

THE LEGISLATIVE ASSEMBLY OF MANITOBA

2:30 o'clock, Saturday, May 1st, 1965.

Opening Prayer by Madam Speaker.

MADAM SPEAKER: Presenting Petitions

Reading and Receiving Petitions

Presenting Reports by Standing and Special Committees

Notices of Motion

Introduction of Bills

Orders of the Day

MR. FRED GROVES (St. Vital): Madam Speaker, before the Orders of the Day, I'd like to announce to the members that prior to coming into the House, I inspected the coffee vat in the Members' Locker Room, and I must say on lifting the lid that I was rather appalled by the appearance of the liquid that was contained in this container. It just so happens that in the Conservative Caucus Room we happen to have a pound of fresh coffee, we happen to have an urn that manufactures the finished product and provided that I have the assurance of the members of the opposition that they will not consider this as a dereliction of my duty to my constituents, I would be glad to make an urn of fresh coffee.

MR. MORRIS A. GRAY (Inkster): . . . that's question No. 1; and whether they have application forms . . .

HON. DUFF ROBLIN (Premier) (Wolseley): Madam Speaker, could we commence this afternoon with the report on Shared Services.

MADAM SPEAKER: The adjourned debate on the proposed motion of the Honourable the Minister of Education. The Honourable the Member for Roblin.

MR. KEITH ALEXANDER (Roblin): Madam Speaker, first of all in entering into this debate, I'd like to assure the members that my opinions on this subject and the thinking I have done on this subject and the conclusions I have reached, are sincere, honestly held by me and are my own personal convictions. I'm not going to use the shared services debate as a means to debating private and public aid to private schools. I think the government policy on this is unequivocal, there are no public funds for private schools. And while this might be a subject that is very worthy of debate and could profitably be debated, I feel that it is not fruitful to enter into this debate in view of the prior statements, not fruitful to enter into this debate on the shared services debate.

I'd like first of all to touch on the point that has been raised by the opposition members as far as consensus is concerned. I do not feel that consensus is an abdication of responsibility. I feel on the other hand, that it is responsible for a government or a legislative body to designate certain fields of concern for which they feel consensus should be asked. The Honourable Member from Brokenhead gave us an excellent example yesterday when he said that the United States has felt it quite desirable to say at times, and possibly continually, that foreign aid and foreign policy certainly at times should not be a matter of partisan debate and should receive consensus. I know on this issue - I think it was two or three years ago that the Liberal Convention meeting in Winnipeg, said that they didn't feel they should debate this issue because it should be non-partisan, should be discussed in a non-partisan atmosphere. With this I agree completely because, Madam Speaker, I can honestly think of nothing more potentially disastrous, more potentially divisive, with more opportunity to promote the heating of emotions and intolerance, nothing which could permanently damage the cultural and personal relationships within this province, if this subject became available as one in which we could indulge in partisan debate, if this became an issue in a political campaign. I think the potentiality here for harm is so great that I shudder to think of it. I feel, Madam Speaker, that there's only one way we can avoid this hazard, only one way, and that is if in this Chamber there is consensus amongst all political parties. I think we could quite easily have anticipated the comments, the criticisms of honourable members of the opposition -- I have the Member of Lakeside listed as one. These objections I think could have been anticipated, but I feel for the valid reasons that have I have mentioned and in the best interests of the people of Manitoba, that the government took the proper stand when it asked for consensus on this issue, and I commend them for it.

I'd like to take a few minutes also now to discuss one of the reasons that the opposition members, particularly have given for voting against concurrence, and that is the fact that they disagree with some of the material in the report of the committee, particularly the preamble.

(MR. ALEXANDER cont'd.) I can agree with them on this aspect of it, there is material in the preamble on which I would expect some members quite honestly and sincerely to disagree with and to express reservations about. I think we could look at this though as merely a preamble which is giving a history of the setting up of the committee, this committee, gives the resolutions which were passed in the House in the past which set up this committee. And when the preamble as such has been dealt with, then we come to what I consider the vital issue. We come to the real meat of the matter, which is the conclusions and the recommendations of the committee, and I would ask members who object to some parts of the preamble to state their reservations, state their objections and when they come to the real nub of the resolution, when they come to the real concurrence, which is the conclusions and recommendations, I would then ask for their support.

Madam Speaker, I would now like to discuss some of the principles of shared services itself. These haven't been touched on too extensively and I don't think it would hurt to review this aspect of shared services in case we tend to lose sight a bit of what we are talking about. I'd like first of all to say what shared services is not. Shared services is not, as some members have suggested, crumbs instead of a loaf in the philosophy of aid to private schools. Shared services is not a first step in freedom of equality of education when we are talking about financial aid to private schools. Shared services is not something which is granted in lieu of direct aid to private schools. To view shared services in this light I feel confuses the issue, raises misapprehension and fears on the part of not only members here, but in the public at large in Manitoba - fears that were expressed by the Leader of the New Democratic Party in his speech where he said possibly shared services is only a start in the principle or philosophy of aid to private schools; that once we adopted a certain fundamental legislation or approval of a resolution then it was simple enough to amend it, to go beyond what we originally contemplated. In answer to that I would like to state what I feel shared services was, to refer the members to the speech originally made by the Premier of Manitoba when he first mentioned shared services in the House, and that is the principle that if a student is entitled to the whole, he is entitled to the part. And this entitlement, Madam Speaker, is that to which he would be entitled as a public school student going to a public school. That entitlement and right to entitlement would be under the supervision and control of the public school board. And I think, Madam Speaker, that if we adhere strictly to this principle, if we use this as the foundation for the principle of shared services, if we use this as a bedrock to anchor all future discussion or whatever procedure we adopt to discuss shared services, I don't think we can go wrong; I don't think there is danger involved.

I'd like also, Madam Speaker, now to discuss two items which were raised particularly I think by the Leader of the New Democratic Party, and that is transportation and textbooks. Madam Speaker, I believe the Leader of the NDP made quite an issue yesterday of people not listening to him. Madam Speaker, I would like, regardless of the personal comments aside, to mention transportation and textbooks. And I'd like to ask the House to visualize with me, two similar houses side by side in a school district, equal assessment, paying \$200.00 school taxes each year - we can call them A and A-1. The children from A go to public school B; the children from A-1 go to private school C. The School Board provide transportation for the children from the house of A to the public school B. Now, Madam Speaker, how in conscience, how in all conscience can we justify that the children from A-1, the next door house, cannot have that same transportation facility from A-1 to the public school B. The parents pay exactly, exactly the same costs to provide that facility; they pay their full share. How do we deny them the right to the facility which we force them to pay for. As far as textbooks are concerned, Madam Speaker, the child from A going to the public school taking Grade 11 chemistry and physics is entitled to receive free textbooks under the supervision and control of the public school - and I should have mentioned that for the transportation as well - under the supervision and control of the public school board. These children are entitled to their textbooks. Now how in all conscience do we deny the child from house A-1 who is taking exactly the same subjects in the same grade, the same textbooks, when the partents make exactly the same contribution for these services.

Madam Speaker, I must say that I agree with the recommendations of the Committee. I believe the basic principle of shared services is sound and just. I believe the recommendations could legalize what is now going on to some degree in Manitoba. I believe that here we have an opportunity to provide for a broader based education for many children by making available to them extra excellent services. I believe, Madam Speaker, that shared services can enhance

(MR. ALEXANDER cont'd.) and enrich our public school system. I believe shared services can provide an area where two basic groups who have been too long opposed can with goodwill and co-operation work together and come together with greater understanding on both sides.

Madam Speaker, I plead with those members to express reservations if they wish on certain parts of the preamble, but if they agree with the conclusions and recommendations of this committee I would ask them to please follow the lead of the Honourable Member for La-Verendrye and vote concurrence on this resolution.

MADAM SPEAKER: Are you ready for the question?

HON. GEORGE JOHNSON (Minister of Education) (Gimli): Madam Speaker, I beg to move, seconded by the Honourable the Minister of Health, that the debate do now adjourn.

MADAM SPEAKER: The Honourable the Minister of Education is closing the debate -- (Interjection) -- He moved the adjournment. Does the Honourable Member the Leader of the New Democratic Party wish to speak?

MR. RUSSELL PAULLEY (Leader of the New Democratic Party) (Radisson): No, Madam Speaker, I just wanted to be assured that you would point out to all of the members present in the House that if the Honourable the Minister of Education takes the adjournment, then nobody else will be entitled to speak. I wanted this clear.

MADAM SPEAKER presented the motion and after a voice vote declared the motion carried.

MR. ROBLIN: Madam Speaker, I beg to move, seconded by the Honourable Minister of Industry and Commerce that Madam Speaker do now leave the Chair and the House resolve itself into a Committee to consider of the supply to be granted to Her Majesty.

MADAM SPEAKER presented the motion and after a voice vote declared the motion carried and the House resolved itself into a Committee of Supply with the Honourable Member from Winnipeg Centre in the Chair.

COMMITTEE OF SUPPLY

MR. CHAIRMAN: Resolution No. 91 1 (a).

HON. GURNEY EVANS (Minister of Industry and Commerce) (Fort Rouge): If my honourable friend wants to speak on my salary, I'd like to hear him first.

MR. E. R. SCHREYER (Brokenhead): Yes, Mr. Chairman, I intend to confine my remarks for the most part to The Manitoba Development Fund as organized under the aegis of this department, and I take it the Minister prefer that I speak now before he makes his reply.

MR. EVANS: I'll be glad to accommodate myself to anything you'd like to do. It would seem a good idea to leave the Fund until we come to it in the estimates. There has been one round, as it were, and I'd be glad to make some comments on what was said this morning if that suits my honourable friend just as well.

MR. SCHREYER: Yes it does, Mr. Chairman. If the Minister prefers that I wait until we get to the Fund item I will wait.

MR. EVANS: Thank you. I think having had one comment from each section of the House opposite I'd like to make some comments. I think I'd like to make two or three general remarks first, the first one being to thank the honourable members for the constructive tone of the debate. I have been offered advice, and I consider it good sound advice coming from qualified sources, and I welcome it and I'd like to discuss the points that have been raised as I come to them. Second, I'd like to thank the Honourable Member particularly from Burrows for his contribution to what I believe is a growing spirit in Manitoba that it can be done because he gives his own testimony to what I think is a fact, and I think that is useful and constructive, and I do want to thank all those who spoke for the complimentary references to the staff, who are after all, the heart and soul of the department.

My honourable friend from Inkster referred to the report and gave his very welcome comment to the quality of the staff and I do accept it for them and with gratitude. He asks in connection with the tourist business as to how much Manitoba does in fact profit and I think the measure of that can be given very largely in the figures that I read out this morning concerning the amount of business that is in fact done by people who serve the tourists, amounting to some \$45 million, divided I think as I recall into \$18 million worth of accommodation and meals, \$10 million in retail stores and other lesser amounts making up the \$45 million. I think that's one measure of it. Then he draws attention to something that is important and with which I agree. And that is that increasing attention should be given to attracting our own Manitoba

(MR. EVANS cont'd.) people to see some of our own natural resources and to have their holidays at home. It is an important topic, one that we have already given some consideration to. It isn't yet reflected in a large way in our advertising campaign, but I assure my honourable friend that the point of view is firmly in mind and will continue to be so.

My honourable friend from Burrows doesn't agree with some of the points in connection with our program and indicates that in his opinion we are not sharing in the average Canadian manufacturing growth. I thought it was indicated to him that we had been behind the Canadian average. I really have no quarrel with the statement. I think he and I were working with different sets of statistics. Some figures I quoted this morning indicated we were up to the Canadian average, that from 1958 to date our percentage increase has kept pace with that of Canada. The figures I used did in fact show a little advantage over Canada but more or less we are in the same rate of increase as Canada.

We should create an atmosphere and background indicating that the financial incentive is not the only one to which either industrial people give attention or that we should give attention and that there are others as well, that there is some place for - and he used the word "dreamer" - and I think he's right. I think that the point of somebody sitting back and looking off into space and imagining what could be done is the starting point for many a practical operation. It's calling attention to a quality a man must have of imagination and of originality to think of a new way out of a difficulty, and it isn't just an engineering proposition to work out something plus something equals something else. So these qualities of originality and imagination I think must be given very considerable prominence.

Referring to the Manitoba Development Fund, there is the indication that some firms have gone bankrupt - no reference was made to particular firms - but I can say that in every case where any firm, either one that has been in negotiation or in business with the Manitoba Development Fund or indeed any other firm in Manitoba that is in financial difficulty, is certainly free to come to the department for technical assistance, and in a number of these cases we have not only provided the engineering and marketing assistance that we can afford with our own personnel but we have engaged and brought to Manitoba technical experts to help. In some cases I think I can tell my honourable friend without being free to mention the names, that we have assisted firms to avoid financial difficulties; some others we have not been successful. Unfortunately, there have been some bankruptcies but not many. They are free to come to the department, in fact do come, and I think it can be said when they do come they get qualified assistance.

He made some remarks on a subject in which I think he and I have different facts to work on, and that is a lack of co-operation between departments of this government presumably. He referred particularly to the in-plant training scheme as one item, and as a second item he drew attention both there and a little later to such matters as inspection for such things as sewer and water, and I'm sure he had in mind fire protection, safety and other matters of that kind, and I would like to comment on both of those points and provide some additional information on the subject at least.

With regard to in-plant training schemes, I'm going to make the counter-claim and that is that it is a model of co-operation between not only the departments of this government but those concerned in other areas as well, and in order to have my honourable friend see why I make that comment, I would like to provide some additional information.

I think he is aware that the Federal Government under the technical and vocational training agreement approved the type of in-plant training proposed by the Manitoba Government, the trainee cost of the program to be shared 50 percent by the manufacturer and the two levels of government involved 25 percent each. The cost of instructors would be shared 50 percent by the Federal Government and 50 percent by the Manitoba Government, and the Manitoba manufacturer would provide training space, training equipment, training materials and undertake trainee selection, so that with respect to money, with respect to provision of the funds necessary to conduct the scheme, it is a fairly co-operative outfit. It co-operates between the private interests concerned and all levels of government.

Then we come to the point which he may have in mind as more the administration of it, or is the team pulling together or is the horses see-sawing, and I'd like to discuss that for a moment. This in-plant training program was instituted because of the needs of the Manitoba soft goods industry and the requests for assistance from the garment industry in particular.

The administration of the Manitoba in-plant training program is by a co-ordinating committee which meets every Thursday morning, and the committee has representatives on it of

(MR. EVANS cont'd.) . . . the Department of Industry and Commerce of Manitoba, the Department of Labour of Manitoba, the Department of Education of Manitoba, the Department of Welfare - Manitoba, the National Employment Service - Federal, and the company requesting or participating in an in-plant training program, so that each case is dealt with on Thursday mornings by this committee which meets for the purpose. The day to day administration, just the plain ordinary administrative work and office work and so on is conducted by the Department of Industry and Commerce.

Now there is some further detail about how this liaison is carried on. I would mention that liaison with the Federal Government, that is to say the Department of Labour at Ottawa is the responsibility of the Manitoba Department of Education. That's very largely because a good part of the funds that are made available for this purpose do come through a program administered in Manitoba by the Department of Education. That is the machinery that is set up. I believe it to be true that the only complaint of lack of co-ordination between the various people concerned, that I have heard, was what my honourable friend said this year and I think some statement to the same effect last year. I believe it's not correct. If there is evidence that I haven't got, and what spots that should be dealt with, I'd appreciate either now or in private receiving details from my honourable friend because we want to clean them up.

Then my honourable friend said "don't sell the pioneers short." I certainly agree with that. They are the people who have been here and earned the right to be here and have been here through the hard times and established themselves well and are known - and who have weathered the storm as it were and been here through the depression - are deserving of every consideration and I think I indicated that a good part of our effort is designed to help them.

He points to a genuine difficulty, and I'd be free to say a handicap at the moment in the multiple authorities that must inspect something before it gets underway. I have had cases of difficulty of this kind where inspections as to sanitary conditions, safety, labour regulations and matters of that kind, are the responsibility of a wide variety of government authorities, not only at the municipal level that he draws attention to but in such things as works for the general advantage of Canada such as grain elevators - what are some of the others - railways, and soon where the Federal Government Department of Labour have their particular responsibilities, and it's a puzzle for businessmen to know in the case of an accident for example, just all the authorities that should be notified at that moment.

There are some penalties that begin to accumulate on a daily basis, in some cases a hundred dollars a day. I think, and I'm speaking from memory now, but I think there is a regulation to the effect that if an accident is fatal or is likely to prove fatal, that notice must be given to the Department of Labour at Ottawa - that is with respect to one of these works for the general advantage of Canada - and I'm not aware just how you tell whether an accident - that is unless you're a medical man - how you're able to tell whether an accident is likely to prove fatal; certainly not from hospital reports.

Now I've got into too much detail. I simply say this, that there is difficulty with respect to multiple supervision in matters of safety, sewage, water, and these other things that my honourable friend mentioned. We're aware of the difficulties; we're trying to help in that direction and will continue our efforts; and I think he has done well to call our attention to it.

He has given us a ten-point program - I'm not sure that I caught all of the points - which should guide us in industrial developments, and I think it's an excellent statement of the responsibilities and of the fields that we must enter into. I think they are things indeed that must be kept in front of us. I would like to think that this is a pretty close parallel to the program that I outlined. My honourable friend is a qualified - I was going to say critic but I don't mean that - I mean advisor in this field. He is an experienced businessman and a successful one, and he has given us a program which I like to say, Mr. Chairman, is directly parallel to the principles that have been guiding us, and where they're not, I'm going to give them very serious consideration.

His first two items deal with the design of plant and of provision of engineering services. I'd like to pay just a little attention to those two remarks as we go along, because with respect to design of plants, we have plant improvement programs at work in the department and technical assistance has been given in the last year, of a confidential nature, and so I will not mention the names of the companies involved but I will give the classes of industry to which technical engineering assistance has been given to these things. So my honourable friend will quickly realize that I'm dealing with both these things at the same time - the design of plant and then engineering advice.

In the food field, we have to sausage manufacturers in two cases; poultry processing,

(MR. EVANS cont'd.) two cases; further processing and packaging of that material, three cases; feed manufacturing, two; poultry raising, three; bakery products, fish processing and confectionery, two; pickle production, two; dairy operations and pet food. Then we come into the soft goods: textile manufacturing, knit goods manufacturing, mat and rug manufacturing, nylon hosiery manufacturing, headwear manufacturing; in general: farm machinery parts manufacturing, furniture, tool and dye and small parts manufacturing, industrial furnaces, plastic flooring and truck tarpaulin remover, to name only the classes of business in which engineering and plant design assistance has been rendered.

In the matter of financing, I think we have our debate on the Manitoba Development Fund, and at another point in his remarks he comes back to the provision of local capital and I'll reserve any further comment until that point.

That marketing must occupy our attention to a very considerable extent, and I say "hear, hear" as did - was it Elmer Wheeler who said that "nothing happens until somebody sells something?" That's true, and marketing and marketing and marketing are three very important subjects.

I'm going to draw my honourable friend's attention to some of the feasibility studies that have been made because every feasibility study involves the question of marketing. Without dealing in detail about the kind of marketing research that's been done, I would like to outline some of the feasibility studies that have been made by my department, sometimes by our own personnel, very often by such authorities as Arthur D. Little whom we retain on a continuing basis and pay for individual studies, and sometimes by other technical experts in association with our own staff. We have qualified engineering people, we have qualified marketing people on the staff, but we don't hesitate to buy further qualified advice when it will be helpful.

So I think what I'm going to do now in referring to the feasibility studies that have been made in the last year, is going to refer to marketing. There will generally speaking be some labour content in a feasibility study and the costs of labour. It will refer to financing and to design and engineering, and so they are all combined in the one study. With respect to food and beverages, and I really don't see much alternative to mentioning individual details, but I'm going to inform the committee, Mr. Chairman, that I list here 60 major feasibility studies that were made by the department or partly by the department in the last year which will rank in quality with any feasibility studies put out by any qualified people, either public or private.

Under food and beverages, the first item I have here is the North American market for chicory - the contents being a market survey, an analysis of imports, evaluation of the growing potential, and price cost estimates. The next one is the Canadian market for specialty meat products - contents are consumption data, market characteristics, distribution practices and the processing cost analysis. And so it goes on in the food and beverage field for 15 such studies in one year by my department.

The next classification is wood and paper products. I'll pick one or two at random. The market in Western Canada for moulded paper products - the contents being area consumption, consumer trends and present supply analysis. The Western Canadian market for paper tissue products - market survey product range, consumer trends and present supply sources. And there are two more then under wood and paper products.

The next class is leather products. The next one is textile, the first item under that heading being the Western Canadian market for men's hosiery, with similar contents. It would only be wearisome I think if I continued on with the detail. I come to the next class, being non-metallic mineral products; the next one, electrical apparatus and supplies; and the next one called "Other Studies," which then includes the feasibility of establishing a custom fertilizer mixing plant in Manitoba, including the evaluation of demand, plant location study, fertilizer requirements and assessment of soil conditions. And so on to the end of the 60 studies.

Now I've wearied the House with some detail there because I wanted to illustrate that brought together all in one place in a feasibility study are elements of many of the things, if not all of them, that my honourable friend said to us this morning that we should have in front of us. I agree, and to the extent that we have't got all of them we would want to complete the picture. I'm not by any means indicating we think we're perfect or that no loophole exists, but at least we have made some progress.

He indicates that the biggest growth will come from present industry. I agree. In the last year investment in new industry three million odd; investment in old industry, thirty million; so that's perfectly correct.

He draws attention to the Manitoba Development Fund and by comparing the amounts at

(MR. EVANS cont'd.) . . . loan at the beginning and the end, comes to the conclusion that only \$750,000 was, in fact, invested in that year. I think the figure is of the order of 3 to 3-1/2 million and the difference in the Fund is accounted for by the fact that substantial loans were repaid during the period and re-invested, and that funds already authorized, but not yet drawn, increased in amount between the beginning of the period and the end of the period, and consequently in the year to which he referred some 3 million odd was in fact loaned and not \$750,000 and the comparable figure for the later year is about 5 million. He recommends that what he terms "proper responsibility" be given to the Manitoba Development Fund, I gather to be rather more aggressive in going after the larger opportunities and that point is well taken and it's a matter that, while not dictating to the Manitoba Development Fund, we have asked their consideration of this point of view and I think my honourable friend will probably know that in some of the negotiations that have been undertaken, it has been really a combined effort between the staff of the Department of Industry and Commerce and the staff of the Manitoba Development Fund; and they are in fact, on their own motion and with the agreement of the government, taking the point of view that he expressed this morning.

Then he drew attention to what he referred to as the unlimited opportunity for industrial development particularly in the organic and inorganic chemical field and certainly this is -- I was going to say a word to juggle with, to conjure with -- it is in fact one of the great opportunities and we are looking forward to further developments in it.

His point that we should encourage expansion in plant and equipment for existing companies is true, and I indicated this morning that the \$30 million that was invested in existing industry was in fact very largely spent on equipment. But we have only to look at other provinces to see the kind of competition we are up against. This is all within the reference that he made to the Manitoba Development Fund and this is so true. In Nova Scotia you will find amounts of money of \$50 million being made available for a single operation. My honourable friend referred to the heavy water plant in southeast Saskatchewan and, if memory serves me, there was something of the order of \$45 million of public money went into that, and so it goes right across the country.

One knows about the very aggressive operations in the province of Quebec and competition everywhere as between industrial development authorities, if we are an authority, or industrial development agencies, is severe and we have a pretty good tight race on our hands. I think we are holding our own in it.

He refers to the fact that there are too many projects at the same time. I'm not just sure how this shows up. If there are some projects which indeed are withering for lack of attention I should know about them. I'd be glad to know. I'd like to see that this doesn't occur. He suggests that we should have a program of 1, 2 or 3 years ahead and he and I would not agree on this point because my principle is that we have to build plans on a 25-year basis, that in fact the actual operations that we have started have been within the framework of reference of COMEF which at first gave us a 12 or 13-year perspective. We have been working in those terms that what we do is planned at least 12 to 13 years ahead and much of it has the 25-year perspective ahead.

Here we are again; we should get local people to invest, they have in the past sometimes been reluctant. He doesn't quite know why. I agree with him. I don't quite know why, except for the factor that I tried to give some attention to this morning and that is the belief that it can be done, and I think as the belief that it can be done grows we will find, quite naturally, less and less reluctance to back that belief with money. These things must take time. You can't suddenly create a new set of confidence overnight or by turning a switch. It has to be built brick by brick and has to be done over a period of time. I think it is developing and I think as confidence grows we will find more willingness to invest. Now that has no reference at all to whether or not there should be some further development of institutions here, capable of financing local investment and indeed persuading people to do it.

My honourable friend says that the cost of power of between 4 and 7-1/2 mills should be reduced to between 3 or 4 mills. I'm not technical in this field and I don't know what point it should be reduced to but for industrial development purposes I can only say "hear, hear". But, I think it's not by any means clear the point of view that he takes when he says that Industry and Commerce should concern itself with his point. This is a matter of very considerable concern to us and of repeated concern and of steady intense concentration on our part. And that there is not sufficient co-operation between departments. I fancy he's indicating there isn't sufficient co-operation between ourselves and Manitoba Hydro. I'm not sure. I

(MR. EVANS cont'd.) . . . think he's not in a position to see the operations go on because an individual company does not negotiate it's power contract in the open. It isn't a matter of public observation to see what negotiations are going on, or what in fact is the co-operation between the Department of Industry and Commerce and the Manitoba Hydro. I tell him that it's a matter of very close liaison, that the contact between the staffs is very close and that very quickly, as soon as an industrial prospect comes in view, he's taken over and put right in touch with the Manitoba Hydro. And so whatever we may be charged with, it isn't that we don't co-operate with, or become well acquainted with, or work in close association with the Hydro because we do, steadily and most cordially.

He referred something about an inability to analyze. I'm not quite sure what he had in mind there, but I don't agree. We have economists, if that's the side that's being talked about, of the highest attainments and we have engineers right on the staff, and where we haven't got all the engineering advice we need we procure it. So I'm afraid I must reject the suggestion that we have not got the ability to analyze matters connected with the cost of power. I have already referred to his words about the heavy water industry in Saskatchewan being put up with government money.

Again, I think my honourable friend made reference to the fact that we were not keeping pace with the rest of Canada. He did refer here more particularly to population and of course this is correct, and it has been a fact that Manitoba has not kept pace with the average increase in population. It is not correct however with respect to the rate of industrial increase, as I indicated before.

I think the subject of atomic power and it's impending competition with the Nelson, is one which I'm not perhaps even qualified, but certainly not prepared at the moment to discuss, because it is not within my department. I do agree with his point however, that when we do get this power let's see what we can do to take the industries to the power and have the industries here and the illustration he uses of tool steel, which is apparently a combination of iron ore and the nickel that we already have, and the electric power that would thus be developed, is an excellent one. I think another good illustration would be the aluminum industry where apparently the economics of the industry call for bauxite and alumina, if those are the two things, to be hauled to the power source, as they did in Kitimat and a number -- perhaps a fairly substantial number of such industries are already under review and I might add under discussion between ourselves and the Hydro and so there is another illustration of some more close association than

He urges us to raise our sights to the big ones, and this is right. In addition to helping to help the small ones to grow big, we must indeed keep our sights on what I call the breakthrough industries, and the kinds of things that he referred to as the organic and inorganic chemical industry, a basic steel production in the province, a number of other big opportunities, and without dwelling on them in detail I say I agree with his point that it must be a two-pronged attack and, in fact, I think perhaps earlier in my remarks this morning he may remember that I said we had two problems, one is to help small industry and the other is to secure for the province, some of the big ones.

The fact that Industrial Development is more an art than a science is of course, so true. It touches on the point that my honourable friend made about the fact you've got to have a dreamer in the picture somewhere. Somebody has got to sit back and say, well nobody else has thought this is possible but I do, and I'm going to have a whack at it. That's a starting point. And that's not an exact science. I think it really comes down to the point that Industrial Development is an aspect of salesmanship and I really don't think anybody is able yet to determine what it is that makes one man a salesman and another not. I know that all the personnel testing people that I ever talked to when I was in business was not able to say, well now you find a man with such and such a personality and such and such experience and such and such education, and various other kinds of things, and you've got yourself a salesman. I used to do my best and I had the greatest surprises. The best salesman I ever had in any company I worked with was a chap who came back and always under-stated his prospects. He was always gloomy when he came in at night and oh, he didn't think he had much chance and well quite possibly. That was the one he knew darn well was going to sign in the morning and he went out and got it, and he approached it in an attitude of understatement rather than what is sometimes thought to be more typical, the attitude of overstatement on the part of salesmen. So if this is salesmanship -- I don't know what salesmanship is. It is an art. We'll try to employ as many artists as possible and bring the results.

(MR. EVANS cont'd.)

I hope I covered most of the helpful remarks of my honourable friend. I accept his strictures and I indicate that where he has pointed to what in his view are weaknesses or lack of complete program or lack of proper effort, we take his comments and his criticisms seriously and will always try to do better.

My honourable friend from Rhineland made reference to the fact that industry is making progress in his constituency and this is so true. It's I think in large measure the attraction of very able and willing and conscientious work people and many of the factories and developments that have occurred in those parts I think have been attracted there by the availability of productive people to work in the factories. There are some remarkable examples down there. There's one factory that's administered by a coloured gentleman who has won for himself the enthusiastic loyalty and following and hard work of the people of that constituency. In developing the industry down there some community effort has been put into it. There have been not only Chambers of Commerce but development corporations as well in some of the towns that assisted this corporation in going out and enlisting work people and in some cases of helping to solve personal difficulties or personnel difficulties that have arisen and so he points to progress in his own constituency and I am delighted to see what has gone there already and hope there will be more.

He asks about the procedure for securing these research studies -- such things, I imagine, as these feasibility studies that have been referred to. Well, the simple and quick answer is, phone me or phone the department. It's freely available and anyone who comes with a proposition will have an enthusiastic and, I think, very sympathetic and warm hearing.

The first point of contact for him will be in what we call our Business Development Office, which really consists of receiving a business inquiry, then seeing which of the technical branches could be of assistance. It may be a marketing problem, or marketing and engineering or any of the other technical -- or it might be design or research or financial, and the case will be considered in the Business Development Department under the direction of the Director-General of Industrial Development, Mr. Harry Sleight, who has had a distinguished record in taking cases of people who, merely inquiring for general information of this kind and then leading on to specific studies and I hope that my honourable friend's associates will take advantage of what is really their's -- this can't be an invitation to come because as Manitoba citizens they're entitled to it. So ask them to come in and if I'm there I'll be delighted to see them; otherwise I'll see that their problems are given attention to.

He calls attention to the advantage that the Pembelier Dam or other water supplies will be in connection with canneries and other large industrial operations. I agree with him and, while this matter is directly under the charge of my colleague in Agriculture, he will have my enthusiastic support for any development of that kind.

He asked concerning a possible starch plant and this has been a matter of some study already. If he has some particular group of people who are interested in that operation we can show him what progress has been made so far. I'm not able to say from memory just exactly what the prospects were; there are some of them that appear extremely likely to develop, some others not quite so likely. I can't recall from memory but I'd be glad to either tell him later, or anyone that's interested in the matter, just what the prospects are.

My friend asks for a further statement with regard to rail abandonment. I would like to give him that now -- if I could just find my page for a moment. There have been a substantial number of applications for rail-line abandonment that have been heard by the Board of Transport Commissioners early in December, 1962, and decisions were reserved. Now I have these subdivisions here. There is a substantial list of them and if my honourable friend would like me to read the list I'll be glad to do so. -- (Interjection) -- Yes, I'll be happy to provide him or anyone else for that matter, with a copy of the list of applications that have been done and these will be furnished to the Honourable Member for Rhineland and one to the caucus rooms of each of the parties.

From January 1960 to date, the Board of Transport Commissioners has authorized abandonment of nine rail-lines, totalling approximately 191 miles in length; these abandonments include between Reston and the Saskatchewan border, 22 miles; between McAuley and Kirkella, 17 miles; between Fallison and Windygates, 12 miles; between Rudyard and Kaleida, 7 miles; between Rapid City and Minnedosa, 16 miles. That was the Canadian Pacific Railway. The Winnipeg River Railway between Lac du Bonnet and Great Falls, 14 miles; Canadian National Railways between Neelin and Deloraine, 62 miles; between Amaranth and Alonsa, 18

(MR. EVANS cont'd.) . . . miles; between Beaconia Junction and Victoria Beach, including Grand Marais to Grand Beach, 23 miles. The following applications were dismissed by the Board of Transport Commissioners: Canadian Pacific Railway between Wood Bay and Snowflake, 7 miles; and the Canadian National Railways, between Hallboro and Beulah, 74 miles and between Carman Junction and Neelin, 122 miles.

On December 20th, 1962, a Manitoba delegation, led by the Premier and including the department's transportation advisors, attended a conference of prairie governments convened in Regina to discuss the impact of rail-line abandonment in the rural areas of the prairie provinces. As a result of the conference, a joint resolution of the governments of the three prairie provinces was forwarded to the Federal Government. The resolution requested consultation on the legislation proposed by the Federal Government in connection with rail-line abandonments, freight rates and related matters. Early in February 1962, the Premiers of Manitoba, Saskatchewan and Alberta, met a committee of the Federal Cabinet to state their views on the pending legislation. It's hoped that legislative action on the recommendations concerning rail-line abandonment of the Royal Commission on Transportation will be forthcoming shortly.

Concurrent with the Regina Conference, the Federal Minister of Transport announced in Parliament on December 20th, 1962, that all hearings on applications for abandonment of rail-lines submitted to the Board of Transport Commissioners by the railways, would be subject to review in the light of legislation based on the recommendations of the Royal Commission on Transportation. Applications before the Board on December 20th, 1962, would be considered in the context of the new legislation. Meanwhile, the Board is holding all applications for abandonment in abeyance. Manitoba government officials have held a number of meetings with officials of the Canadian National and Canadian Pacific Railways on the ways and means of rationalizing line abandonment activities in the province. The meetings were called with a view to developing as quickly as possible, a long-range line abandonment program in the province which would be co-ordinated with other provincial development activities.

Now I come to the Branch Line Association of Manitoba, whose initials spell the word, BLAM. The Branch Line Association of Manitoba comprises 20 local branch line associations serviced through a central organization popularly termed BLAM. The organization is primarily concerned in opposing wholesale rail-line abandonment in Manitoba. The 20 branch line associations draw their membership from farmers, business and professional people and other citizens concerned with the loss of railway facilities. Financing is through an annual membership fee, usually \$1.00. The central association, BLAM, in addition to having representation from each branch association, has representation also from the Union of Manitoba Municipalities, The City of Brandon, the Manitoba Chambers of Commerce, farm organizations and the grain handling companies. The Manitoba Government has an observer who attends executive and other meetings. BLAM is financed by municipalities. Manitoba Pool Elevators provides, without cost, an office and stenographic service; an executive secretary serves on a part-time basis.

The major undertakings of the association are (a) obtaining data required for the study made by the Hedlin-Menzies Company for Manitoba Pool Elevators on the impact of rail abandonment on farmers and the socio-economic consequences to the 95 communities affected. The second item, (b) Bill C-120 as it applies to rail abandonment, is far from satisfactory and a brief suggesting amendments will be presented on behalf of the association when the bill is in committee. (c) Later, as necessary, representation will be made to the rail authorities on rail rationalization as opposed to wholesale rail abandonment. The officers of the association are: Rene de Pape, Mayor of Somerset, who is President; Gregor Jamieson, Vice-President; H. E. Wood, Executive Secretary; D. A. Mitchell is the Government of Manitoba observer.

There is further information concerning passenger service abandonment, but I'm not sure that that is in the same class.

My honourable friend gave me further testimony which I treasure of the inconvenience of some of the air connections that we have between Manitoba and the places we want to do business in. He describes it as an up-and-down service and a bumpy one, and he's quite right.

The economy as a whole: and he quotes some comparisons between British Columbia and Manitoba, drawing attention to the obvious wealth that they have by way of invested income as measured by taxable income, as measured by the net value of - I imagine that was production but I'm not sure - in the construction industry, and he draws attention to the fact that there are rather more credit unions in British Columbia than there are in Manitoba. Well, I've no doubt

(MR. EVANS cont'd.) . . . his figures are correct. I know Mr. Bonner and know that such statistics - I wouldn't attempt to quarrel with them nor do I see much point. British Columbia is, first of all, about a time and a half our population but above and beyond that they have very great resources and have in fact been forging ahead and I say to them, good luck with your resources and with whatever further developments you can make. I have really no comment to make on the comparisons that he drew attention to.

I think he will have to take up his problem about the long-term deposits in credit unions being classified as loans, with the credit union administration, as far as government is concerned, which as he knows, it's within the Department of Agriculture. He indicates some thought that such responsibility might be transferred to another department or even to my own, and I have not had occasion to give that any consideration. I wouldn't make any comment on it.

He calls attention on Page 14 of the Manitoba Development Fund report, to the fact that 344 applications were received for \$24 million of loans and 125 of them declined. And he goes on further to say that subsequent to that some 64 loans were withdrawn. He asks why, and wonders whether it is by reason of the slowness with which loan applications were processed. And I say, no, it was not because of the slowness of application. There are a number of factors involved and I'll mention two of them. One is that the Manitoba Development Fund, by the very authority granted it in its Act is a lender of last resort. Within the terms of reference of The Manitoba Business Development Act - I think it's called, rather than The Development Fund Act -- is to be found the requirement that a loan may be made only when a borrower is unable to secure his requirements at reasonable rates, and consequently it's in many cases, having not been able to secure loan requirements from other lenders, the borrower does come to the Manitoba Development Fund and in many cases it's found that the proposition was indeed, in the judgment of the board, not credit worthy and perhaps not surprising that a fairly high proportion of those cases arises.

Then there are other cases where a loan has been offered by the Development Fund and they find later that the borrower decides not to take advantage of it. This has happened in many cases where the borrower may have indeed consulted other people such as mortgage companies, their own bank, a syndicate of friends, or whatever the case may be, and/or the Industrial Development Bank of the Federal Government. And having consulted them and having obtained either a definite refusal or a tentative refusal, has come to the Development Fund; we have come into close negotiation with them -- at least the Development Fund Board has -- only to discover that one of the other sources of capital suddenly changes their mind and grants the loan. And this has happened in a fair number of cases; how many of the 64, I'm not able to say.

I hope that has covered the main points that my honourable friend asked and I'll be glad to answer any further questions.

MR. PAULLEY: Mr. Chairman, I would like to just make one or two comments insofar as the debate that has taken place on the Minister's salary. I had thought that the Minister had suggested to us that we would deal with individual items on the different appropriations in his department, but he has rather covered the waterfront just recently, or since the noon-hour recess, and while it's not my intention at the present time to make some observations that I have in mind with regard to the various items, I think that there is one rather important field that I should draw the attention of the committee to.

This morning when the Honourable Member for Burrows was speaking -- and I do not know whether he was speaking officially on behalf of the party that he is a member of -- and following the presentation of the Member for Burrows, it seemed to me that the replies of the Honourable the Minister of Industry indicates, more or less the compatibility insofar as principle is concerned, in the over-all picture with the Member for Burrows. And an observation that I would like to make at this particular time has reference to the statements that I believe the Honourable Member for Burrows made this morning in reference to the question of income of the labouring force here in the Province of Manitoba; because I gathered the general premise of the Honourable the Member for Burrows was that because of the taxation policy of the government in respect of increases in certain taxes - and I certainly am not going into that debate once again - it requires, or a follow-up of that, is the demand of labour for increased remuneration insofar as salaries are concerned.

And then we've heard in this debate, as indeed we've heard in other debates, the necessity for ever increasing facilities for training and retraining in order that the productivity of

(MR. PAULLEY cont'd.) . . . our employees here in the Province of Manitoba may be increased. But I think both the Honourable the Minister and the Member for Burrows have failed to look closely at the report of the Manitoba Economic Consultative Board in reference, as I read it at least, to this very important problem that we here in Manitoba are facing and may face in the future. As I say, Mr. Chairman, the indication that I got from the remarks of the Honourable Member for Burrows that we've got to keep our costs down, otherwise that the income of our labouring force here in the Province of Manitoba will increase and this adds to the cost of industry and is a disadvantage to industry located here in Manitoba. And I don't agree with this premise. As I say, Mr. Chairman, that it appeared to me that there was some agreement in the general remarks of the Minister to the Member for Burrows. And I don't agree with this premise at all because I do not think that industry, or that while industry itself might be attracted to a province that has a lower general level of per capita income, but those provinces who are at the present time offering to its productive forces a more realistic or a higher per capita income basis, will attract these skilled forces that we have here in the Province of Manitoba at the present time or those people, Mr. Chairman, that are undertaking training programs at the present time.

And so I direct the attention of the Minister of Industry and Commerce and also the Member of Burrows to what the Manitoba Economic Consultative Board has to say on Pages 36 and 37 in their report. And I might say, Mr. Chairman, incidentally that it was my intention to deal to some degree with this report when we came to the particular item; however, because of the apparent compatability in the ideology of the Honourable the Minister of Industry and Commerce and that of the Member for Burrows, I thought that it would be well at this particular stage to draw reference to this aspect of the report of the committee.

MR. EVANS: Would my honourable friend allow me to say that I gave no indication of agreement or disagreement. I think I -- I'm afraid I did not comment on the particular point that the Honourable Member for Burrows made and I think my honourable friend should not draw the inference that I agree with it.

MR. PAULLEY: Well, Mr. Chairman, if I am in error I'm glad to hear it but there seemed to be so much harmony between the Honourable the Minister of Industry and Commerce and the Member for Burrows insofar as the progress of industry in Manitoba is concerned, that while my honourable friend the Minister may not have made direct reference to this aspect of the remarks of the Honourable Member for Burrows, I'm sure that the committee will understand, because of the compatability generally between the two honourable gentlemen, that I am justified in figuring that this went along the way, all the way; and if my friend the Honourable Minister of Industry and Commerce rejects the contention of the Member for Burrows, insofar as this contention is concerned, then I am most happy to hear it. And I trust and hope, if such is the case, that he will join the ranks of the producers and endeavour to have here in the Province of Manitoba comparable net personal income for the producers here as compared with the producers in other parts of Canada.

However I do want, Mr. Chairman, notwithstanding the interjection of my honourable friend, to draw to the attention of the committee the comments as I read them in the report of the Economic Consultative Board, comments that I think are very very pertinent. And I read from Pages 36 and 37 of their report, about half way down the page. The report says this: "We would emphasize the need to clarify the comparative position of regions insofar as this is possible, at any given point in time. At a minimum, the economic potential for growth in each region should be defined. It is with this in mind that the board has made projections of Manitoba labour force to 1975, and in assessing the gross potential of the Manitoba economy we think it significant that our growth in population has lagged consistently behind the growth in population of the country as a whole. On the basis of five-year moving averages since 1946, it is pointed out earlier the Manitoba population growth has ranged between 61 and 71 percent of the national average. This means that the employment pull has been away from the province.

"One can conclude from this that unless more activity is generated in the rapidly growing science-based industries Manitoba's growth will continue to lag. Another useful indicator of growth is the change in personal incomes per capita over time. When applied, it is used to compare changes between one area and another such as between one province and the nation as a whole, one province and another, or between smaller regions. By this measure, Manitoba's growth in recent years has approximated that of Canada. Manitoba's per capita personal income has hovered around the national average since the end of World War II. If the Canadian economy has been growing at an adequate rate during this period Manitoba would have grounds

(MR. PAULLEY cont'd.) for satisfaction. The fact is however that Canada's growth in GNP and in productivity has been one of the slowest in the industrialized world. To have held our own in a slowly growing economy, can give but little comfort. There is further consideration that even if the national growth rate is greatly stimulated in the next few years, Manitoba's growth while facilitated would not be assured. It is entirely possible that the higher per capita personal income in such provinces as Ontario and British Columbia will attract, in increasing numbers, members of Manitoba's labour force. Insofar as such out migration is in response to real differences in economic productivity, Canada's welfare is served; on the other hand, where such out migration occurs due to a failure on Manitoba's part to exploit fully its economic potential, both Manitoba and Canada are poorer for it.

"It is for this reason the Board suggests the following needs: 1. A clarification of national policy with respect to desired levels of economic growth in the prairie regions. Unless national policies make possible relatively larger expenditures for accelerated growth in the prairie region, this area will experience a growth rate that will maintain its lag relative to the rest of the economy." And then goes on to say: "In this regard the formation of a prairie provinces' economic council would assist in placing the region's requirements in a better national perspective."

The last part of this, Mr. Chairman, I don't think that there would be too much disagreement; that is, the need for uniting of our -- more or less of our prairie provinces in a regional development economic council. But my main point at this particular time, Mr. Chairman, is to point out, particularly if the Honourable the Minister of Industry and Commerce does not agree with the contentions of the Member for Burrows, the contention of the Board in its report, and I think that we should substantiate and agree with this that it is entirely possible that the higher per capita personal incomes in such provinces as Ontario and British Columbia will attract, in increasing numbers, members of Manitoba's labour force.

And I want to point out, Mr. Chairman, to the Minister of Industry and Commerce and indeed to his colleagues in Cabinet, that while at the present time we are laying proper emphasis on re-training programs, on programs for the development of those who at the present time haven't got the required skills, that unless accompanying this expenditure of money and re-training in the respective fields, unless our per capita income for the producers is kept comparable with the other sections of the Dominion, we might be in a position where, because of this difference in per capita income, we may be training here in Manitoba for other jurisdictions as well.

So I want to say to the Honourable Member for Burrows that while in some cases he may be able to substantiate his case this morning, that because of increased taxes for utilities, labour asks for increased return, as the result of their increased costs, but we also have got in my opinion to consider the relative positions of the return to labour and the producers here in Manitoba by comparison, as the report suggests, of Ontario and British Columbia.

Now Mr. Chairman, I don't want to take any more of the time of the committee at this time, but I thought that this was a very important part, among other very important parts of the report of the board, and I commend the board for their forward-looking approach to the problems that we have here in Manitoba and I trust, Mr. Chairman, that when we get down to the item that I may have further comments as to the contents of the report. But I thought that when we were dealing, and the Minister was dealing in reply to the Honourable Member for Burrows, that it would only be proper and fitting for me to draw to the attention of the committee this very important but only one of many important contents of the report of the Manitoba Economic Consultative Board.

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MR. MARK G. SMERCHANSKI (Burrows): Mr. Chairman, I simply will make a very brief remark. I think that the Honourable Minister, in mentioning design, I believe that I must admit that it had technical implications and I think it would be unfair on my part to say anything more in reference to it. What I was referring to was to slow processes in the matter of balances and raw material balances and so forth.

The other matter that I did want to bring up, however, is the matter of the Manitoba Development Fund at this moment, so that it can be finalized from my standpoint; and the reference I made, Mr. Chairman, was the fact that including repayments, the actual net total increase in the loans including all repayments and so forth, because there is no other way to analyze the report by virtue of the balance sheet being very definite, that by working it indirectly the net actual increase in loans was \$735,000. Also, working it in an indirect approach, the interest earned on the money is lower than it was from the previous years, and the conclusion that one has to draw is that there was a larger percentage of available cash money in the fund on short term deposits, and that, of course, could be because of some other commitment that might have existed.

The other matter of the Nelson River power development and attracting industry into this area, I would simply like to clarify most specifically in reference to this, and I know that the Honourable Minister has found no difference in our thinking about the project. I think that this is truly a very worthwhile approach on it, but Mr. Chairman, there is another very important aspect or association in this power project in terms of the more recent potential discoveries of potash in the province as well as the development of potash in Saskatchewan, because this now gives us the ability to produce the potash in terms of the potassium carbonate which in turn, when linked with ordinary clay which is quite prominent in the Red River Valley, you can combine an operation that you can recover aluminum trihydrate and in turn make metallic aluminum, and this of course, as possibly the Department of Industry and Commerce knows only too well, that it is this combination that requires a great deal of low power cost. Now I know that there is going to be a fantastic surplus of power in this province if we develop the Nelson River project, and it is through this approach and it is in matters of this nature that we can truly increase the industrial economic growth of Manitoba.

Aside from anything else, Mr. Chairman, there is one other matter that the Honourable Minister did touch on and that was in the field of engineering and design. Let me say this. I, to a certain extent, disagree and quite strongly in that we possess some of the most able engineering brains in the province in terms of their availability for consulting and their availability in preparing feasibility reports, and I feel that we in Manitoba, because of our peculiar location in terms of markets and transportation, have got an excellent chance to go out into the foreign fields of exporting engineering know-how, engineering design, and because of our close relationship to the deep water at Port Arthur and Fort William, this is an area that we can develop into one of our most outstanding industries in the province. So with that, Mr. Chairman, I feel that we have covered the Minister's salary, and I did this simply so that we would not delay the individual items as they came up.

MR. CHAIRMAN: (b) -- passed --

MR. DOUGLAS L. CAMPBELL (Lakeside): Mr. Chairman, I have taken little or no time of the Committee as yet, but there are some matters that I would like to discuss. I'm sorry that I'm not able to carry on in the rarefied atmosphere that the Honourable the Minister and the Honourable the Member for Burrows can ascend to. I have to get down into a little more mundane plane, and I'm sorry, too, to have to break the harmony and goodwill that's been existing up to date because I have a specific complaint to make.

I said the other day that it was difficult to be critical of my honourable friend the Minister of Public Works because of his plausibility and personality. I find it completely impossible to dislike my honourable friend the Minister of Industry and Commerce no matter how hard I try, because of the fact that he is so evidently sincere and convinced of the job that's being done. He'll not be astonished to hear me that I haven't been able to generate that kind of enthusiasm for the programs that are carried on by this department, and yet I am sensible enough to admit that there are certainly two sides to the question. I don't pretend to give my side at this time - that's been debated here before - and I still feel that this is a duplication of effort as between the Federal Department and the Provincial Department, and that when one government, when the Federal Government is in one of these fields, that the provincial work in that same field should be restricted to co-operation with them in covering areas that they don't cover rather than duplicating what they do - exactly the same arguments

(MR. CAMPBELL cont'd). that they use with respect to farm credit. But we are in it, Mr. Chairman, and as I understood the purpose of the Fund it was that this was to develop industry in Manitoba to keep people here, to train people, help to train them and help the business to grow, and to -- of course to attract new industry as well.

Well now, my honourable friend will all of the honesty - and I certainly ascribe it to him in complete measure, but he attempts to maintain what I believe is a fiction. I'm sure that he believes the fiction but I think it is a fiction still, that he does not know the individual businesses that secure the credit from this Fund, and that he is unaware of who they are and of the circumstances under which they operate, that he gets only the material that is supplied to him by the directors of the Fund. Well now Mr. Chairman--(Interjection)--the Industrial and Development Fund, yes. Mr. Chairman, I -- Manitoba Development Fund I guess is the correct name -- I take the position that the Minister should know, because I think that -- and that the members of this House should know, because if public money is being loaned then I think it is obviously the duty of the Minister in charge of the department to know something that is going on; not to interfere, I admit, but still to be closely informed as to what's going on.

I believe that my honourable friend rather dislikes to have individual companies mentioned in the House, but I find it necessary to mention this particular one because it's one that came here, established here, established a new industry here, an industry that did not exist in the Province of Manitoba before, and it was established with at least some encouragement from my honourable friend's department, and it is now I believe in receivership and I think the main reason was from lack of support by the Board. Now the name of the company is Damascus Steel Products Limited, and I'd like to ask my honourable friend if it is a fact that that plant is now closed down and is it by action of the Fund itself or the Receiver-Manager appointed by the Fund? My honourable friend will probably tell me that he doesn't know the affairs of the individual companies, but I would think it would be only right to ask him to get the facts with regard to this particular industry. Naturally, I know only the one side of the case because these people have come to me quite recently and I know that they have been in touch with other members of the Assembly. I have no brief to present from them; I simply give to the Committee my understanding of the story as they have given it to me.

It goes back to where this young man who was trained - a graduate in mechanical engineering of our own University here with some additional training in engineering and in business administration - got in touch with the Board and received at least some encouragement. He thought he had more than encouragement, he thought he had a commitment from the Fund that they would make a sizable amount of money available to the establishment of this steel products plant on the outskirts of Greater Winnipeg, on the understanding, of course, that equity capital would be raised by them as well. Well, it went on for some time and when the Fund, after what the sponsors of the new plant thought was a considerable delay, when they finally got the money from the Manitoba Development Fund, it was considerably less than what they understood they had been promised. And this was the story of their life all the time that they were alive: they operated on a shoestring - they had too little money. And my contention is that if the Fund was going to be interested in them at all, it was their responsibility to see that they had sufficient working capital, because here was a new industry, new not only in the terms that it was coming into the province to establish, but it was not competing against any existing industry at all. It was new to the province, manufacturing screw nails, bolts - small bolts - and other steel products, and I think that the possible success of this new industry for Manitoba was greatly hampered and its future was definitely prejudiced by the fact that it did not get, at the very start, the money that it had expected; and that continued all the way through.

Now I think it would be only fair to suggest that probably they did not raise as much equity capital as they had expected either, and that certainly this contributed also to their lack of funds. My point is that if the Development Fund was in the business at all, then it should have seen to it that sufficient money was supplied to allow these people to operate at an efficiency level. And this was never done, according to my information.

Well eventually, the government, after watching this company struggle along for some time, either the government or the Fund - I presume it would be the Fund - asked the Arthur D. Little Company to make an efficiency report upon this company, and I did get a copy of this report. I'm not going to take any time to go into it at all, but anyone who is interested would be welcome to see it, and without attempting to summarize it in any way I would say that this report of the Arthur D. Little Company indicates that the building is good; the location was

(MR. CAMPBELL cont'd). well chosen; the personnel, including the three men who worked at the plant, were tremendously interested in their work, had great enthusiasm, initiative and a great deal of ability as well. I would say that the report in general is very favourable to the company, with this exception, that it underlines all the way through that the real difficulty was, at the beginning, throughout the and at the time they made the report, lack of operating capital. Now this, I think, is a great mistake for the Fund, after having put some money into it, after having encouraged people to establish an industry here, and while they don't directly take the responsibility for the equity capital that was raised, yet there was a lot of equity capital raised by people who are not wealthy people. Generally speaking, they are working people, and they, believing in this industry, and having great faith in the young man who was the sponsor of it, they had put up a sizable amount of capital, but -- and perhaps not as much as they had intended; I'm quite frank to say that -- but all the way through, the story is that they were impeded in their progress by the lack of working capital. They couldn't do their job as efficiently as they were qualified to do it because of this situation. And this is where -- if there's any place, in my opinion, where the Fund should be willing to help with finances, it's a case of this kind.

Well, this went along to the position that the Fund simply did not put up enough money for them to operate efficiently. This is borne out by the Arthur D. Little Company report itself - this isn't their statement; and eventually the Fund -- the sponsors of the program decided that they would put on the market a debenture issue to raise working capital, and I am told that after this was agreed to, so far as the discussion between themselves and the Fund were concerned, that after this was agreed to, that it took the company from September of one year, September '63, until away on in the late March of '64 to get the clearance from the Securities Branch of the Public Utilities Department to put this debenture issue on -- and there is another place that I would think - and I do not believe in interference with governmental departments and branches in administration - but there is another place that surely to goodness, the Fund, if this was the arrangement that they thought was best under the circumstances, surely to goodness they could have expedited the opportunity of these folks to improve their financial position by this issue of debentures, because all the time they were carrying on on a shoestring, and all the time they were having to improvise - and the Arthur D. Little report gives them great credit for being able to improvise and improvise successfully - they were having to carry on and try and hold the markets that they had and at the same time get new markets while their day to day operations were restricted by the fact that they were lacking capital. That isn't just their statement, that's what Arthur D. Little says as well.

Well eventually the Fund offered to supply the money, working capital. After the Arthur D. Little report was received I guess there was no question that this was very self-evident. And here was this capital-starved little company trying to get along, having to improvise, day to day basis of operation, restricted in their operation both in supplying their present customers and going out to get new ones, but in spite of all that making considerable progress, with all the people - the three people that worked in the plant, because it didn't employ a lot of men, just three men there - working at reduced wages or in some cases at practically no wages at all, to make this business go. You will gather that it is largely a mechanical operation. And so they had no choice, in my opinion, but to agree to the terms that the Fund imposed on them, and that was that if they were going to give them this additional working capital that they so badly needed, that they would have to sign a receivership arrangement with the Fund; in other words that the Fund itself would put into the plant, in charge of the plant, a receiver-manager who I believe - I'm not certain of this, but I believe the man so appointed under the arrangement was an employee of the Fund or of the Department, and the people who have talked to me, and other members whom they have talked to can recall their recollections on the matter, tell me it was their distinct understanding that if this arrangement was agreed to by the sponsors of the plant, that the money would be forthcoming to give them what they felt - and what Arthur D. Little felt - was the necessary component to give them a chance at least to have a successful operation. And so they did this. They co-operated in the legal arrangements that had to be made in order to turn over to the Fund this receivership; and almost immediately - I'm not certain of the time - but almost immediately after that was done, the plant was closed. That's the action that the receiver-manager took. It's true, as they relate the story to me, it's true that the receiver-manager did allow the operators of the plant to go in there and to perform work and to get out some materials that were on hand, and fill some orders that were still on the books, but so far as new

(MR. CAMPBELL cont'd).business or carrying on, the plant was to all effects closed. But you can just imagine, Mr. Chairman, what this did to the possibility of them getting new customers, and these men continued - I would think it would be safe to say for months - to try and hold the setup together. True, there were only three men employed. They tried to fill these orders; they tried to keep in touch with their customers both present and prospective, for a long time, while trying to work out an arrangement with the board.

Speaking from my experience as a Minister of the Crown, I would be amazed, simply amazed, if at some stage there were not representations made to the government, to members of the government, and I would not be critical of the members of the government if there were. I think there should be, under those circumstances. I think that when the sponsors of that plant found that they couldn't get the kind of action from the board that they felt was necessary in order to supply the very lifeblood to this little industry that they'd worked so hard to establish, that they would have been completely within their rights to have gone to ministers. My guess is that they must have done it. They have not told me that, but I would think that that was likely. I would think, therefore, that it's very unlikely that the Minister does not know of this case. I would think it very unlikely that it was closed down without some of the ministers being consulted regarding it. But all of that action had certainly been taken before they came to me -- and there's no reason of course why they would come to me; I was not connected with them. It was a very round-about way that they came to me; just one of the shareholders happened to have lived in Lakeside as a young fellow and he came one day to talk to me, simply as a shareholder. He wasn't an officer; he wasn't an employee. He was connected with it only because he had bought some of the shares in an effort to have some interest in this new business. And he came to me, and when I heard the story I wanted to hear more about it, and I got in touch with some others and then some others and then some others; and eventually I met the young man, named Ross Henderson, who had been the sponsor of this project in the first place. It seemed to me that he was a very fine young man.

I'm not suggesting that this is likely the whole story. I would expect that there is another side to this story as well, but I think that the Minister should be given an opportunity to tell the other side of it, because without that side being told it certainly looks as though an industry that had every prospect of being established here, and a group of people who had made a determined and I think a quite effective effort to bring into this province a completely new industry, were handicapped in their arrangements by the Manitoba Development Fund rather than helped by it. And I'm sure that this is the feeling that they have, that the Fund did not perform in a way that was of any use to them whatever after that first initial advance. They tell me that they went - certain ones of them, usually the directors but in later cases even the shareholders or committees of them - went to talk to the directors on more than one occasion, and that they found - different ones of them, individually and later a group of the directors - of the Fund I mean - and they tell me that in the early days that these individual directors that they contacted would say, "We didn't know anything about it," - that action being taken.

To me it's a sad story, Mr. Chairman, and when my honourable friend the Minister, for whose good intentions I have the highest regard, tells us about the work that this board does, I'm just puzzled to square those statements with the record of the board in connection with this case. I would think that the chances of rehabilitating this industry now are greatly prejudiced, because you can imagine that the customers that they were trying so hard to get - and they needed big customers outside of the Province of Manitoba as well as inside - you can imagine that after having tried them and found them satisfactory in the most of cases - they had some difficulties, it's true - that to see them closed up for a matter of months would just about defeat every chance that they had of successfully securing those big contracts that they wanted.

Well Mr. Chairman, I hope that there are not many other cases where the sponsors have the feelings that these have, and I hope that my honourable friend the Minister, if he's not in possession of some of the details about this plant, will make arrangements to get them because from what I know now I would not expect that there's not some other side of the story, but I think that the other side of the story should be told, but I can't understand it, having heard only this side.

MR. EVANS: Does my honourable friend want to speak about this same company? It might be convenient if I dealt with the one matter at a time.

MR. SCHREYER: Mr. Chairman, I did want to wait for the item but what I have to say

(MR. SCHREYER cont'd). relates so closely to what the Honourable Member for Lakeside had to say, that I suppose it would expedite matters if I were to relate it now. Forty-five days ago, Mr. Chairman, I moved a motion in this House asking for an Order of Return showing whether a loan was extended to Friendly Family Farms and to Damascus Steel, which is the selfsame company that the Member for Lakeside has just spoken of, and to Brandon Eviscerating Company Limited, and I asked whether any of these firms were now in receivership and how much was loaned, etc. And as honourable members will recall, at the time the government refused to accept the order and that protracted debate ensued, and finally the order was withdrawn and re-submitted in a general way. I think that one of the reasons why the difficulty has arisen with regard to Damascus Steel and other firms is because, it is precisely because this government feels unaccountable for the actions of the Fund and does not feel obliged to provide specific information. Now of course there is some, you might say constitutional reason for refusing to reveal specific information, but it's really so silly. But, Mr. Chairman, I have here documents of all sorts, balance sheets, everything, indicating the financial position of that firm, indicating how much was loaned by the Development Fund, the sequence in which that money was loaned by the Fund, and so on and so forth; and it seems to me that in the future this government should re-think its position in regard to supplying information to this House on the basis of accepting these Order for Returns subject to receiving approval from the individual firm. There's nothing to hide; no individual firm would want to hide anything.

Mr. Chairman, I believe, according to what I can make of this whole case, that there is some pretty tall explaining to do by this government, which is after all answerable for the Manitoba Development Fund - there can be no two ways about it. There is some real explaining to do as to why it was that this particular firm, Damascus Steel, which was attempting to do business in a field which was really an open field, in a field which the COMEF Report recommended as being a strategic field, one in which there was a gap in this province, this particular firm undertook to try and do business in this particular field, and it was, you might say, hampered - hampered all the way by the lack of consistent support and understanding by the Fund.

Now it seems to me that the function of the Development Fund is, as the name implies, to help facilitate the expansion of industrial development in this province. Its function is to assess individual, or rather, industrial development needs and opportunities, and once satisfied that a business opportunity exists, it seems to me that the Fund should stand ready to provide the necessary loan capital and working capital for development and expansion. In doing this, the Fund must obviously get involved in areas of basic public policy, and when we get into that area we have a right here to question why certain loans were extended or not extended, or why certain loans were delayed, etc. And as I tried to make analysis of this whole question, this whole case of Damascus Steel and the Manitoba Development Fund, I am -- I think the word is "puzzled," as the Member for Lakeside put it, because I have here the report, also the report of the Arthur D. Little Company, and throughout the report there is evidence that the surveyors, the Arthur D. Little people, are greatly impressed by the capacity, the competence if you like, of the personnel of this firm. They are impressed also with the production line and convinced that the product is one which does not have competition in this province; it's a gap area. They were impressed by the attempts of this firm to make market inroads throughout the country and they say so in this report, and finally, if I may say by way of summary, that the report indicates in at least three places that it is the considered opinion of the Arthur D. Little surveyors that the greatest, in fact the only major obstacle to this firm's success is the lack of working capital and it recommends, it recommends, that the Development Fund -- well it doesn't recommend so specifically, but by implication, the recommendation is there that this firm be given assistance in this direction.

Before I go any further, I think perhaps I should make one digression at this point to ask why it is that it is necessary to bring in management analysis experts from other jurisdictions. I ask this particularly in light of the fact that the Honourable the Minister of Mines and Resources -- yes, that's the Honourable Minister of Mines and Resources, we just heard him -- he objected very strenuously and very vociferously, to the request of the Pine Ridge property owners that appraisers be brought in from another province. He said that we have here in Manitoba most competent land appraisers and that it was really not justified, or justifiable, to bring in people from outside, but the government does not take a consistent view of this point, Mr. Chairman, because here we have the Arthur D. Little Company called in all the way from the Massachusetts Institute of Technology in Boston to do a survey and it is my

(MR. SCHREYER cont'd) understanding, in fact I did see the Order for Return not very long ago wherein the Member for St. George asked how many firms from other provinces were brought in to do consulting engineering services and reports and there were quite a number, Mr. Chairman. My digression simply being this, that I would pose the question why it is that one department can object to bringing in an appraiser or two from another province while another department, Industry and Commerce, has no compunction at all about bringing in experts from other places and the Department of Public Works has no compunction at all about bringing in consulting engineers all the way from Niagara Falls or from Hamilton or Toronto, Chicago, wherever the case may be.

To return to the main point at hand, Mr. Chairman, I think that the question is one which the Honourable Minister of Mines and Resources feels that it's just as well that he doesn't have an opportunity to answer at this time--(Interjection)--Non-seculars.

Mr. Chairman, I have here a chronology of dealings between the Manitoba Development Fund and Damascus Steel and in this table, this time sequence table, there is some interesting information. Perhaps it would be just as well to read it. On February 5th, 1960, a letter from the Development Fund was sent to a Mr. Ross Henderson, offering a \$25,000 loan if equity was raised to establish a screw manufacturing plant and recommending that arrangements should be completed to establish the plant. September 28th, 1961, a letter from the Fund rejecting a loan application of Damascus Steel Products, which company had by then raised \$30,000 in equity. And then another year passes; October 23rd of 1962, this time a letter from the Fund offering \$15,000 which by now -- the firm was by now in operation with some \$40,000 in equity. March 1st of '63, approximately six months later, a loan disbursement was received from the Development Fund in the amount of \$15,200.00. On August 27th of '63 the firm requested an extension of loan as promised in October of '62. This was deferred. In October of '63 the Arthur D. Little Company made its report on the company and the plant and reported among other things, and I quote, "Damascus Steel has no problem that money, and time and perhaps some technical assistance, could not resolve expeditiously."

And then some items which I can omit, Mr. Chairman. Apparently this money which could have assisted so greatly in the development of this firm was not forthcoming, and in October of '64 the firm, Damascus Steel, was advised that the Fund was taking over as receiver-manager to operate with the necessary amount of money until such time as sale and profits were substantial enough to operate on its own. A little bit later in the same month, October of '64, Damascus Steel was advised by many channels that the Fund would inject money and operate as soon as it was in the position of receiver-manager. Messrs. McDougall and Rodgers advised Ross Henderson, one of the proprietors, and so on and so forth; and on October 28th Mr. D. M. Rodgers, an employee of the Fund, was appointed receiver-manager of this firm. Shortly after, in fact about ten days later the employees of Damascus Steel were discharged by the receiver-manager and the plant operations were stopped and the plant closed, and negotiations for the sale of the plant started by the Fund with prospective purchasers.

Mr. Chairman, there is much more here; in fact I have the whole report, but it seems to me what is very difficult to understand are two statements which I hope to relate to the committee. First of all I have here some excerpts from the Committee on Manitoba's Economic Future and the report says, among other things, that basically government industrial development agencies must help develop special and unique programs to encourage the rapid expansion of industrial production, particularly in growth industries, with attention directed to products not yet made in Canada or Manitoba.

Mr. Chairman, this is precisely the area that Damascus Steel was in. It was in an area of industrial production that was not yet developed in Manitoba, so it seems to me that Damascus Steel should have received the whole-hearted support of the Fund and of this government. The report goes on further to say, that is the COMEF report; that the industry producing secondary iron and steel products is one of the most important branches of manufacturing in Manitoba. It employs about 11,500 persons and currently has an output of approximately \$128 million. Depending upon the alertness of industry and government, the volume of production of the industry can increase by at least 50% by 1975. Mr. Chairman, when a firm attempts to get into this field, with a product that is relatively new in the field, and when it fails to receive the kind of encouragement and assistance which most members here would think it was entitled to, there is scant hope that Manitoba shall increase this sector of its economy, of its industrial economy, by 50% as the COMEF report hopes can be done.

(MR. SCHREYER cont'd)

As I understand it, Damascus Steel is a firm that was attempting to manufacture machine screws, sheet metal screws, wood screws, carriage bolts, stove bolts and rivets, of carbon steel, stainless steel and brass, and that it was the only manufacturer of small screws up to 5/16 inch diameter, in Western Manitoba. It was in an area that seemed to demand, or at least it seemed to be able to stand considerable development and expansion, and yet it was allowed to fall by the wayside, not because of any incapacity or incompetence on the part of management; the Arthur D. Little Report seems to clearly indicate to the contrary. In fact, in the report in one place it makes reference to the enthusiasm, drive, perseverance, and faith of the management and it refers in other places to the ingenuity with which the persons employed in this firm were going about their work.

So it wasn't a matter of incompetence or anything of that kind. It wasn't as though the personnel were not attempting to be aggressive in their sales in the province and even outside the province in other parts of the country and the report makes that clear. In fact, the report says that the market penetration of this firm was rather remarkable for the short time that it was in operation. It all boils down, it comes down and focuses on one single point, namely, that the firm, despite it's personnel, despite it's management, despite it's plant location, despite everything else, which was good, was in trouble because of lack of working capital, and it's precisely because of this that the Manitoba Development Fund was set up to facilitate industrial expansion and development by providing loan capital to people and firms that had the product, that had the plans, that had the competence, but which lacked working capital. That's all the fund is there for, is to provide working capital. No one was asking it for management assistance, and in this case it seems like it couldn't even do that. So it makes one wonder, just how important a function is the Fund playing in our economy in this province.

I would say for the last time that when there is a firm trying to establish itself, with a product that is, according to the expert reports a good product, when it is manufacturing that product in a plant that is, according to the experts and the report, a good location and a good plant, when it is being managed by people who are, in the opinion of the experts as shown in the report, of good calibre, of high calibre, and the personnel are acknowledged to show ingenuity and competence, when all this is shown and when such a firm is, despite all these things, allowed to fall by the wayside, it certainly makes one question just what this Fund -- what it's policy is, whether it has any faith in the economic potential of this province. One could certainly accuse on the basis of the information that we have, one could certainly come to the opinion that the Fund is overly cautious, is not sufficiently activist. One could come to that conclusion on the basis of this one case alone, Damascus Steel, but then on the other hand we have the same Fund which I have just finished describing as overly cautious and not willing to provide sufficient loan capital to people who are competent enough -- there seems to be no question about that -- that same Fund on the other hand has been not very cautious, not very cautious at all when it comes to extending loan capital to the food-processing industry in this province. Forty-five days ago when I asked information about Damascus Steel, I also asked for information as to what the Fund loaned out with regard to Friendly Family Farms, and of course, I didn't receive any direct information on that score, but I re-submitted the Order for Return in more general terms and I did receive a reply to that, and in that reply -- yes, here it is, Mr. Chairman, I find, I find that the Manitoba Development Fund had extended loans to commercial, vertical integration-type farm operations in the past three years; that it had extended four such loans for a total of \$912,000.00. This would make an average loan to each one of about \$230,000.00.

The Fund is obviously prepared to loan out an average of \$230,000 to commercial, vertical integration-type farm operations on the one hand, and it's reluctant to loan out \$30,000 -- \$30,000; that's all Damascus Steel was asking for an extension on. It was asking for an extension of \$30,000 of loan capital in order to facilitate the expansion of its operation. Well the Fund couldn't seem to go along with that. They wouldn't extend that loan and this firm was pulled into receivership, even though it was producing a product that this provincial economy could have stood. On the other hand it loans out, not \$30,000, but \$230,000 to four different commercial, vertical integration-type farm operations, to do what? Mr. Chairman, these commercial vertical integration-type farm operations are the kind of thing that we don't need in this Province of Manitoba. The market demand for poultry products in this province can adequately be met by existing, by existing poultry-processing establishments.

I have here some information to the effect that the Manitoba Dairy and Poultry Co-Op

(MR. SCHREYER cont'd) opened up a processing plant close to Blumenort which has an annual capacity of about 20 million pounds, and that there is one at Morden with an annual capacity of 8 million pounds of poultry products, and Swifts has a capacity of 10 million pounds of poultry products processing; Canada Packers 10 million, and so on. The present production in poultry processing in this province is approximately 35 million pounds annually. This is a field that was, you might say, competitive enough as it was. Some five firms went out of business in this province in this field of endeavour. The one at Lac du Bonnet I understand is not in business any more. The one at Blumenort, which was sold to ManCo, to the dairy and poultry co-op, it had ceased operation or would have had to cease operation; one at Boissevain, and so on and so forth. So in addition to five firms going out of business the fact remains, as I said earlier, that our existing plant capacity for poultry products processing was adequate and could have been expanded upon by those already in the field, but the Development Fund - and I really can't get over this. I don't understand the rationale behind it. They loan out close to three-quarters of a million dollars to commercial vertical integration-type farm operations, and it's these kind of operations, I'm convinced, that are really making things tough and miserable for the small family farm operator, because it's putting him right out of the poultry business. His margin that he can realize on poultry production and poultry products production is so small that it's really not profitable at all. Well, if the Fund were being aggressive and expansionist and activist in all regards, we could say, "Well, at least it's being consistent;" but it seems that it's loaning money out in areas that are of questionable necessity, in my opinion very much undesirable direction; on the other hand it's being very cautious with regard to a \$30,000 loan request from a steel product firm that was being managed by people that had the admiration of the Arthur D. Little people sent out to do a survey. So, Mr. Chairman, I hope that the Minister can explain, because this is not -- this is no longer, this sort of thing is no longer in the area of the Development Fund's own authority and jurisdiction. These questions involve matters of policy and as such must be answered here by the Ministers of the Crown and by the responsible Minister.

MR. EVANS: Mr. Chairman, it's right that we should discuss cases of this kind, and it's right that I should be asked to provide what my honourable friend from Lakeside has been good enough to recognize as another side of the case - and there is one - and in respect to FFF also I want to present the facts as I know them, and I know they will be laid before people who will receive them with an open mind, and consider them, and if after considering the facts as I have them we continue to disagree, then that's -- at least the case has had a fair discussion. So I'd like to proceed to discuss it on that basis.

It's not possible to understand the Damascus Steel case if the facts as presented by the two honourable gentlemen are the whole of the story, because it is not a case that this company was allowed to come into difficulties just because of a lack of working capital - I think I'm not mis-stating what was said - because I think my honourable friend from Lakeside was the first to draw attention to the fact that the entrepreneurs themselves had not been able to secure the amount of capital that they had been expected to procure, and there were other difficulties besides the financial; and this is the other side of the case. Indeed some of the other difficulties are probably the cause of the financial difficulties. Now this sounds a little complicated but this is the way it works. They had difficulties in securing a market, and I have no hesitation at all in discussing the extent to which they have been in touch with our department and the efforts that the department have made to try to help them with their difficulties and get them out of them, because this is in the realm of public discussion - it is not in the hands of the Manitoba Development Fund.

My honourable friend - just let me clear a little point aside before we go ahead - says that he would be surprised if the members of this company had not been in touch with me or some other member of the department - of course they have. But at that interview and at no time at all did they hand me a statement, or hand me any of their financial statements or other papers that my honourable friend over here has, nor have they given me a statement as I would require it in writing that I may refer to it in public. I think my honourable friend has said that he's quite willing to have this matter discussed in public and he has the facts, and it would be right if they had authorized me to discuss their matters in public. I have nothing to hide if -- the only people we're trying to protect in a policy of saying that the financial affairs of a borrower are the private information of that borrower as between them and the Fund, are the borrowers. That's the sole purpose for it, and I assure my honourable friend that that is the only motive we have in trying to conceal. So I simply say yes, these gentlemen

(MR. EVANS cont'd).....called on me in my office, described the fact that they were having difficulties.

Now I had discussed quite thoroughly with my staff the technical difficulties that these gentlemen had encountered, and they have had difficulty with marketing and they have had technical difficulties with respect to their processing. In fact it was the technical difficulties with regard to their manufacture here that was the reason for bringing to Winnipeg someone representing Arthur D. Little Company. The reason for calling in A. D. L. was to get the best technical help possible to assist Damascus, and the person who prepared the report had actually operated a similar plant himself and was retained especially by A. D. L. because of his knowledge of that industry. So when we applied to Arthur Little for help, they engaged somebody who had operated a plant of just this kind. The report is a straight technical one, and as a result of the report I understand that the Fund did advance further money. I haven't been able to keep in my mind just the list of events that my honourable friend quoted a little while ago to see just where this fits in in the sequence of events, but it is on the basis of this technical report that it's my understanding that the Fund did in fact advance further money. The report shows that the potential for a successful operation existed with certain relatively minor changes. Unfortunately the company was unable to overcome their problems and did not succeed.

Now I think I will have to take the point of view that a loan should be made when there is reasonable prospects that the operation will be profitable and the loan will be returned. I'm sure that any loaning operation, whether public or private, must be made on the judgment of competent people as to whether the loan can or will be repaid. I know from the personal attitude of those who are the members of the Manitoba Development Fund that they have every attitude to helping, particularly in the early stages of a company, helping a company to succeed. They come very reluctantly to a conclusion that it is not going to succeed and that any further advances would be putting more good money after money that apparently has been lost and the new money would be lost as well. I have not discussed this aspect of it with the members of the board, but it is their business judgment that the company could not succeed in view of its difficulties of low finance, including a failure to provide their own share of the funds, technical difficulties with the markets and technical difficulties with production.

Now among the qualities that my honourable friend from Brokenhead mentions are some very good ones; as I understand it, it was in the men's enthusiasm and their drive and their perseverance. I didn't hear him say that anyone had given the opinion that they had the technical ability--(Interjection)--It may have been, but he wasn't experienced in this particular kind of business. I didn't hear that quoted from the report, to the effect that they did have the technical ability, and of course that would be, it was Hamlet left out, if you didn't have the technical ability to run the company. And so, I think my honourable friends will recognize that these other factors must be taken into consideration, that if the ability to market and the ability to produce had been established and the lack of capital had been the only thing, one of two things could have happened. Either further funds could have been provided or funds could have been sought from another source.

Now, let me deal with this point a little bit, because really it is not within the general purpose of the Manitoba Development Fund to provide working capital. I think this is a little point that we should come to understand. The funds are intended for the expansion of productive resources, buildings, machinery and other productive capacity, and that is the main purpose of the Development Fund, and it's largely the purpose of other institutions, including the chartered banks, to provide working capital for a company. In fact, I think it can be said pretty categorically that a loan may not be made for the purpose of working capital, and that being the case, if working capital was the decisive factor in this company coming into difficulties, then it was not within - I'm going to say the powers of the board, to make a loan for working capital purposes, certainly not a loan for refinancing purposes. And that's the way the situation exists. So there were other factors as well.

My honourable friend said he can't understand how this would come about if the facts that he noted are correct. I think my honourable friend from Lakeside has said much the same thing, that if these are all the facts, and those are all the facts that he had - and he had them from the owner and from the owner's point of view - if then those are the facts, then he doesn't understand it. Well if those were all the facts I wouldn't understand it either. I assure my honourable friend they are not all the facts because I know of the discussions on a technical level, both marketing and production, that have gone on within the department, and

(MR. EVANS cont'd). there are other facts involved.

Now I would like to, partly because of his remarks today and partly because my honourable friend has referred previously to a matter of concern to I think everyone in Manitoba, not only the farmers but others, in connection with the Friendly Family Farms, in which he indicates that vertical integration is the kind of thing that we don't want to encourage. He feels that it is wrong and harmful, particularly to the small family farm in connection with the raising of poultry, as I understand it. If I say anything, that's not a fair representation of what my honourable friend has said I hope he'll help me to put it straight. Well I would like to discuss this and I'm afraid I must ask my honourable friends to listen to some extensive material, and invite as well as we can a fair hearing of these facts and discuss the matter, I'm afraid it will be necessary, at some length.

Let me say at once that neither this department nor certainly the Department of Agriculture nor any department of the government would enter into any program of commercial type vertical integration of farming operations which would do harm to the small individual family farm. That is a categorical statement. We wouldn't do it; we haven't done it; and I invite an open mind as to whether, by the time I'm finished, as to whether or not the FFF operations has had that effect.

Now I have been released to discuss the affairs of FFF, and at a later stage I'll be glad to read a letter from them which does set out facts I think that we should have in front of us. There is no question at all that the poultry industry in Manitoba is in difficulty. It's in difficulty because its costs are too high to compete with alternate sources of supply right home here in our own market. The reason that Alberta and Ontario and the United States undersell us in Manitoba is because they use modern efficient methods, and if the present trend continues even the poultry growing operations that we have in the province now are in some danger - in my opinion a fairly severe degree of danger - of going out of business on the methods that they are now using. But the poultry industry can be rescued here in Manitoba if they will follow the pattern set for them by the FFF farms, if they will consider the methods that are used there and go and do likewise. I think the facts of the case - and I'll come to those almost immediately - will surprise -- and I don't want to state it too strongly but I think they would astonish a good many people. They surprised me and even astonished me. And so I'm asking first of all for an open mind on this matter before we come to any conclusion on it.

The first fact is that Manitoba eats between 13 and 14 million pounds of broilers and fryers per year. We produce in this province about 9 million pounds and we import into the province between 4 and 5 million pounds a year in the Manitoba market right here. It's probably larger than that because we do in fact ship some quantities out of the province, and the extent to which we ship out of the province therefore increases the extent to which supplies are brought in to replace them. Now this is made up from statistics, if you like, so we thought we'd better check this pretty carefully, and I sent my staff out into the field to inquire from the people who import chicken into Manitoba and they gave us a good deal of pretty interesting information. Poultry is sold, almost altogether, by supermarkets and chain stores.

MR. GILDAS MOLGAT (Leader of the Opposition) (Ste. Rose): possible to have those figures, Mr. Chairman?

MR. EVANS: Indeed yes, I have them only in my speaking notes at the moment but - I haven't a copy here - I'll be glad to let my honourable friend have them afterward.

MR. MOLGAT: If you'll just read them once again.

MR. EVANS: Yes indeed. Manitoba eats between 13 and 14 million pounds a year of poultry. We raise about 9 million pounds and we import 4 to 5 million pounds. Then I went forward -- I'm going now to the point of saying that these figures are now confirmed by field surveys. I inform you now that I have personally had conversation with the head of one of the big chains of supermarkets, who tells me that for a single weekend sale of poultry in Manitoba, he must bring in between 4 and 5 carloads of chicken from Ontario. There are about 300,000 to 400,000 pounds of chicken brought in from the United States by one importer alone. Another chain confirmed the fact that they bring in more than a million pounds a year, into Manitoba for home consumption here.

MR. MOLGAT: the United States or Canadian import?

MR. EVANS: No, from Canada largely. My honourable friend from Morris would lose his hat, as a matter of fact. You remember in the course of another debate he said he'd bet his hat that the Kentucky fried chicken that is offered here in Manitoba by a certain concern was raised right here in Manitoba. Well it used to be; it used to be; and that contract has just

(MR. EVANS cont'd).been let to Alberta because they can undersell us here and are able to secure a better and more consistent quality. That's the Manitoba picture - 4 to 5 million pound shortage. About the same shortage in Saskatchewan. There's about a one million pound shortage in Alberta, only one million. That's because they have some large modern factories of their own. And so the deficit in the prairie area alone is of the order of 10 million pounds a year.

The second fact that I would like to offer is this, that this market is growing at an astonishing rate. It will raise the consumption in Manitoba, the total consumption in Manitoba by 1970, from the present 13 or 14 to about 20 million pounds, and by that time that will only be five percent of the Canadian consumption - just about our proportion of the population. There's some confirmation there. Consequently we can double our production in this province by 1970. Somebody is going to sell that amount here; I hope it will be Manitoba firms. Nearly all the poultry raised in Manitoba - broilers and fryers and turkeys - is produced by 80 growers. Just 80 - 80 growers. Poultry, except for home consumption on the farm and perhaps an occasional additional single sale, is not grown by the small family farm. If it were, if the supplies of poultry were in any significant measure at all provided by the small family farm from the backyard, or -- I don't mean to be putting any undue emphasis on that phrase; I'd say in small numbers on the farm -- then I would think that my position would be altogether different. It isn't raised that way. It's raised in very large operations which average about 60,000 birds a year in barns that cost a minimum \$18,000, if they are to get production out of any kind of a price that can compete at all. I have mentioned that nearly all poultry is sold by supermarkets.

Now we come to another fact of the situation which I invite my friends to look into, and that is that all poultry growers, with the very smallest of exceptions, are now organized into five vertically integrated groups. Sixty percent of the output is contracted by Canada Packers Limited, 20 percent by Dueck Bros. and the remainder are divided between the Manitoba Cooperative at Rosenort, the Swift Canadian Company, and very lately some production from the FFF farms themselves.

Each of these groups which can properly be described as vertically integrated operations has its own hatchery, its own feed mill, and its own eviscerating plant, but they are divided sharply into two different types; those that are vertically integrated at the bottom, where all of the profits from the operation accrue to the farmers or the growers as is the case with the Cooperative and as is the case with FFF farms - I'll substantiate that in just a moment; the rest are all vertically integrated at the top. The ownership and operation of the entire thing is run by the corporation at the top - I'm not casting any aspersions on them, but they are owned at the top and profits, if any, then accrue to the top and management is provided from the top.

Now let me describe the FFF operation. It is an association of 10 growers who have formed what I think can probably be described as a mutual corporation owned by the producers, and I'm able to produce some documents which will help my friends, I think, to see the details. They are 10 producers who own approximately equal shares of the company itself. No single member of the company owns more than 15 percent of the stock. The membership of this company is open to outsiders, others who will abide by their rules and regulations. The profits of the integrated operation are shared in proportion to production simply -- putting it in another way, they get their chicks and poults at cost; they get their feed at cost; and in that way the profits are attracted to the producers, and they in turn are the people who own the stock and consequently if any profit does get left over from this cost operation it does accrue to them as shareholders. This company is integrated from the bottom. It is the same as a cooperative, in my opinion, and has many of the important characteristics.

Now this requires, I'm sure, some substantiation and I'm going to ask my honourable friends to bear with me while I read a letter of some three pages, and I think it might be helpful if I let one or two members have copies of this as I read it through. Perhaps if a page would be good enough to come --

Since this matter was raised by my honourable friend from Brokenhead I wonder if he could have one and then one for the Leader of the Opposition and one for the Leader of the New Democratic Party, please.

This is the letter which now enables me to discuss their affairs quite freely. They have provided me with this information in public, so that I can refer to it:

"The Honourable Gurney E. Evans, Minister of the Department of Industry and

(MR. EVANS cont'd). Commerce, Province of Manitoba, Winnipeg 1, Manitoba.

Dear Sir: " - the letter is dated April 2, 1975 - '65--(Interjection)--I thought I'd been standing here a long time but I didn't know just how long it had been. It is dated at Steinbach, Manitoba, April 2, 1965:

"Dear Sir: I am writing you on behalf of our group of Manitoba farmers who operate under the business name of Friendly Family Farms Limited. Recent discussions in the Legislature, the local press, and by certain farm groups have not provided a clear and accurate understanding of what we are, and of what we are trying to do.

"In the first place we do emphasize that we are all farmers who have been engaged in raising broilers and turkeys in Manitoba for many years. We farmers own and operate our own business. Every shareholder of Friendly Family Farms Limited is a producer, and the highest number of shares owned by any one shareholder is 15 percent. We found out some years ago that the supply of day-old chicks and turkey poults was being taken over by the large packing plants and industrial organizations, and we believed that we were being charged too much for them and in any event could not get the service we required, so we banded together and established our own hatchery to supply our own needs, and we discovered then how much it was to the farmers' interest to do so. Later, we bought a local feedmill to provide our feed for our poultry. This mill was run on the basis that any surplus of charges over the cost of production we returned to the farmers in the form of volume discounts. We discovered that by buying in volume we could get substantially more reasonable prices. For instance, soybean meal, which is the most important contributor of protein in poultry feed, was bought at a saving of \$15.00 per ton. The equipment we needed in our poultry barns could also be bought at savings up to 48 percent.

"A real problem that we found difficulty in solving, was in having the poultry processed after it had become ready for market. The Cooperative's eviscerating plant in our neighborhood demanded an unduly high price for processing our birds. We did make a contract with a packer who did agree to process the birds at reasonable prices, but in actual practice did so at his convenience when the plant was not required for its own needs. It seemed so futile to go to so much trouble to raise our broilers as efficiently as possible when at the very end, when they are ready for processing, we had to satisfy ourselves with leftovers. We therefore approached the Department of Industry and Commerce last year to study our problem and to recommend solutions for them. We also made studies, so far as we could, on the basis of our own limited resources.

"The economic and agricultural research units of the Manitoba Government advised us that Manitoba had for some years actually failed to produce anywhere nearly enough broilers that were actually eaten in Manitoba. In 1963, for instance, your government ascertained that in Manitoba 5,286 tons of broilers were actually eaten in Manitoba, but only 2,998 tons of broilers were produced in this province. This meant that in 1963, without allowing for a single broiler being shipped outside of Manitoba to the other provinces, that over 2,298 tons of broilers had to be brought into Manitoba from Ontario, Alberta and other provinces to satisfy our province's needs. In 1964, 2,761 tons of broilers had to be brought in to make up our deficiencies in production. In addition, your economic and farm experts advised us that the consumption of broilers in Manitoba would, as in other parts of Canada, continue to increase drastically in the course of the next six years, simply because more people are eating more broiled chicken. It is estimated that on the average, at the end of the next six years, every man, woman and child will be eating 2-1/4 lbs. more chicken per year.

"It was the considered opinion of your experts that we farmers could achieve real reduction in our costs of production and help to contribute to Manitoba's economic advancement if we would increase our production of turkeys, broilers and fowl to an amount that would justify the operation of our own eviscerating plant. It was clear by the figures that we could not only produce first-class broilers for the market, but do so in a way that would best serve the market and at a price that we can compete with those producers outside of Manitoba who are now shipping products to feed Manitobans. To do this it would require every farmer in our group to mortgage his home and farm and to pledge all his savings for a period extending over the next 15 years, to finance the new and increased facilities required for such a program.

"We could not raise all of the money required from ordinary sources, and the Manitoba Development Fund agreed to provide \$750,000 of the money required for the processing facilities on securities that included our own personal guarantees. It took courage for us to agree to undertake this program but we were advised that it would be good for both Manitoba and

(MR. EVANS cont'd). ourselves to do so, and we went ahead. We are just now getting into full operation.

"All the surveys made by the provincial government experts are being justified by the results actually achieved. To our surprise we find out that over one-half of our production is actually going outside of Manitoba, as far West as British Columbia and East to Ontario, and yielding us farmer producers a profit every sale. We thought that our courage in mortgaging all our assets to build up something good for Manitoba and ourselves and actually seeing it through to a successful operation would be well regarded by Manitobans. We take pride that we are able to supply employment to over 100 people in Manitoba in an operation that was not taking markets from anyone in Manitoba but supplying needs in Manitoba that were not filled in Manitoba before.

"Our group is not a restricted one. We will be happy to admit any farmer into our organization who is prepared to accept our quality standards and to give him the same benefits as we give to ourselves. We are also prepared to cooperate with any other group of farmers who want to work together for their own benefit in doing a better job for themselves and their customers.

"These are the facts concerning ourselves and our operations. We shall shortly be inviting you and the other members of the Manitoba Legislature and our fellow farmers interested in broiler production to visit our farms and our facilities, and to let the facts speak for themselves. We hope you will be able to attend."

That is the end of the letter from Friendly Family Farms Limited and it's signed by the secretary, and I'm sorry to say this copy doesn't allow me to give you the name because I can't read this copy. It should be easy to find out the information, but I think we mustn't trespass on the time - it's getting nearly 5:30. I'm going to give some very rapid facts about the extent to which we cannot compete. I think it's true to say that the average producer in Manitoba of poultry now is losing about two cents a pound. Wholesale prices at the chain stores have been, in the last year, between 29 and 35 cents a pound. Costs of production are in Manitoba about 33 cents; they've been losing money. Modern methods can produce poultry to sell in competition partly because of better feed conversion. The average Manitoba producer requires 2-1/2 lbs. of feed to produce a pound of chicken. The average in Ontario is about 2.1 or 2.15 pounds, about 15 percent difference in the cost of feed. The FFF farms have got their markdown now to 2.2 and they expect to get down to approximately two pounds.

There was a test made in the State of Maine in the United States, and they have shown that since 1950 the time to raise a 3-1/2 bird has been reduced from 11 weeks to seven weeks in that period. Feed has been reduced from three and a third pounds to two pounds, and the finding based on these facts is that Manitoba technology lags behind to the extent of 7-1/2 years.

Now, we have now come to the end of the allotted time - it's 5:30, and surely I'm not skillful enough to arrange it this way but it does give an opportunity for my honourable friends to consider these which I offer as facts, and I hope they will be able to resume the discussion and everybody be in possession of the same facts. I move the Committee rise.

MR. CHAIRMAN: Call in the Speaker.

IN SESSION

MR. CHAIRMAN: Madam Speaker, I wish to report progress and ask leave for the Committee to sit again.

MR. JAMES COWAN, Q. C. (Winnipeg Centre): Madam Speaker, I move, seconded by the Honourable Member for Pembina, that the Report of the Committee be received.

MADAM SPEAKER presented the motion and after a voice vote declared the motion carried.

MR. EVANS: Madam Speaker, I beg to move, seconded by the Honourable the Attorney-General that the House do now adjourn.

MADAM SPEAKER presented the motion and after a voice vote declared the motion carried and the House adjourned until 9:30 Monday morning.