LEGISLATIVE ASSEMBLY OF MANITOBA

THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT

Thursday, 7 May, 1987

TIME — 10:00 a.m.

LOCATION — Winnipeg, Manitoba

CHAIRMAN — Mr. C. Santos (Burrows)

ATTENDANCE - 10 — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Cowan, Kostyra, Mackling, Schroeder

Messrs. Baker, Connery, Downey, Maloway, Santos, Enns

APPEARING: Mr. Hugh Jones, Chairman and General Manager, MDC

Mr. Greg Goodwin, Assistant General Manager, MDC

MATTERS UNDER DISCUSSION:

Annual Report of the Manitoba Development Corporation for the fiscal year ended 31st March, 1986.

Report and Financial Statements of Flyer Industries Ltd.

Financial Statements of William Clare (Manitoba) Limited.

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MR. CHAIRMAN, C. Santos: Committee, please come to order.

The Honourable Minister.

HON. V. SCHROEDER: I've got a copy of the statements that are for the Member for Portage. We're expecting momentarily Mr. Chiswell and Mr. Nyznik to attend.

The chairman will have an opening statement in relation to the report before you, and I will restrict my comments to the qualifications indicated in the Provincial Auditor's Report relative to the Jobs Fund loans.

Hugh Jones will have some further background, but it should be understood that the notion of the Development Corporation, acting as agent in respect of these development agreements, is an acceptable one in that the necessary mechanisms are in place within MDC to deal with security documentation, loan agreements and the necessary accounting and administration.

We wanted to see the extent of the portfolio that might develop before coming to some conclusion as to appropriate compensation to MDC for this kind of work. There are a number of alternatives currently being examined, and I would expect to see the issue resolved in the very near future.

I'll ask Mr. Jones to provide his opening statement.

MR. CHAIRMAN: Mr. Jones.

MR. H. JONES: Mr. Chairman, I make my usual introductory comment to the effect that no change has taken place in the directive given to MDC 10 years ago. That is to say, no new activities have taken place or assistance given under Part I of the act, which is under the jurisdiction of the Board of Directors. The only exception, of course, as we pointed out the last number of years, has been Flyer Industries. As we will review later on at this committee, more activity has been developed under Part II of the act, and those activities are governed by agreements with various government departments and supported by appropriate Orders-in-Council.

There has been no change in the content of the board since my last report to this committee and the directors are listed on page 7 of the MDC report before you.

There has been a change in the officers of the corporation to the extent that Mr. Ted Chiswell is now Manager of Finance, in place of Mr. Musgrove who was the Treasurer. I should point out, Mr. Chairman, that I hadn't had time to advise the Minister, Mr. Chiswell left on vacation last night so he won't be here this morning.

Coming back to the old, the very old portfolio of loans that go back many years in MDC, we are now down to eight, at least in the report before you, for a total of just under $8 million outstanding. In all eight cases, the companies and businesses financed are in excellent shape. No problems are foreseen and no allowance for loss has been made at all. Indeed, since the report was published and one other loan has been repaid leaving only seven to be addressed in the coming years, the largest of the loans outstanding is the one that was committed to McCain Foods in, I think it was 1978, for $8 million.

Dealing with the ancient matters, if I can express it that way, Mr. Chairman, that have been reported over the years at this committee, you have before you I think, the statements of William Clare, (Manitoba) Ltd. as at July 24, 1986. I am pleased to say that this is the last occasion on which this statement will be required at this committee, in that the company has been dissolved by Articles of Dissolution effective in July of last year. Full reports on that company's affairs and the loss on the investment have been dealt with at various past committee meetings and this will be the last time this company will be mentioned, I trust.

At long last also, we are now in the process of arranging through the courts for the discharge of myself as Receiver for Churchill Forest Industries - The Pas Forestry complex. As part of the settlement reached between Arthur D. Little and MDC, we have received releases of liability on behalf of all the companies which were in receivership. By the time this committee meets next, I hope to provide members with a final formal report of the receivership and the discharge.

In a similar way, I've reported on previous occasions, Mr. Chairman, the discharge of the Receiver, Price

Waterhouse Ltd., for Saunders Aircraft. That discharge is under way. Longer delays than had been expected have occurred due to some legal documentation necessary for the settlement of the suit against a small airline in Ontario.

From the standpoint of the original MDC loans and investments, therefore, there would appear to be no issues of contention or concern with the monitoring of the remaining seven loans under control and full repayment expected.

Before providing a brief review, Mr. Chairman, of the activities which MDC has undertaken in regard to the divestiture of Flyer, a matter by the way which is solely responsible for the loss and the deficit reflected in MDC's balance sheet, let me briefly comment on the agency activities undertaken and as reported to last year's committee.

There are essentially three main programs which MDC is administering under agreements with the Department of Industry, Trade and Technology, the Jobs Fund and the Department of Business Development and Tourism.

With the exception of the Jobs Fund loans, MDC's involvement in these activities is appropriately compensated for under the terms of agreements we have with the departments. With regard to the Jobs Fund loans which, incidentally, are commented upon by Mr. Jackson in his report on page 9 of MDC statement, the compensation agreement has not yet been concluded.

However, when MDC started this administration for those loans under the Jobs Fund, it was agreed that a full review would be undertaken about this time and discussions are presently under way to correct the situation so that a relevant appropriation might be made within the Jobs Fund Estimates or some reasonable alternative identified to ensure that costs for running the program by MDC are covered in accordance with the regulations of MDC's legislation.

Mr. Chairman, we have a complete listing of all the assistance provided under Destination Manitoba, the Jobs Fund and the Interest Rate Relief Program and, subject to your agreement, Mr. Chairman, and to the members, we could deal with those by questions later on if you wish. Mr. Fisher, who's responsible for those loans, is available also for detailed replies.

Turning now briefly to the Flyer situation, let me comment initially on one of the major outstanding contingent liabilities which have been referred to from time to time at this committee. They relate to the various guarantees that were issued over the years to allow Flyer access to performance bonds for its various bus contracts. These bonds were originally arranged through the Canadian Indemnity Company and, in the more recent years, through the Continental Insurance Company of New York. The total guarantee exposures, as we have indicated before, had been $33 million to the Continental Insurance Company and $20 million to the Canadian Indemnity Company. I'm pleased to advise the committee now that, after significant negotiation, we've been able to arrive at a situation whereby the capital authority of MDC, encumbered for so long by those amounts, will no longer be attached. The formalities are not yet finished, but we have reached agreement.

The insurance companies then, in other words, have agreed with us that the provisions of the share/purchase agreement with den Oudsten, the Dutch company that had acquired the Flyer shares, are such that if - and it is extremely unlikely any of the very old contracts became subject to any claims - then MDC in any case, is obligated to deal with them. Because of that situation then, the old guarantees or indemnities are shortly to be cancelled, and that will also include the $13 million provided in the last couple of years through The Financial Administration Act.

With regard to the very complex provisions of the share/purchase agreement, details of which were reviewed thoroughly at three meetings of this committee last year, MDC has clearly been continuing to actively involve itself in its obligations for outstanding warranties and so on and the various components of the agreement, such as the technology acquisition, training costs and so on, and they are being followed very closely indeed.

In some cases, components of that agreement have already been completed within the figures indicated to this committee last year. MDC by the way, Mr. Chairman, is awaiting a final report from auditors which we hired to monitor the implementation of the share/purchase agreement. In other words, the obligations of New Flyer we felt needed to be monitored very carefully and we're due to receive a report very soon on those aspects.

From the standpoint of the major obligations of MDC in regard to Flyer, the only significant remaining warranty work is related to the Chicago contract for 200 buses. Deliveries are now being made under the major retrofit program, which has been referred to from time to time at this committee. Once that one has been completed within the next few months, all retrofit work related to the old Flyer will have been finished.

In regard to new commitments, Mr. Chairman, which were part of the agreement with den Oudsten, MDC is still obligated, on a contingent basis, to a guarantee of $8 million for the New Flyer's bank credit facility, but this amount will start reducing at the rate of $1 million per annum commencing in July of next year and reducing to zero by July 15, 1991.

So far, Mr. Chairman, we have not been called upon to fulfill MDC's obligation in regard to performance bond guarantees for the New Flyer which, as part of the share/purchase agreement, members will recall, called for up to $15 million of such assistance in 1987 for contracts to be manufactured in 1988.

The company's successful awards for contracts for Toronto and Winnipeg so far have not required assistance from us in that respect, but we are given to understand that within the next few months, if the company is successful in its bids which it's currently undertaking on the West Coast, some guarantees would be looked for from the province through MDC, but I do not foresee anything like the stated $15 million being needed this year.

In conclusion, Mr. Chairman, I will attempt to answer questions members may have on this Flyer situation but, for now, let my conclude by saying - I would like to do so to get it on the record - that I'm very much appreciative of all the work undertaken and the very complex resolutions entered into between the offices of New Flyer and my own staff, specifically Mr. Chiswell, who has been involved directly on a daily basis with monitoring the payments from MDC and the receipts to MDC under the agreement.

MR. CHAIRMAN: Are there any questions from committee members?

The Member for Sturgeon Creek.

MR. F. JOHNSTON: Mr. Chairman, the statement that the guarantee of loans, Mr. Jones said that they would not be required for Toronto and Winnipeg, and it could be required if there are further contracts. Last year, when we discussed this guarantee or these guarantees by the province, it was stated that they would be insured and there was investigation being made at that time as to what companies would be available to give that type of insurance. Has there been any problem with insurance or is there any anticipated problem with the insurance regarding these guarantees?

MR. H. JONES: Mr. Chairman, as Mr. Johnson said, last year I think on two separate occasions I confirmed that we'd been in discussion with the insurance brokers in Toronto, the insurance brokers for the Continental Insurance Company. We had been assured very strongly at that time that, if we were required to issue guarantees for bonds, we could obtain insurance so that the government's exposure would be protected. There would have been significant cost to it, as I indicated.

Things have changed, Mr. Chairman, since I made that statement, and it now looks as if it will be extremely difficult to get that insurance. So in the context of that remark, No. 1, we can't get away from the fact that we have an obligation to assist the company by performance bond guarantees. There are some other alternatives we are looking at and we will be negotiating the New Flyer on, but perhaps I'd better leave it at that for now.

MR. F. JOHNSTON: Then the insurance that we did discuss last year will be difficult to obtain.

Can I ask the question why - because we have the agreements with New Flyer - the Winnipeg and Toronto contracts didn't ask for guarantees? I think that's good, but I just wonder under these circumstances, if it was available to the company, why they weren't using it.

MR. H. JONES: Mr. Chairman, firstly the Toronto Transit Commission has never asked for performance bonds and they didn't in this case with the new owners, so there was no need for any guarantees. In the case of the City of Winnipeg, the city - I'm sorry, I can't remember the exact percentage - they reduced the percentage of bonds required and, at the end, they accepted a certified cheque from New Flyer in lieu of a bond. So we were not involved in guarantees there either.

I might add, Mr. Chairman, for Mr. Johnston's information, that they are currently negotiating with San Francisco, Oakland and some other cities on the West Coast to reduce the historical requirement for 100 percent bonding down to 20 percent, and they seem to be meeting with some success in that respect.

MR. F. JOHNSTON: Mr. Chairman, the agreement was signed with Chicago Transit. I have a copy in front of me. In the amended agreement with New Flyer, under section 6 - and we will recall this was discussed last year - if the agreement was not signed by October 31, '86, the MDC or the government would be responsible to pay Flyer $750,000.00. Now the contract I have before me is July 16 or the Order-in-Council was signed July 16. I imagine, just to confirm that is the contract that we were discussing at that time, that has been signed by the - pardon me, I was looking at the other. But it was signed September 24, '86, the Order-in-Council. That is the contract that Mr. Jones had referred to that had to be signed by the date I specified before?

MR. H. JONES: Yes, that is the contract, Mr. Chairman. I think Mr. Johnston's probably referring to the potential - let me use this word - penalty of $750,000 if that contract had not been signed. It was signed and there, of course, was no liability on the part of Flyer or MDC in that respect.

MR. F. JOHNSTON: Yes, I understand that. I was just confirming that what I have before me was the Order-in-Council which was signed on September 24 - Chicago Transit Authority and the Manitoba Development Corporation. I'm looking at this contract. It's between the Authority and Manitoba Development Corporation and, quite frankly, reading it over - and I'm not a legal person - I think it's very open-ended for the Authority in this case.

The Authority seems to be able to make all of the decisions as to what is going to happen. I know there's a section 3 in here, "Scope of Work," but where is the protection for the government from the point of view of any debate or any discussion as to what is refit or what's warranty and what isn't?

Quite frankly, the Authority, which is the Chicago Transit, has the - well, just as it says - the authority to do or demand anything that they want.

Where do we have protection for the government?

MR. H. JONES: Well, I would agree that this contract for this retrofit program is heavily weighted in favour of the Chicago Transit Authority and I have no hesitation in saying that we had then, at the time we were negotiating that contract, extreme difficulty with Chicago, and frankly, Mr. Chairman, we've had difficulty since.

The contract, as Mr. Johnston has said, is between MDC and Chicago and that was the way we were advised to have it developed by our legal counsel and by the United States counsel. We similarly have a contract with New Flyer who will be undertaking the retrofit.

Mr. Johnston is quite right, Mr. Chairman, in that the Chicago Transit Authority - I'm trying to think of the right word and I can't think of it at the moment. The demands were frankly incredible and we negotiated some of them away, but we were not able to do as much as we would have liked.

In terms of the protection, the comment I would like to make is that, as soon as this retrofit contract was finalized and signed, MDC entered into a contract - and I should say at a very nominal cost - to retain the services of Mr. Albert Fia, an ex-director of Flyer and retired vice-president of Bristol-Aerospace.

Mr. Fia, as Mr. Johnston knows, over the years had very, very close involvement with the buses made for Chicago. He has been watching that program on a weekly basis and has given us some very good advice. In fact, we've taken some hard positions along the way, and we are still doing so today in terms of new demands being made for Chicago.

It's a long answer, Mr. Chairman, but I wanted to get across that Chicago Transit Authority has been difficult to deal with and the contract we entered into, as much as we would have liked a better one, we had no choice.

MR. F. JOHNSTON: Well, Mr. Chairman, Mr. Jones is quite right on Mr. Albert Fia's ability. He's a fellow of the Aeronautics Association internationally, and is the type of person who will put on overalls and find out what's going on very quickly. I would like to ask this, the obligation, if the contract hasn't been signed, was for $750,000 to be paid to New Flyer by MDC. Are there any estimates of the costs at the present time? Is it going to cost us more than $750,000 because of this very open-ended contract?

MR. H. JONES: Well, Mr. Chairman, as much as I agree with Mr. Johnston's comments on the tender of the contract, the fact is that we have an agreed scope of work, an agreed program and an agreed delivery schedule, which has been costed out by MDC in conjunction with New Flyer and CTA.

Without question, Mr. Chairman, this retrofit is going to cost us significantly more than $750,000.00. The $750,000 was part of the negotiations we're undertaking with den Oudsten - and I'm using the word "penalty," it probably isn't quite correct - but the cost of the retrofit program, we had indicated to this committee I believe a year ago that the warranty provisions for Chicago were in the range of $5 million to $6 million. That has been disclosed on a number of occasions. The retrofit has been the biggest one that the old Flyer had to be responsible for and that is the range we're talking about, not $750,000.00. It's documented in the provisions indicated in the statement and is related to the formula which we discussed last year several times with New Flyer to undertake the work. We have not exceeded to this date the figures we had revealed to this committee last year.

MR. CHAIRMAN: The Member for Portage.

MR. E. CONNERY: Well, last year, Mr. Chairman, Mr. Goodwin told us that it would be 13.2 for Boston, Chicago and the remainder of the Toronto contract. Can he break it out as to what was the cost for each one at that time?

MR. CHAIRMAN: Mr. Goodwin.

MR. G. GOODWIN: Yes, the Boston and the Chicago retrofit contracts were approximately equal at about $6 million apiece, and Toronto would have been the balance at about $1.2 million. Those are just approximate numbers. I don't have the exact figures in front of me, but the scope of work for Boston and Chicago were approximately the same. It seemed to me that Toronto was approximately $1.2 million cost.

MR. E. CONNERY: Are the Toronto and Boston ones now complete?

MR. H. JONES: The Boston one is complete, Mr. Chairman, and the Toronto one, in terms of the retrofit we discussed last year, is complete. There are some loose ends in terms of legal warranty claims from Toronto which is not part of that process, but essentially they are both complete. By the way, I should comment, Mr. Chairman, that in the Boston one, in addition to the retrofit work which we had to be responsible for financially in which New Flyer had undertook, they also had a separate contract for New Flyer, what we called and what they called the "wish list." So there was business we were obliged to undertake and new business for Flyer, and Boston has written to New Flyer and to us expressing complete satisfaction with what has happened.

MR. E. CONNERY: How did the Boston one and the Toronto one end up? You had $6 million and $1.2 million roughly. What did they end up at?

MR. H. JONES: Mr. Chairman, as Mr. Goodwin has reminded me, when Mr. Connery refers to the Toronto one from last year, that was actually a completion of the bus contract. You may remember where Flyer had, I think, about 46 buses left to complete, and that was what Mr. Goodwin was referring to in the million dollars. I'm sorry I misunderstood that.

On Boston, the total warranty expense to March 31, '87 has been $4.503 million.

MR. E. CONNERY: So it's completed, and we are 1.5 million below what was projected?

MR. H. JONES: Well, there will some more bills to pay, Mr. Chairman, and the only comment I can make that we foresee it having been undertaken well within the budget.

MR. E. CONNERY: What is the Chicago one anticipated now to cost? You've started, I gather, some refit work so you should have an idea what the end result would be.

MR. H. JONES: Mr. Chairman, let me just check my figures for a minute. Chicago, I think, is going to be higher and part of the reason for that is - oh, yes, one of the main reasons for it being higher than we had budgeted for is that the contract which Mr. Johnston has referred to was clearly the main contract between MDC and Chicago for retrofit. We then entered into a contract with New Flyer to undertake the work. Chicago, in addition to that contract, insisted that because of other problems they had with other bus manufacturers, MAN, for example, has a similar retrofit program going on right now. They were so short of buses in their fleet that they insisted a separate agreement be made between MDC and CTA to lease 20 buses to Chicago for the period of the warranty work. We entered into an agreement, partially with an American company in Chicago and one from B.C. I think I did refer to this in a general way last year. MDC has had to pay the least costs for those 20 buses for a minimum period of 12 months, and that is going to approximate probably $0.5 million to $600,000.00. We had no option.

MR. E. CONNERY: Well, I didn't get a clear answer on the refit. Is it going to be in the $6 million or is it going to significantly higher, over and above having to lease buses?

MR. H. JONES: I'm sorry, Mr. Chairman, I can't be definitive because this retrofit, the scheduling is only really now under way. We anticipate probably a million dollars overrun and that's because of the extent of the requirements of Chicago.

MR. E. CONNERY: Last year, Mr. Jones, you mentioned $9 million covering some 17 cities. Are some of these finalized or are they still on the books?

MR. H. JONES: Mr. Chairman, there almost all - in fact, I think I can say they're all finalized. We've been, in the last number of months since we were here last in July, I have been involved directly in some of them and we've been using the services of the people in New Flyer. We've reached cash settlements with a number of cities. We've entered into some agreement for repairs undertaken, for example, on the West Coast for San Francisco, but I can say without hesitation that those 17 authorities have reached an agreement with us on those claims for which the $9 million has been set aside.

MR. CHAIRMAN: The Member for Morris.

MR. C. MANNESS: Just one question to Mr. Jones.

Once the retrofit is completed, and I understand, from what Mr. Jones has said, the scheduling is being performed right now. I look at the contract and it indicates it's to be done over a period of two years.

Once that retrofit is completed, is our obligation as the government, through MDC, is that authority completed? Is the warranty work and the obligations under warranty completely dealt with at that time?

MR. H. JONES: Mr. Chairman, no, not completely.

Clearly, the major pieces, the major dollars that had to be - I'm using the word probably wrongly - invested in this kind of thing will have been finished and completed. There will still be a potential, and it's only potential from what we've seen now, for some other claims. The warranty periods on some of the old Flyer contracts are still not expired and, even if they had on the product liability issue, which is an area of some debate or could be, there is still a potential for claims back through MDC to the province.

We, in consultation with our advisors, legal and otherwise, really don't believe there's anything significant out there anymore. Now I'm saying this advisedly. We went through every contract that Flyer had undertaken the last seven, eight, nine years. We believe that the warranty work as such is done, and it's extremely remote that we would get a claim.

Now again though, to answer Mr. Manness' question, there is still a potential.

MR. C. MANNESS: How long can that potential exist? For how many more years will we have to wait until, Mr. Jones, you can come before this committee and say there is no obligation under any possible warranty to MDC by way of old contracts?

MR. H. JONES: Mr. Chairman, I was very naive last year in meetings with our bonding brokers, and I came out with some strong statements that, with the legal warranty period over, the transit authorities should send the bonds back and that was it, we were out of it.

But they made it very clear to me that, as long as there are buses running on this continent made by Flyer, there is a remote possibility of a suit being developed for product liability, public liability and whatever. Part of the reason of course is, in many of those contracts, there was a 10-year part supply agreement in addition to the standard warranty period. But it really is remote.

MR. C. MANNESS: Is there any type of cost built in anywhere, or is there an insurance claim or insurance premium in support of any potential claim, regardless of how remote it might be? Is there any contingency being set aside in support of a claim regardless of how remote it might be?

MR. H. JONES: I suppose I have to answer that by saying "no" in terms of a provision set up, other than what we discussed last year for the general warranty provision. There is an insurance coverage, of course, public liability insurance coverage.

In the context of that question from Mr. Manness, I might comment at this stage, because I think one of the members asked me last year: Were there any claims developing out there in terms of public liability that the province might be involved in costs?

There have been four cases, again all in California, where claims were developed, and we were of course using U.S. counsel as well as our own to deal with them. Three of them have been dismissed completely. There is one outstanding in Seattle which will probably end up as a public liability claim against the policy. The insurance policy has been issued in the name of New Flyer Industries Limited and the Manitoba Development Corporation for that very reason.

MR. E. CONNERY: Last year, you said there was about $9 million in anticipated warranty settlements. That figure then was a little bit on the low side, Mr. Jones. Or is it Mr. Goodwin had made that statement?

MR. H. JONES: Perhaps Mr. Goodwin will clarify in a minute the statement I'm going to make, but the $9 million was a provision set up, as I recall it, to answer Mr. Connery's question. Beyond that, of course, there was the - which was indicated and documented - cost of undertaking the retrofit through New Flyer. But that $9 million provision in terms of the 17 cities I talked about, within reason, apart from the comment I made earlier on Chicago, has been satisfactory.

MR. E. CONNERY: Last year, you anticipated that it would cost about $2 million for termination and severance costs for employees in the coming year. How did that one round out?

MR. H. JONES: Mr. Chairman, the member is quite right. We indicated at the standing committee in April last year that there was $2 million set aside in that agreement for potential severance settlements. We have actually paid, to March 31 this year, $1.572 million. We expect the final cost to be $1.7 million.

I should perhaps recall that the agreement on severance, the obligation of the province, through MDC on severance, runs out on July 14 next. Any employees laid off between now and July 14 would fall within the jurisdiction of our severance agreement, but we've had an estimate as late as yesterday from New Flyer and the provision we have set aside now for $1.7 million will be more than ample.

MR. E. CONNERY: The Technology Loan and Training Fund of $4.1 million - has that been fully expended?

MR. H. JONES: The technology one, Mr. Chairman, yes, has been. May I just comment on there that there was some questioning on it last year. We weren't able to to give the committee a very clear answer on withholding tax, a potential liability for the province. We have not been obliged to pay withholding tax. So the amount of the technology acquisition is exactly in accord with the agreement and that's been paid.

On the training costs, at the end of March 1987, in fact, we had not paid anything, but we've had some invoices in, in the last couple of weeks from the Netherlands through New Flyer, and we will be starting to pay money out under that agreement very, very shortly.

MR. E. CONNERY: The Pandora expansion of 3.5 million - is it on schedule?

MR. H. JONES: Mr. Chairman, if I may, I'll ask Mr. Goodwin to answer that. He's been the expert with the architects on this project, I think.

MR. G. GOODWIN: The completion of the Pandora expansion is expected to be by June 30, where New Flyer will be able to consolidate their entire operations under one roof and move out of Hoka Street, which is where the executive offices, field service and warehouse presently are, and New Flyer have moved out of the Fort Garry facility last October.

The costs involved in the expansion have increased over what we estimated last year. We estimate that the cost of the building itself will be approximately $4.2 million to $4.3 million. On top of that of course, there are architectural fees and construction management fees which will total approximately $4.6 million altogether.

MR. E. CONNERY: Last year, it was estimated the average employment at Flyer would be around 250 people. What is their current employment?

MR. H. JONES: The current employment as of Monday this week, Mr. Chairman, is 237 in total. I've been informed by the company that, when they start the Toronto contract, they would be recalling more employees.

MR. E. CONNERY: There was an auction sale, I believe, at Flyer last week. How did that come out? What did you realize from the sale?

MR. H. JONES: Two hundred thousand dollars.

MR. E. CONNERY: It seems to me - and I can't find it in last year's Hansard - but there was an inventory there of, if I recall, $9 million. Is this part of the inventory you sold for $200,000 or can you explain that?

MR. H. JONES: Well, that was the total for all inventory in Fort Garry and Pandora, and also included work in process. Certainly, it was not that level of inventory in Fort Garry. We had expected to recover $250,000 as a result of that auction, but $200,000, we thought, was not unreasonable.

The member should recall, Mr. Chairman, that since July, New Flyer has been buying parts from MDC and pieces of inventory from MDC as well.

With your permission and with the member's permission, in the context of the question Mr. Connery asked about severance, I should have added, and I think I did comment on this last year, that MDC entered into an agreement with a firm of management consultants in Winnipeg, Touche Ross, to undertake a significant counselling program - and I'm putting it mildly - with approximately 150 of the laid-off employees of Flyer. The program is still not complete, but so far 30 percent of those 150 have obtained new employment.

In discussing this yesterday with Touche Ross, they expect to reach 75 percent re-employment. They've gone through a whole range of different programs. The union, for example, and the employees involved have been extremely enthusiastic with this. The money set aside by the province, as indicated earlier, was $250,000 for this exercise, and we haven't reached that cost yet and it certainly won't go over it. I am pleased with the results of the program.

MR. CHAIRMAN: The Member for Arthur.

MR. J. DOWNEY: Mr. Chairman, to Mr. Jones, the figure which he used, just for clarification, that the exposure of MDC in the province, the taxpayers, on the den Oudsten deal, on future warranty work on the New Flyer is 1.7 and will be less than that. Am I correct in my understanding of the numbers used?

MR. H. JONES: I'm sorry, Mr. Downey. I didn't quite catch the last part of the question.

MR. J. DOWNEY: The exposure to the taxpayers of Manitoba on future warranty work on New Flyer is less than $1.7 million. Is that correct?

MR. H. JONES: Well, I'm not - perhaps it's me this morning. In terms of anything that New Flyer Industries does and provides warranties, of course, we're not exposed to anything. In terms of work undertaken on behalf of MDC, as an example, the contract Mr. Johnston referred to for Chicago and indeed Boston, both of those cities required logically some extended warranty coverage. Mr. Goodwin can correct me, but I believe there's a two-year extension of warranty.

I'm not sure where the $1.7 million came from, Mr. Downey. Perhaps you could . . .

MR. J. DOWNEY: I thought I'd heard that figure used earlier, Mr. Jones, the $1.7 million used by you in talking about the warranty on New Flyer.

MR. H. JONES: No, I'm sorry, Mr. Downey, the $1.7 million I referred to is the cost of severance, not warranty.

MR. J. DOWNEY: Oh, I see, okay.

And what was the cost of warranty on the joint New Flyer program with the province or with MDC, that he is referring to?

MR. H. JONES: I made the comment that Boston was within the provisions set aside by MDC; Chicago is expected to have a $1 million overrun. In terms of potential claims under the new extended warranty, frankly, there's no cost yet. That's a potential, and I just can't indicate any figure.

MR. J. DOWNEY: Mr. Chairman, to Mr. Jones: Where would it show in the statement which we've had circulated the total loss by MDC on the sale, or the total loss accumulated over the last few years in the sale of Flyer? What is the total loss, or where would I find it in the report?

MR. H. JONES: There will be a lot of information, and I can come to the statement in a minute if Mr. Downey wishes, but we indicated I believe last year, we were talking the total cost involved in Flyer Industries Limited, including the old investment and the divestiture, was going to range between $96 million and $100 million. I believe that was the figure we gave to committee last year.

You won't find all of that in the statement, Mr. Chairman, in that also included the activity that we've become involved with, with New Flyer, on retrofit. The figure that I've thrown out now, the range of $96 million to $100 million, so far we are well within it and we certainly don't expect to exceed it.

MR. J. DOWNEY: I'm not sure that Mr. Jones has satisfied me or the committee that there is a complete handle on what some of the possible warranty work could cost. If I understand what he said correctly - and I don't know where he got his legal advice or who his legal advisers are - that there is a warranty that's provided on all buses running over a period of 10 years. Is that the figure? The number of 10 years was used? Could he make that a little clearer? Is there a warranty on all buses that are being used for a period of 10 years? Is that the position that we are in as a manufacturer of buses?

MR. H. JONES: Mr. Chairman, no. I'll see if I can clarify that.

The normal warranty provided on these contracts, of course, is usually two years. That's on structure and so on. The 10-year period I referred to earlier is related to some of the old contracts which had an agreement built into them to supply parts to the transit authorities for 10 years. As long as those parts are available, there of course will be no claim.

Perhaps we should distinguish between warranty in the normal sense of the word and the agreement to supply parts. That's the 10-year period. The rest of it is much shorter.

MR. J. DOWNEY: So we're being told that it is in the old agreement under Flyer that buses that are requiring parts up to 10 years, that Flyer has to stand behind either making available, out of their plant, the parts or the purchase of parts. Is that correct?

MR. H. JONES: That's legally correct and commercially correct.

MR. J. DOWNEY: When we're talking the $93 million to $100 million, I haven't heard a cost figure put on that. Did Mr. Jones put a cost figure on that for the taxpayers?

MR. H. JONES: We put a cost figure on the normal warranty, and I'll come back to that in a minute.

On the supply of parts, no, we didn't. We didn't think it necessary because, standard throughout the continent, the parts supplies have not been a problem.

MR. J. DOWNEY: The standard parts supplies may not be a problem, but does MDC not have to pay for those parts from those suppliers?

MR. H. JONES: No.

MR. J. DOWNEY: Okay. That clears up an important point, Mr. Chairman, as far as the cost is concerned.

So actually, as far as the 10-year parts agreement is concerned, there should not be a cost to the taxpayers of the province. Is that clear?

MR. H. JONES: That's correct, Mr. Chairman.

MR. J. DOWNEY: Okay. The main cost factor that we have to deal with is the normal warranty of two years on buses sold while it was still owned by MDC. Is that correct?

MR. H. JONES: That's the normal situation, Mr. Chairman, but as I said earlier, there is a remote potential for some product liability claim. It could be anything to do with the structure or whatever, but that's very remote. The normal is as Mr. Downey expressed it.

MR. J. DOWNEY: Was there a figure given by Mr. Jones on what the two-year warranty could, in fact, cost the MDC? Is there a cost figure? Did he indicate one earlier or is there one?

MR. H. JONES: No, I don't think I did indicate specifically.

When I look down the chart I have in front of me, which we've been updating on a weekly basis in terms of what we've paid out under the divestiture agreement, what we're paying out on warranty work, there was a provision for warranties and work to be completed, retrofit, the whole area. We are, as of March 31, '87 - now remember, Mr. Chairman, that the Chicago retrofit is still a long way from completion - we have latitude even with what we've spent - well over $7 million as a provision for Chicago retrofit costs and other warranty.

So we, frankly, are analyzing this on a weekly basis. We are more than satisfied that what has been set aside as a provision is sufficient to protect the province.

MR. J. DOWNEY: So, in other words, we're still - that's within the $96 million to $100 million that was referred to last year?

MR. H. JONES: Yes, Mr. Chairman.

MR. C. MANNESS: Mr. Chairman, in looking at the report that we're reviewing today, pages 12 and 13, it's indicated there that Manitoba Development Corporation has lost approximately $13 million in '86, a reduction from the $17.5 million loss in'85.

Given that the year ended March 31, 1987 is now past, can Mr. Jones give us a preliminary but, I fully realize, unaudited report as to the Statement of Revenue and Expenditure for the just completed fiscal year?

MR. H. JONES: I have an internal statement - of course, it's not audited - for the 28th of February in front of me, and the net loss in MDC then - Mr. Chairman, perhaps, if you don't mind, I could take that under advisement for a few minutes and I'll get the correct figure for you. Mr. Goodwin will do that.

MR. C. MANNESS: Well, while Mr. Goodwin is doing that, can Mr. Jones tell me or share with us the budgeted deficit position for the present fiscal year that we're just entering, and I'm talking about the '87-88 fiscal year? Has MDC done a budget, presented it to government and, if so, what is the projected loss for the fiscal year that we're just entering into?

MR. H. JONES: Again, Mr. Chairman, we've got this information here and I'd rather be precise on it and Mr. Goodwin will get that as well.

MR. C. MANNESS: Mr. Chairman, I will then wait until those answers are forthcoming.

MR. F. JOHNSTON: Mr. Chairman, we have the list of companies that the Manitoba Development Corporation has been involved with and Mr. Jones explained, I might say very clearly, that this was it except for the work they're doing for Destination Manitoba and the Jobs Fund which I believe we discussed last year.

Are there any plans for the Manitoba Development Corporation to start expanding their role again in the Province of Manitoba, becoming involved with companies or going into future businesses?

HON. V. SCHROEDER: No, Mr. Chairman.

MR. F. JOHNSTON: On the retrofit, as I understand it, or the rebuilding of the bus to the satisfaction of Chicago Transit, then we supply the bus after the retrofit has been done and we have an extension of warranty of two years over and above the warranty that we had previously. Is that correct?

MR. H. JONES: Not in all cases. I think, and I'd have to refresh my memory, I believe in Boston we were able to get away with 12 months, but Chicago is 24 months.

MR. F. JOHNSTON: Mr. Chairman, to Mr. Jones, I'm very concerned as to whether MDC or Mr. Fia can win an argument under this contract.

Is there some area where there are recommendations from Mr. Fia or even from the New Flyer company that might suggest that this is not our responsibility, MDC's responsibility, or from advice from any experts? How can we win the argument under this present contract?

MR. H. JONES: Perhaps I could begin my reply to that, Mr. Chairman, by saying that, as Mr. Johnston knows, this retrofit is being undertaken by New Flyer Industries. It is being undertaken by people with far more knowledge, far more technical expertise and with far more controls than, bluntly, we were ever able to see under the old Flyer. I think that I should use that as Point 1.

Point 2 would be the fact that Mr. Fia, the New Flyer engineering people, the New Flyer owners, the inspection people that the Transit Authority has physically sent down to Pandora, combined with new inspection people that New Flyer has hired, has resulted in - let me put it this way, Mr. Chairman - a team that is working very cooperatively. Mr. Johnston is quite right, again, in that the contract is certainly weighted in favour of the Chicago Transit Authority.

Perhaps if I could just give a couple of small examples, when the first prototype bus under this retrofit program was finished, the Chicago people came to Winnipeg and they had a tremendous list of changes they wanted made in that prototype vehicle. New Flyer and MDC, through Mr. Fia, refused a very large percentage of those requests in that they were beyond and outside the scope of work which had been agreed to by MDC, New Flyer and Chicago.

So I suppose, Mr. Chairman, the best way of answering that question is that it is being monitored, if not on a daily basis, without question on a weekly basis, and we bluntly argue with Chicago. Chicago is trying to get everything they can out of this program. Mr. Goodwin and I attend the meetings in Flyer with Mr. Fia, with the engineers, on a regular basis and we are advised frequently of - Chicago, Mr. Chairman, are persisting in looking for changes and changes and changes. We are saying no, it is not in the agreement.

As difficult as it is to really assure Mr. Johnston that this thing can afford the government real protection, we are not only keeping a close watch, we are taking firm positions and, so far, we have succeeded.

MR. F. JOHNSTON: That's all I have, the questions that I've asked. I know Mr. Manness, those figures that he's asked for, we would like to have and maybe we have them now.

MR. CHAIRMAN: Do we have the answers now, Mr. Jones?

MR. F. JOHNSTON: I'd just like to say that I won't know whether I'm in the same Legislature or not, if I don't get a statement from William Clare. After 18 years, I think I've seen one for 17 years.

Do you have the answers for Mr. Manness, now?

MR. H. JONES: Mr. Chairman, I think I have the answer to the first question in regard to the expected loss for MDC. We have it up until the end of February for Mr. Manness. It's $3.7 million. I really do want to emphasize again that the loss in the report before you, the loss in the next financial statement of MDC, all of it is related to Flyer.

The budgeted loss for the year ended March 31, 1988, I'm obtaining from my office. It should be here in about five minutes.

MR. C. MANNESS: I would ask the Minister, Mr. Chairman, the source of funds for any budgeted loss. I don't have my Loan Act Authority in front of me. Will MDC be seeking additional Loan Authority this year, or does it have sufficient Authority? What will be the source of funds under that Authority, if required?

HON. V. SCHROEDER: The source has been The Loan Act.

MR. C. MANNESS: Can the Minister tell me how much, under The Loan Act then, will be required for MDC this year?

MR. H. JONES: I think last year, Mr. Chairman, we gave the figures - and I think it was in the House as well - for The Loan Act for '87. It was an estimated requirement and I believe the overall requirement was $65 million, all to do with the Flyer devestiture. We do not expect to have to draw down anything like that amount and, in terms of any new Authority for MDC, it certainly isn't required. I'd have to get the precise figures as to what they've drawn down on The Loan Acts up to date, but there was a big provision put in there for Flyer.

MR. C. MANNESS: Mr. Jones, in his opening comments, indicated that MDC was down to seven active accounts. Can he indicate to me whether the corporation is scaling down its staff in some direct correlation with that reduced account load, or indeed is it actively seeking new accounts that it can help under the guidelines of the present act and the Authority that has been granted to it?

MR. H. JONES: Mr. Chairman, perhaps I could answer that question this way. In 1980, when I was first appointed to this position in MDC, the MDC staff had come down from what had been a peak, I think, of 68 to 70 people, down to about 20. In 1980, when the Order-in-Council was passed, there was - not a legal - an amalgamation from the point of view of administration, that the old Part I loans were to be administered by directive of the then Minister, by the staff of the Communities Economic Development Fund. The concept was, it was an administrative role only.

Since then, No. 1, because of the activities of Flyer where we had to get much more closely involved over the last three years but also partly because of the extent of the responsibilities MDC now has in monitoring the loans under the Jobs Fund destination and so on, there has been, not in the last year, but there has been in the last three years some increase.

We have myself, Mr. Goodwin, Mr. Fisher who is at the table, and Mr. Casselman who's at the back of the room, together with Mr. Chiswell are the professional staff within MDC, and Mr. Cottreau, who's the Director of Communications. That's the total staff complement on the MDC payroll per se.

But I do want to emphasize again that there is a bit of an anomaly, and I would agree with this but there is an interchangeability, as is needed, between the work of CEDF and MDC.

MR. C. MANNESS: Mr. Chairman, the second part of the question was the degree to which, if any, MDC was actively out seeking new enterprises that it could help under the mandate given to it by the Legislature. Is that occurring at all?

HON. V. SCHROEDER: That's not within the mandate of MDC. That's within the role of both Business Development, and Industry, Trade and Technology.

MR. C. MANNESS: I put the question then to the Minister who is the Minister in charge of that department. Is his Ministry at this time, are officials of his department at this time actively in the business community trying to ascertain those firms or enterprises that could have support under or through the Manitoba Development Corporation?

HON. V. SCHRODER: Could you repeat the question?

MR. C. MANNESS: I'll ask the Minister if officials in his department are actively directing firms or enterprises in the business community towards the Manitoba Development Corporation for support of any fashion.

HON. V. SCHROEDER: What was the last word?

MR. C. MANNESS: Support of any fashion, monetary support or loans under the Development Corporation guidelines.

HON. V. SCRHOEDER: No.

However, where we determine that we want to get involved with a company with a development agreement, as an example, with Unisys or any other one of them, once we start the discussions, we do ask the MDC people to assist us in terms of ensuring that the terms of the agreement are reasonable for the province. Once the agreement is entered into, we than ask the MDC people to ensure that the terms are being lived up to by the venture involved.

MR. C. MANNESS: Mr. Chairman, there seems to be some predetermined approach by the government not to use the instrument of the Manitoba Development Corporation any longer. Is that a fair statement?

HON. V. SCHROEDER: Mr. Chairman, there's been no change in terms of the policy of the government with respect to MDC during the course of the last six or seven years, ten years.

MR. C. MANNESS: I'm not intimate with the portfolio of accounts that MDC has. Can it then indicate specifically the latest or the last account that it became involved with, the last company it became involved with in an active fashion on a contractual basis?

MR. H. JONES: The last time MDC became actively involved as a development agency, Mr. Chairman - to be clear here, under Part I of the act, the directors have the jurisdiction and the authority and so on. The last time that was exercised was in 1978 or'79 when the loan was made to McCain Foods in Portage la Prairie. The directive to cease that kind of activity, Mr. Chairman, was issued in 1977 and has never been changed.

MR. C. MANNESS: Then I ask the Minister of Finance, the decision then has obviously been made to wind down MDC and the Government of Manitoba, over the last five years, has not seen fit to change that direction. Is that a fair statement?

HON. V. SCHROEDER: Mr. Chairman, I wouldn't put it quite in those terms because, in the last few years, MDC has been getting involved in overseeing development agreements. It is still involved obviously with the old loans and, to the extent that they terminate and to the extent that the William Clares and so on are eliminated from the list, there is less old work.

I'm not sure though that there isn't as much new work coming along. In fact, I think there's probably more new work coming along with the development agreements and so on than there is termination of old work.

MR. C. MANNESS: Then is the Minister saying that, instead of entering into contractual agreements as it used to, the Manitoba Development Corporation now will be used as a resource to government or indeed as a consultant to government or as a scrutineer or a monitor of government of any development agreements that are entered into by departments of government or programs of government and enterprises in the community?

HON. V. SCHROEDER: I think, to some extent, that would be fair. You know, we have as an example, the salespeople going out and encouraging companies to expand, to locate, whatever. We really do think that it should be someone else, other than the department or people involved with that initial possible burst of enthusiasm to be involved in terms of giving outside independent advice as to the logic of the proposal initially, and then to ensure that the terms and conditions are carried out.

MR. C. MANNESS: Mr. Chairman, I do see where a number of the accounts are paying their loans as they come due. Are the proceeds of those repayments being directed then basically to the salaries or to the activities as discussed or presented by the Minister? I guess the question is that, once the accounts have all been paid off and if the Minister wants to maintain the activities of the staff of the Development Corporation, will he then have to supplement their activities through appropriations of his department?

HON. V. SCHROEDER: I think Mr. Jones may want to deal with it overall, but I do want to make the point that it is very clear that we are going to have to start, as a government, having some kind of an appropriation for MDC for the work that they do, as an example, in overseeing the development agreements. We acknowledge that. There's no question that should be in some kind of a current appropriation.

MR. CHAIRMAN: Does Mr. Jones want to add something?

MR. H. JONES: Just a quick comment, Mr. Chairman, I was beginning to get worried about my salary there a bit.

On the old loans, in terms of Mr. Manness' question, the old loan portfolio, again without Flyer, MDC was in the true sense of the word self-sustaining. In terms of the compensation agreements we've got for the various departments for the agency work, bluntly, that kind of compensation should be more than sufficient to cover the costs of administering MDC.

MR. C. MANNESS: Well, Mr. Chairman, I accept that, but two points. Firstly, Mr. Jones says the compensation that's coming in from the development agreements should maintain the department, but who will be paying that? Will that be the government itself from the Department of Industry, Trade, and Commerce (sic) or will that be the industry who will, in a sense, have some type of checkoff or some type of fee in support of those activities?

Secondly, to the Minister of Industry, Trade, and Commerce, why then, if the Development Corporation is so actively overseeing these contracts today, why indeed is there not an appropriation being made in support of that and allowing any repayment back under the accounts, under the schedules, to go to retire the debt of the province because indeed part of the debt of the province has gone, to a large degree, in support of losses associated with the Development Fund?

HON. V. SCHROEDER: Well, as Mr. Jones kept repeating, the losses are due to Flyer. That's history we can keep rehashing in terms of how it's funded. We've indicated, in the chairman's opening statement - I repeated it and I will repeat again - that the funding will come, as it has on other occasions, from departmental appropriations.

MR. C. MANNESS: Mr. Chairman, I ask the Minister: Why isn't that happening right now?

HON. V. SCHROEDER: Mr. Chairman, the Development Agreement Program started several years ago. As it started, they were with several companies and there was not a great deal of work involved. As it has evolved, every year we've added on some new agreements which create more work.

Initially, quite frankly, I don't believe that MDC could very clearly delineate to us how much it would cost extra to them to administer those agreements. By now, I think they have enough of a track record of the kind of time involved for us to be able to do some calculations. As indicated by the chairman, as we had expected initially that we would be in that process about now, so we're in that process now of discussions to determine how much should be paid.

MR. J. DOWNEY: Mr. Chairman, a question to Mr. Jones.

Are there any customers or any individuals or companies that are supported under the Manitoba Development Corporation as well as the Communities Economic Development Fund? Any dual portfolios?

MR. H. JONES: Mr. Chairman, there are two cases where companies had loans from CEDF and also obtained assistance from the Destination Manitoba program.

MR. J. DOWNEY: So there are currently two, what we would consider, current files that are getting support from both Communities Economic Development Fund and from the Manitoba Development Corporation?

MR. H. JONES: Again, I'll try to be clear. The capital infusion, CEDF, has made two loans in two cases where they have also received assistance under the Destination Manitoba Tourism Agreement. The money, the capital infusion under that program, has come in from that department. MDC's involvment is entirely restricted to monitoring and administration.

MR. J. DOWNEY: But no funds flowing from MDC?

MR. H. JONES: No, Mr. Chairman, the money that goes into those businesses under those different programs is not capital from MDC.

MR. J. DOWNEY: Thank you, Mr. Jones.
To the Minister, there was an announcement recently that Allstate Grain received a $50,000 grant. Was there any support other than that given from the Manitoba Development Corporation to Allstate Grain?

HON. V. SCHROEDER: No, Mr. Chairman.

MR. J. DOWNEY: Mr. Chairman, to Mr. Jones, we've seen a major loss or reduction in food processing in Manitoba. The recent closing down of Centennial Packers of 27 people, Canada Packers closing down, major losses in the food and particularly in the meat processing sector, have there been any overtures, or are there any active overtures to the Manitoba Development Corporation for that kind of activity or for any major expansion in Manitoba?

MR. H. JONES: Well, not to my knowledge, Mr. Chairman. Not at all to the Manitoba Development Corporation. We have, and it probably isn't the forum to talk about it, but there is a situation in CEDF where an approach has been made, and I can discuss that at the CEDF Standing Committee.

MR. J. DOWNEY: I would look forward to discussing it at that CEDF meeting whenever the government feels so inclined to call it again after we get information which we're waiting for. Thank you.

HON. V. SCHROEDER: I'm sorry, what information are we waiting for?

MR. H. JONES: The CEDF Committee.

HON. V. SCHROEDER: Okay. I do want to say, when the member talks about the food processing industry, he should talk about the upsides as well. There are some, not only the sugar agreement of yesterday to keep that industry which the member says is so vital; the potato agreement of last year with Carnation. There are discussions ongoing right now with Burns and others for expansions in the province; one shouldn't just look at the downsides there.

MR. E. CONNERY: Before we meet again and get into the Destination Manitoba and the Jobs Fund, could we be provided with a list of all of the new undertakings under the Jobs Fund and Destination Manitoba, and also the status of the old ones over the years, if they're paid off or if they're in arrears, that sort of thing?

HON. V. SCHROEDER: Why are we having another one? We've still got an hour. If you have questions, put them down.

MR. E. CONNERY: Have you got a copy of that material for us?

HON. V. SCHROEDER: What material do you want?

MR. E. CONNERY: Pardon?

HON. V. SCHROEDER: What material do you want specifically?

MR. E. CONNERY: What loans have you made for Destination Manitoba and under the Jobs Fund?

MR. H. JONES: Mr. Chairman, I don't know whether this will be satisfactory but, in previous reports of MDC and of course in the one before you now, under the report of assistance granted, we list the assistance given under the Jobs Funds and under Destination. We went through, I think, last year, Mr. Chairman, and listed the Destination ones. They appear, of course, in the report for the year in which they have been approved.

MR. E. CONNERY: Where are the ones for Destination Manitoba in this sheet?

MR. H. JONES: In this fiscal year, Mr. Chairman, for this report which the committee is considering, there were none, but in the previous two years, there was a complete listing. If there are any in the existing one, it would be in the next report.

MR. E. CONNERY: Do you have a new list for the ones for '87, ending March 31?

HON. V. SCHROEDER: No, we're dealing with this particuliar report.

MR. E. CONNERY: There was a list for 1985. What are the new ones then for 1986? Now you say there are no new ones?

HON. V. SCHROEDER: What you've got for 1986 is in Schedule 5. That's it.

MR. E. CONNERY: This list that I have from last year, would this list then be of all the outstanding loans that were made?

HON. V. SCHROEDER: The loans for the year ended March 31, 1986 are as listed on page 16, Schedule 5.

MR. E. CONNERY: I'd like the Minister to look at a sheet that I have and then compare it with what's in the annual report to see where the discrepancy is. Maybe Mr. Jones can explain it. It's called Destination

Manitoba, Manitoba Development Corporation, Approved Loans at March 31, 1986, Status Report.

MR. H. JONES: In the list that the member has given me, Mr. Chairman, that is a status report as at March 31, 1986. Many of those loans were approved one, two, three years earlier. That was the portfolio of Destination Manitoba loans as at the end of March '86.

MR. E. CONNERY: Do you have that for March 31, 1987?

HON. V. SCHROEDER: No, I don't have it and we're not dealing with that today. We're dealing with this particular report.

MR. C. MANNESS: Mr. Chairman, I'm wondering if the Minister can provide that. As the Provincial Auditor has said on several occasions, members of the Opposition have not had a proper opportunity to fully be cognizant of all the loans and all the grants under the Jobs Fund. We're requesting, as of today from the Minister, a report giving the status of the latest listing of those projects for the year ending March 31, 1987.

HON. V. SCHROEDER: Every single time we've entered into a development agreement, we've had Orders-in-Council which are public documents. The Member for Sturgeon Creek had one with respect to an agreement on Flyer, and that's appropriate. We've had press releases. If you have any questions on anything specific relating to this report - and I remind the Member for Morris that's what we're dealing with. We're dealing with the annual report for 1985-86.

MR. C. MANNESS: Well, Mr. Chairman, I'm aware of that. I'm also aware that Mr. Jones provided me with an estimate of 1987 year-end financial results, Mr. Chairman. I'm also aware, in Manitoba Hydro, that their chief executive officer did the same thing. As the Minister indicates, it's on public record; it's covered by O/C.

Mr. Chairman, we have found this for a year previous though, in this status report situation. I'm asking the Minister if he can provide the same information updated one year. Obviously, it exists somewhere and we're asking him to undertake to provide that to the committee, nothing more.

MR. H. JONES: Well, I can provide the committee, Mr. Chairman. I'll have to take a close look at what I've got here.

But the concern I would have in terms of listing down the loans under the Destination Manitoba or the Jobs Fund, no matter what the amount approved, the amount disbursed, the amount outstanding, and a general description of the business, I have no problem with that. If, however, in that listing - and I'd have to review this, the internal document - we're commenting upon the performance of the company or some confidential information on management or commercial problems, I would, frankly, be reluctant. I take the Minister's guidance, but I have no hesitation in providing a list to the member of the loan portfolio, what is outstanding as debt, and what the business is doing.

HON. V. SCHROEDER: Yes, we can provide that information subsequently, but that should not be any need or any reason for us not to continue on with the discussion of the Annual Report of the Manitoba Development Corporation for'85-86. The Member for Morris refers to some information given for '87 and we're trying to get information for him for 1988. I think it should be understood that's done as a courtesy, and it should be done, but to expect reams of information and to expect adjournment to do that is something that I think goes beyond reason.

MR. H. JONES: Mr. Chairman, I want to be helpful on this, but the list that Mr. Connery gave me as at March 31, 1986, I just want to re-emphasize there have been no loans approved under that program since that date. So the list that you have is, in effect, the current list of loans outstanding.

MR. E. CONNERY: Where the Elkhorn Ranch got another large one, what department did it come under, not through Destination Manitoba, through MDC?

MR. G. GOODWIN: Mr. Connery, there is a new tourism agreement which MDC is also responsible for monitoring. It's basically an extension. It's a new federal-provincial agreement.

MR. E. CONNERY: I'm aware of it.

MR. G. GOODWIN: I'm sorry, I guess we were misunderstanding you, but yes, there is a new loan to Elkhorn Ranch and Resort Limited under that particular program, but not under Destination Manitoba. Destination Manitoba is gone. The loans have all been approved that are going to be approved under that program, and we're responsible for monitoring and administering that portfolio as well as the Tourism Agreement.

MR. E. CONNERY: Then can we have the list under the new agreement?

HON. V. SCHROEDER: How many kicks do you want at it? Why don't you do it under Tourism? We're dealing with the Annual Report for'85-86 for MDC.

MR. F. JOHNSTON: Mr. Chairman, if I may try to clear something up.

I have before me the annual report for'84-85. Listed on page 16, it says "Destination Manitoba Loans." They're the ones that are being administered by the province, by this department, by this corporation. When we open up the '86 file of the report, there is no list of the activities that you are performing for Destination Manitoba.

Now are there no loans left under the old Destination Manitoba agreement that you're administering, or have they been switched, or where did they go? They're on page 16 of the'85 report. They're not shown in the '86 report.

HON. V. SCHROEDER: The reference the member makes to the previous year are for loans that were made during that year. During the year we're discussing, there were no loans made in those categories. The only loans that were made are as listed in Schedule 5. The information the Member for Portage is asking for is for the year subsequent, apparently. In that year, there have been some approvals of loans, not under Destination Manitoba, but under the new program.

MR. C. MANNESS: I just want to rebut something the Minister said. I fully realize that some of the information that has been provided is outside of the purview of the report. And the Minister uses the word "courtesy" - it was provided to us as a courtesy. Mr. Chairman, should we have to accept that as legislators when we're considering a report that is already 14 months past the year-end?

And I am a little bit troubled with the Minister's attitude in trying to make us feel guilty in even requesting information beyond March 31, 1986.

So, yes, I guess, under the strict guidelines, it is a courtesy but certainly it's our right as legislators to be able to ask those questions and be provided with that information. After all, that's what an Opposition's role is.

HON. V. SCHROEDER: Mr. Chairman, just on the point that the Member for Morris raised, it's certainly within his right, as it is the right of all legislators, to ask those questions. The point is that those questions should be asked in the proper forum.

The approval process for loans under that particular agreement rests with the Department of Business Development and Tourism. The Manitoba Development Corporation takes responsibility for those loans once they have been approved by the government, by the Cabinet, through the normal process. So if there's a question relating to loans that have taken place under that agreement, they should be properly asked when one reviews the Estimates in the Department of Business Development and Tourism because that is where the responsibility and the approval process rests for those loans.

So it's not a question of not allowing anybody their right as legislators. It's the issue of allowing them to respond and deal with those issues in the proper forum.

The responsibility of the Manitoba Development Corporation is in the monitoring of loans once they've been turned over to the corporation, and that is what we've been dealing with in terms of the existing report.

MR. CHAIRMAN: The report of the Manitoba Development Corporation—pass.

Does the passing include William Clare? - (Interjection)- It includes William Clare.

Committee rise.

COMMITTEE ROSE AT: 11:39 a.m.