tendency to still think in terms of 50-foot lots, everybody having his own, his own 40 or 50-foot lot, single family dwellings, row on row on row, with the acquirements of side yards and setbacks on the street and lanes and all the other things, and this is the very traditional way. And I suppose it takes a long time for the realities and pressures to build up when people start thinking in other terms - I'm not talking about the public so much, I'm talking about people who are in the administration of the city itself, or any municipal administration, where as I say traditionally they have been looking at things in a certain way and where there are by-laws requiring certain conditions to be met. And this, as much as anything else,

## CAPITAL SUPPLY

(MR. MILLER cont'd) . . . . delayed the Nassau Square project. It's now going through and I hope that as a result of that lesson, both at MHRC and perhaps the City too, that they will now start looking differently at different types of developments and not the traditional one. Because I'm afraid to say that although Toronto and Vancouver and places like that, who have already been through the agony of having to change their minds set about subdivisions, that in Winnipeg we haven't yet gone through that agony but are in the process of going through it, and that we are going to have to start thinking, all of us, in terms of different kinds of densities, different kinds of land development, a different kind of planning, so that in fact we can bring in units at some sort of cost that people can afford. Because if we stick to the 40 and 50-foot lots at today's prices - and I don't see them falling at today's interest rates and I don't see them falling at the cost of services, I don't see them falling - the price of homes is going to be such that the average person simply cannot afford to buy the house. You're only going to lick the problem if you are able to come up with some imaginative designs whereby you can get a greater density per acre than has been traditionally thought of in the past, and that was the four and a half to five homes per acre.

To suggest that MHRC has driven the land costs up really amazes me because, as I indicated earlier, MHRC was not buying serviced land. It was buying land which will be coming on the market ten years from now, 15 years, and some of it sooner. There's some that we hope to bring on the market perhaps in 1976. It would have to be worked out with adjacent developers who are also owners, and the City of Winnipeg, insofar as house and underground infrastructure can be brought into the area. But to suggest that because MHRC bought some land, 10, 20 or 30 or 40 acres, somewhere outside the serviced area of Winnipeg, that drove up the price in the serviced area, is absolutely nonsense. And the fact is that we know that land costs have risen right across the country, including even places like Saskatoon, which probably had the best land banking program anywhere in Canada and started back in the 1950's. So, you know, I totally reject that argument.

CMHC has a program which makes available to non-profit organizations very good terms, where a non-profit organization can build and can get 100 percent funding to all intents and purposes, and 25 percent of those units will be made available to MHRC for subsidized rents, and we're willing and ready to enter into those kind of agreements. Unfortunately, there aren't too many coming on scene and there aren't too many non-profit organizations who are entering into the market, again, I think, because I think costs are that high and because for the balance, those units that aren't covered under the Rent Supplement Agreement, they would have to charge full cost recovery rent. And as the member himself indicated, full cost recovery means \$275, \$325 a month rent, and no low income or moderate income person can afford that. And that is an inhibitor and has inhibited non-profit organizations from going into it.

On the other hand, the member knows that at St. Andrew's Place, which is a project which is now under construction, MHRC didn't hesitate at all to enter into agreement with St. Andrew's Place; that the elderly persons' housing, which is a component of St. Andrew's Place, would be under MHRC and would be under the elderly persons' housing program of MHRC.

The member says that in the past, that on occasion the province has turned back capital - and yes, I guess that is so. In certain years the delivery capacity couldn't, or for whatever reasons didn't deliver as many units as they had anticipated and that Ottawa had available in the way of capital. But I can tell you, last year we weren't in that position. We could have used every penny. And the CMHC tells us very frankly that what happened in 1974 was that all provinces got off the ball and all provinces were picking up and demanding or requesting all the moneys that they could possibly get. In other years, some provinces fell back or their programs didn't develop as rapidly, and so the CMHC could pass the moneys from, let's say, Ontario to Saskatchewan, or from Saskatchewan to Manitoba, and they had their money to shuffle back and forth. Last year, CMHC wasn't in that position; everyone apparently made their full claims and they didn't have the kind of elbow room that they had in the past, to the extent that the 1975 program that I mentioned initially, part of that is already spoken for. In other words, certain projects which were started in 1974, the tail and of '74, in fact have to be financed under 1975 CMHC funds simply because the moneys weren't available in the 1974 CMHC funding. They thought it would be available but, as I say, the drain or the demand on CMHC money across the country was so great they just didn't have it for Manitoba.

## CAPITAL SUPPLY

(MR. MILLER cont'd)

So I can assure the honourable member that he's not coming up with anything new and he is not discovering anything that hasn't already been discovered. When he talks in terms of rent supplement programs, we are operating them. When he talks in terms of taking advantage of different sections of the Act, they are now being done or are being requested from Ottawa. The Rent Supplement Agreement, particularly to cover off non-profit elderly persons' housing units where there's a disparity, a great disparity of rent between the public housing and the non-profit organizations, we've been after Ottawa on that for two years. I did receive a Telex about a month and a half ago, or two months ago, from Mr. Danson saying - that's the Minister in Ottawa - that they were prepared now to enter into agreements with regard to 25 percent of the units in a non-profit elderly persons housing project. I got the Telex; the agreement has not yet been signed - it hasn't come forward yet; apparently the legal people both in Ottawa and other provinces are looking at it. As soon as it's signed, then Manitoba will become a co-sponsor of it.

I want to also point out to the Member for Fort Rouge that Manitoba is the only province in Canada, the only one, that does not require the municipalities to pay a portion, a percentage, of either the capital costs for public housing, for either the elderly or family public housing; does not require the municipality to pay a percentage of the subsidy; does not require the municipalities to pay a percentage of the cost for land banking. It's the only province in Canada. In every other province the cities, the towns, are required, as they did prior to 1969 in Manitoba, to pay a percentage of the subsidy as well as of the capital costs. And of course this was the great inhibitor in Manitoba in previous years prior to this administration, because municipalities were quite reluctant to have to pick up 12-1/2 percent of an annual subsidy on rent, and it was for that reason that we simply eliminated that requirement, and Winnipeg does not participate at all in any of the subsidy for any of the units built in Winnipeg or in Brandon or anywhere else. So that, in that sense, Manitoba is far ahead of any other province in Canada in that regard.

What is being asked for here is \$46 million, and if the Federal Government - and I'm still hopeful - if the Federal Government is prepared to enhance its program for 1975 and be a little more realistic than it was in its estimates, and recognize that in fact the private sector is not going to invest heavily in the housing market for low and moderate income people, that if in fact the Federal Government does move - and Mr. Turner is supposed to be bringing in a new budget early in June, June 2nd I believe it is, or June 6th, 1975 - that I do expect that there'll be a flip flop in Ottawa and that in fact you're going to get a different thrust in regard to housing than what we were presented with last January and in the last budget Mr. Turner brought in. I'm now just guessing, but I feel that the Federal Government cannot live with the programs that they established; that unemployment is now as great, if not a greater concern than inflation, and to meet that problem they're going to have to make more funds available to CMHC. If that flow of money, as I expect, will be increased, Manitoba needs this authority in order to get into the markets through various devices and build housing, some of it under Section 43 which would be public housing, some of it under Section 15 which would be limited dividend housing, and various and other sundry kind of arrangements which could be entered into - but we need the authority, otherwise if we don't have the capital then there's nothing we can do about it even if the Federal Government comes through with a new infusion of funds.

MR. CHAIRMAN: The Honourable Member for Fort Garry.

MR. SHERMAN: Thank you, Mr. Chairman. Mr. Chairman, I suggest that probably the greatest indictment of the program followed by the present administration and the greatest indictment of the present situation with respect to family public housing and elderly persons' housing, and public housing generally in Manitoba, is contained right within the Manitoba Housing and Renewal Corporation's own annual report for 1973 and 1974. On Page 2, what would be Page 2 of that report, in the centre column on that page, Mr. Chairman, the Corporation itself says, and I quote: "Construction of family public housing came to an effective halt in Winnipeg in 1973-74. Frustrated by MHRC's inability to obtain suitably zoned land or to secure proper zoning on land that it did hold, the Corporation looked to alternatives to meet what it views as a crisis situation." It goes on to say that there are now more than 1,300 families on an almost two-year waiting list for public rental accommodation in Winnipeg.

## CAPITAL SUPPLY

(MR. SHERMAN cont'd)

So that's the most vivid and compelling kind of assessment and indictment of the situation, as sketched for us a few moments ago by the Honourable Member for Fort Rouge, and I think that hardly anything more needs to be said on the subject than the observations dictated by the Corporation itself.

Sir, the Minister has talked about the kinds of things that he hopes the Federal Government will do, the kinds of breakthroughs that he hopes will be forthcoming from Ottawa, but I would remind him that we have a one billion dollar budget, one billion dollar government spending program in this province, and that it would appear by the measure of the crisis in housing that exists at the present time and the priority that that crisis occupies - and it's a very high priority in any legislator's list - it would appear that there is not very much being done and being directed from the sort of a basis of that billion dollar spending program to alleviate this particular provincial problem. The attitude seems to be that the Federal Government has let us down, and the Federal Government has miscalculated, and the Federal Government has misgauged, all of which may be valid argument, Mr. Chairman, but does not negate the situation as it stands at the present time, and does not minimize the fact that we have a one billion dollar spending program in the Province of Manitoba, which this government apparently feels it can afford to indulge in, and yet we've got an admitted public housing crisis. So there is an obvious gap somewhere between the kinds of inspiration this government finds for spending generally across the spectrum, and for giving thought to the priorities of emergencies and crises facing us.

The housing situation, the housing crisis certainly, I would suggest, demands a much higher sense of priority, a much more intensive commitment and a much more thorough kind of study than it is being given at the present time in the government spending program. So I just want to stop the Minister in midstream when he talks about the kinds of things that he hopes will come in the way of revision in thinking from Ottawa. That kind of breakthrough, that kind of assistance, that kind of change of direction may come - may come; but it doesn't permit us, surely, to continue with a program that seems to leave this particular emergency, this particular crisis, to some kind of far out illusory hope of assistance from another quarter. It doesn't allow this government off the hook in terms of the attention, the dedication, the commitment through all phases of its thinking and planning that it should be giving this kind of a problem.

Mr. Chairman, many of us mentioned the problem of rents, of difficult housing, and the accommodation costs facing elderly people in particular, when we were studying the estimates of the Department of Consumer, Corporate and Internal Services, and I return to that area because we're specifically concerned with the elderly person on substandard income when we're considering a capital appropriation of this kind for the Housing and Renewal Corporation. As the Member for Fort Rouge has pointed out and as several of us mentioned during the estimates to which I have referred, there are countless people in this community and in this province who once felt that they had, through their diligence and their efforts, provided for themselves in their senior years, and have found through inflation and the devaluation of the dollar, in fact almost the total destruction of the dollar, that they now do not have the modest and legitimate rewards of their labours available to them that they thought they were accumulating in their working years, and they can't afford to meet the rents and meet the housing and accommodation costs that are necessary for them to enjoy even a modestly decent standard of living, and the Minister of Urban Affairs and the Minister of Consumer and Corporate and Internal Services, I would think, should be burning the midnight oil in concert with each other, night after night, week after week on this problem.

I would hope that the plight of those hard working Manitobans who have been reduced to difficulty by forces over which they have no control, is not being discounted or ignored on the illusion that there's going to be some kind of miraculous help forthcoming from Ottawa or some other source that will provide a solution to their problem. The solution to their problem has got to come with the humane and conscientious devotion of these ministers and this government to that problem as it exists for us at this present time, facing us now within the parameters of our own, you know, our own circumstances. If we get some outside help, that's all well and good. But I repeat that the Minister and his colleague the Minister for Consumer and Corporate Services and their colleagues in the remainder of the Treasury Benches should

## CAPITAL SUPPLY

(MR. SHERMAN cont'd) . . . . be looking at what they're doing with that huge spending program they've got in Manitoba today and asking themselves whether the elderly and whether the disadvantaged and whether the modestly poor and the very poor are receiving the kind of commitment in terms of effort that they deserve when measured against other parts of the spending program.

Mr. Chairman, I want to mention at the same time that I can't help the sort of cynical conclusion when I look over the programs the Manitoba Housing and Renewal Corporation in the past that there is a bias against all those parts of Winnipeg that lie south of the Assiniboine River when it comes to MHRC programs. This may be a valid kind of direction to pursue if one is looking at an income breakdown or a demographic breakdown by income levels and income standards, but it is not a fair position to take in this day and age when you consider it a condition to which I've referred, and that is the reduction to something less than decent living standards of a great many people in our society, in our community who have seen their savings eroded. Just as many of those people I submit, Mr. Chairman, live south of the Assiniboine River as live north of the Assiniboine River and I believe that it would be only conscientious and honest to consider a fairly more evenly developed and distributed program in the area particularly of elderly persons housing geographically in the Winnipeg area than has been practised heretofore.

I can cite examples in my own constituency of Fort Garry, and I'm sure that the Honourable Member for Fort Rouge can cite many in his, where elderly persons are suffering just as severely under the high rents, the impossible accommodation conditions that they face and the erosion of their dollar and their savings, I can cite and I'm sure the honourable member can cite just as many incidents and situations of that kind in our respective constituencies as members representing other constituencies in other parts of Winnipeg can cite. So I do want to say for the record that I would like to note the fact that in my view, it may be somewhat cynical as I've suggested but nonetheless I think it deserves noting, in my view there has not been as even a geographic distribution of attention in the MHRC program across Greater Winnipeg as I would like to see.

Mr. Chairman, the Minister has mentioned some of the possible solutions, some of the possible avenues of solution to the problem and the crisis facing us and one of those that he specified briefly was in the area of design, design of accommodation in such a way as to provide the necessary units while holding cost to a minimum, and I think this is an area that I would expect all of us in the House would encourage him to work with great diligence upon. It's an area that I was going to mention if he hadn't mentioned it himself. I want to underline the possibilities that exist in that area for coming up with some kind of a solution to part of the problem at the very least. And I wonder what the Minister and the government are doing through the University of Manitoba, through the University of Winnipeg, through other institutions of that stature in our province with respect to implementing, initiating, assisting in research programs to come up with some innovative, imaginative design concepts and ideas that could perhaps produce the kinds of accommodation units, the kinds of ideas in accommodation that would have the effect that the Minister has alluded to. I go back again to the billion dollar budget, I ask whether there is some of those dollars that are not perhaps available for funding or assisting or initiating or at least inspiring some work in those areas.

Mr. Chairman, there are groups in my constituency and I expect in others across Greater Winnipeg and perhaps even right across the province, groups of citizens who have expressed interest in coming together and building residential accommodation for themselves on a co-operative non-profit basis, whether it be semi-detached housing units or apartment units, in which they would manage the properties and they would fix the rental levels and they would by virtue of the fact that they have incomes that are somewhat above those that are enjoyed by persons normally looking for assistance from MHRC, they would set income levels that they would be able themselves to meet, and I'm wondering just what kind of assistance and thrust to that kind of initiative MHRC is giving. Are there consultations going on with the different communities that make up Winnipeg, with the different communities that make up Manitoba, to determine that those avenues are being fully explored and fully exploited, if I may use that term.

I know of groups of that kind myself who are anxious to put developments of this kind together. They don't want to pay the kinds of rents that they have to pay in the housing market

## CAPITAL SUPPLY

(MR. SHERMAN cont'd) . . . . at large, they don't want to have to pay the kind of prices that they have to pay in the housing market at large, but still by reason either of effort or good fortune they enjoy more of an income base than the persons normally assisted by MHRC programs and so they don't qualify for MHRC programs as, you know, they exist in primary form. But they would like and do need, to have some kind of assistance to get their programs going, under which, as I've suggested, they would pay their own level of rents fixed by themselves and manage their own operations. I would hope that MHRC people, personnel officers and the government are exploring and examining all those possibilities to the fullest. Because even though this kind of concept may not be enormous in size or scope anything is a help in the present situation. Even 200 people in one particular neighbourhood who are able to get together and put something like that into practice and into operation constitute an improvement in the overall picture. It's not a drop in the bucket for one group to get together and do that sort of thing, it's an improvement in the overall picture wherever people can find through whatever legitimate means suitable and reasonable accommodation for themselves. So I ask the Minister to examine and explore every possibility in that field and to assure us that those possibilities are being examined and explored.

Mr. Chairman, the appropriation in front of us for MHRC for the coming fiscal year is perhaps on the surface, substantial. It's impressive in comparison to the appropriation for last year, it represents an increase of some 133 percent in total over last year's appropriation. We don't seem to have terribly much to show for the capital appropriation for MHRC last year. I'm sure that the Member for Fort Rouge and I and many others in this House will be looking for some pretty impressive results from the increase in the appropriation when we come to examine MHRC a year from now.

I would like to invite the Minister, if he can do so, during this evening's consideration of this matter, to tell us just where some of this additional money is going. If it's going into development and erection of specific housing projects in the low income and elderly persons field, we would like certainly to know about that for the record. If it's going into planning and research, and I think some of it surely should go into planning and research, can he tell us what is going into that phase of the operation, and what is involved in planning and research, and does it include the kinds of experimentation and pursuit of better design that we referred to earlier. Because we're not just looking at another \$20 million, we're looking at \$46 million and I think we're all interested in knowing what that additional \$26 million represents in terms of tangible projects.

Mr. Chairman, the only other point I was going to make, I think the field generally has been well covered by previous speakers, but the only other point I wished to make was that there seems to be a cry of despair upon the land, certainly upon this Minister and his colleagues, to the effect that these government programs just aren't having the effect, just aren't having the result that they expected them to have. There seems to be a feeling of something approaching despair and pessimism on their part, because the programs that they have initiated or attempted to initiate, and that they have concocted in their cabinet rooms, in their caucus rooms, in their ivory towers, have not produced the promised NDP solutions.

Well, Mr. Chairman, I think it bears repeating again that it's an illusion to insist that only government programs and that only stimulation in the government sector and by the government sector is going to produce solutions to these social problems. One of the things the government is going to have to face sooner or later at one end of their program or another, one of these days, is that they've got to be doing something to stimulate the private sector too, and if some of their money and some of their efforts and some of their experimentation was devoted to stimulating the private sector, there would be, I suggest, a much greater opportunity, a much greater chance of meeting problems such as this and of heading off crises such as the one existing in the housing field. As long as they're going to rely on purely government thinking, purely government approaches and the attitude that only the government has the answer to this kind of thing and all their efforts are devoted to strengthening and reinforcing the position of the government, then I don't think any solution, any total solution, is possible. When they face the fact that they've got to help the private sector, they've got to stimulate the private economy of this province and do something about it to keep the private product coming on to the market and into production and healthy, when they face that fact and when they decide to do something about that, there will be a much greater chance of preventing crises such as the one

## CAPITAL SUPPLY

(MR. SHERMAN cont'd) . . . . existing in the housing field today.

MR. CHAIRMAN: The Honourable Minister of Urban Affairs.

MR. MILLER: Mr. Chairman, listening to the Member for Fort Garry, I felt quite differently than when I had to listen to the Member for Fort Rouge. Because coming from the Conservative Party, for them to talk about illusions and about programs it's really comical, because prior to 1969, absolutely nothing was done in the way of public housing. But nothing. Nothing in rural Manitoba. There were two projects in Winnipeg, which Winnipeg had to participate in financially. And if the honourable member wishes to say that 7,500 units of family and elderly public housing is an illusion, then he better talk to the people who inhabit those 7,500 units. It's not an illusion. It's real, it's meaningful, it's shelter that they needed and they've needed for a long time.

The fact that we haven't overcome 50 years of failure by former administrations, I'll readily admit we haven't overcome them. But the fact that we have tried to, we take full marks for, because they didn't even try. But always from that side I get the pitch, you've got to help the private sector. You know just a few minutes ago I said, that's what Ottawa's trying to do. They were trying to get the private sector in with 8 percent money. You know, that's a pretty good deal, 8 percent money. But it's not good enough, because costs are such that the private sector can invest elsewhere and get a better return than in housing unless that housing is very expensive housing, and as we know, expensive housing is having difficulty being sold today because they've just priced themselves out of most people's ability to purchase. So to suggest we've got to help the private sector is really missing the objective by a mile.

You know, CMHC itself keeps advertising the fact that there's a real shortage of rental housing across Canada for modest income families. This is an ad just handed to me issued by CMHC:- "Builders, you can help us change that fast - submit proposals!" All right, they've got a few proposals, but this is not the answer, and they've tried the private sector and that's why I say I'm convinced they can't live with that answer.

The member asked about what is this government doing with a billion dollars. I don't know where he was during the Budget Speech but he knows very well what that billion dollar provincial budget this year is. And a lot of it includes a program which is known as the Property Tax Credit Plan, where people can receive up to \$300, depending on income, to help pay their property taxes and/or their rents. So that when he talks about those on fixed income, the elderly living in their little modest homes of \$6,000 assessment, I can tell him that since the Property Tax Credit Plan came into being, those people have really been cushioned annually by the Property Tax Credit Plan. In fact, the taxes that they've had to pay on their homes has been very modest compared to most other cities in Canada. So we have done two things: we have both provided housing and we have helped to cushion the impact of taxation on those who have housing or want to stay in the housing.

He's asked what about co-ops? What is the attitude? Well, I can tell the honourable member that Carpathia Co-op, which is now under construction, in fact should be completed within the next few months. It is a project which has been made possible because the Provincial Government, through MHRC, did make land available at a price that could meet CMHC requirements; 25 percent of the units in that co-op housing are going to be made available to MHRC, and it will be used for family public housing; the balance will be used by the co-ops. Another co-op which is soon going to come on scene, known as Village Canadien - another project which, thanks to MHRC, is going to be made possible - and again, an arrangement whereby a certain number of the units will be made available to MHRC.

He says the federal lack of funds is no reason - that's the argument that the Member for Fort Rouge indicates. And I want to say to both of them, maybe federal lack of funds for capital isn't all that important, because, you know, capital is something that you put in once and, over a period of 40, 50 years you get it back; it's recoverable. But what is important is the rent supplement that's paid annually, and to suggest that Manitoba should go it alone, build the units, rent them out at a fixed rent, a low rent, 25 percent of income, to people and expect the province to bear that full cost, opens up a real Pandora's box, because on that basis how could the province deny anyone whose shelter is now costing more than 25 percent, how could they then deny them the right to demand that the Province should therefore pay everyone in Manitoba who is paying over 25 percent of their income for rent and for taxes, or for rent, to supplement their PIT or their rental payments per month. And I ask these members to ponder a moment

## CAPITAL SUPPLY

(MR. MILLER cont'd) . . . what this would lead to, because what they are really saying is that the Manitoba Government - and we'd have to raise taxes to do that - should get involved with probably 75 percent of the payments that people have to pay today in rented accommodation, or in accommodation that they own or recently acquired and where they are paying more than 25 percent. And I can suggest to them, I think few realize though, that what they're suggesting is costly beyond, you know, beyond any reasonable conception. And it's something that the Manitoba Government, and no provincial government, undertakes by itself; it can only be done in concert with the Federal Government. Housing is a social need. It is not, as I said earlier something that you turn off the tap for funds whenever the Finance Department or the Treasury Board in Ottawa decides that they want to cool off the economy. It's a need that was agreed to, and I recall hearing the Prime Minister last fall saying that housing certainly is a social need - at least during the last election he said that - and that's something that the Federal Government would recognize and address itself to at all times. Well they didn't this year. They fell down. And that's why I'm hopeful that in fact they will now change their mind. Because all provinces have to look to the Federal Government for the major funding, not just for capital, but for the supplement, whether it be through negotiations with a non-profit organization, with a co-operative, or with housing built by a housing authority within a province, be that a municipal or a provincial housing authority. Either way, any of these ways, we've got to get cost sharing of the rental supplement from the Federal Government, and every province in Canada is asking for that, and I expect that within the next few weeks we will hear about a reversal in the federal position from what it took in its latter budget.

MR. CHAIRMAN: The Honourable Member for Fort Rouge.

MR. AXWORTHY: Mr. Chairman, I can realize the anxiety of members opposite to get off this subject, because it's obviously beginning to touch a sensitive point where it hurts, and so I understand their anxiousness to get on to areas where the failures are less obvious and less open. But --(Interjection)-- Well, all right. I'll stay here all night - if you're going to be here all night, I've got all night.

I'd like just to say, Mr. Chairman --(Interjection)-- Well, if the Minister of Education can hang in until 10:00, I can stay here sort of twice as long. I don't think . . . endurance as a test, I was just . . .

MR. CHAIRMAN: We're not here for an endurance test, we're here to discuss the item under consideration. The item under consideration is the Manitoba Housing and Renewal Corporation, not an endurance test. The Honourable Member for Fort Rouge.

MR. AXWORTHY: Yes, Mr. Chairman, I fully agree with you, that the item is of such importance, and that's why I was simply trying to dissuade some of the friends opposite that they shouldn't be quite so anxious to pass off this item.

But I did want to raise, I think, some questions that the Minister based upon his statement because in some cases I don't think they're quite accurate; and secondly, they also pose some interesting possibilities. I'd like first to say that, in my earlier remarks, that it wasn't necessarily rising to defend the Federal Government, but I was saying that because we are sitting here as part of a provincial jurisdiction, one of our primary responsibilities is to determine how does the Provincial Government react to events, and how agile and able is it to take into account changing conditions, whether those conditions are changed by a federal government or a municipal government or whatever, or by a new crisis, and respond. And that is the point I'm trying to make, Mr. Chairman. I'm not questioning the commitment of this government to housing. I think they have shown that when they developed the public housing program. But I am questioning their ability to respond, and to respond with the kind of skill and the kind of resources that present conditions require.

I don't think the Minister, however, was being totally fair in his assessment of the federal program because, to begin with, it is true they reallocated their dollars, and they reallocated them for a couple of reasons. One of them was not simply a reallocation of moneys from public housing into limited dividend, it was also a major reallocation into the Assisted Home Ownership Program of \$100 million. Some of it came from the direct public housing program. That was done for two reasons; 1. Because the public housing programs in all provincial governments up to 1973 finally just slowed down and they were reallocating money into another area. That allocation was also going into an area of other needs, and that was the fact that many working families, moderate income families, could no longer afford to purchase a home, and the sales

## CAPITAL SUPPLY

(MR. AXWORTHY cont'd) . . . of new homes had fallen down drastically, which is one of the contributing reasons for the decline in housing starts. And so, in an attempt to stimulate housing starts in that range of income around \$ 8, 000 to \$ 10, 000, where it had come to a dead end, they reallocated money into the AHOP program, which, by the way, has been a very successful program.

So the question that they have to be answering, is that is the Federal Government, which also has its own limitations in capital - it isn't a big sugar daddy that has all the money either, its budget last year was close to a billion and a half dollars in the field of housing. . . Well that's a pretty substantial amount of capital, but the question that had to be raised is that if it was reallocating its own priorities, how would this provincial government reallocate its priorities in response? Now that is the issue, and that was the question I raised in my earlier remarks, that rather than reallocation or reassignment or revision of its priorities, this government was still sort of driving down the one track in the one rut they have been stuck on. Now that's the point. It's the capacity of government to respond which is its real test of the government, to what degree is it able to evaluate new conditions and develop a different mixture of ways and package of ways of dealing with them. And that is our first major criticism; that certainly conditions have changed - it was the response of this government that hadn't changed which was the real issue.

Now secondly, Mr. Chairman, the Minister suggests that the Federal Government's capital into Limited Dividend Program has not been taken up. I have some statistics that are slightly different. I gather that there has been a fair amount of pickup. But one reason why there has been a certain reluctance on the part of private builders is because there has been a rent control arrangement on those limited dividend housing. I believe the rent is limited to a 7 percent return. And the fact of the matter again is that with all the other competition for capital and the returns are higher than 7 percent, they weren't going to get it. Now our suggestion was this, that the kind of money that is now available under the Canada Pension Plan, which this government is able to acquire at an eight percent rate, could be allocated into certain . . . I don't say all of them, but done through negotiation, and the . . . is that you're not necessarily limiting rents on that portion of it, but you are assigning a certain proportion of the units 25, 30, 40 percent, whatever the equation may be, in terms of lower income units. And that's the trade-off that you get, that's the quid pro quo that is arranged. And that is a different kind of program than the L. D. Program under Section 15. And we're saying let's try it to begin with; let's see how it works. Let's experiment with it. Let's see if we can use our capital more effectively in that area.

And, Mr. Chairman, we then come to the problem of rent supplements. And the Minister says, "Hey, we're prepared to do rent supplements." Well frankly, Mr. Chairman, that's news to me, and it's news to a lot of people in the housing field, because if the Provincial Government had been willing to do it, it's been one of the best kept secrets of this province. Because they haven't been exactly out advertising the fact that they are prepared to get into a rent supplement program. And if the Minister is saying now that he is anxious to have it tomorrow morning, I will have a hundred applications on his desk, that it can be done. Because --(Interjection)--You're darn right they'll be complied with, because that's where one of the problems is. Because I've got over 100 people who right now can't afford the rent in the apartments they're paying, and if the Minister is prepared to say that he's prepared to go into those arrangements, then I'll say to him okay, we'll have the applications and we'll sign the deals as soon as you're prepared to put the money up.

Now that's the question. The Minister says, "Hey, wait a minute; we don't want to go alone on this thing. We don't have the capital." He says, "look. Don't bankrupt this government. Be careful. We've got lots of capital." Well that's been our line of thought too. What I'm simply saying is that we could take one of those loans that's been given to Saunders Aircraft, just one of them, not just two or three additional ones, and we could cover every rent supplement need in this province for the next year. If you want to talk about allocating priorities, there's a priority, and rather than laying off men and building airplanes they can't sell, and fooling around with all the kind of silliness that MDC gets into, you give us one of those loans that you're giving to Saunders Aircraft and we can go a long way to solving the housing problem and the rent supplement field in this province. And that's the issue that we're talking about - is, how do you use your money effectively and well. That's the issue that we're trying to raise.

## CAPITAL SUPPLY

(MR. AXWORTHY cont'd)

And finally, Mr. Chairman, when the Minister gets up and says, "Look. We have to be careful and husband our capital," we said, "Right. Let's do that. Let's use our money wisely and well and let's use it where it really counts." And rather than chasing the will-o'-wisp called Saunders and Clare and all the rest of those sort of kind of fly-by-night outfits, what we should really be doing is putting the money where it's going to count. Because it's through the establishment - if the government is worried about economic development, one of the major ways of ensuring that you can continue economic growth in this province is to make sort of a decent, good supply of housing, and rather than throwing sort of money into the poker pot and losing it every round, time after time through MDC, they could say, "Give us a chance and we can show you where that money could be put to better use."

Now the Minister also says on the non-profit field - he said, "Look. We're prepared to help non-profit groups." Mr. Chairman, he uses the example of St. Andrew's Place. Well I happen to have have a direct involvement in St. Andrew's, and I just simply want to say, it took two and a half years of negotiation to get St. Andrew's off the ground. Now, you're using ordinary individuals who are giving of their free time and their private time to try to put a housing project on the ground. It's not just their fault. MHRC was one of the major hurdles to cross and so was CMHC, but between the two of them it took two and a half years of pretty intensive negotiation to get one non-profit project started in this province. And it is that kind of slow-down and frustration at the front end of the non-profit housing field which scares a lot of people off. If we could set up a system in this province . . . and I'll take the Minister at his word. If he feels that he is prepared again this evening to say, "I'm going to endorse right down the line the non-profit concept" - and I want to point out that there are officials in your corporation who are not prepared to say that, because I've talked to them directly, and who spend a lot of time discouraging it - then I'll say okay, if that's the Minister's word, then let's live up to the word. Let's make sure that we give the full assistance that is necessary for the non-profit groups to make it go.

That means some technical assistance, because you don't put up a housing project sort of by reading, you know, Captain Marvel's comics. It takes some good technical advice in terms of architecture and finance and accounting and the rest of it. And that assistance we do not provide in this province, Mr. Chairman. I use the example, the Premier always says, "Well, I'll tell you how things are going in other provinces." Well, the Province of Ontario this year set \$3-1/2 million in order to provide a basic form of assistance for non-profit housing in that province, to provide the technical assistance from the start-up, so that they would have the kinds of people that would enable that kind of housing project to move. Now if the Minister is prepared to say that through MHRC he will provide that kind of assistance - and I don't say he has to spend 3-1/2, but he's got technical people in his own shop and he can get the other kind of assistance - then we can make non-profit go in this province. But right now it can't go because it's stymied at the front end, because it's not getting any encouragement or any assistance from this government, either in a sense of opening the door and saying, "Come on in," and providing the wherewithal and the resources and the advice and the counselling and the support to make it go. And if that was supplied, then we could get that kind of housing sort of moving, and it could become a major component, third force housing, as they like to call it, or third sector housing, could become a major component of the low to moderate income sector in this province. But up to this point it hasn't and in fact we're much further behind than many other provinces, and one reason is because this government has not encouraged it in any way, shape or form. And I can say that from personal experience, Mr. Chairman, and I've worked with something like seven or eight non-profit groups in this province over the past five years and all you simply get is a lot of headaches because you have to fight every inch of the way to get anything agreed upon. Now if that is going to change, then I would say hallelujah, let's make it change, and if the Minister's prepared to say tonight, "Then give it," we can make a healthy start, and I know there's a lot of people out there who are simply waiting for a Minister of this government to give such a word. And that's the first time I've heard a Minister of the Crown be prepared to say it, and I hope he's underlined that fact.

Now finally, Mr. Chairman, I'd simply like to point out on the whole question of land - and I think it does come down to a point - that there is . . . and as the Minister may say, perhaps the land that MHRC has bought, the 3,000 acres, isn't available right now for immediate

## CAPITAL SUPPLY

(MR. AXWORTHY cont'd) . . . sort of spilling into the housing market. Well my question is then, why not? Why are we banking for 20 years in the future when the demand and crisis is right now? Why aren't we then using the power of assembly and purchase to MHRC to acquire the land then to put it back on the field, to give it back to the non-profit groups? One of the major handicaps . . . The Minister talked about cost of non-profit groups, and I know that the Member for Fort Garry has the Senior Citizens' Non-Profit Housing Foundation in his own riding. Well, one of the major problems that group runs into and other groups run into is land cost. They simply can't acquire it because it is private land which is very expensive. And I don't blame MHRC solely for the escalation in land market, I said they were one of the contributing reasons. But they can also become one of the contributing solvers of the problem if they are prepared to use their capacity . . . the government to purchase the land. And let's go back to some of that pension money that's flowing in, that CPP money, and acquire it, then roll it over and turn it back in. Now that's the question we're raising, that . . .

A MEMBER: For immediate use.

MR. AXWORTHY: For immediate use. That's the problem right now. And finally we're simply saying, as I said earlier, the other problem with getting land onto the market quickly and effectively is the major confusion and hold-up in the City of Winnipeg Act. There are something like 90-odd steps that you have to go through. And again, the Minister could say, "All right. If that is a problem then I will commit, as Minister of Urban Affairs, to take a good hard look at that and bring in the necessary changes at this session." They've got lots of time. No one is prepared to spend all night, they're just prepared to spend the next couple of months. If it was me, we could make some changes in that Act right now to open up and free up the clog in the housing procedures, so that we can get stuff back in the market.

The Minister has been making certain sort of gestures. Now let's tie him down to those gestures. Let's make them real. Let's bring them into effect and make sure that they'll work, and if he's prepared to live up to the kinds of indications he's given this evening in tangible real action, maybe tonight we're going to get somewhere. Because we haven't been getting anywhere up to now. If those are more than simply loose words exchanged in a debate and are real commitments, then I think we can simply say to the Minister we'll back him 100 per cent and give him every bit of co-operation to make sure those changes in terms of the utility of land and the changes of the City of Winnipeg Act, in the application of a rent supplement program, in the introduction of assistance for non-profit housing, whatever those measures he wants to get on board, that he's got our full co-operation.

MR. CHAIRMAN (Mr. Walding): The Honourable Member for St. Matthews.

MR. JOHANNSON: Mr. Chairman, I tried to get the previous Chairman's eye just after the Honourable Member for Fort Garry spoke and I was all prepared to just get up and ask a couple of questions. But after listening to the Member for Fort Rouge give us another harangue I would like to respond.

The honourable member has an incredible amount of gall and presumption. He tells us that we should reallocate Canada Pension Plan funds which we have been using in MDC - that we've been, for example, allocating to Saunders - that we should use this - this is of course capital funding - that we should use it in rent supplements which is current funding. The gall of that is incredible. Why did we get into Saunders in the first place? What happened? What happened? The Federal Liberal Government closed down the airbase in Gimli. The Federal Liberal Government closed down the airbase in Gimli throwing a hell of a lot of people out of work. A hell of a lot of people were thrown out of work by the closing down of that base by the Federal Liberal Government. And our response was to try to develop employment. We weren't interested in providing welfare for the people in Gimli, we were interested in providing jobs, and those jobs had to be provided because the Feds pulled out without any warning. So we are now - I gather we are now providing something like 500 jobs, and the Minister of Mines can correct me, through Saunders. It has ranged up to 500, it may range a bit. But those are jobs that have been provided through Saunders. And almost all of those are from Gimli, a large percentage would be from Gimli. --(Interjection)-- Yes, and the payroll is spent there.

We moved in to fill a vacancy which was the responsibility of the Federal Liberal Government. Now the member, a Liberal member, provincially, wants us to close down Saunders and use the money that we have been using to finance Saunders for rent supplements. Now, what the hell do those people do who are now - pardon my language, Mr. Chairman - but what

## CAPITAL SUPPLY

(MR. JOHANNSON cont'd) . . . do those people do who are now working at Saunders? Do we put them on welfare? He would put them on welfare. Now, welfare, Mr. Chairman, of course will cost us some money. --(Interjection)-- Yes, certainly.

MR. CHAIRMAN: The Honourable Member for Fort Rouge.

MR. AXWORTHY: Is the honourable member aware that a good proportion of the Canada Pension Plan funds now go into the general revenues of the Province of Manitoba and are not used for capital?

MR. CHAIRMAN: The Honourable Member for St. Matthews.

MR. JOHANNSON: Mr. Chairman, I am responding to what the member was telling us, that money that was going as loans to Saunders should be reallocated for rent supplements. So he wants to throw 300 to 500 people out of work in Gimli. --(Interjection)-- Yes, he wants to bankrupt the Town of Gimli. I wonder what kind of process goes on in his mind. Does he think that the people in Gimli live on air? They have to have jobs. They have to earn money in order to make a living.

Mr. Speaker, in his second defence of the Liberal Government in Ottawa he maintained that not only are the Federal Liberals spending a lot of money, which they are, but they were reallocating money into the Limited Divident Program and the Assisted Home Ownership Program.

A MEMBER: Wally tell them about those apartment blocks.

MR. JOHANNSON: The Limited Dividend Program is a failure and it's been a failure for many many years. I notice he didn't defend it with any great vigor. He said that the Assisted Home Ownership Program was intended to stimulate housing-starts for people in the income range of from \$8,000 to \$12,000 income per year. I really find that amusing. In Manitoba, in Winnipeg they set last year, they set a maximum price for Assisted Home Ownership homes at 19,000, that was what they would finance. --(Interjection)-- I don't know what I'm talking about? I was saying that the CMHC allowed 19,000 as the maximum price for a house in Winnipeg last year under the Assisted Home Ownership Program. --(Interjection)-- Okay this may have risen. This may have risen. --(Interjection)-- No, no, I'm talking about within the last year. I'm talking about within the last year, it was 19,000, it was 19,000, and Mr. Chairman, I was interested and I kept checking on this, I wanted to find out exactly what was happening on the program. Because we kicked in with extra money, we had our own program which was an overlay on the CMAC program, and I really had grave reservations about our program. I thought we were wasting money. I thought the CMAC program was a waste of money and I thought that we were wasting additional money, and I kept checking to find out what was happening. And what happened was, that the people who were getting those grants under the Assisted Home Ownership Program weren't getting into new housing, they were going into old housing. All they were doing was getting grants from the Federal Government for housing in the moderately priced sector of the housing market and there was no new housing being stimulated by the program in Winnipeg. What was happening was that this money that CMAC was pumping in and that we were pumping in was simply blowing up prices in that sector of the housing market. It didn't do a damn thing except raise housing prices in that area.

Now the Minister may not appreciate what I'm saying about our program, but I had reservations a year ago and then I think my reservations have simply been confirmed. We still have a crisis. The Assisted Home Ownership Program hasn't been any answer. Limited Dividend hasn't been any answer. Neither one of them is an answer, really. Now, I have never maintained that public housing is the only option; I have always maintained that it should be a major option but it is only one of many.

Now I do have some questions for the Minister. Last year when we considered the capital appropriation for Manitoba Housing and Renewal Corporation the Minister outlined to us the program that was intended to be carried out with that capital program, and it included something like 1,000 elderly persons housing, 1,000 public housing units, 200 remote, 300 co-op, 1,000 AHOP, or Assisted Home Ownership - I know that the Federal Government cut back on funds, and I would like to find out from the Minister what happened to that program. Now, that's the first question. --(Interjection)-- Oh, well okay, can I --(Interjection)-- he doesn't like the question. I have another question then.

The Minister is now asking for an appropriation this year of \$46 million and I would like to know what is the corporation planning to do with this year's capital budget? What is the

## CAPITAL SUPPLY

(MR. JOHANNSON cont'd) . . . planned building program for the city? I want to know how many units are going to be committed for the city, for the rural areas, for the remote areas, how many public housing units, how many senior citizen, how many co-op, how many remote and how many non-profit?

MR. CHAIRMAN: The Honourable Minister of Urban Affairs.

MR. MILLER: Well, Mr. Chairman, I'd like to respond to the Member for St. Matthews and give him these figures, but I don't have the figures with me. That's the sort of questions I thought I'd answer during estimates, because now he's asking how many of a certain type of family housing, rural, city, elderly persons and so on and I don't have that information with me. But I certainly will have it during my estimates and at that time we'll be able to discuss it.

The member did make reference to the AHOP program and frankly I do share his concerns. We did piggyback and complement the Federal AHOP program because we felt it didn't go far enough. It indicated assistance to those between the 8, 9, 10 thousand dollar income, and we felt that wasn't quite enough so we launched our own program which would enrich the federal program so that people with perhaps 6, 7 and 8 thousand could qualify as well under the provincial program and get the benefit of both. And indeed people have responded.

The Member for St. Matthews expressed his fears whether in fact this had a tendency to push up the cost of homes. I'm not prepared to say that that is so. I haven't been able to prove that that is so. But there is a very good chance that in fact the AHOP program, both federal and our own, did in fact push up the price of homes because people who were trying to sell homes were able to get more for their homes simply because the buyer knew that he had a lump sum payment available to him and as well a subsidy for his mortgage payments and therefore he was able to buy at a higher price, and it is very possible that in fact the money that was made by the seller was greater than if the AHOP program wasn't available. Nonetheless, I'm not sorry we went into it because it did make it possible for the program in Manitoba to be made available to people with somewhat lower incomes than the federal plan envisaged.

So that is one way we did reallocate our funds in response to federal reallocations.

The Member for Fort Rouge says he didn't know about rent supplements. Well I can tell him it's not new. That in fact as I indicated earlier, we had been after the Federal Government for sometime to allow us to participate with elderly persons' housing built by non-profit organizations and rent supplements. I made quite a case of it in Ottawa when I was there, and as I said we did get a telex that the Federal Government is willing to now enter into an agreement, but that agreement has not yet been signed. We haven't yet got that agreement. The moment we have we'll of course sign it because we're anxious to move in that direction.

With regard to the problems of St. Andrews Place taking two and a half years, the member - that's why I refer to St. Andrews because I know the member was active in that particular project. I'm not surprised when he says it takes two and a half years because I can tell him that the programs with public housing that Manitoba Housing and Renewal Corporation's involved in also take months and months of work between Manitoba and Ottawa, it's endless. It's unfortunate but that's the way it goes. CMHC now has in Manitoba a regional director and they're hopeful, and we're hopeful that by having one in Manitoba instead of one for the three prairie provinces that some of the red tape will be cut and perhaps the flow of information and agreements and so on will be stepped up and it won't take quite as long as it has in the past. But that still remains to be seen. We don't know how that's going to work. It's quite recent.

Insofar as the rent supplements therefore, I can tell him that Manitoba is prepared to enter into rent supplements, into limited dividend projects, into non-profit projects providing those will qualify under Section 44 for a CMHC cost-sharing. We are not going to go it alone, because as I say these are current, this has nothing to do with capital, these are current funds that have to be paid monthly and annually to pick up the difference between the actual rent paid and the full cost recovery rent should be for that unit.

As far as the non-profits are concerned, the non-profit organizations now have, under programs launched through CMHC they have funding as much as 100 percent, and I realize that they have problems getting organized but they are coming forward, I gather, they are making applications. MHRC is not directly involved because the application is made direct to CMHC. All that MHRC does is say, yes, we go along with this application. CMHC then takes the application and they're the ones who work it through, decide to what level they'll fund it,

## CAPITAL SUPPLY

(MR. MILLER cont'd) . . . whether all out costs, that is land and building, are within the guidelines that CMHC will approve and MHRC stands ready to rent 25 percent of those units under Section 44 under rent supplement and subsidize those whose incomes are below a certain level. It's not a new program. We've done it in the past and we'll continue to do it. If more come onstream we'll participate more and more, so long as the Federal Government will agree to co-sponsor and co-pay - pay in partnership with us the rental subsidy that's required for that particular unit.

The member continually makes a point about CPP funds, and I want to point out to him that it doesn't matter, that to pinpoint CPP funds and say, well, that is a particular pot of money and if you use that that somehow you're going to be able to make interest rates lower in Manitoba, is nonsense. We're looking at capital requirements of - what is it - \$481 million, of which CPP is a very small percentage. It's the total interest charges to Manitoba that counts, whether you go in the open market and you borrow at 9-1/4 or you're getting money from CMHC under Section 43 at 10-5/8 percent, or CPP money at 8 percent, in the final analysis it all is interest money that has to be paid by the public of Manitoba. So it doesn't matter where that particular flow of money goes. Some of it has gone into hospitals, some into schools, I know that - a couple of years ago I know quite a bit of it was going for school financing. But the fact that it happened to be cheaper money in the sense than what was available on the open market really made no difference, because it just dropped the amount of interest averaged out for all of Manitoba for the various projects that require funding, whether it be Manitoba Hydro, whether it be MDC, whether it be the School Capital Financing Authority or whether it be the Community Economic Development Fund. It really made no difference.

So to simply pinpoint that particular fund and say, now, if you use that fund everything will be all right, that it's really missing the point. The funds are made available from CMHC at the interest rate of whatever they charge at that particular time and it has been fluctuating up and down, and to the extent those funds are available we will be able to launch programs. We are submitting to Ottawa a significant program which can be launched within 30, 60 and 90 days and we have them staged, providing the funds are made available, and the reason they insist that the Federal Government participate in it is not only for the capital funding as I said before but because these units will require subsidy because the all out costs are so high that the rent charged will be beyond the reach of the average moderate income family. And that is really where it's at today in Canada. That you cannot put up housing on expensive land - you cannot put up a modest income home on a lot that cost 12 to 15 thousand dollars. It just can't be done. Can't be done anywhere in Canada. And that's why you have homes on the market, 50, 60 thousand and people are buying those if they can afford it. But for the average or moderate income, it just isn't there.

That's why I said earlier, and the member agreed, that the private funds are not flocking in because a condition of private investment - and they get 8 percent money which is the kind of money the member is talking about - is that they are limited in what they can charge in rent. And I don't blame the Federal Government. Because to make 8 percent money available and say charge whatever you want to whomever you want, would defeat the purpose of making housing available for people who need it, because making units available at \$400 per month is certainly not hitting the needs of those in the low income bracket, or even the middle income group for that matter. So there's no pat answer to this, the federal and provincial governments have to work together; our problems are not unique in Manitoba, they're shared country-wide, and can only be resolved by joint action by both the federal and provincial governments. The province cannot lick the problem by itself. In Manitoba we have done more probably than other provinces in the past and we stand ready to do as much in the future. But we can only do it if the Federal Government participates with us. We cannot undertake rent supplements on our own. We can only do it in concert with the Federal Government. So that if non-profits come into being and if they want to make a certain number of suites available and the Federal Government agrees that those suites can be rented under Section 44, we will do so. But only if the Federal Government's prepared to come into it with us.

MR. CHAIRMAN: The Honourable Member for Fort Garry.

MR. SHERMAN: Mr. Chairman, I wonder if the Minister could tell us a little bit about the \$46 million appropriation which I asked him about earlier and which was alluded to in some

## CAPITAL SUPPLY

(MR. SHERMAN cont'd). . . detail by the Member for St. Matthews. I appreciate the information that the Minister has given us, I appreciate the nub of the crisis which really rests in the costs of land and the availability and the unavailability of land, and I appreciate that in the Estimates of his Department we will have a chance to go into this kind of appropriation in much greater detail, but we still are dealing with a \$46 million vote as compared to last year's \$20 million vote and I wonder without getting into the detail that the Member for St. Matthews asked for, which I would like to have too, but I mean on this occasion without getting into that, whether the Minister couldn't tell us something about the \$46 million.

As I pointed out in the Corporation's report, they said that construction of family public housing came to an effective halt in Winnipeg in 1973-74 because MHRC and others in the field of housing were frustrated by the inability to obtain suitably zoned land, or to secure proper zoning. So I'm wondering whether this \$46 million contains any expenditures, any outlays in that area, if there are any parcels or packages of land which the Minister can point to that MHRC has been able to obtain options on. I'm wondering whether the majority of the increase goes to remote housing program, which I don't dispute if that's where it's going, but I would like to ask the Minister if he wouldn't reconsider the question posed to him by myself and by the Member for St. Matthews and give us some insight into what this \$46 million is going on.

MR. CHAIRMAN: The Honourable Minister of Urban Affairs.

MR. MILLER: Mr. Chairman, I want to apologize to the member for not responding when he first posed that. I can't give the breakdown as to the details, but firstly, I would like to correct some misconception when he talks in terms of this, what appears as a very high increase, \$46 million as compared to I think last year's 20 million is the figure I have here. What's being asked for is Capital Authority. There is a \$15 million carry-over from last year, so that in fact it's about 61 million. Last year there was a \$38 million carry-over and \$20 million was asked for in the capital authority for last year. So that there isn't all that difference between the two years. Last year was \$58 million in total, that's the carry-over plus the voted authority, and this year it's \$46 million plus a \$15 million carry-over from last year. That is authority voted last year. So that it isn't as large an increase as what the member suggested.

In Winnipeg, as the member probably knows, there's the Neighbour Improvement Area which is in the Midland area, the core area of the city, where land is available and where the City of Winnipeg has agreed that scattered sites will also be made available, land owned by the City of Winnipeg, or homes so dilapidated they're beyond repair, that they will be acquired by the City of Winnipeg and the land would be sold to MHRC, and it is hoped to put about at least 50 units, 50 scattered site homes. In addition, there's land which could accommodate about 150 units and a start, it is hoped, for 1975, which will take the bulk of this money.

There is also money for land banking in there as well. There are some projects, elderly persons housing as I recall them, which are in this year's capital budget. In addition, there is the rural and native housing program where MHRC will be delivering a third of it. The other two-thirds is through the Metis Federation and the Community Councils themselves but the MHRC is a partner in this and will be having to supply capital funds. CMHC is in charge of the programs directly and we participate with capital funds on these things as well as a subsidy if the subsidy is needed.

So that it is both rural housing, both family and elderly persons housing, in the City of Winnipeg it's elderly persons housing and family housing, particularly in the core area where we hope to move before the summer is out, and as well, as I say, in northern Manitoba. And some land banking which the Federal Government is still interested in seeing that provinces do land bank to avoid some of the problems of not having land available when it's needed and to be in a position to respond to market needs if not now, then 5 or 6 or 7 years from now, so we're not caught in the same bind, 5, 6 years or 10 years from now as we are today insofar as land is concerned.

In addition, we are purchasing land jointly with the City of Winnipeg on a joint venture where the City of Winnipeg is expropriating considerable land in Fort Garry and in St. Vital. I believe it's about 800 acres - I shouldn't guess at the acreage, I'll set that aside - but there's a few hundred acres in Fort Garry and a few hundred acres in St. Vital which will be purchased jointly with the City of Winnipeg and developed jointly with the City of Winnipeg. I don't know

## CAPITAL SUPPLY

(MR. MILLER cont'd) . . . . how much of the money will be used in 1975 because there's expropriation proceeding, but to the extent that it may move rapidly, in fact we may need every penny that is being voted, because if settlements are made, then of course people who hold the land will have to be paid and money will have to be made available through this authority.

MR. CHAIRMAN: The Honourable Member for Fort Garry.

MR. SHERMAN: Thank you, Mr. Chairman, and I thank the Minister for his information. Could he advise whether the project for the site, for the property being acquired in Fort Garry and St. Vital has been determined or whether the land is being purchased as a future investment.

MR. CHAIRMAN: The Honourable Minister of Urban Affairs.

MR. MILLER: When you ask whether it had been determined. Yes, the expropriation proceedings are on track. The City has advertised and has indicated the areas that it's interested in and they have advertised expropriation and they're in the process of doing that now. But to the extent that money is needed to buy that land, we need the authority now. How soon that land can go on the market, I don't know. That depends again on how soon the City is able to put services, sewer and water, etc., into the land that's being acquired. And that depends, of course, how quickly they can expropriate. If everything goes smoothly and everybody is prepared to accept the price that the City has offered, then it may go very very quickly. On the other hand, if some people hold out and it has to go through the court procedures, then as the member knows, sometimes that takes a little longer. But there's no doubt that some of the moneys will be required for this year.

MR. CHAIRMAN: The Honourable Member for Fort Garry.

MR. SHERMAN: Mr. Chairman, is it for family public housing or elderly persons housing or a special project?

MR. CHAIRMAN: The Honourable Minister of Urban Affairs.

MR. MILLER: The details with the City have not been worked out but I envisage that it will be everything. It will have some percentage for public housing, some perhaps for elderly, and others will simply be lots for sale to the public for private ownership in the same way as any other developed land is.

MR. CHAIRMAN: The Manitoba Housing and Renewal Corporation \$46 million--passed; Manitoba Development Corporation 32,550,000--The Honourable Member for St. James.

MR. GEORGE MINAKER (St. James): Thank you, Mr. Chairman. I wonder if the Minister could advise the House of the moneys that are before us at this time how many dollars are set for Saunders Aircraft Industries.

MR. CHAIRMAN: The Honourable Minister.

MR. GREEN: Mr. Speaker, I'm not going to give specific amounts for specific loans anticipated because the figures may change from time to time and I don't want it to be suggested that they've been spent out of context, but I will give the honourable member global amounts.

The amount of capital authority requested is considerably less than has been requested because \$9,730,000 is an interest expense, which leaves roughly 21 million. There is \$6 million allocated for regular loans, this is Part I; 4.8 million for investment loans and 4.5 million for guarantees, which means a total of 15.3 million is expected to be available to the corporation to deal with all of its contingent liabilities, or contingent loans and any new programs that would come up. And by that I mean Flyer Coach Industries would be one of those areas. Morden Fine Foods is a possible expansion. There has been talk of some expansion on the Selkirk Navigation, but I am not able to say what the Board will do with any particular loan. All I'm saying is that there was a total of 15.3 million that's allocated under Part I. Now against that there will be receipts which leaves net loans and guarantees at 3.5 million for a total of 13.6 million under Part I.

Under Part II which can be the area which the honourable member has requested, there's an authority requested of roughly \$20 million. I can assure him that it's not all with respect to any one particular loan. Again there are contingencies. There was a possibility of a rape-seed crushing plant. That's not an assured program. Saunders Aircraft would come under that title. There was an indication that moneys would be required for Crocus Foods, but I indicated in the Legislature, and I reiterate, that there would be no advance - the policy of the government is not to seek MDC authority for Crocus Foods because it's intended that that

## CAPITAL SUPPLY

(MR. GREEN cont'd) . . . would be brought in separately through separate legislation by the Minister of Agriculture. But there you have the global figures. I don't wish to allocate them with any more definitiveness because the Board will be dealing with applications when the time comes. And with regard to Saunders Aircraft, that is something which is not certain that any particular amount will be required, I've given the honourable member figures within which he has an idea as to what could take place. I think that the authority is considerably less than has been because of the large interest amount of \$10 million, which brings you down to 22 million, and total of 20 million under the Part II authority which leaves the Part I authority, as considerably less than has been the case.

MR. CHAIRMAN: The Honourable Member for St. James.

MR. MINAKER: Mr. Chairman, through you to the Minister. I wonder if the Minister could advise, is it still the Order-in-Council that is the method of assigning loans to Saunders Aircraft?

MR. CHAIRMAN: The Honourable Minister.

MR. GREEN: Yes, it has to be done and I believe has been done in each case by Order-in-Council directing the Manitoba Development Corporation to make the loan under Part II of the Development Corporation Act. I think the most recent one was this Wednesday.

MR. CHAIRMAN: The Honourable Member for St. James.

MR. MINAKER: Mr. Chairman, would the Minister then advise us how much under Part II of the moneys that have been allocated have been estimated would be required for Saunders Aircraft?

MR. CHAIRMAN: The Honourable Mines Minister.

MR. GREEN: I indicated, Mr. Speaker, that I wouldn't go further than I have gone. That the total amount under Part II is roughly \$19 million, but that is for several contingencies. The reason I don't wish to go further is that I don't wish to at this time appear to take a definite position as to what future advances will be made to Saunders Aircraft.

MR. MINAKER: Thank you, Mr. Chairman. Well surely - through you, Mr. Chairman, to the Minister - you must have some general idea. I would think that if the Cabinet is choosing to loan out money under Part II of the Act that you have some general idea how many dollars will be going to each particular project or company that are presently getting loans in this fashion, and I'm wondering has the Minister not at this point in time asked the MDC chairman what amount of moneys will be anticipated before the ST-28 is in production and saleable.

MR. GREEN: Yes, Mr. Chairman, we do have those anticipations. It is exactly that which I indicated I don't wish to express to the member at this time. That under Part I the Board is not required to proceed as indicated by contingencies and under Part II the Government may decide that it will not proceed further, even though at the moment that I stand here a contingency is allowed, than a certain figure and I don't wish to release a figure now as indicating that that is the amount which is committed to Saunders Aircraft.

I have indicated to the honourable member - from which I presume he can make some assessment which will be I assure him as definitive as I can make at this time other than setting out a figure - that a total of \$19 million is available under Part II. That part of that was a contingency for Crocus Foods, but that that will not be proceeded with. That under that would fall contingencies for Saunders Aircraft. That under that would fall contingencies for a rapeseed crushing project. But when we seek capital authority we receive an amount of \$19 million and the figure then does not allocate in accordance with the specific items that are mentioned, but becomes an allocation of \$19 million available to be allocated under Part II. And the reason that I don't wish to make the figures more definitive is that I don't wish it to be understood that that amount of money will be loaned to that firm. I don't want that firm to think that the figure that I would give him is going to be available to them, because that would not be entirely in accordance with their policy. They have to come to us when they run out of their existing money and make a case for additional funds. I don't want to say now that there is this much money which will be given to them, because it won't.

MR. MINAKER: Through you, Mr. Chairman, to the Minister. I wonder if the Minister could elaborate on the rapeseed crushing plant; where it's to be located and how much money has been allocated for this project.

MR. GREEN: Mr. Speaker, the honourable member is having fun with me and I suppose it's wonderful that we should have fun from time to time.

## CAPITAL SUPPLY

(MR. GREEN cont'd)

The fact is that there was talk about, and continuous talk about, a rapeseed crushing plant in the Parklands area. Some people say it should be in the Brandon area. Some people say it should be in the Winnipeg area. Some people say it should be in Portage la Prairie. In any event, global figures have been indicated as to how much money it would need to proceed with such a venture. But I do not wish to leave the House with the impression that a definite decision has been made, that Parklands people can expect that "X" millions of dollars will be made available.

Now I think that I have provided the honourable member with figures from which he has a pretty good idea of what is in the ballpark with respect to the various items that I have mentioned. But I want to say right now that this is not in the same category as allocating capital account for the building of the Norquay Building, where you say you estimate a building of \$50 million and you put it in. This is a Capital Authority under Part II which can be used to the extent of \$20 million, not necessarily for the items that I am now reading.

MR. MINAKER: Thank you, Mr. Chairman, I wonder if the Minister could advise us if there is any moneys allocated for Misawa Homes in the capital that's being requested.

MR. GREEN: Mr. Speaker, no. Now, I have to elaborate on that answer. In the regular loans, the Board of Directors of the Fund can advance moneys to Misawa Homes out of the amounts that are available in those regular loans. I have to tell the honourable member that it is fairly common knowledge that the Manitoba Development Corporation and Misawa Homes have been talking about a situation where the MDC would be no longer involved and Misawa Homes would deal with the situation. But Misawa has specifically requested that this matter be not dealt with until arrangements are finalized. I think that we owe it to that firm to not do anything which would upset them during these negotiations. The amount that we have loaned will be certainly given to the Legislature. That of course has already been given. The security which we will ultimately have will be revealed. Our estimated loss position will be available. I tell the honourable member that it will be substantial, but it will be available. But I do not think that I can go further without the arrangement being finalized.

MR. MINAKER: Mr. Chairman, I wonder if the Minister could advise the House has MDCs partner at Misawa Homes - their Japanese partner - have they matched dollar for dollar all the loans that have been issued to Misawa Homes to date?

MR. GREEN: Mr. Chairman, either they have matched it or they are a little bit ahead of us. They have either matched it or a little bit ahead of us. There will be a loss position, which the honourable members are aware of, and I regret that they will have lost money on this transaction as well as us. It seemed like the ideal form of transaction. It is one, Mr. Speaker, which I don't see how anybody could have refused. Each partner put up roughly \$2.5 million. That's a rough estimate. We were in league with what is probably one of the most sophisticated home builders in the world. They build 50,000 homes a year in Japan. They were bringing money into Manitoba on the basis that Manitobans would match the money, in Gimli, which is a place that was left vacant by the airbase decline.

I would think that I would have been severely criticized or the board would have been severely criticized if they said, Here is one of the most sophisticated companies in the world willing to invest \$2.5 million in Gimli and you people are the ones who are not willing to be just as courageous as them. Now that is the basis upon which we went into it. As you heard from the first year's report it did not work out to what we thought was a - we were more worried about it, and I indicated this last year, than the Japanese. The company is operating and they have requested that until the arrangements are finalized and they're ready for a joint announcement as to what is the future of the company, that we would not reveal details of what is occurring. I think that they are entitled to that.

I tell the honourable member all the details that they need to know. We did put up \$2.5 million. They put up that or more. If more, not much more. That there is a separation being discussed, and has been discussed. That the state of finalization I am not quite certain of. It required certain matters which I'm not able to deal with. That there will be a loss position for the Manitoba Development Corporation. All those things I can tell him. I'm not trying to camouflage it. There will be a loss position and it will likely be considerable.

MR. CHAIRMAN: The Honourable Member for Brandon West.

## CAPITAL SUPPLY

MR. MCGILL: Mr. Chairman, I think when the Minister was explaining the amount available in this appropriation under Part II, I thought I heard him say that there was a further authorization for Saunders which took place Wednesday. Was that yesterday? I wonder if that was the case yesterday, how much was the authorization?

MR. CHAIRMAN: The Honourable Mines Minister.

MR. GREEN: Mr. Speaker, Wednesday was yesterday, wasn't it? It seems so long since this was done that I hardly realized that it was only yesterday. \$1,500,000.

MR. MCGILL: Well, I think then that this would round out the total authorization to \$30 million. I think it was 28.5 before and 1.5 would bring it either to 29.5 or 30 million.

Now I wonder could the Minister tell us, is the MDC at the present time considering or negotiating with or discussing with any possible buyer the possible sale of Saunders Aircraft?

MR. GREEN: Mr. Chairman, the strategy of the government at the present time, which is the funding agency, is to give Saunders Aircraft Company the benefit of trying to produce the certificate in the time in which they said it would be produced. When the certificate is available there will be various options which we will have to us. Without the certificate we do not have a developed airplane with which to be in the position to have the best options. Therefore, given the projections that were made to us early in the winter that a certificate should be forthcoming by the end of 1975 - and I say then, sometime during the fall of 1975 - we wish Saunders Aircraft to have the benefit of having the opportunity of obtaining that certificate - when that occurs. If it doesn't occur then the government of course has to reassess its position. If it does occur then there are several options which we will explore, and we asked the board sometime ago to try to explore such possibilities as would best serve us in the future for Saunders Aircraft.

MR. MCGILL: Mr. Chairman, then much depends upon the ability of the company to fabricate an aircraft from its basic components on the Saunders assembly line and fly that airplane in order to complete the certificate of air-worthiness requirements.

With regard to the ST-27, I gather from the newspaper reports that all of the Heron airframes that are available have now been reworked and are in the process, if they're not already completed, of being completed and have been sold. So that would probably account for the fact that of the two aircrafts sold to the Federal Government, one is the demonstrator aircraft - that would be the first aircraft built by Saunders. I believe it flew in May of 1969, at the end of May, that would be just about six years ago, in Quebec, and this was used as a demonstrator aircraft and is now, I believe, under rework and rebuild in order to provide the second unit for the Federal Government which in turn will be leased to Sky West. Is that essentially what's occurring?

MR. GREEN: Well, Mr. Speaker, I believe that the honourable member is now giving information to the House, and I accept it as accurate. I am not fully acquainted with everything that he has said, and I defer to the honourable member who I know is much more expert in aircraft than I am.

I do believe that they are not all sold. I believe that Saunders Aircraft has orders for at least all of them. But some of those orders have not materialized, or at least, you know, cash has not been received, things of that nature. As to whether the Federal Government took the old demonstrator, or the first plane and one of the more recent ones, I couldn't say. That's the information that was given by yourself and was given by the Member for St. James, I believe. I would take it to be accurate because I would know, as distinct from the Leader of the Opposition, you would not give us inaccurate information.

MR. MCGILL: Mr. Chairman, it was not my intention to give the Minister information, it was to seek confirmation of information. And if this information which has been indicated to us is correct, it would seem that the company would be in a somewhat restricted position with respect to sales promotions if their demonstrator aircraft is no longer available for demonstration flights, and it would make it all the more important and urgent that the new model would be coming off the line. I'm just trying to relate the fact that a slowdown has occurred on the production line of the new model with the somewhat urgent need for a new model to be in a completely airworthy state in order to carry on with the regular sales policies of the firm. Now, I'm just trying to relate what has really happened here.

MR. GREEN: Well, Mr. Chairman, I must confess that I am not able to answer all of my honourable friend's questions because I do not have a working knowledge of every corporation that is operated by the Manitoba Development Corporation.

## CAPITAL SUPPLY

(MR. GREEN cont'd)

I am certainly not of the opinion that they aren't able to deal with the sale of aircraft through demonstration models. I believe that they would have the aerial prototype of the new plane available to show to anybody whom they were contemplating selling it to as well as some of the redone Herons which are still located on site, as well as the demonstrator which they have sold to the Federal Government, because that is still at the site as well.

So they have not indicated to me any sales problem, and the slowdown in their operations is something which they have done for the benefit of their company. That doesn't mean, I suppose, that they think that a slowdown is of great benefit, but as any other company, they have to measure what is the value of having workmen on the site and paying them in their present position as against a layoff and bringing them back when they decide they need them. I would say that that is a production decision which every firm would have to make.

I can only tell the honourable member that to my knowledge there has been no layoff of people by virtue of some action dictated to Saunders Aircraft. They have done that in accordance with their own production requirement. I understand the honourable member's solicitude for the company but it is being operated by a Board of Directors which I believe has some competence, and we have been generally given satisfactory answers when our questions as to management competence at Saunders is concerned. I am aware that the Board of Directors always felt much happier with the management team at Saunders than they did with the management team of Flyer - and I can say that because that is a thing of the past. I've heard it jokingly said that they wish they had Saunders management at Flyer. This was over a year ago. I'm not talking about now because they are now much happier with the management team at Flyer. That they wish they had Saunders team at Flyer because the potential for Flyer at that time was much brighter and they thought that that was the area where their priority should have been, but of course you can't do it that simply. So that was a management decision, which I respect, and I indicated in the House I hope they haven't done it in violation of any labour laws and if they have then they have to be dealt with the same as anybody else would be dealt with.

. . . . . continued next page

## CAPITAL SUPPLY

MR. CHAIRMAN: The Honourable Member for St. James.

MR. MINAKER: Thank you, Mr. Chairman. I wonder if the Minister could advise the House, has MDC advised him what the break-even point is now and the number of aircrafts that have to be sold before the company will turn around?

MR. CHAIRMAN: The Honourable Mines Minister.

MR. GREEN: I haven't had that figure recently but I expect because there has been a great deal of slippage from what their projections were that it would be higher than it was. However, that figure will be available to the honourable member. It's not something that I'm going to keep a secret. It will be available to the honourable member when Mr. Parsons is before committee dealing with Saunders Aircraft.

MR. CHAIRMAN: The Honourable Member for St. James.

MR. MINAKER: Mr. Chairman, I wonder if I could get the Minister to confirm if I'm understanding him correctly, that because of his apparent lack of, or at least it appears his lack of interest of the knowledge of what or how many airplanes have to be sold before the turn-around point, that he and the Cabinet are looking at Saunders as rather a social benefit to Manitoba rather than economic?

MR. CHAIRMAN: The Honourable Mines Minister.

MR. GREEN: Mr. Chairman, that's not an unfair observation, but what we do know, what we do know, that from any standpoint we have to try to get that certificate. That we have said in the fall that the Board of Directors felt that this was a risk which they could not assume on their own initiative, that the government would therefore have to deal with this under Part II. We at that time had certain projections with regard to the operation. We also felt that the social and economic considerations would militate in favor of keeping the thing in operation in the hope that it would respond to those projections. Those projections have not been kept and at this point we are at a similar point to what Clare Publishing was at.

Now the honourable member refers to Clare, and I will concede immediately that about a year ago, about two years ago, the Development Corporation Board came to the decision that Clare Publishing was not a firm which it could sustain for any period of time, and at that time it made a decision, not for the purpose of developing the publishing industry in Canada as the Member for St. James has said, but how can we now best deal with our investment. How can we now best deal with the fact that there is \$600,000 invested in Clare Publishing and the Province of Manitoba would like to get its money back. And they saw an arrangement with Rand McNally which was the leading distributor of this type of product in North America that was putting in as much money - they are satisfied that Rand McNally is putting in as much money in the project as they are, and that if this was done, not only would the work be kept up for a period of some years with regard to the artists, what have you, but that the product would be sold and the government of Manitoba, the public of Manitoba, would get their money back. I think that that is a decision which was a reasonable decision for the board to make that required ministerial approval and the ministerial approval was given, but the Clare Publishing operation is now an attempt to get a product distributed and realize a return from the moneys that was spent. It is no longer an attempt to maintain a publishing house, as is obvious. I don't know whether that has to be belaboured, that's been said. I suppose if they had to start it again from the beginning, they wouldn't. But at the point where the question was to lose \$600,000 or complete the project and get a return from it, the Board decided that it was better to complete the project, even if the thing had to be wound up, get the return from the sale of this product. And one thing that we must be fair to Clare Publishing - that it is a very good product, that the man produced a very fine product. I wish him the best of luck. I wish that he has the initiative to go ahead and produce other things and that he is a great success. But I tell you that the MDC no longer has an interest in the sustaining of a publishing firm; they have an interest now in realizing on the moneys that they have spent.

With Saunders Aircraft, I don't think that there's any of us who would not readily admit that if we had to start from Day One, we would say no. If we knew that it was going to involve that amount of money at the beginning it would not have been gone into. But that's not what was expected at the time that the Board of Directors of the Manitoba Development Corporation first started with Saunders Aircraft. So we are now in a position of saying what is our best alternative. What is our best option. And we say, should we close down the plant and have 13 planes, and set up an organization for the maintenance of those 13 planes and sell them

## CAPITAL SUPPLY

(MR. GREEN cont'd) . . . . and take your loss and get out. That has been considered. It's not as if that option hasn't had any thinking in the minds of us. But we say that the best arrangement at the present time is to have a developed aircraft. A developed aircraft. I've been told by people who know that a developed aircraft costs a minimum of \$25 million, that we are in the ballpark as to how much it costs to develop an airplane. Now not only do we hope that we will have a developed aircraft before 1975 is out, but we also hope - we don't have to hope about this, but in the course of developing the aircraft, we will have produced 13 airplanes; 13 good airplanes. And you know the people who are flying those planes are very happy with them. I believe it is a good aircraft, that there is no problem in that regard.

So when the honourable member says that there is a lack of interest or a lack of knowledge, I knew that last year the figure was 176 planes or thereabouts, and I can expect that this year it will be more than that. But that particular figure at this point is not the most important concern. The most important concern at this point is to have a developed aircraft. Because then we will be able to deal with that aircraft in a variety of ways. One decision could be to continue to develop the aircraft and sell it on the basis of the projections of sales that are made by the company. Another contingency could be to sell it. Did somebody ask me, maybe the Member for Brandon East has an offer to make. Another contingency would be to enter into an arrangement with another aircraft company. There are various contingencies. But our position improves when we have a certified aircraft.

MR. CHAIRMAN: The Honourable Member for St. James.

MR. MINAKER: Mr. Chairman, through you to the Minister. Has the management of Saunders Aircraft advised MDC and has MDC advised the Minister of the various competitive aircraft that are presently being produced or in the process of getting certification? I'm particularly referring to the De Havilland Dash 7 and another new aircraft that De Havilland has also come out with in the past year and are quoting firm orders already for the new aircraft and predicting sales of some 450 units of this type of aircraft. I'm wondering if the Minister is aware of this type of competition here in Canada alone and how it affects their thinking on the potential of the Saunders Aircraft.

MR. CHAIRMAN: The Honourable Mines Minister.

MR. GREEN: Well, Mr. Speaker, the members of the Board of Directors of Saunders Aircraft and the Development Fund are aware of competing aircraft. I haven't had discussions with them about competing aircraft directly but I have had direct discussions with them about their aircraft, and I suppose the honourable member will have to take this as subjective. They believe, the Saunders team believes that they have a good aircraft, that they can outsell, outfly and outbid their competitors. They are fully convinced that they are going to succeed. Now, like the Leader of the Opposition says, enthusiasm isn't everything. But if he is concerned as to whether they have advised me that they are in trouble because of their competitors, they have given me no such indication.

Now with regard to the projections of other firms, I tell the honourable member, beware of projections. Beware of what they say their sales are. Don't think that their projections are any better than the projections that you're getting from somebody else. Beware of projections.

Now I tell the honourable member that although I'm not really that up to the different aircraft, the Premier is not only up to these things but he's a flyer himself and therefore he does want to say a word about the Dash 7 and the Boeing so and so, etc. I'm not even sure of the numbers of ours so I can't tell you about the others.

MR. CHAIRMAN: The Honourable First Minister.

MR. SCHREYER: Mr. Chairman, my colleague is too kind. I don't pose as any kind of an expert in the matter, but trying to understand precisely what the Member for St. James is asking about with respect to the Dash 7, the De Havilland product, I gather he is asking whether there is some basis of comparability and therefore some reason to assume that there is some competition likely to arise in the future. If that's what he's referring to, I'd be prepared to address to that, but I'm not sure that that's what he's getting at.

MR. CHAIRMAN: The Honourable Member for St. James.

MR. MINAKER: Mr. Chairman, what I was trying to find out is if the government was looking at this investment now as simply, how can we get out without losing the least amount of money or were they looking at it with optimism, and if they were I would presume then the government would be aware and would be interested in finding out what the competition was

## CAPITAL SUPPLY

(MR. MINAKER cont'd) . . . . and how their competitor in eastern Canada would be affecting the chances of the company in becoming successful, because I understand in the case of the Dash 7 that Canada's Department of Industry, Trade and Commerce has been charged with promoting this particular aircraft throughout the world and I'm wondering if there are similar relationships with Saunders Aircraft. And if not how this could possibly be arranged.

MR. CHAIRMAN: The Honourable First Minister.

MR. SCHREYER: Mr. Chairman, to try to respond, I would have to begin by saying that our attitude has to be one of guarded optimism, that there is optimism that is certainly guarded with respect to the prospects of viability and a positive rate of return with respect to the investment in Saunders. On the other hand, as has been often stated, the prospect of a positive rate of return was not by any means the only consideration that entered into the decision in the first instance. There was the need to attempt to bring some concrete tangible job creation to Gimli in the immediate aftermath of a rather major close-down of "the" major employing source or entity at Gimli, and in that context we were given the assurance in the presence of quite a number of people, a large delegation in fact by the federal department of the then Minister of Defence of the Government of Canada, that all reasonable effort would be made by Canada to assist in the bringing in of alternative industry for civilian employment.

The story doesn't end there. The Member for St. James, I think would be interested to know and should know that it is really very difficult to compare the Saunders ST-27 or 28 with the Dash 7 for many reasons having to do with potential sale price. The ratio is not one to one, the Dash 7 is a larger and more sophisticated and substantially more expensive aircraft than the Saunders. But not only that, we do not feel that we can compete and we do not see why we should have to be expected to compete with De Havilland and Canadair but that seems to be the sad order of the day in the context of contemporary Canadian Federal Government attitude. I don't see how we can and we shouldn't even presume to compete with De Havilland or Canadair product, given the fact that the Government of Canada is pumping in something in the order of \$200 million-plus, into the resuscitation of those two civilian aircraft firms. Whether or not they will realize a positive rate of return on their investment of public funds is also problematic.

One thing that I believe we have a right to resent is that they are using various government departments as an instrumentality for promoting one kind of aircraft manufactured in Canada but not the aircraft manufactured in another part of Canada, particularly in light of the fact that the aircraft is being manufactured here in order to pick up the slack in the aftermath of the closing out of a Canadian Forces Base. But when you are considering \$200 million of federal investment in two aircraft plants in Toronto and Montreal, one must bear in mind that the rationale that is used by Canada for putting such substantial amount of funds into civil aviation is because these two firms were foreign owned and they want to patriate, as it were, civil aviation manufacturing.

I can't help but get the feeling that they are regarding the ownership of Saunders by Canadian capital, as it were - whether it's public or private sectors is immaterial for the moment - as being a reason why they need not get involved. I find that rather peculiar reasoning. But as I understand it, after the expenditure of \$200 million - and I suggest it will be substantially more than 200 million before all is said and done in De Havilland and Canadair - then they will presumably be looking for Canadian nationals or Canadian interest to acquire these two firms. They are by no means through the woods with respect to the certification of the Dash 7 itself. Now you might say that that must be a foregone conclusion, and perhaps it is, but it is a long drawn out process to obtain certification, regardless of who the manufacturer is.

In addition to the costs involved in the federal intercession in De Havilland and Canadair, there is something in the order of \$20 million that has been pumped in by the Government of Canada into the pilot project known as Rapidair; the purchase of De Havilland Twin Otters in the Ottawa-Montreal experiment, which again raises a number of questions which I'm quite prepared to go into if honourable members wish. But all in all, the story is one which certainly seems to hold out every bit of evidence that there is one kind of attitude in Ottawa with respect to civil aviation insofar as Toronto and Montreal is concerned, and another when it comes to Western Canada; and this is over and above whatever the policy attitude is with respect to Air Canada and it also is over and above the fact that something approaching \$1 billion is being spent by Canada in civil aviation infrastructure some 40 or 50 miles north of Montreal.

## CAPITAL SUPPLY

(MR. SCHREYER cont'd)

Here is one area where I've said before and am prepared to say again, that there is a deep and vicious dichotomy in Canadian federal policy as between one part of Canada and another.

MR. CHAIRMAN: The Honourable Member for St. James.

MR. MINAKER: Mr. Chairman, I wonder, through you to the Minister responsible for MDC, how confident he is with the information that he has received from the Chairman of the MDC Corporation with regards to certification now of the ST-28, because it was our understanding that last Fall the ST-27B - and all of a sudden now we're talking about an ST-28. I don't know the reason for the model number change; maybe the Minister can advise us of that - that it was our understanding that the ST-27B was to have certification last Fall, and in fact my honourable colleague from Brandon West wrote Mr. Parsons and received a reply to his letter dated August 13, 1974, and I'll read it, because it concerns us that just how authentic is this certification date.

It's to Mr. Edward McGill - it's on MDC letterhead. It says: "Dear Mr. McGill: I appreciate your continuing concern regarding Saunders Aircraft as expressed in your letter of August 8th, and I'm pleased to bring you up-to-date regarding the questions you have brought forward. The flight tests of the prototype ST-27B started approximately July 15th. The test flights and checking have been going on continuously since that time. As a matter of interest, the U. S. Department of Federal Aviation and the Ministry of Transport Officials were both in attendance for the first flight. The FAA officials confirmed to us that within two weeks after receiving our certification from the Ministry of Transport in Canada, they would be able to give us the full certification for the United States. As they stated, the only reason for the two-week delay is because of the paper work necessary to go through in Washington. They reiterated that the program that we are now running under is in full accord with their requirements and there should be no hold-up from their end once the plane is certified by the Canadian officials."

MR. HENDERSON: . . . must have been wrong.

MR. MINAKER: And it said: "We were very pleased with the visit from these officials, and they gave us many unsolicited compliments on what had been accomplished in Gimli in what they considered a very short period of time."

And then it goes on with regard to the order - we might as well read these two paragraphs left: "We still have not received firm orders from the Federal Government for the two Saunders aircraft to be used on the Winnipeg to Brandon-Dauphin service. We have had officials out here from the Federal Government and they have confirmed they will be taking the two aircraft as soon as they have determined who will be the operator of the air service. We will be able to deliver the planes for the start-up of this service in September." (That was last year.) "The only delay in not delivering them faster is that we may have some time period to install their avionics package, and of course it takes two weeks to have the planes painted. As I stated earlier, we are pleased that you are taking a personal interest in Saunders Aircraft, and I would again invite you to visit our plant in Gimli at your convenience. Yours sincerely, S. J. Parsons, Chairman and General Manager."

So at that time we were left with the impression that it was just a matter of a couple of months and two weeks of paper work in Washington to have certification for the ST-27B. Now, some many months later and many millions of dollars later, we still haven't got certification of the ST-27B, and all of a sudden we've dropped that model number and we're now talking about an ST-28. So I'm asking the chairman, why the model change number and why the ST-27B has not had its certification as was expected from the chairman's letter.

MR. CHAIRMAN: The Honourable Mines Minister.

MR. GREEN: Yes. Mr. Speaker, I can confirm to the honourable member that the planes have been painted, which he was referring to in his letter. I don't know what he wishes me to make out of a question of that kind. I confess that until this moment I have not placed any significance on the change in the number from ST-27B to ST-28. I confess that that would never occur to me. What I knew is that we were remodelling a Heron and that we were building a plane from scratch, and to me it makes not a whit of difference whether you call them the ST-27 or the ST-28 or the Saunders 100 or the Minaker 34. If the honourable member wishes an explanation of the change in numbers, he will get it from the Chairman of the Manitoba

## CAPITAL SUPPLY

(MR. GREEN cont'd) . . . . Development Corporation, and I will be very surprised if there is significance to the change, because it has never really come to my attention as a major point.

As to the date of the certificate. There is absolutely no doubt that I am certain that Mr. Parsons was telling you what he believed to be the truth when he wrote that letter. I mean, would anybody have any other conclusion to draw? I am sure that that is what he thought was the program. And I am also certain that - you know, sometimes people in that situation, such as I have been in, maybe the honourable member has been in, when everything is pointing about how terrible things are going, would almost psychologically want to be able to say something good. And he said that the plane was test flown, that people were there, that they were happy, and I'm sure that everything he said was correct, but the certificate was not forthcoming. Now we are told by the Saunders people that they hope that the certificate will be forthcoming before the end of 1975. All I can do, Mr. Chairman, is to keep my fingers crossed, because I cannot tell the honourable member that the certificate will be here before 1975. I will also not tell the public of Manitoba that the plane will never be certified, because that would be a dastardly thing to say.

If somebody could show me now that we were not following a normal pattern towards certification and that the certification is proceeding in a way which can be expected from a normal program for certification, I would not be, nor would the government be financing Saunders Aircraft. But because I heard through the news reports and through newspaper people that a responsible member of the Legislative Assembly has said that the plane will never be certified, I went to the Federal Government officials - I didn't go to them, but I asked that they assure me that that was not the case. And I've received a letter from the Federal Government people telling me, in essence, that the program for certification of Saunders Aircraft was proceeding normally, that the plane is expected to receive certification through following the procedures that it is following, and the man from the Department of Transport sat in my office and told me so, in addition to sending me the letter.

On that basis, I accepted the Saunders Board assertions that their program was one which will lead to certification of the aircraft. Now there has been delays. And then the honourable member will understand that I am usually the last person whom you will get that kind of a date out of. The date that I gave you is the date that I received from the Saunders people. If you ask me when the plane will be certified, I don't know. All I know is that I have satisfied myself, by the Department of Transport, that they are proceeding normally towards a certification program. And if I said I don't know when the plane will be certified, the Member for St. James would get up and say the Minister's not interested. The reason that I say I don't know is that I don't want the member getting up a year from now reading a letter saying, well, the Minister said that everybody was happy and the certificate should be issued in two weeks. I don't know that that will happen, and I further do not know and am somewhat skeptical that the American certification will flow as easily as it was suggested that it will flow. I am sure that the people who said that was so were telling the truth, that they believed every word that they said, but I have become skeptical of any such bland assertion. I am sure that it can reasonably be expected that the federal certification will follow. I'm not sure that it will be two weeks - I hope that it will be with reasonable dispatch. But that is all that I can tell the honourable member as to why the delays were, because they didn't get what they expected to get, that they ran into problems with this engineering device or that engineering device, or this door or that wing, and therefore they had to correct those things in the process of trying to get certified.

MR. CHAIRMAN: The Honourable Member for Portage la Prairie.

MR. G. JOHNSTON: Mr. Chairman, the technical discussions going on between the Member for St. James and the Minister responsible for MDC is quite interesting, but I think we're being thrown off the track a little bit here. We're looking at an appropriation for 32 1/2 million for the Manitoba Development Corporation, and if past performance has been any indication, some of that money is going to go to finance further Saunders aircraft.

Now the Minister earlier in the evening made a number of interesting, should I say, confessions. I think he said in the beginning that had the MDC known what they were entering into they probably would not have entered into financing an aircraft company that builds the type of plane that they're building, based on hindsight, which I don't criticize them for that, because what we're really faced with now is to know when the point of non-return is reached as far as

## CAPITAL SUPPLY

(MR. G. JOHNSTON cont'd) . . . . financing a corporation that no doubt builds a satisfactory plane for what it's intended for - and I have never criticized that, I don't think any member of our party has ever criticized the fact that the government with honest efforts has tried to put in place in Gimli industry that will supplant or take the place of a former military base, and nobody quarrels with that, nobody criticizes that. But, the Minister hasn't told us what is at the other end of the tunnel. So far I believe public funds through MDC are up to about \$30 million, 28 to \$30 million now. We have 13 planes committed for - either sold or committed for. He's told us that he doesn't know what the break-even point is, and he said that we will get that information, and I take that.

But then in the discussion that went on between the Minister and the Member for St. James, the First Minister gets in with an entirely different tack and takes away from this part of the discussion, where we as members are going to vote more money which will support an industry that is not in a profit position or anywhere near it, and his approach is, well, the Federal Government for years and years has supported two large eastern companies by subsidy and by giving them business - and we know this is true - but he can't compare the two, Mr. Chairman, he cannot compare Canadair and De Havilland with a small company at Gimli making one product. --(Interjection)-- Well, Mr. Chairman, you have to look at the overall picture of De Havilland and Canadair. For years and years it's been a part of the government's proposition that if they're going to spend money for new airplanes or overhauls or repairs - and let's face it, most of the planes that De Havilland make are made under license. They're not the original product of De Havilland - the F. I. Fighter, other planes that do not come to my mind at this time. --(Interjection)-- Right. I'm talking about the two companies. They build, under license, planes for Canada's defence forces, or repairs or overhauls, as well as being in the civilian field. And it's not all one. It's not all one.

The one at Gimli we're talking about has one product. It has a feeder airline type of airplane, that even if they could sell well in Canada, that's not good enough; they have to sell internationally. They have to have a sales force internationally. --(Interjection)-- Right. I agree. So right away the Gimli operation is behind the eight ball because they don't have an international sales force. They have to sell in all the countries of the world. And when we look at the aircraft industry in the last ten years, excepting for the armament industry where they're supplying planes to the Vietnamese War, and supplying nations in the Middle East and so on, the civilian aircraft industry has not been in a profit position for ten years. It's been a very difficult proposition for any corporation in the aircraft manufacturing business to stay alive out of profits alone. So what has happened, in the United States the big aircraft companies manufacture military planes for the American Government and other governments and for NATO and so on, and as almost a sideline they manufacture planes for civilian use. --(Interjection)-- I'm talking about the way it is. It's a fact of life. We don't like it but this is what goes on. So the small Canadian aircraft industry is in the same box.

Now, when we compare the Gimli operation with one type of airplane, no other contracts, they can't make anything else except that one plane, whereas Canadair and De Havilland make other products - they make other products. They're not tied to a military plane or a civilian plane but they make other products for other industries. So you can't compare the two and say, well, the feds have given 200 million to these two industries in Montreal and Toronto and are giving very little here. As a matter of fact, I believe that the Federal Government has promised, was it 3 million? - \$3 million, and they've advanced a part of that, but it's conditional upon obtaining certification, both Canadian and American, which is only common sense. You know, if you have a product and you're asking the government to help you out, then you must produce the product first.

MR. SCHREYER: Will the member accept a question?

MR. G. JOHNSTON: Yes.

MR. SCHREYER: I'm not quarrelling, Mr. Chairman, with the honourable member's suggestion that it's only rational, he said, that the federal grants that are indicated with respect to the Saunders operation ought not to be forthcoming until certification has been achieved. But if that's his premise, which perhaps is tenable, then can he explain why federal funds have been pumped into the Dash-7 aircraft which is nowhere closer to certification than the Saunders ST-28? It's by no means certified.

MR. G. JOHNSTON: Well, probably I can't answer that. My guess is that the Dash-7

## CAPITAL SUPPLY

(MR. G. JOHNSTON cont'd) . . . . is being produced by a company who has a long record of success in producing airplanes. Well, as I say, that's my answer. As far as the Saunders Aircraft goes, they have yet to produce the airplane. They have no track record. --(Interjection)-- Yes, on a limited basis. I admit the First Minister has a small point, but he's building his whole case on that one point. The De Havilland Company and Canada Air Company have a long record of producing all sorts of airplanes and all sorts of continuing business employing thousands of people. So if this Dash-7 project that the Minister's talking about, which I'm not familiar with, if they're getting advance funds, then that helps to build his case. But I do say that the case can't be that good because the Gimli company hasn't got a track record. It hasn't got a record of producing planes over the years. --(Interjection)-- I admit that. But what confuses me is the Minister responsible for MDC proposes one line of argument saying that - and it's my words not his - that he doesn't know what's at the end of the tunnel; he doesn't know where we're going to end up with Saunders Aircraft in Gimli. I believe he said at the beginning of his remarks that had MDC known with hindsight what was happening, they probably wouldn't have entered into the arrangement. Now the government has the responsibility to give us some answers about what's going to happen at the end. Sure, they have their projections. I know that. But right now the MDC has said, "We've had enough. We can't see it. We wash our hands of it." So the Cabinet steps in under Part II of the Act and carries on. Now, the Cabinet has the responsibility to give us the answers as to where the end is. --(Interjection)-- No you haven't. You said you don't know. --(Interjection)-- Well, if the Cabinet's taking the responsibility for advancing money month by month, a million and a half a month, then they should give us the answers. They should say we're going to go to 60 million or whatever it is. And that's all. "We are not going to go any further. We're going to give it a fair chance."

MR. GREEN: You weren't here.

MR. SCHREYER: That's what he said exactly: We'll go till the Fall when certification is to be reasonably expected.

MR. G. JOHNSTON: Now is that a clear answer? That they'll go till Fall. If you get certification, then you carry on.

MR. GREEN: I said then we will assess various options. You couldn't have been here because I said that.

MR. G. JOHNSTON: Well, Mr. Chairman, even that is a strange answer, because certification is not the answer to all the problems. It means that they're making a plane that is safe and flyable and acceptable on the market. But then after that your projection of sales, how well you hope to do and where do you intend to stop putting in money if it's not a viable operation. That's what I want to know.

MR. SCHREYER: The acid test comes with certification.

MR. G. JOHNSTON: No, it doesn't. It comes from selling airplanes.

MR. GREEN: Mr. Chairman, I'm sure that the honourable member could not have been here when I was asked the questions and gave the answers, because I indicated that the present strategy is to give the Corporation the benefit of the doubt that they will be certified by the end of this year. And we feel that it would make no sense at all to cut off that program when we are 85 percent of the way to a certificate. When we have a certified aircraft, there are various options and I indicated that we will be able to discuss each of them. There is a possibility - somebody said, "Are you going to sell it?" That is a consideration. Another consideration is to be in partnership with another aircraft company. A third consideration is to have a hard look at our sales prospects, a hard look of the existing sales, of our production capacity, and decide whether you want to go it alone. Now those things will be assessed. But immediately, the immediate goal is to obtain the certificate. And I gave those answers and it shouldn't be hard for my honourable friend to figure out what that involves.

MR. CHAIRMAN: The Honourable Member for Portage la Prairie.

MR. G. JOHNSTON: Mr. Chairman, my honourable friend sounds like a man who is a compulsive gambler. He goes into a poker game and he doesn't say to himself, "I can only afford to lose so much and then I quit." My honourable friend is going into this game and he doesn't know when he's going to quit. He's as much as said that. Like everything's hinging on certification. Is he going to say, "Well, we'll give it two years and 'X' number of dollars and then if they can't make it we're going to stop"? No he hasn't said that. He said, well,

## CAPITAL SUPPLY

(MR. G. JOHNSTON cont'd) . . . . certification is the thing; our projections are the thing. And I'm suggesting to him that in the competitive market of selling a feeder-line aircraft, which are made in Germany, France, United States and Canada, and probably some other countries that I can't recall, highly competitive - highly competitive - that we are going to say, well, we'll keep on going and going and going and going? That's not good enough. Can he not say that we're going to give it a certain length of trial and put up so much money, and if that doesn't work we're going to cut our losses and run?

MR. GREEN: Mr. Speaker, I wonder what would happen if I did say that. Then I suppose that the honourable member would say, "That's a good answer. Now we have the answer." The Member for Fort Rouge says that that's right. And I tell you, I will give you the honourable member's argument now if I did say that. If I said that on December 1st, after we have put in \$36,843,000.21, that will be the "stop" position, the honourable member would get up and say, "My, how can you make that kind of ridiculous statement? What if on December 31st you had put in \$36,846,000.21 and \$2.00 more would have put you on the market, you are saying you wouldn't spend that other \$2.00." That's what his argument would be, Mr. Chairman. That is what his argument would be.

Now, I'm telling you I am not going to do that type of thing, and that is my experience in the business world that it would be a stupid thing to say - and I'm not going to say it, no matter how much you try to embarrass me into saying it. What I have said is the present strategy, and the present strategy is: No. 1. We will give that firm the benefit of the doubt that they can produce the certificate by the end of December. And if they accomplish that, we will consider what our various options are, one of the options being to close the plant. We will consider that. Another option being to try to involve ourselves into some joint arrangement or sell the plant. That is another option. And a third option will be to say: now what is our sales potential? What is our market potential? What is our production potential? Should we go it alone? Or a combination of those three things. Or other options. But No. 1 priority at the time is to get the certificate. And the honourable member's suggestion that he would be happier with me if I said that on a certain date and after the expenditure of a certain fixed sum of money we will close the plant, I tell you that he would not be happier with me, he would make fun of me; and I don't want to give the honourable member the opportunity of doing that.

MR. CHAIRMAN: The Honourable Member for St. James.

MR. MINAKER: Thank you, Mr. Chairman. I listened to the answers of the Honourable Minister with regard to the certification of the aircraft, and I would suggest it was my fault if I was misunderstood, because obviously I didn't make my statements clear enough for the Minister or possibly for the press when I stated that the aircraft would not get certification.

What I stated, if the Minister saw my press release, was that the model ST-27B, which is a unique aircraft, it's one and only, would not receive certification. And why I raised the point was that it was my understanding at the time, and it is still my understanding, that the reason why this aircraft, the unique prototype that was built, would not receive certification was something to what I think the Minister was implying about something went wrong. And it was my understanding that the aircraft was built to the drawings of the Model B that they wanted certification of, but the fusilages when you extend or modify the Heron have varying dimensions. And when they built the cockpit canopy to the B drawings and placed it on the aircraft, it was out by some one and a half inches. As a result, they had to custom-build a canopy - which was fairly expensive, it's my understanding - and then put it on the aircraft and went through its aerodynamic testing, etc., but could not get certification because it was not built to drawings. Now I was relating to that particular plane.

A MEMBER: The one aircraft.

MR. MINAKER: The one aircraft. Now why I was concerned was the fact that we saw the investment in Saunders go from something like \$62,000 per month back in 1970 and then it went to something like \$282,000 per month in 1971, then it went up to \$435,000 per month in 1973. In 1974 it approached somewhere in the order of \$860,000 a month that we were investing. And my concern was that it should be brought to the Minister's attention that there is obviously some inefficiency going on in this plant and to investigate these reasons why the plane wouldn't receive certification. It has been costly, and I could not understand why the delay; and now it's my understanding the ST-28 is a production model and that it will have to be brought off the production line before it will get certification. I'm hopeful that it will get

## CAPITAL SUPPLY

(MR. MINAKER cont'd) . . . . certification. So if I was misunderstood, then I hope I have corrected that.

But what I was concerned about was that very much of the work that was going on with regard to the manufacture of the jigs is being done in California; if I am correct, and I believe I am correct, that the tail section jig is being manufactured in California, the nose section is being manufactured in California, the wing section is being manufactured in California.

A MEMBER: What do they do at Gimli?

MR. MINAKER: And I understand at Saunders that they are working on the constant section fuselage jig there, which is a big part of the aircraft. But my concern was, why were we not checking closely into this to find out why the inefficiencies, why this expense and so forth was carried out on this one plane and all of a sudden it fell flat, you might say. And it's our understanding now that the certification cannot be completed until that production model is completed and tested. We were concerned that the - it looks like \$900,000 per month - was being invested again for another twelve months before there would be any hope of certification, and we were concerned just how much of that money was going to California. And it was our understanding, as well, that this company, that there's a Mr. Snow that's involved with this company in California, and I don't know whether he was involved with Saunders before or not. I'm trying to recall.

A MEMBER: That's a snow job, kid.

MR. MINAKER: I think he was involved. So we felt it important at the time, and we still feel it important, that where is this money going and how much of it's staying in Manitoba in production, and how much is going down to California to, I think it's Aircraft Tank Corporation in California, that's building these jigs? I believe that it would be interesting to find out, if the Minister already doesn't know, just how much of that \$900,000 per month is going outside the country for the production of these jigs.

MR. CHAIRMAN: The Mines Minister.

MR. GREEN: Well, Mr. Chairman, most of the questions the honourable member is asking I will defer to the Chairman of the MDC when he is before committee. I do tell him that there is in progress a study as to the financial effect on the province of Saunders Aircraft, which will deal with the other question, not only in parts but in wages and other factors, so that that will I hope be made available to the honourable member when I have it.

MR. CHAIRMAN: The Honourable Member for St. James.

MR. MINAKER: Thank you, Mr. Chairman. The reason why I questioned the Minister earlier whether they were carrying on Saunders for a social reason rather than economic, was that I couldn't understand why one would pursue this particular avenue if a good number, or a good part of the work was being carried on outside the province and that a good number of the employees that were brought in to Saunders came from, I believe, England or Australia under contract, that it starts one to wonder just how many local people are benefitting economically, and it would reflect back to the social importance of maintaining some type of industry in Gimli. This is why we raised the question. This is why we brought it to the Minister's attention, this other work that is being carried on.

MR. CHAIRMAN: The Honourable Mines Minister.

MR. GREEN: I'd like to indicate, Mr. Chairman, that the fact that employees come from outside does not change the fact that there is a payroll in the Gimli area and the air base was largely a payroll to outsiders. I mean, the people who were in the air base in Gimli were not from Gimli. I believe that there is more employment, there is a greater payroll - and I'm just talking off the top of my head at this point - a greater payroll of local residents in Gimli now in percentage than there was a percentage of local residents in the armed forces, that were receiving a \$9 million per year payroll when the air base was there. So the fact that a person comes from outside - and that was made necessary by the company not finding the people in the country because that was their first effort and that is their policy - does not mean that it does not provide economic stimulus to the Gimli area.

MR. MINAKER: I'm wondering if the Minister has, or MDC has looked into the possibility of utilizing the base or Saunders Aircraft as a possible training school for aircraft mechanics, because it's our understanding that if you talk to people like CP Air or Air Canada, there's a general shortage of qualified trained aircraft mechanics in Canada, and I'm wondering if it could not be looked into that avenue as a possible means of providing an ongoing type of industry

## CAPITAL SUPPLY

(MR. MINAKER cont'd) . . . . in Gimli which would not require such a large investment that we now have invested in this company. I also wonder if the Minister could advise with regard to the possibility of outside money becoming involved in Saunders, if he or his Chairman of MDC has confronted anybody in Japan with this regard, because it's our understanding that De Havilland Aircraft have approached Japanese interests to try and encourage them in a joint venture on their Stall aircraft, and I understand that at the present time they were split on differences of whether they should become involved, and I was wondering was that because MDC had approached the same people with this regard.

MR. CHAIRMAN: The Honourable Mines Minister.

MR. GREEN: With regard to the training school, there is associated with Saunders Aircraft a sheet metal training school, which I understand is a pretty good one and they put through a lot of sheet metal workers. I'm not able to say whether they could start a school for mechanics but I indicated what the No. 1 priority was at the present time. With regard to negotiations in Japan, I'm not aware of any.

MR. CHAIRMAN: The Honourable Member for Fort Rouge.

MR. AXWORTHY: Mr. Speaker, I just would like a clarification from the Minister. I gather he said that if at the end of December there is a certification granted, then there would be four options that he'd lined out as being the basis for reassessment, and therefore we get some idea as to what that one strategy is. Perhaps the Minister could now tell us, if there isn't a certification in the Christmas stocking at the end of December for the government, what happens then? Do we close it down at that point? Do we cut our losses? What's the strategy on the basis - and I know we're all waiting for that day, when it arrives, and the stocking is opened and the gift will be there, but what happens if it isn't and all we get is a piece of coal or something?

MR. CHAIRMAN: The Honourable Mines Minister.

MR. GREEN: Well, Mr. Chairman, you know, I admire the members of the Liberal caucus and I suppose that the next one who will try will be the Member for Assiniboia. I am not going to say if on December 31st there is no certificate we will close the plant down, because if somebody could convince me that on January 3rd it would be there, I will wait. Now, therefore, I will have to do on December 3rd what in our judgment is a reasonable thing to do, and I will have to face the Member for Fort Rouge and face the Member for Portage la Prairie and say, "This is what we knew on December 31st and this is what we did." And I will predict to you that, whatever we did, you will say we should have done the other thing.

MR. CHAIRMAN: The Honourable Member for Fort Garry.

MR. SHERMAN: Mr. Chairman, can the Minister advise the Committee as to what the circumstances are with respect to what appears to be a rather uncertain labour force climate at the Saunders Aircraft Plant? I raise the question because of not only the disquieting events that have taken place as of this past Tuesday, but the disquieting reports and the disquieting rumours surrounding them. The Minister said in the House this afternoon that we would have ample opportunity to ask this type of question and investigate this condition when we next had an opportunity to discuss the situation with the Chairman of the MDC at the next meeting of the Economic Development Committee. But that may well be some time distant, and in view of the current situation and in view of the kind of activity that it has touched off both at the union level and at the level of public interest through the media and through the Legislature, I wonder whether the Minister has had a chance in the intervening hours today, this afternoon, this evening, to acquaint himself with the present situation insofar as the layoff of this week is concerned, and whether he can shed any light on that picture for the committee. I ask the question because I have certainly not heard officially, Mr. Chairman, but I suppose I'm target for as many suggestions and as many rumours in the public area as anybody else in this Legislature, and I've heard that there may be additional layoffs required and I would appreciate the Minister's comments on that.

MR. GREEN: Well, Mr. Chairman, I can't say that there will not be but I understand that the Saunders' managerial staff will discuss their future program with the union personnel. With regard to the other question, I want to tell the honourable member that unless there were exceptional circumstances, really circumstances which I can't even now contemplate, I am not going to give the employees of any Crown corporation the notion that they are going to be able to air their grievances with the Corporation in the Legislature, because it will make it impossible for any managerial staff to deal with that problem. The reason that we had a terrible

## CAPITAL SUPPLY

(MR. GREEN cont'd) . . . . strike in Flyer Coach Industries, in my opinion - and this is just one man's opinion - is that the people in that plant thought that the normal management-labour relationship could be circumvented by bringing political pressure on the government. --(Interjection)-- Well you say that they're always going to happen. It won't happen as long as I do not answer the kind of question that has been brought by the Member for Fort Rouge. Now, I'd say extraordinary circumstances, because somebody could, you know, somebody could bring something to our attention even in private industry that may come into the Legislature. But you say it will always happen, and I tell you that it will not always happen if you do not encourage it. Well, Mr. Chairman, if you do not encourage it, it will not happen or at least you can decrease the degree which it happens. It culminated . . . Well, the honourable member says we can't stop it and I say that you needn't encourage it. And I say that you can stop it. Well, the honourable member says that you can't stop it, you know, and I think that you can. I think that if we let the employees and management argue out each one of their differences, whether it's layoff due to seniority, whether it's not sufficient notice, and I say that if the plant has done the wrong thing they have to be prosecuted, the grievance has to be proceeded with; they have to be sued if there is a civil case, and that they will take up those things in the ordinary way through their union. And when the union representative makes a statement that he believes or that he finds something suspicious between the fact that they voted to affiliate with the New Democratic Party and that they were then laid off, you know, to use my leader's phrase, it's mind-boggling. I mean, I really don't understand that type of statement.

MR. SHERMAN: It's mind-boggling for us.

MR. GREEN: Yes, well that's right. It's absolutely mind-boggling, and I say that if we weren't here he would not make that type of statement. Therefore I tell him in advance, we are not here. You will deal with management. You will deal with your employer. Your employer is the board of Saunders Aircraft. And I tell you that in the union negotiations between Saunders and the plant, there were several attempts to try to see whether the Minister would do something . . .

A MEMBER: Flyer.

MR. GREEN: No. Saunders. And the Minister quickly told them that they were on their own, that they were negotiating with an employer. And when the Flyer employees made the mistake of saying that if you do not settle for what we say we are going to tell the voters in St. Boniface not to vote for you - and I believe that the Leader of the Opposition made the mistake of encouraging that - the Conservative Party got about 400 votes in that election and we won it. And I'll tell you, we would have won it even bigger if we were irresponsible people. We could have gone to the people of St. Boniface and distributed that telegram and said, "Now, are you going to tell this government that unless we settle for what their employees ask that we will not be elected to power?" Because that would have given us a bigger vote. If we wanted to be irresponsible we would have told the union, "That strike will not be settled until after the election," just because of that wire. But we could not be so irresponsible. We had a duty and we told the board that they are to continue to make every reasonable effort to conclude an agreement; and if it wasn't for the fact that the government was involved, I don't think that there would have been a strike at that plant. That's regrettable. But eventually these employees, whether it's at The Pas, they tried to bring the same type of pressure, whether it was the strike at Sprague, whether it was the University - the honourable member says that it had something to do with this union not being affiliated. Peter Warren said the same thing about the Flyer strike, that it was CAIMAW and therefore they were not affiliated and therefore we were fighting them. Well how come that didn't happen with The Pas, the woodworkers? They are affiliated with the Canadian Labour Congress, and . . .

MR. SCHREYER: Or the auto workers.

MR. GREEN: Or the auto workers at Saunders, or the woodworkers at Sprague, or anybody else. They just have the feeling, they have the feeling that if they can get this matter raised in the Legislature, if they can get the government attacked, that we're all going to hide under our seats and do what the union says. But they will find out otherwise. And I tell the Honourable Member for Fort Garry, please - and I implore you - let them fight it out with management, and if management has done something wrong there are agreements procedures, there are labour laws, and there are civil actions. But if you raise it here and it was responded

## CAPITAL SUPPLY

(MR. GREEN cont'd) . . . . to, then every time they had a problem or every time that they didn't like the way the foreman looked at them in the morning, they would say in the Legislature there's brutality at Saunders Aircraft. Now I suggest to you that that is not the place to air employer-employee relations; that the place to air it is through their grievance procedure and through their union-management relations.

MR. CHAIRMAN: The Honourable Member for Fort Garry.

MR. SHERMAN: Mr. Chairman, I agree with the Minister up to a point. I certainly agree with him when he's talking about, for instance, the situation at Flyer Industries. But I must say that I - maybe it's the lateness of the hour, but I fail to see his logic when he says that this situation at Saunders was being manipulated or programmed in part out of the conviction that it could be foisted upon the Legislature, it could be exposed and discussed in the Legislature. In the case of Flyer Industries we're talking about a strike that was in progress. That's a different situation. In the present instance at Saunders Aircraft, it's my understanding that whatever action has taken place was initiated effectively by management.

It's not as though those persons who were laid off said, "Well now, look. Let's see how we can get something into the Legislature." What happened --(Interjection)-- Well, that's right, but . . . Well, the Minister is arguing that by raising questions we are effectively playing into the hands of a group that wanted to have its grievance aired in the Legislature because it felt it could bring pressure to bear on the government, and I say to him that we are asking legitimate . . . Well, it's a different situation, though, from the one that existed at Flyer, and I don't really follow the logic as it's applied to the Saunders situation. What we're concerned with basically in the Saunders situation is really knowing where the Minister stands as the effective manager of that operation.

The Minister and others of his colleagues have said on previous occasions in this House that one of the great advantages of having government ownership, government involvement in industry, in commercial operations, is that those operations then become answerable; that then the people of the Province, the members of this Legislature, have a chance to ask questions about them and have a chance to scrutinize them fully and publicly and openly, and this is one of the beauties of government ownership, because then you can get a handle on the thing. But he appears to me to be taking an arm's length approach to this present situation at Saunders. He's saying to us that he's not going to answer any of those questions in the Legislature because it's going to compromise him. --(Interjection)-- Well, I ask with all respect, though, Mr. Chairman, with all respect, whether it is not legitimate for members of this Legislature to ask the Minister of a government, which has a major ownership position in an operation of that kind and who reports to this Legislature for that enterprise, whether proper procedures were followed in arriving at a conclusion that resulted in the layoff of 50 workers.

Many things have been said, perhaps incorrectly, but many questions have been raised about the events and the sequence of events leading up to the layoff itself, such as the suggestion that there was no prior notice given of the layoff, such as the suggestion that of the 50 workers laid off some five of them, or less, were workers who had been imported from the United Kingdom but approximately 45 of them were Canadians, local personnel with up to four years' seniority, many of whom had gone through the Saunders training course in the rivetting shop, in the sheet metal shop and the welding shop, and were skilled laborers who had seniority and seniority clauses in their contract. --(Interjection)-- Well, but these are the unsubstantiated allegations that are being given public exposure, and I'm simply asking the Minister whether those are . . . He seems to think it's not legitimate for us to ask him those questions in the House when he's the Minister reporting for MDC, and I fail to see how that's consistent with statements, perhaps not made by him, but certainly made by colleagues of his during the Autopac debate, in which the point was very, very emphatically made in this Legislature that government ownership is a great thing because it gives you a chance to ask questions and to inspect the operation publicly.

MR. CHAIRMAN: The Honourable Mines Minister.

MR. GREEN - Mr. Chairman, I would concede the honourable member at least half a point - and that's going some I think, for me anyway. I assumed, perhaps wrongly, that he was asking these questions as an attempt to lay the groundwork for a grievance on behalf of the employees in the Legislature. I never really complained about the questions. What I said is that I would not deal with a grievance as to whether it was a layoff out of seniority or not; that if that occurred, there is a remedy for it. You know, I really . . . I think I said earlier today

## CAPITAL SUPPLY

(MR. GREEN cont'd) . . . . that if somebody has a claim against a company and they've been wrongly dealt with, I hope that they succeed, but I do not believe that the proper way of dealing with a grievance is for me to be going back to the board and saying why did you do this or why did you do that; that the board is running the operation, they are charged with management, and they are not to be interfered with at the political level. If we find that they have done a whole series of horrendous things then we will replace the management. I am not aware that there was any procedures that were wrongly followed, and frankly, the only way that I would become aware of that is if there was a grievance filed and it was successful, or the company conceded it. I'm not aware of any such thing. I will admit that the questions are not illegitimate to be asked, but I also say that the handling of those problems has to be done in the normal labour-management arena and not through legislative grievances. But I agree that the honourable member certainly has an interest in asking the question, and I'm merely indicating that my response doesn't in any way take away from the fact that ultimately we are responsible. Ultimately we are responsible for what goes on through the MDC and through the Corporation, and that is a demonstration of political responsibility for the operation of the company.

MR. CHAIRMAN: The Honourable Member for Riel.

MR. CRAIK: I wonder if the Minister can advise whether the refinancing of CFI, if ManFor is in this . . . --(Interjection)-- Which item is that in? --(Interjection)-- Okay.

MR. CHAIRMAN: Manitoba Development Corporation--passed. Manitoba Forestry Resources Limited, \$5 million. The Honourable Member for Riel.

MR. CRAIK: Well, Mr. Chairman, I want to deal with this item. I'm sorry it's this kind of an hour when we're dealing with an item of this importance, but we'll look at it at least briefly. I don't . . . --(Interjection)-- Yes. Okay.

MR. GREEN: You prefer to do it the next time?

MR. CRAIK: Yes.

MR. GREEN: Committee rise, Mr. Chairman.

MR. CHAIRMAN: Committee rise. Call in the Speaker. Mr. Speaker, your Committee of Supply has considered certain resolutions, reports progress, and begs leave to sit again.

IN SESSION

MR. DEPUTY SPEAKER: The Honourable Member for St. Vital.

MR. D. JAMES WALDING (St. Vital): Mr. Speaker, I move, seconded by the Honourable Member for Ste. Rose, that the report of the committee be received.

MOTION presented and carried.

MR. DEPUTY SPEAKER: The Honourable House Leader.

MR. GREEN: I move, Mr. Speaker, seconded by the Honourable Member for Riel, that the House do now adjourn.

MOTION presented and carried, and the House adjourned until 10:00 a. m. tomorrow morning. (Friday)