



**Legislative Assembly of Manitoba**

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**HEARINGS OF THE STANDING COMMITTEE**

**ON**

**ECONOMIC DEVELOPMENT**

**Chairman**

**Harry Shafransky, M.L.A.**

**Constituency of Radisson**



**8:00 p.m., Thursday, May 27, 1976**

THE LEGISLATIVE ASSEMBLY OF MANITOBA  
STANDING COMMITTEE ON ECONOMIC DEVELOPMENT  
8 p.m., Thursday, May 27, 1976

Chairman: Mr. Harry Shafransky

MR. CHAIRMAN: We have a quorum. We can proceed with the Annual Report from the Manitoba Development Corporation. This morning we finished with the last company, the Evergreen Peat and Fertilizer Limited. The next company is the Flyer Industries Limited. Mr. Parsons, do you have any opening remarks?

MR. PARSONS: Thank you, Mr. Chairman. There were two or three questions this morning that I took as notice. I now have answers for them.

How many loans and investments did the MDC make during the current year, 1975-76 and what was the total amount? There were 23 loans, and investments totalling \$11,264,000. I think that was Mr. Axworthy that asked that.

Also, was the \$15,200 wage grant of Alphametrics received from Federal or Provincial Government? The \$15,200 wage grant was a Federal DREE grant. The company also received \$2,400 provincial marketing grant.

Is there a contract with Rand McNally to produce 40 modules and can Rand McNally choose to reduce the number of modules? Yes, there is an agreement to produce the 40 modules. There is no provision in the agreement for Rand McNally to reduce the number of modules.

And the last question just before we broke was from Mr. Spivak. Can you explain the discrepancy in the amounts shown for Flyer Industries on February 28, 1975 and March 31, 1975 schedules and statements. On the February 28th, we showed \$6,800,000 in preferred shares. In February the MDC Board passed a resolution to purchase \$5 million in preferred shares of Flyer and reduce their loan. Also at that time we had to apply for Supplementary Letters Patent to change the share structure of Flyer. The actual share structure of Flyer was not carried through in time for the 31st of March statement, therefore the 5 million applied for shares could not be issued and it reverted back for the March 31, 1975 statement to loan. It was subsequently picked up after that. The actual figure, Mr. Spivak, is February 28, 1975, we showed \$6,800,000. Rightfully that should have been \$1,800,000 until Flyer could actually issue us the shares.

MR. CHAIRMAN: Those are the questions that were asked this morning. Mr. Spivak.

MR. SPIVAK: I'd like to pursue if I could the information and question on this one item before I get into other questions with respect to Flyer, if I may, based on the answer.

MR. CHAIRMAN: Yes. It was agreed this morning that if there were questions pertaining to other of the companies that we reported this morning, we could refer to them. We're trying to establish an orderly fashion. We are now dealing with Flyer Industries Limited for the year ended December 31, 1974. You have a question?

MR. SPIVAK: My questions are on Flyer. As I understand what you're saying is that the discrepancy in the information supplied to the . . .

MR. PARSONS: It's really not a discrepancy, it's a wrong allocation.

MR. SPIVAK: Wrong allocation.

MR. PARSONS: The total funds are correct.

MR. SPIVAK: Do you have the similar statement that was produced last year showing the allocations that were made with respect to equity and loans? Do you have that available to you?

MR. PARSONS: No, I don't.

MR. SPIVAK: Well can I indicate to you that in the form that was presented in March of 1974, two years ago, similar to this one, there are certain features that are a little bit confusing. First, instead of indicating the March 31st period for 1974, you refer to February 28 of 1974. In it you also indicate that there is a share capital of approximately \$4,916,400 to be finalized. In other words in February of 1974 it would appear obvious that the board was considering the same share allocation and at

(MR. SPIVAK cont'd) . . . .the time that the presentation was made in this committee we were presented with a statement of equity position which would indicate that as of February 28, 1974, there was to be approximately \$5 million allocation to share.

We now have a presentation two years after, March 31, 1976, with a similar provision which is not reflected in the financial position, the audited financial position of the Manitoba Development Corporation. I wonder if we can understand what happened through this two-year period from the time that the first share capital of \$5 million was to be finalized and the reasons for it not being determined and for the manner of presentation which I think is rather misleading to the committee, maybe not intentional, but it is misleading to the committee.

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

MR. GREEN: Mr. Chairman, I think it would be unfair to ask Mr. Parsons to comment on a document that was issued on February of 1974 through memory. But the member has a legitimate question and perhaps he can give Mr. Parsons time to go back and detail all the loans and transfers to shares, etc. They are all apparently required to be published in the Manitoba Gazette so they will be on record in the Gazette. If there is a discrepancy on paper we'd have to explain why the discrepancy.

MR. SPIVAK: What Mr. Green is saying is - yes it does have to be published in the Manitoba Gazette, I understand that. But in terms of what is presented to this committee, that is just the information furnished by the MDC.

MR. GREEN: Well I would want Mr. Parsons to clear up the discrepancy as well but he'd have to look back to see what it was and try to find out what happened. What you want is the actual situation.

MR. SPIVAK: I want to ask one other question. You indicated that the board has made a decision to place \$5 million of the loan into preferred shares and Supplementary Letters Patent were required. I assume that a decision by the board had been made on February 28th because the allocation indicates that. Now I wonder if that information was communicated to the Auditor and whether the Provincial Auditor had any knowledge from the Minutes of the Board, which he I assume would examine and if that were the case, I don't know and I haven't checked the statement, is there an indication in the financial statement that the \$5 million was to be converted?

MR. PARSONS: In the MDC statement?

MR. SPIVAK: No, the statement of Flyer. Either the statement of Flyer or in the MDC statement.

MR. PARSONS: It's in the MDC statement. I don't know if it's in the Flyer statement.

MR. SPIVAK: Yes, I should have indicated. In the MDC statement it says the Corporation approved the request of Flyer Industries Limited to convert a substantial portion of its interest-bearing loans to that company to additional equity investment. Then, Mr. Parsons, on that basis again I would want to know why the manner of presentation to the committee here which indicated something that occurred on February 28th that obviously did not occur until after March 31, 1975.

MR. PARSONS: See if you look into the statement of Flyer that you have in front of you on Page 5 in the notes, that explains the capital stock and it also says when they were issued which is August 17, 1975, before the Supplementary Letters Patent came through.

MR. SPIVAK: What note would that be?

MR. PARSONS: It starts on Page 5 of the Flyer Industries statement. Item 10 on the Capital . . .

MR. CHAIRMAN: It's in the blue book.

MR. SPIVAK: Well I know. But it also says that in 1973 the Manitoba Development Corporation advanced \$5 million to the company for the purchase of preference shares. That goes back to the question that in 1974 we received the information that \$5 million was to be allocated and it's not shown on the statement of the Manitoba Development Corporation of March of 1975.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: I want the honourable member to have his answers but I wonder if there is anything more than meets the eye, that moneys were advanced and is shown as

(MR. GREEN cont'd) . . . .share capital or as loan capital, as the case may be, and not properly shown. Other than that, that it's not properly allocated and what you want is Mr. Parsons to indicate why the wrong allocation.

MR. PARSONS: In the Manitoba Development Corporation, March 31, 1974, it shows the 5 million in there under Flyer Industries Limited, Page 18 of the MDC statement.

MR. SPIVAK: On 1973-74?

MR. PARSONS: Yes. Flyer Industries. Two-thirds of the way down the page.

MR. SPIVAK: I'm afraid I haven't got the 1974, I've only got the 1975 which only shows \$1.8 million.

MR. PARSONS: Well, it's in the 1974 statement.

MR. SPIVAK: I know, but that would indicate that there's a variation. I don't have the 1974 in front of me but that's very interesting because that would mean the Provincial Auditor had indicated in one year that there was \$5 million and in the next year there's \$1.8 million. I think that has to be explained. I refer you to Page 10 of the 1975 statement.

MR. PARSONS: Yes. In 1974 - I was reading from the report of the assistance to be granted of the 5 million, not in the Auditor - we show 1.8, 31st of March 1974 and that never went through until the Supplementary Letters Patent, until 1975 which was a year later.

MR. GREEN: These deal with figures. The bottom line of the figures comes out right. There may be or there may not be a discrepancy and it is solely figures. I wonder whether it wouldn't be all right if the officials of the Development Corporation prepare a statement indicating the discrepancy or the lack of discrepancy in figures that has been shown by Mr. Spivak because just talking to the accountant for the Fund, he says the figures add up right. They are shown in different ways in different places and he will be able to give an explanation because one was prepared by one auditor, the other was prepared by another auditor. But they will give the explanation.

MR. PARSONS: In total the dollars are right. The allocation is incorrect. You're right there, in that February 28th.

MR. SPIVAK: But you made one other point that I just want to clarify. You indicated in 1974 this was equity investments and loans authorized but not necessarily issued. That's what you basically say. But in effect this statement also is equity investments and related loans receivable. But in effect the procedures haven't changed. You're realistically presenting it in the same format.

MR. PARSONS: That's right.

MR. SPIVAK: We're really talking about apples and apples, we are not talking about two different things.

MR. PARSONS: They're both the same for the year ending 1974 and the year ending 1975.

MR. SPIVAK: No, they're not, not if you look at the figures, Mr. Parsons.

MR. PARSONS: Are you talking about the share capital? If you look on March, 1975 and March, 1974 of equity investments, in our 1974 statement and 1975 statement for Flyer Industries . . .

MR. SPIVAK: You're talking about your financial statement, not the . . .

MR. PARSONS: I'm talking about the equity investment and related loans. 1975 is on Page 10, and 1974 is on Page 12, and if you look at the equity investment on those preferred shares they're identical.

MR. SPIVAK: But the common shares are not.

MR. PARSONS: No, the common shares weren't.

MR. SPIVAK: The common shares are 4,932 in . . .

MR. PARSONS: Oh yes, that is correct.

MR. SPIVAK: But there has to be an explanation given and I have to say, Mr. Chairman, to the Minister of Mines and Natural Resources, I would think that there is some need for the Provincial Auditor to be present as well.

MR. GREEN: The honourable member can write the Provincial Auditor and ask him the questions.

MR. SPIVAK: I don't think it's necessary to have answers a year from today.

(MR. SPIVAK cont'd) . . . . I think that it's fairly important that we get some accuracy with respect to the information that's been supplied to the committee over the past period of time and the related information that's been brought forward now in a matter of controversy.

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

MR. SPIVAK: Mr. Chairman, I have a number of other questions that are related to Flyer but not related to this item. I'm prepared to accept the fact that there is going to have to be a rationalization or an explanation provided and I am sure that the . . .

MR. CHAIRMAN: Order. Mr. Spivak, it's been agreed that the Auditor will prepare a statement trying to . . .

MR. SPIVAK: The auditor of the MDC? -- (Interjection) -- I'm now saying that I think it's necessary that the Provincial Auditor be present at the committee to be asked certain specific questions.

MR. GREEN: We will give the statement that the auditor prepares to the Provincial Auditor and he will make such comment on it as he thinks he is bound to by his responsibility. We're not calling the Provincial Auditor to this committee.

MR. CHAIRMAN: Is that agreeable? I believe that that is the procedure. You had an opportunity to ask questions under the Public Accounts section. I don't know if this matter comes up but the Provincial Auditor does give an Annual Report dealing with all aspects and you can then direct those specific questions which you feel are necessary to be explained if you think there are some discrepancies. Order please. Mr. Axworthy on a point of order?

MR. AXWORTHY: Yes. I just wanted to raise a point of order. As I understand it the Auditor really is a servant of the Legislature, not of the government, and if this committee was to ask him to appear to provide his explanation then it would be in order for this committee to make that request, would it not?

MR. GREEN: On the point of order. I agree with what the honourable member says, we've been through all this before. We've indicated that our method of presentation will be that the Chairman will answer questions. The Committee could have a vote as to whether they would call the Provincial Auditor in which case I am suggesting to you that we would be opposed to that. The Provincial Auditor comes to his committee, the Chairman of the Board reports to this committee the same as the Hydro Board. We had probably a six-day debate whether we would call additional people from the Hydro Committee. I suppose we could repeat the debate. I thought that the matter had rested there but if we have to repeat that debate we'll repeat it. It is true, he could be called. The honourable member as a member of the Legislature I assume can speak to the Provincial Auditor. The Provincial Auditor makes his report to the Legislature. I am merely saying that as a matter of procedure we are opposed to now having the Provincial Auditor, the manager of the company and other people called before the committee. The Chairman will give his answers; he will try to answer the honourable member's question, if the honourable member has difficulty with it he will then take it up with the Provincial Auditor.

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

MR. SPIVAK: At this point, what we're really talking about is an apparent discrepancy or the need for an explanation of the audited statement of the Provincial Auditor on the Manitoba Development Corporation which is very different than just the information supplied by the Manitoba Development Corporation on these sheets as to what the loan position and equity position is, which still has to be explained.

MR. GREEN: Mr. Chairman, I will ask the Provincial Auditor to furnish the honourable member and committee with a statement with regard to the supposed discrepancy.

MR. SPIVAK: Well, Mr. Chairman, on that basis, I wonder if I can ask Mr. Parsons one other point. Has he received the preliminary report of the Provincial Auditor with respect to Flyer Industries?

MR. CHAIRMAN: Mr. Spivak, the 1974 report from Manitoba Development Corporation. . . provincial auditor as is the 1975 report.

MR. SPIVAK: I'm asking the chairman whether he's received the preliminary report of the Provincial Auditor with respect to Flyer Industries, as chairman of the Manitoba

(MR. SPIVAK cont'd) . . . . Development Corporation. I believe he completed it in January of 1975.

MR. PARSONS: Yes, I've received it. You're referring to a letter?

MR. SPIVAK: I don't know whether it's a letter or a report. The Provincial Auditor indicated it was a preliminary report. It may have. . .

MR. GREEN: Mr. Chairman, the honourable member is referring to the document prepared by the Auditor for the Premier. My recollection is that I sent it on to the Board of Directors of the MDC.

MR. SPIVAK: Mr. Chairman, you've received that and has the board received it and has the board discussed that preliminary report? It may have been in the form of a letter. Have they discussed that?

MR. CHAIRMAN: Which year are you referring to?

MR. SPIVAK: I understand from the Provincial Auditor that a preliminary report was completed in January of this year and was forwarded I assume to the Premier or to the Minister. I now understand it was forwarded to the Chairman of the Board of the Manitoba Development Corporation and possibly its directors. I'm asking the Chairman whether that letter or that report was considered by the Board.

MR. PARSONS: It was not considered by the MDC Board. The Flyer Board did not get a copy of the letter but I gave them the comments and we discussed them.

MR. SPIVAK: Can I ask why the Provincial Auditor's preliminary report would not be considered by the MDC board?

MR. PARSONS: It's a Flyer matter.

MR. SPIVAK: It's a Flyer matter?

MR. PARSONS: Flyer Board of Directors matter, yes.

MR. SPIVAK: May I ask something. As Chairman of the Manitoba Development Corporation at this point can you determine whether there will be new money required or additional moneys required by Flyer Industries in the next period of time?

MR. PARSONS: No.

MR. SPIVAK: No additional moneys will be required?

MR. PARSONS: No, I cannot say that they might or might not.

MR. SPIVAK: In terms of your judgment as a businessman at this particular time, knowing the financial position of the company, can you make a determination whether any additional money is required?

MR. PARSONS: No. That depends on many things. If our receivables are paid promptly and everything flows smoothly we could possibly get by without any more funds. But I can't guarantee that. So they may require more funds.

MR. SPIVAK: As a matter of record, does the board of directors of the Manitoba Development Corporation know that a preliminary report of the Provincial Auditor on Flyer has been forwarded to you and is in your possession?

MR. PARSONS: I don't recall mentioning it to them.

MR. SPIVAK: Do you not think it was incumbent upon you to mention it to them?

MR. PARSONS: To the Board of Directors of MDC? The letter was not sent to me. I got a copy of the report and I reported the contents to the Flyer Board. I did not discuss it with the MDC Board. The Flyer Board dealt with it.

MR. SPIVAK: Can I ask Mr. Parsons how many occasions did the Provincial Auditor undertake in any specific study for the Premier with respect to any loan or any Crown corporation in which the Manitoba Development Corporation has been involved other than CFI?

MR. PARSONS: I don't know. The Provincial Auditor could be doing a lot of investigating when he's doing our books and checking the other statements that I wouldn't necessarily know about.

MR. SPIVAK: But this was a request by the Provincial Auditor to the Premier to be able to in fact make a specific audit or a specific investigation which was granted by the Premier.

MR. PARSONS: Oh, yes, and we co-operated on that particular one. That's the only one I know of.

MR. SPIVAK: But surely if you had been forwarded the results it was incumbent

(MR. SPIVAK cont'd) . . . upon you to indicate that to the Board of Directors before any determination is made of any further advances to be given to the company for any of their requirements.

MR. PARSONS: There's nothing in the report that says it requires any more funds.

MR. GREEN: Mr. Chairman, on a point of order. The honourable member is assuming a great many things of this so-called report. It was a memo from the Auditor to the Premier which I recall - and I believe I'm right - sending a copy of it to the Chairman of the MDC Board. But the member is assuming that the contents of that report would have required great action by the MDC Board Chairman. He can't assume that. He doesn't know what's in the report.

MR. SPIVAK: Mr. Chairman, I tell you what I can . . . The extraordinary action of the Provincial Auditor asking for a special audit and for permission, is in itself an indication of a concern on his part. Whatever the contents of the report, whatever the recommendation may be or whatever analysis may have been made even in a preliminary way - and I understand it was a preliminary report - surely is of importance in any judgment that has to be made. We come down to the very fact, Mr. Chairman, that this committee should have that report. If it's not damaging and the impression that the Minister is trying to give is that it's not damaging, well then produce it. But, Mr. Chairman, I don't know how we can operate in this committee dealing with the affairs of Flyer which have been a subject of controversy, which I suggest have been a subject of inaccuracy in terms of the presentation before this committee in the past. I don't know how we can deal with this without knowing accurately what we have to deal with. It seems to me that it would have been incumbent - and I find it incredible that the Chairman who would have received this information would not have at least communicated it to the members of the Board of Directors of the MDC. But at this time, Mr. Chairman, I wonder whether the Minister is going to be prepared to table that report.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Chairman, the honourable member is putting the commercial firm in the position of subsequently, and on the same grounds, asking for every document that is referred to it by either its consultants or its auditors or anybody else to be tabled before this committee. I can't in any way do more than to suggest that, in my opinion, the Manitoba Development Corporation Board Chairman has dealt with the report as it should be dealt with. He has given it to the Board of Flyer; he has indicated that they have dealt with whatever matters were in it and they have dealt with it in their discretion. Now this I know, and I'm sort of fulfilling my old prophecy, I say that the secret document becomes the publicized one. There is nothing in that document that is not a normal commercial matter to be dealt with by the MDC Board.

My problem in not tabling it is that I do not feel that a commercial firm should have to table such a document. I am now saying that I have no objection whatsoever to the Provincial Auditor, if he feels that that is the kind of matter that should be reported to the Legislature, for him going ahead and reporting it. No objection whatsoever. The Provincial Auditor, in his discretion, decides what he should report to the Legislature. I say that if he wants to report that document to the Legislature, that is within his jurisdiction. For us to do it means to open up the file of Flyer Coach Industries Limited to deal with every contract, to deal with every invoice, to deal with every cost accounting slip for the pursuance of this committee. I indicated to honourable members that I would not regard that as in the commercial interests of this firm, I do not regard it as such. I do not regard the document as damaging. The Provincial Auditor has the discretion, if he wants to, of reporting anything he wants to the Legislature. He is the one who decides whether the Legislature is having something hid from them when he deals with that document.

MR. CHAIRMAN: Mr. Axworthy on the same point of order.

MR. AXWORTHY: Mr. Chairman, if the Minister was raising a point of order, which I believe he was, in suggesting that it is at the discretion of the Auditor to produce the report, is it feasible at the discretion of this committee to request the Auditor to show the report. If he again is a servant of the Legislature and not of the government and if he has a document, I would ask this question of the Minister perhaps to clarify the

(MR. AXWORTHY cont'd) . . . .situation: was this report commissioned by the Board of Flyer Industries? Was it commissioned by the Premier of the Province? Was it initiated by the Auditor on his own account? Because if it was the latter than I think it is a document that should be available to this committee and to the Legislature. If it was specifically commissioned to the Auditor acting in the role of a consultant or an auditor for the government to one of its corporations, then there might be some reasons to the Minister's argument. But if it was initiated by the Auditor on his own account then it would seem to be a document that would properly belong within the public view.

MR. CHAIRMAN: Mr. Green on the same point of order.

MR. GREEN: Mr. Chairman, to answer the question, that becomes a very subtle question. I believe that the process is that the First Minister sends a letter to the Auditor suggesting that he do certain work on a certain company within the MDC. We told the Auditor that since he does the MDC books, if he has any misgivings - and I told him this personally - since he does the MDC books, since he is the auditor for the MDC, he can go and demand that the MDC, one of its accounts, be dealt with by himself and that we had absolutely no objection to this. He then reported and the word is 'report', it's more I think in the nature of a three-page memo in which he advises us to hire management consultants which we had up to our ears. If he knew that he is not going to be qualified to do that type of thing then he doesn't have to report to us that we need management consultants and talk about cost accounting proceedings. Those things have been dealt with by the Flyer Board. I have no objection to the statement being released. I am suggesting to you that the procedures that are followed are that if the Auditor wishes to release it - he has never been told that he can't release something to the members of the Legislature, we cannot tell him that - he can go ahead and release it. I would consider it to be improper for this committee to tell the Auditor that he has to release something.

MR. CHAIRMAN: Order please. We had the Public Accounts Committee meeting on May 25th at which time the members had an opportunity to ask any questions pertaining to this matter. I think we should proceed with the report as it is presented, I feel that all the points of order might be well taken and I feel that they're also not pertinent to the matter before us. If you wish to deal with the matter you can ask, as has been indicated, ask the Provincial Auditor directly, you can write to him and communicate your concerns, he has indicated certain points in his annual report and those questions were possible to be asked at the time when you were dealing with Public Accounts when the Provincial Auditor appeared before committee.

Let us proceed. Mr. Spivak, you're on the list. You can proceed.

MR. SPIVAK: Mr. Chairman, I mentioned that I had a series of questions one of which the Provincial Auditor and I'd like to . . .

MR. CHAIRMAN: Let's proceed with the questions. It's been indicated you can ask any questions relating to that particular report that you're making reference to, you can ask the Provincial Auditor and it has been indicated that that is your way that you can proceed. I think we should deal with the report as it is presented.

MR. SPIVAK: I am dealing with the report, Mr. Chairman. I indicated I had a couple of questions with respect to the . . .

MR. CHAIRMAN: Proceed, Mr. Spivak. On a point of order, Mr. Axworthy.

MR. AXWORTHY: Yes, just to clarify your own remarks and that of the Minister, I gather then that the government has no objection if individual members ask the auditor for the report?

MR. CHAIRMAN: The Provincial Auditor is a servant of the Legislature and there is no restrictions on any member asking him questions.

MR. AXWORTHY: Thank you.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Mr. Parsons, we do not have a financial statement for December 31, 1975 and you indicated that the matter is being attended to now and you are trying to work that out now, but I understand, if I'm correct, that the Provincial Auditor is involved with Price Waterhouse in connection with the work on the financial statements. Is that correct?

MR. PARSONS: No, he's not working with, the Provincial Auditor . . . with Price Waterhouse?



MR. SPIVAK: Yes. In other words, is the Provincial Auditor at this point involved in the preparation of the statements for December 31?

MR. PARSONS: No.

MR. SPIVAK: Not at all?

MR. PARSONS: Well Price Waterhouse are the auditors, he has every right to go and ask them, and he does. He has access to their working papers but there is no provincial auditor working on the Flyer statements.

MR. SPIVAK: With respect to the financial statement to be produced for December 31, 1975, in which you indicated earlier today that there were some problems with respect to inventory which has been responsible for the inability to complete the actual product, I again ask you is the Provincial Auditor or his office involved with Price Waterhouse at all in the completion of the financial statement for 1975.

MR. PARSONS: No. No, they're not.

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

MR. GREEN: No, I would like to ask the honourable member permission to interrupt because I know that sometimes an answer is . . .

MR. CHAIRMAN: Well we do have other people on the list.

MR. GREEN: I know, but I wish to clear up something that occurred before, Mr. Chairman, and I don't like to let things go by which some day a year later has turned up suggested as a misleading answer.

The honourable member asked the Chairman of the Manitoba Development Corporation whether Flyer would need more money, he said that they might. I would like to, just so there is no misunderstanding about it . . . there has been an approval of a line of credit which became necessary when the San Francisco strike started. I do not know whether they have drawn down on that, the line of credit was based on receivables only, 75 percent of receivables, I do not know whether they have drawn down on that or not.

MR. CHAIRMAN: Mr. Green, when you stated San Francisco, is it the Flyer Industry strike . . .?

MR. GREEN: No, I'm talking about the San Francisco strike. This time I had it right, Mr. Chairman, this time I had it right, that the Board of Directors of the MDC did deal with a line of credit. I do not know whether they have drawn down any money on it or not but it was to the extent of 75 percent receivables, it was made necessary when the San Francisco went on strike, we were building buses but they weren't accepting delivery.

MR. PARSONS: Yes, there was, but they have not drawn down any.

MR. GREEN: There has not been drawn down but I don't want it to be misunderstood.

MR. SPIVAK: Is that by MDC or through a bank?

MR. GREEN: No, through ourselves.

MR. PARSONS: No, through MDC.

MR. SPIVAK: Could you give us the approximate amount.

MR. PARSONS: There was \$5 million authorized by the MDC board as bridge financing to cover 75 percent of receivables. As it happened the management of Flyer met with the San Francisco people and they agreed to pay 75 percent of the price of the buses even though they couldn't take them in. So that relieved the MDC from financing at that point. That could happen again though, that's why I say I don't know whether, depending on how the receivables come in, whether we may have to bridge finance.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Mr. Parsons, are you in a position to indicate whether there was a loss for the fiscal year December 31, 1975?

MR. PARSONS: No.

MR. SPIVAK: Not at all?

MR. PARSONS: I'm not in a position to say. The audit isn't completed.

MR. SPIVAK: Well has the board at least arrived at certain decisions which they obviously had to make and are making on a daily basis, or weekly basis, with respect to the operation of Flyer, have they determined whether there is likely to be a loss for the year 1975?

MR. PARSONS: Depends on what reserves the auditors might deem necessary to set up. There were reserves set up the prior year.

MR. SPIVAK: You're talking about the estimated loss reserves, provision for estimated loss? What reserves are you talking about?

MR. PARSONS: Well there was reserves on last year's statement for losses on the San Francisco contract, they were set up in the statement that you have in front of you.

MR. SPIVAK: Yes, that's right. So you're talking about . . . ?

MR. PARSONS: And they will review those to see if they were sufficient. They may deem they were sufficient, they may deem that there will be more set up. That could make the difference between . . .

MR. SPIVAK: So in effect if the provision for estimated losses were \$6 million in the statement for the year 1974, and if in fact they deem it's higher for December of 1975, that would mean that you would have a loss for the year, is that what you're suggesting?

MR. PARSONS: It's quite possible, yes.

MR. SPIVAK: And you have no way of knowing at this time, whether in effect, \$6 million is adequate or not? That can't be just a bookkeeping entry of the auditors, you yourself must have some idea what your costing is. Is the \$6 million figure a reasonable one, or will it be higher?

MR. PARSONS: I think it's a reasonable one, that they will review it and they will make their decision.

MR. SPIVAK: Has the board ever discussed, this year, the provision for estimated loss and has that discussion centred on a figure higher than \$6 million?

MR. PARSONS: The Flyer Board has discussed it. The reserves we used up to the end of November indicated they would be adequate, but there again until they take off these inventory figures, if there's variances in that then there could be variances in what they decided to set in for a reserve. --(Interjection)-- We have reviewed them all on the way through the year, yes.

MR. SPIVAK: Stevenson-Kellogg, were they retained by the Flyer Board, other than in the preliminary report, in the final report on the . . . ?

MR. PARSONS: Stevenson-Kellogg haven't done any work for Flyer for over a year.

MR. SPIVAK: I see. When the Provincial Auditor indicated in January of 1976 that there should be a management company involved, because that I gather was the substance of what he recommended, the suggestion has been that the organization already had taken place and that the government had consultants up to their ears. Can I ask, if he made that recommendation in January of 1976 and it was done as a result of a review in the earlier period following that, which would be in the late fall of 1975, can I ask what indication that there is that his suggestion should not be followed? Why would he feel in 1976 that you require a management consulting firm to assist you in 1976, when in effect Stevenson-Kellogg have not been hired for a year and you're obviously operating without their assistance, and obviously operating internally, what corrections have you made, and why is your judgment such and the board's judgment such that they would reject his recommendation?

MR. PARSONS: I don't think they rejected his recommendation. He was talking about cost accounting. At the time that he was in there we were computerizing it, we knew what our problem was at that particular time, as many firms do when you start to computerize things you can run into problems. We did. We do have Woods Gordon computer consultant in there today, and he was there in March reviewing the program. That there was no use getting him in at the time of the letter because at that point we knew what the problems were, it was too early. The computer system was set up by a local Winnipeg consultant.

MR. SPIVAK: When Stevenson-Kellogg completed the report, what year was that, Mr. Parsons?

MR. PARSONS: The last report we had from them was in the fall of 1974.

MR. SPIVAK: And at that time they indicated what the problem was then, so in effect you realistically knew what the problem was two years ago?

MR. PARSONS: No, we had a management problem then. We have all new management . . .

MR. SPIVAK: No. They indicated that there was cost accounting problems as well, Mr. Parsons.

MR. PARSONS: Yes.

MR. SPIVAK: And as a matter of fact they indicated there was no cost accounting, if I'm correct?

MR. PARSONS: Limited cost accounting.

MR. SPIVAK: Yes, and the Provincial Auditor and the Public Accounts Committee said that it was for all intents and purposes non-existent. And that was of January of 1976. What I'm suggesting is, if the Provincial Auditor in January of 1976 essentially says the same thing that the consultants said in July of 1974, where does the Board feel that there has been the improvement in relation to the operation to be able to know where you're going, and how can you then accurately really suggest that the loss will only be, provision for loss of \$6 million is within the tolerances of what you expect will happen?

MR. PARSONS: When you're talking about cost accounting, we know what all the costs of Flyer are, it's a matter of accurately computing the cost of the bus, which is a little different thing, and that's what they're talking about in there. We know what all the accounts payable are and the cost of running an operation; it's a matter of breaking down the costing and finding out actually what a bus costs us. We have known right along the number of hours it took to produce, we know the bottom part, the part that we didn't know and had inaccuracies in was in the parts we are manufacturing ourselves in our component plant. That is what they are referring to in the cost accounting. The system was functioning to an extent but we couldn't get proper costs. That's why we went to the computerization. We decided that last October. We hired the computer people to put it in. There's a horrendous amount of . . .

MR. SPIVAK: When did you hire the computer people so that . . . ?

MR. PARSONS: November.

MR. SPIVAK: Why would the Provincial Auditor say that you need a management consultant in January of 1976?

MR. PARSONS: I didn't know that he did.

MR. SPIVAK: Well, my understanding is that's the recommendation.

MR. PARSONS: Management Consultant. This firm that we hired to do the computer maybe aren't considered management consultants but they were certainly outside of our organization.

MR. SPIVAK: Did you read the Provincial Auditor's memo before?

MR. PARSONS: Yes.

MR. SPIVAK: And you're not aware that he suggested a management consultant firm?

MR. PARSONS: Yes, it depends on . . .

MR. SPIVAK: . . . said he mentioned Stothert Engineering, if I'm correct?

MR. PARSONS: Yes, he did.

MR. SPIVAK: Or a firm like Stothert Engineering?

MR. PARSONS: Uh huh.

MR. SPIVAK: And the Board rejected that?

MR. PARSONS: Yes.

MR. SPIVAK: Well, do you have a private discussion with the Provincial Auditor as to why that recommendation would come after you and the board had obviously hired a computer specialist and were now in the process of trying to correct what you thought were the errors and had the management problem more or less, not completely licked but at least under control?

MR. PARSONS: Did I have a discussion with the Provincial Auditor? No.

MR. SPIVAK: Mr. Chairman, we can continue on with the questioning, I really don't see there's very much point, for this reason. The information given by the chairman is given to the best of his ability, and the best of his knowledge, but the difficulty we have at this point is that the facts indicate something very different and the only evidence we have that there is a question to be raised of both the judgment and the accuracy of the information being presented is the reference to the provincial auditor, we can continue on and on and on but we're not going to get anywhere. This is the difficulty we have, because what's involved here is the question of whether additional

(MR. SPIVAK cont'd) . . . . public moneys are going to have to be invested to fulfil contracts that were made some time ago, in which there may have been errors in judgment, in which there may have been both waste and mismanagement, and the continuation of the operation which is also another important factor will depend really whether the company itself becomes organized to a point where it can operate effectively. And at this point I would have to say that Mr. Parsons' information, so far, you know, just questions whether that reorganization and that capacity is going to develop. We can ask other questions, and I'm sure the members opposite will, and I'll have other questions to ask, but I just don't know how, in the face of the Provincial Auditor's recommendation - it doesn't follow that whatever he says has to be followed, and I accept that, but it does, I think, signal that the information that has been given here is rather dubious because of the fact that surely in January of 1976 if he suggested there should be a management consultant hired and in effect he indicates there was no cost accounting, surely he would have indicated it in his memo, and surely that would have been indicated to us, that in effect a problem having been determined and recognized at least appears to be correction of mismanagement.

MR. PARSONS: All right, let me carry on. You mentioned that he mentioned a management consultant. He was talking about the ongoing operation of Flyer, we agree and the Flyer board have already commissioned Woods Gordon to do a report on Flyer as an ongoing operation. That's not the same thing . . . they're not doing management consultant work, they are doing a market survey to look for other products for Flyer to manufacture.

MR. SPIVAK: Other than buses?

MR. PARSONS: Yes.

MR. SPIVAK: Well, we've had Stevenson-Kellogg who completed a report with respect to the bus operation, are you now suggesting that we have another report that's going to be undertaken to determine whether there are other products to be built? May I ask, is it because we can't compete in the bus line?

MR. PARSONS: In the Canadian bus operation we don't see that there will probably be more than 200 to 250 buses available to Flyer, out of the Canadian market.

MR. SPIVAK: It's very different than your information in the last few years, Mr. Parsons.

MR. PARSONS: No, we've always said that we would have 200 to 250 buses from the Canadian market.

MR. SPIVAK: No, but in terms of the prospects over the years when the questions were asked about our ability to be able to compete and be able to make a sustaining business the indications were that the volume of business would be sufficient to be able to justify it.

MR. PARSONS: If we can get 500 buses a year it could possibly be, but we can work on 250 from the Canadian market, we don't know whether we should enter the U.S. market and compete with diesel buses. Certainly with the trolley buses there's no one else, we've got that market.

MR. SPIVAK: Isn't it because there is really a new generation of buses being developed?

MR. PARSONS: Well that doesn't increase the demand.

MR. SPIVAK: No, I know, but it makes the competition more severe particularly if your research and development is not up to date with what other companies are offering, and isn't this a basic problem that the company always faces?

MR. PARSONS: Certainly it could be a problem down the line.

MR. SPIVAK: Well last year I asked you that question and you sort of indicated that you didn't think it was going to be a problem.

MR. PARSONS: Well by 1979-1980 it could be. I don't know, do you know when the new G.M. buses are coming out?

MR. SPIVAK: No, but I think I asked you the question as to whether in fact they were in the process of being developed and created and . . .

MR. PARSONS: They've been developing . . .

MR. SPIVAK: But I think in terms of the industry almost every 20 years there is a new bus development and it could have been forecast very easily that the new

(MR. SPIVAK cont'd) . . . . generation of buses were going to develop and that unless Flyer was involved in the research and development they wouldn't be able to compete and that in turn the viability of the operation was in question, right at the very beginning, notwithstanding the fact that there was difficulty in filling the orders and notwithstanding the fact that there may not have been proper cost accounting on the orders that were delivered. And the problem we have, you know, if we were meeting as a private corporation and you were the chairman of the corporation, and I was asking questions as a shareholder, I would then simply recognize that I'd better walk home and that my investment is lost. But you know we're not talking that way, we're talking on behalf of the public and the difficulty here is that the public will have to continue to put in until we have all the buses delivered and then after that's delivered if nothing else happens then we'll just have to drop it and it will be another Saunders. That's really what I think we're looking at.

MR. PARSONS: Well that's why we've hired Woods Gordon, as I told you, to look into both . . .

MR. SPIVAK: Mr. Parsons, you realize in a couple of years what has happened, you've come full circle to telling us now that we've got to look for something else and . . .

MR. PARSONS: I haven't come full circle.

MR. SPIVAK: Well, . . .

MR. CHAIRMAN: Mr. Spivak, there seems to be a disagreement on a point of view, I think we should proceed directly with the questions relating to the Annual Statement. Do you have any further questions, Mr. Spivak?

MR. SPIVAK: I will later on, Mr. Chairman.

MR. CHAIRMAN: Mr. Axworthy.

MR. AXWORTHY: Mr. Chairman, I just have some questions for Mr. Parsons on the report itself. The report suggests that as of December 1974 the liabilities came to about 19.2 million, is that right? That there is an item there which says "Contingent liabilities", and I wonder if you'd be able to elaborate on each of those, on note 9 in the report, where there is a number of so-called contingent liabilities, to determine whether in 1975 you've had to realize those liabilities. For example, under note 9 it says the Government of Canada grants may be refundable when the grant conditions are not fulfilled by the company. Is there any grants refundable?

MR. PARSONS: No, that's under the DREE Grant.

MR. AXWORTHY: So that they have not refunded any grants?

MR. PARSONS: No.

MR. AXWORTHY: All right. Point B says that there is to be penalty charges to a maximum of 3.6 million for late delivery. To what degree has that become a liability?

MR. PARSONS: Basically the San Francisco order is very close to being on time.

MR. AXWORTHY: Can you indicate, that in 1975 did you pay, under that particular item, any . . . ?

MR. PARSONS: No, we didn't pay anything under that. We haven't paid anything under any liabilities.

MR. AXWORTHY: There is an item here, contained in both reports, which says that the Province of Manitoba itself has directly provided indemnities for performance on bid bonds totalling \$14 million for San Francisco Bus and Calgary and Dayton bus orders.

MR. PARSONS: And B.C. Is British Columbia not there?

MR. AXWORTHY: British Columbia is not included in that. Can you explain what that \$14 million . . . has that been drawn down or is it . . . ?

MR. PARSONS: No, it's a contingency still, if we didn't deliver they could draw it out against the bonds.

MR. AXWORTHY: Why would the Province of Manitoba be providing that particular form of money?

MR. PARSONS: Flyer Industries were not in a financial position the bonding companies would go them alone without some provincial guarantee.

MR. AXWORTHY: So this in effect is just a provincial guarantee, it's not an actual cash outlay of any kind?

MR. PARSONS: No.

MR. AXWORTHY: You don't expect that you're going to have to make good any of those indemnities, is that right?

MR. PARSONS: No, most of them are . . . as I said, the deliveries are coming along on time, within a few days. There's been no mention from San Francisco . . . well we were ahead of them.

MR. AXWORTHY: So you're ahead of the orders in San Francisco, what about the Boston order?

MR. PARSONS: Boston we're delivering right now, we're on time.

MR. AXWORTHY: And the Calgary order?

MR. PARSONS: Calgary order was completed so that's probably out now.

MR. AXWORTHY: That's gone. And the Dayton bus order?

MR. PARSONS: Dayton isn't starting delivery until late this fall.

MR. AXWORTHY: What about the Washington, D.C. bus order that Flyer had, what happened with that?

MR. PARSONS: That's all settled. Actually Flyer did not have that, it's American General, and we were supplying shells for that.

MR. AXWORTHY: You were a sub-contractor to that were you?

MR. PARSONS: Yes, we completed our sub-contract and that's all settled.

MR. AXWORTHY: Was there any loss occasioned on the supply of that contract?

MR. PARSONS: Yes, it's very little if there was any.

MR. AXWORTHY: Mr. Parsons, can you tell us what number of units are presently contracted for that remain to be delivered?

MR. PARSONS: I'd have to work that out. I was going to comment, we've delivered from the first of January this year until the end of this week we will have delivered 200 buses, we are producing and have been producing at two a day.

MR. AXWORTHY: Now, you've delivered 200 buses but you don't know how many you have remaining to deliver?

MR. PARSONS: I'll work it out and answer . . .

MR. AXWORTHY: Let me put the question another way. How much time is left before the present contracts that Flyer have are completed, what's the scheduled completion date for these contracts?

MR. PARSONS: May '77.

MR. AXWORTHY: So that in about a year's time . . .

MR. PARSONS: April or May '77.

MR. AXWORTHY: All right. Could you indicate does Flyer have any further contracts for any new work commissions . . .

MR. PARSONS: No, we haven't bid any work for the last eight months.

MR. AXWORTHY: So you've taken no new contracts.

MR. PARSONS: No.

MR. AXWORTHY: Perhaps, Mr. Parsons, you could explain to me, I don't know much about the bus business but does the fact that you don't have any contracts that would extend beyond May of 1977 foresee any problems in terms of start-up time or retooling time in terms of getting a different assembly going? In other words, what happens to the company after May 1977?

MR. PARSONS: Well we anticipate that we'll be able to get more Canadian buses.

MR. AXWORTHY: Can you give us what the grounds for that anticipation are . . . ?

MR. PARSONS: Well historically there's between 700 and 900 Canadian buses sold per year, we think we can get 200 or 250 of that market.

MR. AXWORTHY: Are you in negotiation with any city transit systems at this point for such contract?

MR. PARSONS: Basically they come out in bids. Yes, there's people talking about - they have tenders.

MR. AXWORTHY: Has Flyer Industries put in any tenders for any new contracts?

MR. PARSONS: Yes we did in Regina. G.M. were \$20,000 underneath us. \$2,000 per bus underneath us.

MR. AXWORTHY: \$2,000 per bus under us. So that's about the only tender that you've entered into.

MR. PARSONS: Yes. There were quite a number of tenders withdrawn this year. B.C., for instance, withdrew their complete tender.

MR. AXWORTHY: Mr. Chairman, the question I'd really like to get from

(MR. AXWORTHY cont'd) . . . . Mr. Parsons is trying to deal with the future a little bit, and that is, going back to the question that Mr. Spivak raised, and that is what happens to the company, how many buses do you have to produce in a year in order to provide for some balance in your operating costs?

MR. PARSONS: As I stated before, in the area of 500.

MR. AXWORTHY: And yet you said that the most we can expect from the Canadian market is 300, at most.

MR. PARSONS: At most, that would be exceptional.

MR. AXWORTHY: So in a sense we are looking at a deficit of - 200 buses would amount up to in a way of deficit.

MR. PARSONS: Our Flyer Board has been quite concerned about this and has been looking for other products, or entry into another market and we have been looking at it and this is why we have hired Woods Gordon to look at that part of the market survey and products survey.

MR. AXWORTHY: Well, Mr. Chairman, the thing I'm a little concerned about, and again I say I don't know much about the bus business, but you have a consulting firm looking at potential markets, but is Flyer itself developing any products for those markets, is it doing any research or development or demonstration that would provide for a market product that would be able to start picking up that slack starting in 1977. In terms of a lead time of a year it's not much time to get a new product is it?

MR. PARSONS: No, we've been looking at it for six months. We haven't come up with anything.

MR. AXWORTHY: So there's nothing really on the horizon that would provide for an alternative income?

MR. PARSONS: That's correct.

MR. AXWORTHY: Mr. Chairman, the question that has been raised is then, what are we talking about, if we're talking about a shortfall of about 200 - 250 units . . . ?

MR. PARSONS: Well we're looking for something else to fill up that shortfall.

MR. AXWORTHY: Let's try to pin it down now. The anticipation is at this stage pretty nebulous because we don't know what the market is and we don't have a product to fit that market and we've got a year's time in which to fit those pieces together. So we're probably looking in the beginning of 1977 with a shortfall of production of some 200 - 250 units. What does it amount to in dollar terms at that point, in terms of deficits for the company?

MR. PARSONS: Probably two or three million dollars. That's just a guess. We have to cut back the operation of course, if we're only going to produce 250 we would not need the staff that we have today, nor the overhead, but there are certain fixed overheads which you're not going to get rid of . . . then a rough figure, that would probably come in that area.

MR. AXWORTHY: So, Mr. Chairman, what we're really talking about then is that we're not looking at a picture that we can read with some optimism in terms of either breaking even or even being able to write down some of the liabilities that have already been incurred but we're probably looking at a continuation of deficits.

MR. CHAIRMAN: Mr. Axworthy, you're being hypothetical. I think we're dealing with the annual report. Can we deal with the questions which are current and not what there's going to be.

MR. SPIVAK: A point of order, Mr. Chairman.

MR. CHAIRMAN: Mr. Spivak, I am speaking at this particular time and I don't accept any points of order, I'm just trying to conduct this meeting in orderly fashion. We're dealing with a matter which is hypothetical. I think we should relate to the annual report. Mr. Axworthy.

MR. SPIVAK: Point of order, Mr. Chairman.

MR. CHAIRMAN: On a point of order, Mr. Spivak.

MR. SPIVAK: We have always dealt in this committee with future forecasts of the company, the Chairman may or may not want to give information but I think with reference to the line of questioning Mr. Axworthy is mentioning, the very basic question is whether the company will be in existence within a year or two. I think we have to

(MR. SPIVAK cont'd) . . . . know that we at least have to have some kind of determination and I think that the questions that Mr. Axworthy is asking are very germane and hypothetical, but I don't think the question of the company's existence is hypothetical.

MR. CHAIRMAN: We shall proceed with the questions. Mr. Axworthy, do you have any further questions?

MR. AXWORTHY: Yes, Mr. Chairman, it does relate to the basis of the report because I believe that the responsibility of this committee is to make some assessment of the operation of the company and to determine if we can learn from past mistakes where we have gone year to year putting money into companies that eventually have to be foreclosed, whether we can start saving some money now by really you know being realistic at this stage and saying, are we simply getting into one of these ever-deepening, widening pools to which we pour down public money or should we just cut our losses at some stage and has the . . . the question I was going to ask is, has the Board of Flyer Industries or the MDC Board or the government, whichever stage along the discussion it goes, looked at the possibility or necessity to begin to take action to foreclose on Flyer at this stage based upon its forecast of market and expectation of income?

MR. PARSONS: No, we have certainly not looked at to foreclose but we are looking for other products and eventually if there is no other products and it is not viable then that decision might have to be looked at.

MR. AXWORTHY: Well, Mr. Chairman, to go back to the sorry experience we went through with Saunders where we . . . and it may be again I feel like we are repeating history in many ways, but is there some timetable by which the Board of Flyer or MDC would establish as a time when it would take that consideration into account. Now you say we're looking for new products, but I'm saying that you've got a year between now and when all your, basically your contracts, existing ones are fulfilled, at what stage have you set a target for yourself by which at that time re-examination would take place, or is there a target in mind?

MR. PARSONS: Well we're doing it as quickly as possible. We've been looking at and discussing these things, I say we have consultants and now we hope to have their report as quickly as possible . . . Depending on when it has it, will depend on how the Board of Directors move.

MR. AXWORTHY: If I can just interrupt. When you say the consultants are looking at new markets, are they related markets in the transportation field or are we going to be going out building mobile bathrooms or something. What sort of reference do the Consultants have?

MR. PARSONS: We've asked them to do both, both to look at the possibility of us selling in the U.S. market which is the only one probably we could do, plus looking for other products that we could put in the plant to produce.

MR. AXWORTHY: Mr. Parsons, you mentioned, you said that you had an exclusive monopoly on the building of trolleys, for example.

MR. PARSONS: I said we were the only ones at present in North America building.

MR. AXWORTHY: Doing it. Now it's my understanding in the Urban Transportation field that the development of White Rapid Transit Systems which are a variation of trolley is the growth industry. Are we developing any proposals or projects in this area?

MR. PARSONS: No. There has been a lot. Flexible Car did a lot in that field. They lost their shirt, if you read the report, and they are now trying to sell the bus business, --(Interjection)--

MR. AXWORTHY: That's probably why they got out sooner than later.

MR. PARSONS: There's a tremendous amount of funding required to do that type of research.

MR. AXWORTHY: So we're not looking into the L.R.T. systems or any of these other forms of urban transit systems at this stage?

MR. PARSONS: Not that type, no. No, we're not looking at that . . .

MR. AXWORTHY: Okay. Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Yes, thank you, Mr. Chairman, through you to Mr. Parsons. I wonder, Mr. Parsons, if you could advise us who is determining the policy in providing



(MR. MINAKER cont'd) . . . . guidance for Flyer Industries now. I'm not being facetious but last year during our questioning of you at a similar meeting you were going through a transition period where you were looking for new management and I believe you had hired a new President and so forth. Who now is determining the policy and in particular deciding when they bid on a bus contract and in the overall operation of the company?

MR. PARSONS: The board of directors.

MR. MINAKER: When does MDC become involved?

MR. CHAIRMAN: Mr. Minaker, I believe Mr. Parsons had an answer to your questions, and if you would allow him to answer it?

MR. PARSONS: The Board of Directors make the final decision, the management brings forth the bids to us to review, we go over the various bids, and there hasn't been that many; but that would be the procedure.

MR. MINAKER: The Board of Directors of MDC or the board of . . . ?

MR. PARSONS: No, the Board of Directors of Flyer.

MR. MINAKER: They bring forth any additional loan requirements to the MDC directorship?

MR. PARSONS: Yes.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: I wonder if the honourable members would permit me because it might be useful to indicate that the Board of Directors of MDC consist of eleven people, I think.

MR. PARSONS: 12 directors.

MR. GREEN: Twelve. That the Board of Directors of Flyer consists of seven.

MR. PARSONS: Yes.

MR. GREEN: And the seven Flyer board of directors people are all members of the board of directors of the MDC?

MR. PARSONS: No.

MR. GREEN: One.

MR. PARSONS: Yes.

MR. GREEN: So half of the members of the MDC board are on the Flyer board. I say that because there was some problem before about where letters were reported to. When you are talking to the Flyer Board you are talking to half the MDC board.

MR. MINAKER: Mr. Chairman, if I understand the Honourable Minister correctly, that six out of the eleven members of the MDC board are members of the Flyer Industries Board?

MR. PARSONS: Yes, as a matter of fact they're listed.

MR. MINAKER: They have the controlling vote. Their decision is pretty well standing if they're unanimous at their local Flyer Industry board meeting.

Mr. Chairman, through you to Mr. Parsons, I wonder if Mr. Parsons could advise, in answers to Mr. Axworthy, he indicated that the Boston order I think has been completed . . .

MR. PARSONS: No, I said . . .

MR. MINAKER: That it's on schedule . . . ?

MR. PARSONS: Yes.

MR. MINAKER: And the San Francisco orders were pretty well on schedule.

MR. PARSONS: Yes.

MR. MINAKER: The Dayton order had been completed, was it?

MR. PARSONS: No, the Dayton order hasn't been started yet.

MR. MINAKER: Hasn't been started. And the Calgary order has been completed.

MR. PARSONS: Yes.

MR. MINAKER: I wonder, in Washington . . . ?

MR. PARSONS: Pardon me, the Calgary order hasn't been completed, still ten buses to be . . .

MR. MINAKER: I wonder, Mr. Chairman, if Mr. Parsons could advise when the Boston order was ordered, what date did you receive that order, what date you received the San Francisco order, the Dayton order and the Calgary order?

MR. PARSONS: I'll have to take those as notice. I don't have those dates.

MR. MINAKER: Well I don't want exact dates; was it in 1973, '74, '75?

MR. PARSONS: Yes, the San Francisco was in the spring of '74, the Boston one was September or October '74, what was the other one? Dayton I think it was in the fall of '74 as well.

MR. CHAIRMAN: Mr. Minaker, I wonder if the Chairman indicated that he would provide that type of information, that he doesn't have it available right now but he could provide the information to me and I would distribute it to the members.

MR. MINAKER: I appreciate that, Mr. Chairman, I thank you for your advice. I wonder, Mr. Chairman, if Mr. Parsons could advise when he anticipates the delivery of the 28 buses for the City of Winnipeg that was ordered in 1974.

MR. PARSONS: We haven't got those scheduled in this year. Those are a different size bus, they're 9635s and . . .

MR. MINAKER: I believe they're 43 passenger.

MR. PARSONS: Yes, they're small buses.

MR. MINAKER: So that the City of Winnipeg cannot anticipate delivery this year?

MR. PARSONS: I wouldn't say so, no.

MR. MINAKER: So that the 1974 order from the City of Winnipeg is not expected before 1977?

MR. PARSONS: Not of that size bus, no.

MR. MINAKER: Is there any reason why a local city is not given any priority?

MR. PARSONS: These are a different size bus, that's the reason they weren't delivered. We have been building the larger buses right through on our production line. Until we get a production run going on the 9635s then they won't be delivered.

MR. MINAKER: When the City of Winnipeg issued the order to Flyer Industries was there any delivery commitment given by Flyer?

MR. PARSONS: Oh, I imagine there was. I don't know what day it was though.

MR. MINAKER: Was it three years delivery?

MR. PARSONS: No, I doubt if it would be that long.

MR. MINAKER: I wonder, Mr. Chairman, through you to Mr. Parsons, why when I raised the question last year with regard to the delivery of the Winnipeg buses that there was an indication at that time that the bus order would be completed June or July of last year. Why the difference in deliveries now of almost two years?

MR. PARSONS: Were you talking about the same type of bus? There was two orders.

MR. MINAKER: Well, on April 17, 1975 . . .

MR. CHAIRMAN: Mr. Minaker, the Chairman is attempting to answer. He indicated there were two orders, he is attempting to answer the question.

MR. MINAKER: Well he raised the question to me, Mr. Chairman, at least I believe he said were we talking about the same orders and I was going to explain when I raised the question, but I'll wait until the Chairman is finished.

MR. PARSONS: Well go ahead.

MR. MINAKER: I said when can we expect that the City of Winnipeg orders, plural, will be delivered, or are they partially delivered at this time, and Mr. Parsons answered, no, I don't have that schedule, I could get it for you. So I was very clearly indicated that there was orders and I believe there's only been two orders of recent date, 1973 to 1975, and on Thursday May 8th of 1975 Mr. Parsons answered, "There were several questions on Flyer Industries, Mr. Minaker has questioned the delivery scheduled for the Winnipeg order of buses. Production on these units is now commencing and it is expected that delivery will take place through May and June to be completed by July." I wonder why now we're expecting a delay of some two years.

MR. PARSONS: Yes, that information was given to me by Flyer and obviously we were talking about the large buses because they didn't have the 9635s in the line. I will accept that maybe I was in error when I read that out to you but it was obviously the large buses.

MR. MINAKER: Mr. Chairman, through you to Mr. Parsons. Of 1974 sales of buses, of some 5.34 million, could the Chairman advise me how many buses those would involve? From December 31, 1973 to December 31, 1974, how many buses were manufactured by Flyer?

MR. PARSONS: I'll have to get the figure. I don't have it. You're asking how

(MR. PARSONS cont'd) . . . many buses the sale of 5,340,000 represents, how many buses were produced and sold?

MR. MINAKER: Right. Mr. Chairman, then I would ask through you to Mr. Parsons, could Mr. Parsons advise of the sales of 5.3 million the actual costs were 14.3, that represents about 37 percent of the actual costs. At the time when I raised the question last year about the cost accounting you indicated that the company was having a "learning curve" problem, I think, of getting set up and so on. Can the Chairman advise whether the efficiency of production has increased and to what level at this point of time? I think at that time you were aiming for less than 1,200 hours per bus.

MR. PARSONS: Our bus hours on the San Francisco order for last month were 1,136 hours per bus, and the Boston order, the buses are coming out at about 1,260. That was the last month. They have been coming up.

MR. MINAKER: I wonder then, Mr. Chairman, you indicated earlier that there was some \$5 million set aside for bridge financing because of concern of the San Francisco strike. Can the Chairman advise if in the up-to-date figure for Flyer, whether that \$5 million is included in that 30.8 million outstanding? I understood him that it hadn't been used even though it was set up for application.

MR. PARSONS: It hasn't been used, no.

MR. MINAKER: So the \$5 million would not be included in that figure?

MR. PARSONS: No.

MR. MINAKER: Then I wonder if, Mr. Chairman, Mr. Parsons could advise why on April 17, 1975, on Page 69 of the Economic Development Committee Report, that I raised the question to Mr. Parsons and I asked him with regard to the cash flow or capital required in order to keep up your accounts payable, what kind of dollars are we looking at for the company, and I asked if you had a ball park figure, and Mr. Parsons replied, "We may have to go another million to carry us through the inventory build-up." Prior to that he indicated, "On your information sheet it shows 23.5," which I would presume meant 23.5 million, "we don't anticipate at this point too much more." And further he said, "We would have to go to maybe another million dollars to carry us through this inventory build-up."

Can I ask through you, Mr. Chairman, why we are now looking at a \$7.3 million additional capital or loan outlay to the company after a reply like that from Mr. Parsons - if the \$5 million for bridge financing is not included in the 30.8 million?

MR. PARSONS: Were you asking me if . . . Pardon me, will you redirect that question? I'm sorry.

MR. MINAKER: It's too bad we have two Chairmen here. I think maybe I should have said Mr. Parsons. If I understood Mr. Parsons' answer last April, he indicated that they were looking at some maybe \$1 million more to carry them through to the cash flow operation of the company, which would make some \$24-1/2 million. We are now looking at \$30.8 million. Why the difference?

MR. PARSONS: The biggest difference was we didn't get production going. If you remember, we just came off the strike at that time, we thought when we got back we would go a lot smoother than we did. Actually we didn't, it took us until late fall before we got up to two buses a day. We had anticipated we could do it much faster. When we came off the strike at that time we did not get our staff back, a goodly portion of them, and we went through a staff build-up for four or five months. A good number of the people that went on strike did not come back, which is something we hadn't anticipated.

MR. MINAKER: Mr. Chairman, through you to Mr. Parsons. Last year Mr. Parsons indicated that in the initial stages of Flyer Industry that the cost accounting wasn't too accurate and that there was a policy to go out and get the orders, to get established in the business, and not being fully aware of what the cost of production might be and it's obvious that the consequences are before us with regards to the sales and cost of sales where it looks like we are producing buses and selling them for 37 percent of our costs, and I wonder if Mr. Parsons can advise us what is the new policy on pricing and bidding of these new contracts they're going out after.

MR. PARSONS: We are not going out after them until we know what they cost, and we are trying to establish that. You're thinking of a figure of \$14 million. There's

(MR. PARSONS cont'd) . . . . a \$6 million advance reserve in that figure, which is . . . in that \$14.3 million you're taking 5.3 as 37 percent. It really should be 8.3 because there's \$6 million on incompleated contracts, which is really a reserve that's set up for future losses.

MR. MINAKER: Then, Mr. Chairman, could I ask Mr. Parsons, in actual fact that estimated losses could be higher than six million?

MR. PARSONS: No, I'm saying they're six million of 14.3.

MR. MINAKER: Well, I'm asking, through you Mr. Chairman to Mr. Parsons, it's an estimated loss of 6,000 on incomplete contracts, could that . . .

MR. PARSONS: Six million.

MR. MINAKER: . . . be higher?

MR. PARSONS: It could be, they're assessing it right now, the auditors are looking at that. At the time they set this up they thought that was adequate.

MR. MINAKER: Then can I ask, through you, Mr. Chairman, to Mr. Parsons, will the sales figure of 5.34 million increase? Are you going to get any more for those buses.

MR. PARSONS: We're getting more for the buses now than we got in 1974.

MR. MINAKER: No, I'm saying of the actual sales at that date, have you got an escalating clause in those contracts for those sales?

MR. PARSONS: No.

MR. MINAKER: So that figure will sit at 5.34 million?

MR. PARSONS: No, that was for the year ended 31st of December, 1974, our 31st December 1975, will be different. And as I say, in 1976 we've shipped 200 buses already this year, so the sales figure will be higher.

MR. MINAKER: Mr. Chairman, not being a chartered accountant, not knowing all the facts I would presume that the estimated loss, are those accounts payable that are incurred during that period of time, and that's why you've put it in there?

MR. PARSONS: No. They are anticipated loss on future contracts.

MR. MINAKER: Then I would ask, through you, Mr. Chairman, to Mr. Parsons, for the year ending 1974 what were your accounts receivables for that period of time and what were your operating costs.

MR. PARSONS: Accounts receivable. Well our receipts for the year were, our sales were 5.3 million and our costs for that period were 8.3 million, and there's 6 million added in for provision for losses on contracts that were on hand and not produced.

MR. MINAKER: So the overall loss for the year was something like 3.3 million?

MR. PARSONS: No, where did you get the 3.3 from? I'm sorry I didn't follow what you were . . .

MR. MINAKER: Mr. Chairman, I'm trying to find out what the actual loss on sales were for that year.

MR. PARSONS: All right. There's \$6 million provided in that 14 million; there's 3.3 which is Provision for unrecoverables and general, administrative expenses, if you look at Note 5. If you add those two together, gives you 9.3; if you took the 9.3 off the 15.1 you would get the actual loss for that year.

MR. MINAKER: About 5.8 million in sales, in a sales of 5.3 million?

MR. PARSONS: Yes.

MR. MINAKER: I would ask through you, Mr. Chairman, to Mr. Parsons, that one of the guidelines that the government uses, particularly in the Northern Affairs Department with regards to industries located in remote locations, they look at the socio-economic benefits of the particular facility in operation and decide whether in fact it is worthwhile keeping the operation open. Has that guideline been considered or looked at with regards to Flyer Industries?

MR. PARSONS: No.

MR. MINAKER: I wonder if Mr. Parsons can advise us, in 1974, I think he indicated there was something like 316 employees that were employed by Flyer Industries, and then later on in the year I think he indicated there was something like 350, I'm not too sure what exactly the figure was, but when one looks at the loss for the year in the book here of 15 million, that you're talking somewhere in the neighbourhood of a loss of \$48,000 per employee, and I wondered if this had ever been discussed with the Board or with the government, the fact that the loss is so high on a per employee basis.

MR. PARSONS: No.

MR. MINAKER: Mr. Chairman, I haven't any further questions at this time.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Mr. Parsons, if you want to, and you can use the expression of the Minister of Mines and Natural Resources, and he used it a couple of times today, we go to the bottom line and you fulfil your contracts and wind up the company, will our loss be 50 or 70 million dollars?

MR. PARSONS: Will the loss be . . .

MR. SPIVAK: Fifty or 70 million dollars?

MR. PARSONS: I have no idea. -- (Interjection) --

MR. SPIVAK: You mean \$20 million? -- (Interjection) -- I see, \$30 million invested at this point.

MR. GREEN: And a \$20 million deficit.

MR. SPIVAK: Yes, I know, I see \$30 million investment. I again say to you, if we fulfil the contract and we then say . . . No, let me . . .

MR. GREEN: Mr. Chairman, on a point of order. The honourable member can ask questions about the company, can ask questions about the operations, he's now making a prediction which everybody has the same figures. The 1975 statement shows an accumulated deficit of \$20 million, which means of the 30 million that is invested, as I understand it, 20 million is lost, and \$10 million is represented in assets or receivables. If one stops business on that day, one would liquidate, they would have a \$20 million loss, and if they could collect the 10 million - they would have a \$20 million loss plus any shortfall on the \$10 million in assets that they could not sell for \$10 million. Now that is what the present statement shows. So, when the honourable member makes statements of 50 to 70 million dollars on the basis of a projection, he can make that as a prediction but that is not what is shown by the current financial statement.

MR. SPIVAK: Oh. The current financial statement is December 31, 1974, not December 31, 1975 . . .

MR. GREEN: That is right.

MR. SPIVAK: Needs a correction to this.

MR. GREEN: I'm sorry. I'm talking about the current statement.

MR. SPIVAK: The current statement is for the year 1974, we are now in 1976, we can't get a financial statement because there's a question of inventory, and I'm saying to you at this point, you know realistically, one has to listen to the representations here today and be depressed, frankly, about the prospects of the company and what's happened in the past, and I say, very directly to you now, I'm saying that with all that has been provided in terms of new information today, recognizing that there is an obligation to fulfil the contracts, both on the part of the company and because there are guarantees and penalty clauses that have been guaranteed, and therefore the contracts have to be completed, if they are completed, Mr. Parsons, and the company at that point simply stops doing business, what will the people of Manitoba have had to put in and have had to lose, and is the figure that I'm suggesting so ridiculous.

MR. PARSONS: It sounds quite high. I don't know what you'd sell it for in liquidation. The loss is shown here as 20 million; as I indicated before, there could be further loss this year. I can't tell you now whether we're going to lose money by 31 December, 1976.

MR. SPIVAK: Mr. Parsons, do you recall that in 1974 I predicted that the losses for the year would be \$7 million; you came back in rebuttal and said it would not exceed \$3 million, and we're both wrong.

MR. PARSONS: Yes, we were . . .

MR. SPIVAK: . . . wrong, substantially higher. Now, again, I'm saying here, without at this point having any information on 1975 except that we can't get a statement, and recognizing that there have been cost escalations that have happened to anyone who has contracted for anything that was to be built in the future, and recognizing that there's an admission that there was no cost accounting procedures which would at least protect the judgment or give some degree of confidence in the judgments that were made on the prices of buses that were tendered, are we not facing the prospect that upon the completion of all the bus orders there will be substantially higher moneys that will have

(MR. SPIVAK cont'd) . . . .been lost and the prospect as well that the corporation is not a viable corporation in its present operation, and the prospect that if nothing else more viable is brought to the attention of the directors, that the company will in fact be wound up?

MR. PARSONS: It's quite possible.

MR. SPIVAK: And that the total loss at that time could be in the neighbourhood of the kind of figures that I've talked about, 50 to 70 million dollars.

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

MR. GREEN: Well, Mr. Chairman, it's on these figures that I am dealing with. The Honourable Member for River Heights - I'm not able to say whether things will be as bad as he says or much better than he says, that is something that he is making a speculation on and really anybody is entitled to their own speculation, and the Chairman of the MDC has tried to give answers which are based on his information.

The honourable member says we have \$30 million invested and a \$20 million loss, and he adds that up to \$50 million. Now, that is not speculative, that is wrong. We have \$30 million invested, of which we show a current loss of \$20 million; you do not add the amount invested and add your loss to that and come out with a figure of 50 to 70 million dollars. We lost \$20 million up till now; if the year 1975 shows a small loss, or a lesser loss, or a small profit, it will still be \$20 million, and if the company were wound up on today's statement, it would show \$30 million invested, \$20 million lost, and you would sell the assets, hopefully, for the \$10 million that is reflected in the books.

MR. SPIVAK: Mr. Chairman, we'd be liable for a penalty clause of some \$24 million . . .

MR. GREEN: No, but we are not . . .

MR. CHAIRMAN: Order please.

MR. SPIVAK: . . . and your loss today would be over 50.

MR. GREEN: Mr. Chairman, why would a member of the Manitoba Legislature predict penalty losses when he has been told by the Chairman that we are up to date on the San Francisco which is a big order, we are up to date on the Boston order and we are getting ready to produce, why would he want Flyer Industries to be shown as somebody who is not fulfilling their orders, when San Francisco is not complaining, Boston is not complaining, it's the Member for River Heights who is complaining because the orders are being filled, and raising penalty clauses when the company, which is doing the best it can, is fulfilling the orders. Why is a member deliberately raising these clauses?

MR. SPIVAK: Mr. Chairman, on a point of privilege.

MR. CHAIRMAN: Mr. Spivak, on a point of privilege.

MR. SPIVAK: Mr. Green suggested if the company was wound up today, that this is what the position would be, and I just want to remind him that the position would be that there would be a liability for the penalty clauses, so that in effect if we're looking at the loss . . .

MR. GREEN: Not necessarily, not necessarily.

MR. SPIVAK: That's a judgment to be made. My point in asking the questions of the Chairman is simply to try if we can to get some over . . .

MR. GREEN: Check your figures.

MR. SPIVAK: Well I wonder how accurate it will be. I think at this point. . .

MR. GREEN: I know what the figures on CFI are. \$62 million is already written off. That figure I know, that's on the books.

MR. SPIVAK: Mr. Chairman, if the Honourable Minister wants to discuss CFI at this time that's fine.

MR. GREEN: We might have to.

MR. SPIVAK: We may have to, but my concern is with the procedures of this committee, with the way in which the Manitoba Development Corporation appears before this Committee, with the way in which the Chairman presented information. You know, historically we have had, I would say, a severe case of inaccuracy with respect to projections, to statements, to forecasts, with respect to this particular . . .

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

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

MR. GREEN: The honourable member can debate in the House and can make whatever remarks that he wants to make. The Chairman, is now here before Committee, the honourable member should ask him questions, comment editorially on his answers, otherwise, the Committee is here to receive the report and to get answers from the Chairman, not to debate the questions.

MR. CHAIRMAN: The point of order is well taken. I've indicated before that we are here to deal with the financial statement, and Mr. Spivak, you're dealing on hypothetical situations which I doubt if anybody could answer with any accuracy. Can we deal with the financial statement before us.

MR. GREEN: The reason that we have inaccurate answers is because we deal with future speculations on which people can be wrong.

MR. CHAIRMAN: I've so indicated that. Let's proceed with the questions. Mr. Spivak.

MR. SPIVAK: Has the Board given serious consideration to the winding up of Flyer Industries after the orders have been completed - the contracts?

MR. PARSONS: No. That is one of the alternates that we haven't given serious consideration.

MR. SPIVAK: Well then have you given consideration?

MR. PARSONS: We gave consideration to several alternates. That is the final one.

MR. CHAIRMAN: Mr. McGill.

MR. MCGILL: Mr. Chairman, I wonder if Mr. Parsons could give me some information in respect to the conversion of debt into equity here. What was the date or dates that you acquired the common shares of \$552,883 - was that done on a single date or was it over a period of time?

MR. PARSONS: I'm not positive, I don't know whether they were all on the one date.

MR. MCGILL: Mr. Chairman, my question was, when did you acquire the \$552,000-odd common shares, on what date or dates was the acquisition made?

MR. PARSONS: I'll have to get that date for you. I'm sorry, I don't have it.

MR. MCGILL: Mr. Chairman, could Mr. Parsons say in terms of what month it was or . . . ?

MR. PARSONS: Well there was a portion acquired back in 1975, that there's \$352,000 that we had at the end of 1974, that date was approximately three years prior - about 1971 or 72 when we got involved in the first common share and there was an issue of the balance in 1975.

MR. MCGILL: Do you know what you paid for the first shares that you bought?

MR. PARSONS: It was about 48,000 in the - well it was \$47,883.00.

MR. MCGILL: Well in terms of the additional \$200,000 shares that you got, who decided what price per share you would pay for those?

MR. PARSONS: The MDC Board.

MR. MCGILL: I see. Do you recall what the price per share was?

MR. PARSONS: No, but I could divide it.

MR. MCGILL: It looks like the original ones were valued about 13 cents, then the new shares were bought at around \$30.00 a share.

MR. PARSONS: That's right.

MR. MCGILL: How did you come to that decision as to the worth of the shares?

MR. PARSONS: We agreed to put that money in for those shares. I don't think there was a share evaluation done at that time, it was a conversion of our loaned equity.

MR. MCGILL: So you didn't really care how much it was per share, you were just putting in a certain amount of money and taking out a few shares to . . .

MR. PARSONS: Yes, we own the common shares 99.9 percent anyway.

MR. MCGILL: How did you decide that it would be 200,000 shares?

MR. PARSONS: That was the balance so we have the outstanding common shares. I think that's correct isn't it, Bill?

MR. MCGILL: No, I think there's more outstanding than that aren't there? There's 750,000, then you've now issued 552,000. How did you come to that decision?

MR. PARSONS: I'll have to go back and look at the Board Minutes and see how that was made up. I'll have to give you that information. I don't have it.

MR. MCGILL: Did you ever receive any requests from any other companies to convert loan positions into equity capital?

MR. PARSONS: Any other MDC companies?

MR. MCGILL: Well companies with which MDC might have had loans or guarantees.

MR. PARSONS: Yes, we've done that with Venture, with Morden, yes, Dawn Plastics.

MR. MCGILL: I understand that McKenzie Seed does still have a pretty serious debt position in terms of their interest charges. Was there ever any approach from McKenzie Seeds to have equity capital provided?

MR. PARSONS: No. We don't have a loan outstanding with them, we have a guarantee, we guarantee a bank loan for them.

MR. CHAIRMAN: Mr. McGill.

MR. MCGILL: When you tendered on the San Francisco order, I believe you were basing it on an assumption that you could produce a bus with about 1,200 man hours of work. Well how are you doing in terms of productivity, are you producing a bus in 1,200 man hours?

MR. PARSONS: Yes, I just reported on that. The San Francisco bus, the Pandora labour is now down to 1,166, I think it was, 1,160. Just under 1,200.

MR. MCGILL: Did you give us the figure on the number of buses you're producing per day now?

MR. PARSONS: Two a day.

MR. MCGILL: Two a day, eh?

MR. PARSONS: We have shipped 200 buses since the 1st of January, and we have been producing two a day steadily.

MR. MCGILL: Since the original tender was accepted by San Francisco, has there been any attempt to renegotiate prices?

MR. PARSONS: No. It is a fixed price contract.

MR. MCGILL: There was no clause for escalation in terms of inflated costs?

MR. PARSONS: No.

MR. MCGILL: Okay, that's all.

MR. CHAIRMAN: Mr. Axworthy.

MR. PARSONS: Mr. Axworthy, was it you that asked me about buses, how many outstanding?

MR. AXWORTHY: Yes, I did.

MR. PARSONS: There is 363 units still outstanding.

MR. AXWORTHY: 363 still outstanding? Thank you.

MR. PARSONS: Did you want a breakdown, do you want them broken down?

MR. AXWORTHY: Mr. Chairman, actually I had just one set of questions to raise with Mr. Parsons. It goes back to a statement he made in terms of the alternative forms of action that the Flyer Industries Board is considering in light of the forecast of - I guess it was May 1977, where there isn't any work available at that stage. I gather one is to secure some orders for new buses in the Canadian market, a second is to try to produce some new product lines that would be in some form of production or development by that stage.

Could you outline what the other alternatives would be for Flyer Industries in respect to the situation you're in. What has the Board itself, given a specific set of alternative lines that they are now pursuing, in addition to those two.

MR. PARSONS: Well as I say we can look at cutting the plant back to produce 250 and see what that does. We're looking at that.

MR. AXWORTHY: . . . perhaps the second set of questions. What does that mean now, when you say "cutting back" in terms of the overall inventory, your cost per unit goes up pretty radically then, do they not?

MR. PARSONS: Not necessarily, we just run one line instead of two. So your hours basically should be the same.



MR. AXWORTHY: Okay, I'm sorry. You may continue then on the alternatives that we have.

MR. PARSONS: Well as I say, we're looking for alternates. You know, we could maybe carry on another year, we don't know what other bus orders are coming out of the States or other properties looking for trolleys, so that may carry us on for a fair bit of time. But we don't know that at this particular point. So we're looking for alternate products, alternate options for the company.

MR. AXWORTHY: Mr. Chairman, I expect that the primary concern would be in terms of the employment and maintenance of some jobs which is one of the reasons we get into these kinds of businesses. Has there been any investigation or is there any discussion for either selling Flyer Industries to other firms, that they give capital assets that would be able to pick up its production and add it to its own product lines, or any discussion of joint enterprises with other companies or corporations in similar or related fields. Have any discussions or negotiations of that kind taken place?

MR. PARSONS: No negotiations, there has been discussions over the last two or three years.

MR. AXWORTHY: Are you free then to discuss what those might be, what kind of negotiations have been carried out?

MR. PARSONS: Not really, no. We know that Volvo were here at one time looking at a joint operation but really nothing turned up on that.

MR. AXWORTHY: So you'd say that you wouldn't dismiss the possibility of selling the firm if you could find a buyer or of going into joint . . .

MR. PARSONS: If it was the best thing to do for the province, everything else, certainly.

MR. AXWORTHY: So that would be a considered alternative in doing it. And that finally, the other alternative would be that because of the lack of sales you're forecasting, to simply wind the company up.

MR. PARSONS: It's the ultimate in any business.

MR. AXWORTHY: Mr. Chairman, to Mr. Parsons. Would you be prepared to give this committee some reckoning on those alternates by the time the next committee meets so that we would . . .

MR. PARSONS: What do you mean by reckoning?

MR. AXWORTHY: Well reckoning in the sense of, I guess, in old frontier terms where you kind of . . . when you get up to Heaven you all of a sudden might have to count up your sins, and, Mr. Chairman, we've been counting a lot of them up this past day and I'm just wondering at one point, to use that old slang "either fish or cut bait". I think that we went through this procedure with several other operations that the Manitoba Development Corporation or Fund have been involved in in the past several years and one of the lessons learned is that you've got to set yourself some limits before you dig yourself in too deeply.

I'm just wondering, again to come back, if for the sake of those who are in the employ of the company and are presently working for it, there is not some requirement upon the Board to develop a fairly clear strategy as to what it is going to do with the company.

MR. PARSONS: Yes, we certainly are trying to do that.

MR. AXWORTHY: Well that's what I'm asking you. Would the Board be able or be prepared to present such a strategy to this committee in a year so that we would as a committee and acting for the shareholders of the province, in a sense, have some idea as to what we might expect?

MR. PARSONS: I wouldn't be prepared to say at this time, I don't know what alternates we're going to be looking at.

MR. AXWORTHY: Okay, Mr. Chairman.

MR. CHAIRMAN: Mr. Banman.

MR. BANMAN: Thank you, Mr. Chairman, a few questions. First of all, in the report you mention that the U.S. and Canadian contracts total \$41 million, at the end of December 1975, I wonder if you could, Mr. Parsons, give us an approximate idea of how much in dollars contracts were outstanding at the end of 1975.

MR. PARSONS: I wouldn't want to give you a figure right off the top of my

(MR. PARSONS cont'd) . . . . head. We could work it out. You want the dollar volume of the contracts outstanding 31 December 1975?

MR. BANMAN: Well maybe it would be just as simple, what kind of dollar volume did you deliver as far as total sales were in 1975. I guess we can just subtract that from the figure in the report.

MR. PARSONS: I haven't got that figure either. So either way I'll have to look it up and give it to you.

MR. BANMAN: Okay. How many buses out of the San Francisco contract have been delivered to date?

MR. CHAIRMAN: It was indicated it was complete.

MR. PARSONS: No, the San Francisco is not. There's 245 left to deliver, there's roughly - must be pretty close to 100. And there's 23 left out of the Boston to be delivered.

MR. BANMAN: Forty-three on the Boston contract?

MR. PARSONS: There's 23 left to be delivered.

MR. BANMAN: Out of a total of how many?

MR. PARSONS: That was 40 was it? Have you got the figure on Boston? Total of 50. We've got 23 left to deliver. So we're just better than halfway through.

MR. BANMAN: The total contract was 50 buses?

MR. PARSONS: Uh hum. We've delivered 27.

MR. BANMAN: Twenty-seven. The 50 buses represented what kind of dollar value?

MR. CHAIRMAN: It was indicated approximately \$6 million, just very roughly.

MR. PARSONS: Yes, roughly a 6 million dollar contract.

MR. BANMAN: How about the Dayton order? Was that . . .

MR. PARSONS: Dayton has 64 trolleys. 6 million 7.

MR. BANMAN: And they've all been delivered?

MR. PARSONS: No, we haven't started that.

MR. BANMAN: Oh, you haven't started on that one yet?

MR. CHAIRMAN: Just for the benefit of the people, the Jets are ahead 7 to 1. Winnipeg is winning, the Winnipeg Jets. By now they should have the game completed. That's four straight wins against the Houston Aeros. Oh yes, they've won by now. Well let's proceed with the questions. I'm sorry. Mr. Banman.

MR. BANMAN: Thank you. That's my final question. I'd just like to observe on the comments of the Minister of Mines before when he says that we could possibly realize a \$10 million profit by selling the assets of the -- (Interjection) -- assets.

MR. GREEN: Sorry, I didn't say that. I said the Balance Sheet shows \$30 million invested, with a \$20 million loss, that that would reflect \$10 million somewhere which could be sold. I don't know whether they could be sold for \$10 million. And that's our statement a year ago, I accept the Member for River Heights qualifications that that was over a year ago. I don't know what the situation would be at the end of 1975.

MR. CHAIRMAN: Well I believe it is in order to have a round of applause for the Winnipeg Jets on their victory of the Avco Cup. Maybe it's premature, but let us proceed with the questions.

Are there any further questions on Flyer Industries Limited? No questions? That will conclude the . . .

MR. GREEN: . . . because we have to quit, I indicated to the members of the House that we would quit at ten o'clock, and maybe we could sit again on Monday at ten o'clock.

MR. CHAIRMAN: Can we have a motion to adopt the report up to this point? Committee rise.