

THE LEGISLATIVE ASSEMBLY OF MANITOBA
2:30 o'clock, Monday, May 3rd, 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

Before the Orders of the Day, I would like to attract your attention to the gallery where there are 15 Grade 7 students from Langevin School under the direction of Sister St. Patrick. This school is situated in the constituency of the Honourable the Member for St. Boniface. On behalf of all members of the Legislative Assembly, I welcome you. Orders of the Day.

MR. ELMAN GUTTORMSON (St. George): Madam Speaker, before the Orders of the Day, I'd like to direct a question to the Minister of Mines and Natural Resources. What provision has been made with regard to forest fire fighting equipment? Is it true that the Minister is negotiating with a Quebec firm for helicopter service?

HON. STERLING R. LYON, Q. C. (Minister of Mines & Natural Resources) (Fort Garry): I'd have to take the question as notice, Madam Speaker. Would my honourable friend be more specific as to what information he wants?

MR. GUTTORMSON: advised that the government has taken no steps at the present time locally for forest fire protection because negotiations are now being carried on with a Quebec firm which would not have a license from the Federal Department of Transport.

MR. GILDAS MOLGAT (Leader of the Opposition) (Ste. Rose): address a question to the Minister of Public Utilities. Has he received a request from the Alexander area for inclusion of the people on the Alexander exchange on to the Brandon exchange?

HON. MAITLAND B. STEINKOPF (Provincial Secretary and Minister of Public Utilities) (River Heights): Yes I have, Madam Speaker.

MR. MOLGAT: Madam Speaker - a subsequent question. Could the Minister indicate when the decision will be taken and does he know yet whether they will accede to the request of the area?

MR. STEINKOPF: It's now being considered by the Manitoba Telephone System and I would expect that we would have the answer shortly.

HON. DUFF ROBLIN (Premier and Provincial Treasurer) (Wolseley): Madam Speaker, my honourable friend the Member for Rhineland has expressed a preference for postponing his contribution to the constitutional debate until tomorrow, so I will not call that item but ask you to proceed at once to the conclusion of the debate on Shared Services.

ORDERS OF THE DAY

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

HON. GEORGE JOHNSON (Minister of Education) (Gimli): Madam Speaker, in closing the debate on Shared Services, I would like to advise all members of the House that our Secretary, Mr. Prudhomme, placed two copies of the briefs, the actual briefs presented to the committee, plus two copies of the excellent summary which he prepared in the library in the building here -- this was done at the request of the committee at our final meeting. These copies are available to the honourable members, and may I also say, as has been mentioned by the other members of the committee, that our Secretary served us extremely well, and extend to him my heartiest thanks and congratulations for a job well done.

I wish, Madam Speaker, to thank the honourable members for the tenor of the debate on this most vital issue where such deep subjective feelings are involved. As we all well recognize, many statements made during the course of debates are subject to extensive discussion and debate in themselves; but the various attitudes expressed in the debate have been expressed eloquently and with deep feeling. In general, however, I do not feel that anything has been -- I feel that nothing has been said in the debate which invalidates what I've said in introducing this report. I would point out also that while the briefs before us during the committee hearings approached the problem with a draft working paper as a guide, I attempted to point out that it was the decision of the committee that a guide be produced to assist those who would appear

(MR. JOHNSON cont'd), before us. I would emphasize that this paper was a method, and the Chair takes most of the responsibility for preparing the paper as the committee requested. However, it was agreed by the committee to act as a guide only, as I said. It is true that some committee members did not agree to the working paper as a precise method, by any means, of dealing with the matter; nonetheless I feel the draft working paper did assist those presenting briefs to us, and we emphasized over again to them in sending this material that it was a draft and a guide. Also, while no briefs, it is true, would deal with the principle of shared services, nonetheless many did go on to comment on the ways and means by which a plan of shared services may be implemented, and as a matter of fact made keen and helpful observations as to how such a plan may be made to work. All emphasized the need for understanding and good will in the whole matter.

Madam Speaker, as a member of the House all of us here have taken part in the discussions and listened with great interest to the discussion and the merits of shared services, for the past year. I believe that the formation of the committee was the proper way for the House to deal with the new approach proposed by the Premier when he spoke on this matter last year. I am concerned personally, one thing, that this report should be concurred in because the measures recommended are a sincere attempt to provide a new approach to an old problem.

This report, first of all, Madam Speaker, legalizes now what is taking place - legalizes what is in effect going on at the present time which to the best advice I can get, it is probably not legal. Secondly, it makes it legal for divisions and districts to experiment voluntarily or to accept voluntarily. It provides for authorized text books currently in use in the school divisions and districts, and that these be made fully available whether the child is in attendance at a private or parochial school. Fourthly, it provides for transportation on regular division bus routes, divisional bus routes as laid down by the division. It provides strictly safeguards to the Public School System and provides that should these services go into effect they do so without detriment to the public school system, and many of us paid close attention to this particular matter. Sixthly, the tremendous challenge before us in this province to find a way to make advantage of the excellent public school system and to make this system available to students in attendance at private schools at a time when diversification, as I pointed out earlier, is so necessary; and in doing so, of course, by opening the doors of our public schools to students from private and parochial schools for part-time services.

The debate on this resolution emphasized the importance and the many points of view. The whole matter, as I said earlier in introducing this resolution, does not lend itself to a ready solution by any means, and I am not attempting to simplify the issue between us or before us, but I do believe it is timely. As one speaker in this debate said: "There are changing attitudes taking place between people of good faith and good will everywhere," and I think how fortunate we are in our province to debate this in the way we have, when we think of what goes on in other countries and other nations, and the problems they face.

The resolution calls for a voluntary experimental plan with a minimum of government restriction at a time when drastic changes are occurring about us and affecting the educational needs of all our children as never before. Some have said the time is not ripe. If not now, I say "when?" I suggest it is timely because the need is great, and Madam Chairman, I suggest the mood never better.

We have taken notice that the Honourable Members for Inkster and Brokenhead have said that while they are not voting for concurrence, they will vote for the bill, and I think this is important. I congratulate them as I do all others who have spoken on this debate, on the attitude of non-partisanship with which they have approached the problem, and I would suggest that it would be in concert for them to vote concurrence of this resolution.

Madam Speaker, may I say as simply and as honestly as I can, that for the past year or more I, like some other members of the committee, have done my best to acquaint myself with the experiments which have gone on in other jurisdictions in this vein. I've done my best as a member of the committee and as a Manitoban to examine any possible dangers to our public school system inherent in any departure from the present system. I have spoken extensively with knowledgeable people in the field of education, and I am mindful of the administrative difficulties which can arise in taking this approach, and also mindful of the tremendous demands being made upon our present system. Nonetheless, I honestly feel that in the interests of our boys and girls in private and parochial schools, and in the overall general interests of doing everything we can to bring our people together, this step at this time in the evolution of education in this province is not untimely, but is in fact, in my opinion, necessary if all children

(MR. JOHNSON cont'd). are to enjoy the benefits of the present educational system which is being constantly enhanced and improved, as we know.

In conclusion, Madam Speaker, this is Manitoba begging a Manitoba solution. A great province and a province wherein I feel that people will exert that tolerance and understanding which will make the measure before us a possible solution to the age-old problem. I solicit the support of every member of this House in voting concurrence in this resolution. Concurrence of this resolution by a representative group in this House I feel will indicate to our people that we are making a sincere attempt to explore, in co-operation with the school districts and school divisions across our province, the possibility of greater benefits accruing to many of our children. Thank you.

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

MR. ROBLIN: Madam Speaker, may we have a recorded vote on the subject please.

MADAM SPEAKER: Call in the members. The question before the House, the proposed motion of the Honourable the Minister of Education that this House doth concur in the First Report of the Special Committee of the House appointed to consider Shared Services, received by the Legislative Assembly of Manitoba on Thursday, the eighth day of April, 1965.

A standing vote was taken, the result being as follows:

YEAS: Messrs. Alexander, Baizley, Barkman, Beard, Bilton, Bjornson, Carroll, Cowan, Evans, Froese, Guttormson, Hamilton, Harrison, Hutton, Johnson, Klym, Lissaman, Lyon, McDonald, McKellar, McLean, Martin, Mills, Moeller, Molgat, Patrick, Roblin, Shewman, Shoemaker, Smellie, Stanes, Steinkopf, Strickland, Tanchak, Vielfaure, Weir, Witney and Mrs. Morrison.

NAYS: Messrs. Campbell, Desjardins, Gray, Groves, Harris, Hryhorczuk, Johnston, Pauley, Schreyer, Seaborn, Smerchanski and Mr. Wright.

MR. CLERK: Yeas, 38; Nays 12.

MADAM SPEAKER: I declare 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)-- passed.

MR. DOUGLAS CAMPBELL (Lakeside): Mr. Chairman, if it were not for the lateness of the session I would spend much more time on this question than I intend to do now, but I simply wouldn't feel that I had been fair to the management and shareholders of the Damascus Steel Products Company if I didn't make some comment on the statement that the Honourable the Minister made with regard to them. Even that I shall try, in the interests of getting along with the business of the House, to make as brief as possible.

The Minister said that inasmuch as this had been brought into the public view that there was no reason why he should not discuss it, and I fully agree with that proposition. I think it's helpful that once in awhile we do have some of these particular cases come before us so that we can examine what we think, what kind of a job we think this board and the Honourable the Minister's department are doing in connection with the promotion of industry at this time, and I am still convinced that in this case the record is not one that is good. Now the Minister suggested that the management was entirely incompetent. Well Mr. Chairman, I have searched this report of the Arthur D. Little Company very carefully and I certainly can't find that the Arthur D. Little Company found that the management was incompetent at all, let alone "entirely incompetent." In fact, I recognize the critical comments that have been made, one of which the Minister read to us, but on the other hand I think these are far outweighed by the favourable comments that they made, and I am going to take the time to read briefly from Page 12 of the report where it starts Conclusions and Recommendations. I would really like to read a lot more of this report because I think it justifies what members in this House have been saying, but I'm not going to read from any part but the Conclusions and Recommendations.

Here's the beginning under that section: "Operation and progress of Damascus Steel Products Limited has been severely restricted by the lack of operating funds. It has forced the company management into makeshift solutions and constant compromises. Such conditions

(MR. CAMPBELL cont'd). continue to prevent or defer concentration on the more vital over-all issues." That's exactly what we've been saying, Mr. Chairman. Then again from the report: "In a relatively short time the company came a long way from its beginning. Although their production equipment is secondhand machinery, and it is slower than up-to-date machinery, it seems adequate for the prevalent demands, for those to be anticipated for some time." And so on. And while in the couple of paragraphs later, the section that the Minister read does undoubtedly appear, where they say that Damascus' lack of knowledge as to material and heat treat specifications for tool stock and screw stock is a very disturbing factor, but even following that criticism, the Arthur D. Little Company go ahead to again compliment the management and the workmen out there on the ingenuity which they display and say that their product is good.

Then the very -- almost the concluding paragraph says, and I think this is their summary: "In general we feel that Damascus is worthy of further financial support. We believe that they will ultimately achieve success and will reach their moderate goal in industry."

Mr. Chairman, I can't interpret that along with the other things that are contained in this report as anything but a general endorsement, and my complaint of the board and of the Minister's department and the government is that they did not take the action that this specialist company recommended. After all, I presume they paid Arthur D. Little something for doing this work. The report is signed October 1st, 1963, and yet they continued to let the company dawdle along in the same way for something in the neighbourhood of a year, thereby, in my opinion, completely prejudicing the chance that they had for success. And Mr. Chairman, I can't help asking that, recognizing that the people who are on the board are capable businessmen, why did those capable businessmen not give some assistance in these areas that were so difficult, and why didn't the Minister's departmental officials as well go and help them with some of these things and above all supply this money that the Little Company has said was so necessary? And the Arthur D. Little Company suggested most definitely that they could give further help to this company, but so far as I know there was no action taken on that suggestion either.

And then, as far as the Minister's point about the company having originally intended to rent premises and instead went ahead to get their own building, isn't that an area where the board or the Minister's own staff should have or could have advised them? My own guess is that they did well in their selection of the building, that it's a good building and that's borne out by the Arthur D. Little report.

The Minister mentions that the sale volume was low. That's true, but the Arthur D. Little Company are quite definite in pointing out that you can't expect to move into this area and get the business immediately. In fact, they say in definite terms that the sales penetration was very good - remarkable under the circumstances - and if their volume was low so were their expenses low, and they carried on a long time making bricks, so to speak, with very little straw. Gee, there wasn't much of either straw or clay that I can see provided to them by the board at the time that they most needed it.

The Minister suggested in the closing part of his statement on this company that it was suggested from this side of the House that the action of the board was capricious. I didn't hear anybody make that suggestion; no doubt the board did what they thought was right. But I did suggest, and what I do suggest now was that both the board members and the staff of the department could have extended more assistance than they did, in addition to the finances which I think was the central theme. And so, Mr. Chairman, because I agree wholeheartedly with the Minister that every failure of this kind is a black mark to industry in general, I think it's also a black mark to the board and to the department, because for a company to have received some financial backing and at least the endorsement of the board and through them the government in starting up, and yet to go under by action of the board itself within this short period of time, indicates to me that there's a lack of business understanding there that we should pay attention to in this House. And so, even though I hope that we won't have the question arise through occasions of this kind every often, I think that when they do arise that it's perfectly right that they should be brought out here on the floor of the House and discussed in detail, and though I have always recognized that there must be another side to this case, I must say that I'm still far from convinced with the other side as it has been presented up-to-date.

MR. E. R. SCHREYER(Brokenhead): Mr. Chairman, one of the values of the proceedings in Committee of Supply is that it gives members on this side an opportunity to raise questions or issues where they think that the government or its agencies were at fault, it gives the

(MR. SCHREYER cont'd)..... Minister an opportunity to refute or rebut the submission or the argument, and following that if the Minister does rebut much of the argument then the whole issue or question gets narrowed down to only one or two specific points, and I feel that that's what's happened here. I have to admit that the Minister has made a good case for the defence, but there are still in the narrowing-down now one or two issues which have not really been met.

What happens, Mr. Chairman, when a well-informed Minister gives you a statement which is in some respects contradicted by the equally well-informed opinion of an outside expert brought in to make a survey? Now this is precisely the situation we have here before us in the case of the Arthur D. Little report on Damascus Steel. The Minister of Industry and Commerce makes reference to the report and he indicates that the report makes allusions to the lack of technical skill and competence on the part of the management in this firm, and when he does so he is correct, but it is also correct to say that the report, after having considered this lack of full technical competence, nevertheless goes on to say that "the management personnel were setting about their work with remarkable ingenuity, perseverance and enthusiasm," and then follows that up to say: "On this basis we feel that ultimately the venture will be successful," - despite this allusion of lack of full technical skill - "provided that it will receive continued support," - which it didn't receive, Mr. Chairman.

Now the Minister also indicated, from what I can gather correctly, that the firm was experiencing difficulty in making contacts for sales across the western part of the country and across the country generally. However, it must also be pointed out that on Page 8 of the report the outside expert says that the firm did make a remarkable sales penetration within the short period of time under discussion. So it is not as simple as that Mr. Chairman.

And finally, the third point which has not been cleared up - among the many points that the Minister did clear up the third one he did not - was his reference earlier to what he says is the facts of the matter, namely that the Development Fund does not extend loan money for working capital. Now it's true that just before we rose at 12:30, or at 10:30 rather, I asked the Minister to expand on this reference of his to the effect that no monies were loaned out for working capital. Obviously it was the policy of the board, of the Development Fund rather, at one time to loan out money for working capital. Page 12 of the Annual Report of the Fund indicates that clearly and diagrammatically. Now then the Minister did say --

HON. GURNEY EVANS (Minister of Industry and Commerce) (Fort Rouge): criticize? I admitted making a mistake. Why does he want to hammer away at this point?

MR. SCHREYER: Well my point is not, Mr. Chairman -- my point is not to hammer away at the Minister having made an error in his presentation. The point that I want to make I'm coming to right now, and that is that if it has become the policy of the Fund not to loan out money for working capital, I think that this is a policy question which deserves serious debate, if not now, at the next session, because if it means that the Fund is now going to restrict its loans to new construction and new product development and --

MR. EVANS: Mr. Chairman, if my honourable friend will allow me, I informed him this morning that it's now the policy of the Fund to do so, and I wonder why he pursues that point?

MR. SCHREYER: Did I understand the Minister to say that the Fund is now starting to extend loan money for --

MR. EVANS: It's done it now for some time.

MR. SCHREYER: Well then, Mr. Chairman, I'm afraid I must ask -- I think I get the Minister's point, Mr. Chairman, the point being that there was no bar, no prohibition on the Manitoba Development Fund to extend a loan to Damascus Steel, no prohibition on the grounds of it being working capital. Whatever the reasons, the Fund did not extend the loan capital; whatever the reasons, the prohibition on working capital was not one of them, which clears it up. Very good. Which then, of course, still leaves the overall question of why it was that the Fund did not see fit to extend this loan, and I realize full well that there's nothing to be gained at this point in pursuing the whole matter, in continuing discussion of this whole matter now, but I must say that what the well-informed Minister tells us does, on some points at least, conflict with and contradict what an equally well-informed source, namely the Arthur D. Little expert, had to say upon making a full survey of the situation.

So what can I say then in conclusion except that this whole issue involving this firm and the Fund is still an open question, because in the area of judgment, then the judgment of the Fund obviously was at odds with the judgment, the considered opinion of the Arthur D. Little report.

MR. M. N. HRYHORCZUK Q. C. (Ethelbert Plains): Mr. Chairman, the Honourable Member for Churchill raised the question of a paper mill in northern Manitoba, and the Minister in his remarks stated that the former government as well as this one were looking into the matter but so far there has been no success. Well Mr. Chairman, as far as our forest resources in the north are concerned, I think that we've been blessed to have them there but they are going to waste. They are going to waste in more ways than one. Fire destroys large tracts of land up in the north country. Then we have the waste of maturity, over-matured trees that decay. Of course we've had the waste laid to our fairly large tracts of land there by the big pond, or whatever you want to call it, made by the dam at Grand Rapids. The forests like to grow along the river banks and with the flooding of the river banks and the tributaries there's going to be a great loss in timber resources. It's too bad, Mr. Chairman, that this timber is going to waste. It's not a renewable resource, as we like to call it, because we're making no use of it. The term "renewable" means if you utilize a certain article or thing that it is renewed by itself, as does a forest renew itself. As long as we don't use it there's no room for a renewable forest or a new forest growing in the place of the old.

Now it could be one of our largest industries in the Province of Manitoba. I recall back in the mid-fifties when a shipment I believe of raw pulpwood was shipped to Sweden through the port of Churchill as a test. I don't know how it turned out but evidently the cost probably was prohibitive. I wonder if the same thing would be true if we were shipping pulp or by-products of a pulp mill. Probably it wouldn't be. We could probably find markets in Europe for the by-products of a paper mill and the paper pulp if the same was available for shipment through the port of Churchill. Now it's unfortunate, because an industry of this nature, Mr. Chairman, gives a lot of people employment. There's not only the wood cutters that are employed, it's the people in the transportation system that are employed, it's the people actually in the mill that are employed and the people in the industries that use the by-products. I'm afraid that we're missing a bet here, Mr. Chairman.

Recently there was a newspaper report the Saskatchewan Government was having an industry come into the Province of Manitoba. Well, I'm afraid, Mr. Chairman, if Saskatchewan establishes a pulp and paper industry in Saskatchewan our chances of seeing one here in the immediate future can be forgotten. And I cannot see, Mr. Chairman, why it is that Saskatchewan should get the mill, if they do, and the people interested in that type of an industry should by-pass Manitoba. We have the resources. With our roads to the resources going at the pace they are, opens up these areas, and it's a wonderful opportunity for a mill in northern Manitoba. Why the people interested in industry should go to Saskatchewan is beyond me because I think we're in a much favourable position to that of the Province of Saskatchewan. But there's always a reason for something being done, and I wonder whether it isn't the policies of this government are responsible for at least part of the fact that we haven't a pulp and paper mill established in Manitoba.

Now, Mr. Chairman, I don't know how many firms or industries that this government helped to establish through the Fund have gone broke, but I do know of two for sure and of two maybe, and there may be others.

But, Mr. Chairman, a gentleman came into my office last year from the Province of Alberta. He used to be a Manitoban and he was a geologist, and he spent a lot of time up in northern Manitoba; and he saw the beautiful lakes up there and the possibilities of bringing in tourists into that country, and he made up his mind that some day if he was in a financial position to do so, he'd build a lodge in northern Manitoba and build up a tourist trade. After several years he did get himself into that position and he got in touch with the proper department of this government for information as to what the possibilities were of a tourist lodge in northern Manitoba. He was encouraged by the government with a lot of literature, that they agreed with him that that was a good opportunity and something like that should meet his requirements and that there would be a demand for it; they helped him to sell himself the idea that that's where he should put his money. But he was short of funds, so he was referred to the Development Fund. When he got there, they agreed to give him an advance on the condition that he would invest a certain amount of money before he obtained any assistance from the Fund. The estimated cost of the lodge was \$50,000.00. The Fund told him that if he invested thirty, they'd give him twenty, and on that basis the deal was closed and the man began to build the lodge, and instead of investing 30,000 he invested 32, and he obtained his 20 from the Fund. Within two years the Fund foreclosed because he wasn't able to meet the terms of the mortgage they held. Well, Mr. Chairman, I think that was a bad mistake, simply because no tourist business

(MR. HRYHORCZUK cont'd).....in that part of Manitoba could be built up within two years, and if this government and the people of the Fund didn't know that then there's something wrong some place. It takes years to build up that kind of a business, and surely both the Fund and the government must have known that he couldn't possibly meet those payments out of the operation that he had committed himself to in those two years. So the Fund foreclosed and this man lost his \$32,000.00. He had to get legal assistance to get a discharge of his mortgage on his home in Alberta which was involved in this scheme, but that isn't what hurt this man so much, Mr. Chairman. It's the fact that the Fund turned around and sold the place for what was coming to the Fund, and the Minister just told us here this morning that they do everything they can to protect the creditors. Well in this case there was no protection of any kind because if that lodge was built at the price of \$52,000 just two years before, certainly it was worth more than the 20,000 plus interest - I think the total owing to the Fund was 22,000 at this time. There was absolutely nothing done to protect this man in his investment. They could have arranged on the renewal of the mortgage and given him an opportunity. They didn't do so.

The second case I have in mind, Mr. Chairman, is what is commonly known as the Birch River Plywood Factory. One of the men who originally invested in that factory tells me that they invested about \$4.00 to every \$1.00 that was invested by the Fund. They went in there and they didn't go in there blind; they went to the government and elsewhere to find out what the score was, what the opportunity was, and they had fairly good assurance that it was a workable project, and four or five of them invested their life savings in this plant and they obtained something like \$50,000 from the Fund. The same thing happened to them. The Fund foreclosed. They lost everything they had invested in that plant, and somebody bought that plant for a price amounting to the amount of money that the Fund had invested in the plant. No protection for the original owners. But that isn't the whole story. The government then turns around and at its own expense gets an expert from the west coast to go into this plant and help the new owner to learn the trade, help them in every way they can, and the new man has been making progress in that plant. Why wasn't this done with the original owners who staked their life's earnings in that plant? Nothing was done.

The same now I hear is discussed about this Damascus Steel. Well, my information is that probably the same thing has happened in other companies. There's been a lot said about this plywood or chipwood factory that we have in the southeastern part of Manitoba; that something similar has happened there. We can't get information from the Minister because he says he's not in the position to divulge it; it doesn't happen to be any of our business. And yet it happens to be the Minister's business to see that the Fund changes its policies, because he admitted today that they are now willing to finance the current expenditures of a company, which they weren't willing to do before, and I venture to say, Mr. Chairman, that without the intervention of the Minister this change wouldn't have taken place. So there is a possibility, Mr. Chairman, the policies of this government are keeping industry from coming into the province if they have to go to the Fund for help. We've seen industries established here on their own and they're making good, but it looks as if they come in contact with the Touch of Judas if they go to the Development Fund, and if that is true it's true because the Fund isn't paying the attention it should to its loans to make sure that the industry which is being undertaken is one that is going to be successful, and then if it's found that some further assistance is needed or an extension of time is required, I think that the Fund should be told that they give it wherever they think that it's proper and their interest in the project is still properly protected.

MR. NELSON SHOEMAKER (Gladstone): Mr. Chairman, does the Minister want to reply now?

MR. EVANS: No, go ahead.

MR. SHOEMAKER: Mr. Chairman, I was out of the House on Saturday and I did not hear consequently what the Minister had to say in regard to the FFF Farms at Steinbach. As a matter of fact, I didn't know the name had been shortened up, but I'm glad that it has because it's kind of a difficult one to say - Friendly Family Farms Limited - and then confusing that with the welfare of the Family Unit; and so I'm glad that it has been abbreviated to the Three F Farms. However, as I said, not being present and not having received the Hansard for Saturday, I have to depend on what other members tell me and what the press reports in this connection, and I don't like what either one of them are saying, if they're true - and no doubt my honourable friend will deny reports that are in the paper but I think if this report is true it's completely contradictory; and probably my friend will say that that is typical of the press.

(MR. SHOEMAKER cont'd). But this is in today's Free Press, this morning's Free Press, in which the Minister, replying to the Honourable Member for Brokenhead, says in part that "Manitobans now ate between 13 and 14 million pounds of poultry a year, Mr. Evans said, but provincial producers were only growing 9 million pounds. Therefore, four to five million pounds were being imported from Ontario, Alberta and the United States." I suppose that he was talking about 1964.

Then at the bottom of the same article, he says, "The Manitoba Development Fund has made a loan for the purpose, Mr. Evans said, on personal securities as were willing to put up; the company was showing a profit and making half of its sales in British Columbia and Ontario, Mr. Evans said." Well, Mr. Chairman, that just doesn't add up at all, because about three paragraphs above this it says that because Manitoba is not producing within five million pounds of what it consumes, that the loan of three-quarters of a million dollars was justified to the FFF Farms. Immediately upon production they are now able to produce, I suppose all of this, and it said half of its sales - and they're talking about the Three F Farms - half of its sales are now being made to British Columbia and Ontario. Well, I'd be interested to know what my honourable friend has to say in rebuttal to that press report.

Now it is understandable I suppose, Mr. Chairman, that - or so my friends opposite will say - that the Farmers Union would be very, very concerned over this loan, and on January 26th last they registered their complaint in the brief that was presented to the government and presented to all members of the House. On Page 7 of the brief, and here's what they say just in part in regard to the loan and how concerned they are over certain policies of the government, and I'm quoting from Page 7 of the Farm Union brief: "At this point, we wish also to indicate that we are most concerned over development during the past year inasmuch as we find one department of the Manitoba Government trying to help farm operators to become more efficient operators while another department is utilizing public funds in large sums to help finance the vicious aspect of integration or corporate-type business enterprises so detrimental to the farmers of this province." Now is that a fact or isn't it a fact? That is my question. Here is a group of farmers, an organized group of farmers, that are saying this. They said it before we said it. Now, is it a fact or isn't it a fact? Is it detrimental to agriculture generally to use public funds to promote vertical integration? Now that's what we want to know and I -- maybe it was answered to the satisfaction of everybody in the House on Saturday. It wasn't, they tell me Mr. Chairman. It wasn't. Well if it wasn't, then -- (Interjection) -- Oh. It satisfied two or three of the Ministers out of 57 in the House. Well, surely then over the weekend he will have thought of some different answers to give us, because this is quite a charge here that my honourable friends are making, and the next paragraph in the brief makes it pretty plain who they're referring to.

I'm going to quote again: "We are particularly referring to the Industrial Development Bank and the Manitoba Development Fund which have been used to finance some hog production enterprises and feed lots, the Friendly Family Farms of Steinbach, eviscerating plants and storage facilities. This policy not only is unjustified but it is unfortunate." Well I hope that we can get some satisfactory justification for these actions because my honourable friends tell me that the answers that were given up-to-date were far from satisfactory.

Now I see that my honourable friend has tabled a four-page letter from the FF Farms Limited addressed to himself, and I haven't read it very thoroughly but I question some of the content of it because it does seem to me that the principals in the Three F enterprise were encouraged to get into the business in the volume they're in it by the Department of Industry and Commerce and the Department of Agriculture. That's the inference in the letter anyway. But it says on Page 2, second paragraph: "Our real problem, that we found difficult in solving, was in having the poultry processed after it had become ready for market. The co-operative eviscerating plant in our neighbourhood demanded an unduly high price for processing our birds." I wonder, Mr. Chairman, if that is a fact or fiction, because I understand that a co-operative eviscerating plant, and a good one, is established within three miles or so of this immediate area, and surely they could have, they could have negotiated some kind of a bargain or some kind of an understanding for eviscerating down there without having duplication of this kind within three miles. They point it out as if this was one of the real problems and one of the real reasons for expanding in this nature.

They cite as another justification for borrowing the money the saving that has accrued to them because of bulk purchases and so on, and somewhere -- I saw here in particular they cited where they were able to buy soybean meal -- oh yes here we are: "We discovered that by

(MR. SHOEMAKER cont'd). 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." Mr. Chairman, I understand that less than one percent of all the soybeans that are processed in Altona are grown in this province, and I'd like to hear what my honourable friend has to say in that regard, and if this is so then why are we not bending some efforts to produce soybean meal in Manitoba rather than bring it in. Ninety-nine percent of all the soybeans that are grown, that are produced at Altona, are imported from the United States.

Now why is it true. Mr. Chairman, why is it that before the FFF Farm really gets into stride, why is it that they have already shipped about four carloads out of the province? Before they're really in stride. I have a letter - and I think I read it back two months ago - from a good farmer, and he's got farms and money and everything else to prove that he didn't make too many errors, and that's the kind of a farmer you can say is a good one; and here's what he says in part: "In the field of beef production, dairy, eggs and poultry, at farm meetings, " -- and he's talking about farm union meetings held throughout the province at Portage, Brandon, Gladstone and locally -- "farmers and feeders were led into huge losses by over-optimistic government forecasts, and even when condemned by the MFU and other farm organizations, they retracted nothing." They retracted nothing. It says, "The price drop in '63-64 proved beyond any doubt that the farmers were more perceptive than the professors, " and I'm not talking about Professor Schreyer, and he isn't either. But --

MR. SCHREYER: Mr. Chairman, that I have a question for the Honourable Member. I would ask him if these over-optimistic forecasts he refers to were the forecasts that were being made before the summer of '64. I think that's important, to get the time.

MR. SHOEMAKER: They -- well they were -- as you know, Mr. Chairman, I suppose, the government now puts out what they call a Farm Outlook, and I think we have now the third edition is it - the second or third edition - and I think that he was referring, I think my friend whose letter I read in part, was referring to these forecasts some two or three years ago. Now my honourable friend, I believe, the Minister of Industry and Commerce, was probably responsible for an economic survey that was made in 1961. It may have been the former administration, I don't know, but the report I believe was tabled in 1961, and I have before me the southwest Manitoba report. I believe that there were four in total for the province, but anyway it was tabled four years ago and on Page 4 -- Incidentally, Mr. Chairman, the objective's in one sentence of the commission that made this survey. It was prepared for the Department of Industry and Commerce by the Economic Research Corporation Limited, Montreal and Toronto, and it was for the express purpose according to this quote, "to increase and stabilize the income of the people of Manitoba." That was principally what it was for, it says here. They'd have no doubt other objectives. But on Page 5, on Page 4 and 5 and 6 and 7 of that report, they enumerate their principal findings - it takes four pages to do it - and there are in total 28 different findings that they report here. No. 14, it says - and I want to read it because this isn't, Mr. Chairman, what farm union members are saying this time; this is what the experts said - ; "Manitoba farm prices have declined by about 10 percent since 1947-49 while farm costs have increased by 45 percent. Under this pressure substantial adjustments have been made by increasing the size of the farms, reducing their numbers and operating them with less labour. There has been a shift from cash grain to livestock and its products. There is great need to reduce costs and to increase output per man and per acre." This is what they said back in 1961.

Mr. Chairman, there isn't an industry, I don't think, in this province or in Canada that has so effectively proven their efficiency as has agriculture. Their output per man now compared with what it was fifteen years ago has doubled. There's no other industry that has made advances of this kind, and it points out right here that one of the big problems is what the Farm Union people have called for years, the cost price squeeze. Here's what the experts that were paid big money told us too. Pardon me, Mr. Chairman, I think the Minister of Agriculture wants to make a major statement of some kind.

MR. CHAIRMAN: Department of Industry and Commerce.

MR. SHOEMAKER: So am I.

MR. CHAIRMAN: Those matters you have mentioned are primarily to deal with agriculture.

MR. SHOEMAKER: Well then I can't understand, Mr. Chairman, I can't understand then why it was that this book was prepared for the Department of Industry and Commerce, this

(MR. SHOEMAKER cont'd),one. This one was prepared for them and I suppose that it must have been.....

MR. CHAIRMAN:to this department.

MR. SHOEMAKER: Yes. Well, I'm just trying to point up that I'm just about as much at a loss as my honourable friend is to know why the Department of Industry and Commerce got themselves into agriculture. That's what I'm trying to prove. What's the deal? Here we have the Minister of Agriculture who pretends to be doing something for the family farm unit, preserving that; on the other hand we have the Minister of Industry and Commerce who is apparently designing legislation to put them out of business. That's my argument, and the family farm will be put out of business if these tactics are kept up.

MR. P.J. McDONALD (Turtle Mountain): Mr. Chairman, would the honourable member permit a question?

MR. SHOEMAKER: Certainly.

MR. McDONALD: Have you lost any money on the cattle you've been feeding this winter? I mean, you're speaking from experience; because I can tell you that there's quite a few that hasn't.

MR. SHOEMAKER: Well Mr. Chairman, I haven't any cattle to lose, either lose money on, or -- the only cattle that I've got is the bits that I buy in steak to eat now and again --(Interjection)-- But back in 1963, back in 1963 - I haven't got the date - a group of people called the Manitoba Broiler Industry wrote a letter to my honourable friend; two letters, the same one to each though, addressed to Honourable George Hutton and Honourable Gurney Evans; and that proves, Mr. Chairman, how difficult it is to talk about one without talking about the other. The same letter they wrote to both, two years ago, warning them then, warning them then that there was going to be an over-production in the broiler industry according to this. And they apparently paid no heed to it at all. And surely the loan was made since they received this letter. I just want to read, in case my honourable friend has thrown it in the wastepaper basket long ago - probably has - just want to read a little part of the third paragraph. In 1963 this was written, I don't know what month, but it says: "Manitoba has developed a broiler market. Starting in the early 1950s there has been a year by year expansion program until in 1963 over seven million pounds of broilers were processed. At our present rate of increase, in 1964 Manitoba will produce in excess of 10 million pounds." That's what it says here -- and they warn against it.

Now Mr. Chairman, the newspaper article that I started out by reading, and my honourable friend has said it again today I believe -- well, when all's said and done the people to which he loaned our money to, this three quarters of a million dollars, were all farmers, were all farmers. They're all farmers. The Minister of Agriculture nods his head and he says they're all farmers too. No one farmer owns more than 15 percent of the stock. Is their principal occupation farming? That's what -- Mr. Chairman, I don't suppose you ever went to try and borrow money from the Farm Credit Corporation or the Manitoba Agricultural Credit Corporation, but one of the things they're going to ask you pretty early in the conversation is, they're going to determine; is your principal operation farming? Because if it is, you may get along fairly good, but if it isn't you're going to have a tough time.

Now what I'm asking is, is the principal occupation of one or two or three of the big shareholders of the Three F Farms, is their principal operation farming? Well if I know better Mr. Chairman -- he says I know better. I think maybe I do, but I want someone over there with authority to tell me, because all this is information here that leads me to believe that maybe it isn't; maybe it isn't. John D. Penner for instance, it says, is president of the Penner Tires with distributing points in Saskatchewan and Alberta and Manitoba; and then there's another chap here -- that Reimer Express has something like 40 trucks on the road; and so on. He has 40 transportation vans. "By the way," it says here, "as the owner of Reimer Expressways, Mr. Reimer owns well over 40 transportation vans." Now that seems to me that his principal operation, his principal enterprise or his bread and butter enterprise could easily be something else other than farming. And here's an interesting thing that probably some of my honourable friends don't know - most of them will know - that the two Reimers who are the huge shareholders, the big operators here, and one John D. Penner are brothers-in-law.

MR. EVANS: Did my honourable friend say they are huge big shareholders? Where?

MR. SHOEMAKER: Of the Three F Farms Limited.

MR. EVANS: Well he himself just read a statement to the effect that no one owns more than 15 percent of it.

MR. SHOEMAKER: That still doesn't answer my question: is their principal source of income farming? And I'm referring to Mr. Penner and Mr. Reimer and Mr. Giesbrecht and so on and so forth.

So Mr. Chairman, I think it does make a little bit of difference. And what is the difference, incidentally, what is the difference between this enterprise and one that is commonly called a vertically integrated one. What's the difference in principle, because ...

HON. GEORGE HUTTON (Minister of Agriculture) (Rockwood-Iberville):let me tell him?

MR. SHOEMAKER: Sure.

MR. HUTTON: Well in this case the cream goes to the bottom, in vertical integration the cream goes to the top.

MR. SHOEMAKER: I see. Well that's about the same kind of a statement as my honourable friend made the other day when I asked him what was net farm income. "Oh," he said, "that's simple. That's what's left over after you've paid all the bills." That's the problem in farming. There's none left over after you've paid all the bills; and the cream, it doesn't matter whether it's on the top or the bottom or in the middle. So this man, John D. Penner, according to the report I have, even if he lost, even if he did - and I suspect, Mr. Chairman, in spite of what my honourable friend has said, I suspect that the FFF Farms Limited didn't make a very healthy net cash income on the farm enterprises last year. I suspect they didn't. I'd like to see their financial statement. Someone said today, someone said today that three businesses I believe, that the Manitoba Development Fund loaned money to went broke already. Did they or didn't they? If they did, we should know because it's public funds.

And so Mr. Chairman, I would be anxious to hear what my honourable friend has to say in regard to some of the charges that have been made here. He has already told us, or certainly his deputy I guess, that the Manitoba Development Fund, he said, is playing an important role as a supplementary lender to industry and commerce. "It is a lender of last resort." That's what it says here. "It is a lender of last resort, and the Fund's portfolio consists mainly of marginally, though potentially profitable risks." Well this is what we said before. It was considered a lender of last resort because it's supposed to be -- if my honourable friend the Minister of Agriculture wants to know where I'm getting that quote, it's a year old, but it's from the Manitoba Development Fund annual report 1963, and I don't suppose that the policy or program has changed much since that time.

I would like to know too, Mr. Chairman, what the average rate of interest is today that is charged by the Fund. I know it would only be wishful thinking for me to ask what was the rate charged to the Three F Farms because I couldn't get that, but I could ask it and I am asking it, but I see by this report that the average rate of interest for 1963 was 7.04 percent, I believe. That was the average rate.

MR. EVANS: Does my honourable friend wish me now to strike out that question?

MR. SHOEMAKER: Pardon me?

MR. EVANS: I understand you've answered your own question.

MR. SHOEMAKER:my own question?

MR. EVANS: Yes. You asked what was the average rate and then you --

MR. SHOEMAKER: That was for '63. I want it for '64.

MR. EVANS: Same thing, 7.04.

MR. SHOEMAKER: Same thing?

MR. LEMUEL HARRIS (Logan):Mr. Chairman, I'd like to read into the record here. We've been talking about productivity and everything else in here, and we've been talking about automation and the effects on Manitoba as a whole, so I was just wondering if I could read this in what was said by our Minister of Industry and Commerce last year in the second session.

"I should recall to the House that one of the big things that has been happening and one of the things that my honourable friend the Minister of Agriculture has been very much concerned with, is the transfer of the meat packing industry out of Manitoba. Very large numbers of cattle which used to come to Manitoba to be slaughtered and dealt with here - and my honourable friend sitting over there, "I don't know who that would be, "will know something of this - has brought us to a situation where from time to time our great meat packing industry over here in St. Boniface has been occupied only to the extent of 20 percent of its capacity, at other times 50 percent, at other times different proportions, because in Alberta, and to some extent in

(MR. HARRIS cont'd). Saskatchewan, other facilities have been built up to attract cattle here; and if there are only so many cattle only so many man hours are going to be occupied in slaughtering them and dressing them, and if the cattle are diverted elsewhere, the man hours required are diverted elsewhere too, and to that extent employment is removed from Manitoba.

"I haven't been able to trace this exactly but certain it is that in the period we were discussing there was an increase in Saskatchewan and Alberta of 748 jobs in the meat packing industry, and I suppose it would be a fair assumption that a very large part of that was at the expense of Manitoba. There must be a number of hundred jobs that were lost here because of the transfer of that industry. A "guesstimate" - and I must admit that it's only a "guesstimate" - but the best one that I can make and I offer it to you for what it's worth, whether that be worth much or worth little, is that removals have cost us something in the neighbourhood of 3,500 to 4,000 jobs in the period.

"The other factor which has come in, and it's partly mixed with it of course, is the factor of automation. If we take out of the statistical picture the amount of production measured in dollars that's accounted for by the fall in the buying power of the dollar or the rise in prices, it appears that the increased productivity per worker in Manitoba during this period has been about 12 percent. That means if we had continued with the same physical volume of production that we had in 1953 it would have been put on or produced by 12 percent fewer men. This is the process that began, and when one follows the amount of capital invested in machines and manufacturing plants in Manitoba in the period in, particularly 1955, '56 and '57, one sees the very ominous march, if you like - for those who are concerned about employment - the ominous march of automation which has replaced a very large amount of work opportunity in Manitoba and has brought about the shortages of work opportunities that we have seen to a very considerable extent.

"Again, how can one estimate this? A mere mechanical application of the 12 percent to the 44,000 jobs that existed in 1953 yields something of the order of four to five thousand jobs that were probably lost to automation. I don't offer that as a definite estimate of the amount of work lost. I am sure fault can be found with it but I think it gives us the order of magnitude of the jobs that were lost from men to machines. The work was done by machines and the work therefore was no longer open to the men. If you add all these figures together it can be said that there may be some jobs in the order of 8 to 10 thousand that were lost by these means in Manitoba from the year 1953 to the year 1961 in manufacturing, and I emphasize that all of the figures I have been dealing with have had a lot to do with manufacturing in Manitoba, that single classification known as manufacturing in the Dominion Bureau of Statistics figures."

I won't go on any further from there but just to say that what we have been talking here, what each one of us here on this side has emphasized most strongly - and I don't say, Mr. Minister, this to you in any criticism. I am quite agreed with you that things should be done here in Manitoba but done right now as things are getting into a sorry pass, because as I say I've something right here.

Year	Total Employment	Production Workers	Man Hours (in thousands)	Output Per Man Per Hour (pounds)	Index of Pro- ductivity 1956-100	Wage Cost Per Pound (Cents)
1956	237,900	187,600	418,564	63.7	100.0	3.27
1957	224,400	176,200	387,433	66.0	103.6	3.38
1958	215,100	170,400	362,407	67.3	105.1	3.54
1959	207,500	163,300	361,742	71.9	112.9	3.48
1960	209,900	164,800	359,923	75.1	118.0	3.46
1961	202,700	159,700	345,776	79.4	124.7	3.39
1962	196,700	154,500	336,246	83.0	130.3	3.34
1963	191,775	150,616	332,078	89.0	140.0	3.14
Absolute Change	-46,125	-36,984	-86,486	+ 25.3lbs.		- .13
Per Cent Change	-19.4%	-19.7%	-21%	+ 40%	+ 40%	-4%

So when you get down to it here they've got no productivity with a considerable less cost right in there and less manpower all the way down the line, so when you look at that and you see all these different figures that go along with this thing, you can see that it isn't the worker

(MR. HARRIS cont'd). here that is to blame, that it is all these machines that are coming in and they are turning out the work, and this is what I say that we have to do something with regard to this and this is the department that is going to do it. This is the department that has to look into it. I quite agree with the Minister when he talks of the various things that are coming up. I say to him all glory to him that he's going to do something in that light, but don't wait too long. We have workers in our industry today with all this speed-up that is going on. These men have worked 35 years in that place and that man is absolutely burnt out, you might say. He is just hanging on, and when we talk of the various things here to ease these workers out of these industries to give them a well-earned rest, there is nothing done. A man has to go to 70 years of age to get a pension, and very little he gets from the industry today with regard to a pension, because all these things have started too late. So this is what I have to say there, that we have to do something here and we have to do it now. Not 20 years from now, but right now. Thank you.

MR. HUTTON: Mr. Chairman, I couldn't just sit here and listen to the Honourable Member for Gladstone talking about vertical integration and the role of the government in encouraging this sort of thing, because this seems to be the point of view that he has taken. I don't think anybody stands back and applauds the fact of vertical integration and the passing of the family farm as we tend to conceive of it, but the economic environment has changed since the establishment of the family farm in its original pattern, and indeed even the family farm that we talk about today is a far cry from what it was 40 years ago, 20 years ago and even 10 years ago. It's changing all the time. It has to change in order to survive, and I think that in the case of the FFF farm we are witnessing here a phenomena of farmers getting together and pooling their resources, their bargaining power, having recognized the fact that they are unable to compete as individuals in a very competitive business.

I think one wants to stop to remember that we don't live on an island here in Manitoba. There are no walls around us. We have to compete with the rest of the world as producers. Right across the border here south of us in the Dakotas and Minnesota, they have a broiler industry down there, and let's just suppose that we didn't produce one broiler in Manitoba. Let's suppose that we wiped them all out, burnt down all the henhouses. Do you think it would make very much difference in the price of broilers to the producer in Manitoba? Very little, I would tell you - very little. We've had some complaints - I've had some complaints about the fact that this government went out and promoted the cattle industry, and the statement has been made by some that it was because we promoted the cattle industry in the last two or three years that the price in the market place showed some softening, and that it was because of our promotion that the industry became unprofitable to those who had been in it up to the time that the government on the basis of the recommendations of COMEF went out and started to sell the cattle. Here again we're in a continental market, and I say to you it wouldn't make a whit of difference whether we had one cow or not, the price would soon adjust itself and the price at the St. Boniface stockyards would be in direct relation to what cattle are available from other jurisdictions, whether it be Saskatchewan or points in the USA. And this is the important thing that we have to remember, that what we do here has only a small bearing on the returns that producers will receive for their products.

I think that there is a tremendous danger for Manitobans, all Manitobans, if we ever conceive of the idea that because we're not going to produce that we're going to get a higher price for what we do produce. This is a fallacy and we're only kidding ourselves, and as Dr. Wood of the Economics Department of the Faculty of Agriculture has put it, if we subscribe to this theory we're likely to end up losing on both counts. We'll lose on price and we'll lose on volume, and all we'll do is cut our share in the marketplace. So I think it's tending to stick your head in the sand to suggest that by controlling output, as long as we are a trading nation, as Canada is, and unless we are prepared to build walls around ourselves, it's foolhardy to think that we're going to control price by controlling production.

I think that there is a big difference between the vertical integration that we think of in conventional terms and the vertical integration that has been effected by the partners in the - or the stockholders in the FFF farms, because in this case it is the primary producer to whom the benefits of vertical integration are accruing if there are any. In our conventional concept of vertical integration, the benefits of vertical integration of course accrue to the controlling interest which is usually at the top end, and I think that rather than being too critical about the organization of FFF farms, I think that here is an organization that merits some study, especially on the part of producers in lines such as broiler production where there is an intense

(MR. HUTTON cont'd) competition and where the margin between success and failure is so critical that I believe that they should study this organization - it might prove to have something to offer to other groups. It's too early to tell, of course, but I think it represents a rather unique and ingenious attempt by a group of men who tried to solve their problem by working together.

For the benefit of the members, I understand that these men had originally been members in a co-operative organization, and so that in a sense this thing grew out of a co-operative movement. It is a departure in terms of conventional thinking on the co-operative movement. It may be quite a radical departure but nevertheless these men became associated together and established a common interest in a co-operative before they ventured out in this direction. So that I would like to underline the fact that the smaller farmer with limited resources to work with may well look at the kind of bargaining power that he might acquire if he is willing to work together with those who have a common interest with him.

We have in Manitoba this past year taken quite a stride forward in marketing with the establishment of a Potato Marketing Commission, the Hog Marketing Agency, and there is further interest, as has been mentioned here, by the broiler people, and there may be improvements that can be made in the marketing of a product so that there can be gain to the primary producer, but if an attempt is made to achieve this benefit through the control of production, through limiting production, through closing out, if you like, the more efficient producer, we're going to end up by losing an industry, because we can't close the doors to the products that come to us from some of the most efficient production on the continent, and if we delude ourselves by thinking so, we're going to be in a position where we won't have any industry to worry about in terms of vertical integration or otherwise; and I think if we're going to have vertical integration the kind that we have in FFF farms is a lot more attractive where, if there is an advantage, that advantage accrues to the primary producer.

MR. GUTTORMSON: Mr. Chairman, am I to understand from the Minister's remarks then that as the Minister of Agriculture he endorses the program whereby the Manitoba Development Fund will loan money to organizations such as the Family Farm for programs such as they have now?

MR. HUTTON: I think in particular circumstances, depending upon the nature of the business and depending on who was getting the help, there may be some merit in it. That is what I have said. I don't think that -- as I say, I don't like vertical integration in the conventional sense because I think it tends to make peons out of the primary producer by skimming off the benefits of the industry to the controlling interests which are the upper end of the program. Heavens, vertical integration on your own farm is the best thing in the world, because it will eliminate so many uncontrollable factors. For instance, if you were in the business of raising hogs, you are in a much stronger position if you raise the young pig and feed it and raise the feed for it than you are if you are buying and buying grain at the same time, because you are not subject to the variations it can take -- and the fluctuations in the market value of the ingredients of your product, the raw product if you like. You are in a stronger position, and if you can operate on a sufficient scale as a primary producer to control more of the levels of your production, you are in a stronger position. All vertical integration isn't bad. It just depends on how it affects the primary producer. If it tends to use him, then I say it's bad. If it tends to help him, then I would say it is good.

MR. GUTTORMSON: Family Farms. Does the Minister think this particular operation is good for the small producer?

MR. HUTTON: It was good for those ten producers.

MR. GUTTORMSON: what about the other - what do you mean "those ten producers?" These men are big businessmen and they're just going into this as a side line, whereas we have all the small producers throughout the province who are trying to make a living and when you have a number of these type of setups going into action, it won't be long before you'll drive every small producer right off his farm.

MR. HUTTON: You say all of these producers are businessmen? I was not aware that this was true.

MR. GUTTORMSON: I didn't say all of them. I said some of them are, and I think it was pointed out by the Member for Gladstone that some of them are, some members own Reimer Express Lines which is not the smallest business in the world.

MR. GORDON E. JOHNSTON (Portage la Prairie): Mr. Chairman, it was not my intention to speak at this time, but since the Minister of Agriculture has added some comments

(MR. JOHNSTON cont'd) that has brought a question to my mind, and that is this: Is the Department of Industry and Commerce going to lend money to bring more efficient production in a primary industry such as agriculture - use government money, taxpayers' money, into a competitive industry that will hurt smaller operators? Now no one I believe on this side is disputing the fact that efficient operators make more money and progress more rapidly and become bigger and better. No one's disputing that one bit, but I believe there's a serious question arises as to whether taxpayers' money should be used to drive people out of business, which is certainly what is going to happen here. If these people, Friendly Family Farms, can raise their capital in another method not using taxpayers' money, there's no quarrel with this whatsoever. If we take this example and extend it into other segments of the industry of agriculture, such as hog raising, cattle raising, grain growing, where is this going to end up? On one hand the government - I should say all governments are at least paying lip service to the proposition that the farming unit as we know it in Western Canada should be kept and encouraged and helped equally, but not one small segment picked out and given special help by the Department of Industry and Commerce.

When the Minister spoke on Saturday and gave his reasons for granting a loan to this firm, I certainly believe everything he says, but I have here a magazine called the Canada Poultryman - it's printed in Vancouver I believe - in November 1964; and there's an article here dealing with the question we're speaking of right now, and what this person is saying and what the Minister told us on Saturday, there's quite a wide difference of opinion, and I would like to quote out of this article. The heading is "Production controls in Manitoba would stop indiscriminate expansion" and the author of this article is Bert Hall. I believe he's the Association president - there's a new organization formed. The name will be mentioned in the article. And I quote: "Manitoba is going to have production control," - they're speaking now of the broiler industry - "We are not going to let any time slip by," says Bert Hall, chairman of the recently formed Manitoba Industry Association, in an exclusive interview at his Manitou home with Canada Poultryman's managing-editor Ken Larson. Hall said the Association's bid for a producer marketing plan is meeting with good reception from the Provincial Government because it represents the entire industry. The Association directors include members of feed companies, processors, hatcheries, and supply flock owners as well as growers. "I really feel our requests carry a lot more weight because it is an industry request and not just those of the growers themselves," said Hall.

Further down in the article and this is a quote from Mr. Hall: "We got this thing going primarily to prevent indiscriminate expansion," said Hall. "Every year there is an expansion within the industry. It is growing and will continue to grow and we must be geared to increases in consumption." However, Hall, like other association members in Manitoba, has wondered about the exact nature of the expansion of Friendly Family Farms of Steinbach, Manitoba. This organization with its own feed source now has an eviscerating plant in operation several miles from Steinbach. This is the third eviscerating plant available to the growers within a twenty mile radius. Most common assumption among Manitoba poultrymen is that Friendly Family Farms received a million and a half dollar loan through provincial government sources to build an eviscerating plant. "I know we were told that the loan was only \$750,000 but this is their assumption at that time.

Further in the article it says, "When Ben Reimer, president of Friendly Family Farms, was asked about the rumours, he said that it isn't 50 barns. 'The figure is different every time I hear it.' Asked if the market isn't glutted now, he replied with a question, 'Who's glutting the market? Ontario?' Product is always being unloaded in Winnipeg from the east so it's time we did something about it ourselves. That market to the Lakehead should be ours and up around Flin Flon. We sell wheat to Khrushchev so that we can buy broilers and turkeys. Why not grow them ourselves?"

The next paragraph: "This same view of filling the Manitoba market with locally grown product is not shared by Hall. He says Manitoba is presently supplying provincial consumption and couldn't possibly absorb this kind of an increase," -- by the way the increase they're talking about is the Friendly Family Farm production, I believe.

Now in another article on the same page, there's a sub-heading and it says, "New bill sharply curtails board powers in Manitoba," and I quote from that article: "The Manitoba broiler industry is moving towards controlled production with an effort of mingled determination and desperation. Determined through an organization embracing the entire broiler industry; desperate to prevent indiscriminate expansion." Further in the article there is

(MR. JOHNSTON cont'd).some discussion about the various plans in other provinces, and I'll just quote one more paragraph. It says: "the MBIA is determined to set up production controls as soon as possible. It claims indiscriminate expansion on the part of some segments of the broiler industry, namely, groups of growers who own their own facilities. There have been claims that one group is building facilities with a capacity of two million broilers yearly as a throughput. The group disputes these figures but offers no production estimates in return."

So I would like to hear from the Minister of Industry and Commerce whether it is a continuing policy to make loans of this kind, especially when people in the industry are concerned about competition that will put them out of business and generally upset their industry. I hope I've made it clear that I'm not disputing the fact that people may go ahead with their own sources of capital but I certainly am wondering when the taxpayers supply loan capital to make hardships for other taxpayers and how far is this program going?

MR. J. M. FROESE (Rhineland): Mr. Chairman, having listened with interest to the various honourable members speak on the different subject matter from time to time, I am prompted to bring up a matter as well. I know that the matter of the Development Fund is in a way a tough matter for the Minister to work with, because I think our government is here to govern and not to be in business of this type and I think this is one of the reasons that we're getting into some of these troubles.

The item I wish to bring up has to do with Plum Coulee Growers. Plum Coulee Growers was a company that formed to grow or produce, to store and to sell potatoes. In their operations -- they rented the land for cash and then grew, I think some 4 to 500 acres of potatoes in a given year and in their operation they had a contract with a chipping company so that some of their potatoes were sold for chipping purposes, and I think, if they made any monies it more or less came from these sales. Naturally they also sold potatoes for table and other uses. Originally the development fund came in and helped them start off together with local investment by local people, many of them who put in their life savings into this new company and in order to have a local industry people in the area supported this venture very strongly. But it was soon found out that the company was also suffering from lack of working capital and this made the going very tough. They borrowed from their local credit union; after a while they also borrowed from the bank, their local bank, and then from their neighbouring bank and in this way got the necessary working capital from year to year in order to stay in business. But as I already stated it got from bad to worse, or it got more difficult year by year, and in order not to go into bankruptcy the board of the company went out and secured additional subscription of share capital, and together with this extra share stock and on the strength of it they were able to borrow some more money from the neighbouring credit union in the amount of \$15,000 and on the security of a second mortgage, so that they were able to carry on a little longer; and on the strength of this too they were able to get additional monies from the bank for their operations and in this way they carried on as best they could.

However, after things got tougher the Development Fund took action under their securities and operated the business under trusteeship. If I am in error in any of these I wish the Minister to correct me later on if I'm wrong. They carried on for a while in this matter and then the plant was offered for sale. Local groups of farmers were interested and I understood they also bid on the plant. But the plant was finally sold to the highest bidders which were people from the outside not local people - and I have no quarrel with this because after all if you're in the matter of winding up a business like that you more or less take the highest bidder, which were outsiders in this case. But, when a plant like this comes up for sale and it has to be sold under duress, local people are very hesitant in bidding because they know that if they purchase the plant, or whoever purchase the plant it will be at a lower price and they then -- because they were short in capital, that these people that had the investment, the local people that had the investment in the first place, they were subject to lose that money and that there would be hard feelings against the party or parties who would be buying this plant.

I remember full well going in to see some of the executive members myself together with the manager of our credit union, and pleaded with them to, if they couldn't in a way put this plant on a rental basis so that a local group could take and rent the plant for a year or two and get on a solid footing and then they would be in a better position to purchase the plant at a later date -- and I think at that time they would have been able to get more money for it too than to have to sell it at the time when the atmosphere was at its worst. It's good for me to say now because had they waited one year they would have had a very good year and the plant would have paid for itself, the operation could have paid for the plant in one year. This is

(MR. FROESE cont'd) what happened to the purchaser of the plant. He made a killing on it in one year. But I find, and apparently this is borne out by other speakers here this afternoon, that I think the Fund is too anxious to act on their securities, they're too fast. This has been said here by other people and I think that was the case with Plum Coulee Growers. The matter of winding up this thing is taking a long time; it is still not wound up; it is a very cumbersome matter; so that these people that bought the plant, it's still not as I understand under clear title and that it's still in the process of being wound up.

I notice too on the balance sheet here of the Fund that there is a reserve fund of \$391,932.00 and this last year, '64, we added another 99,000. Mr. Chairman, why don't we use some of these reserves in cases like these? I think that's the purpose for it. Then I also notice on the other side of the, on Page 11, that they are setting aside additional monies each year for provision for losses, yet we haven't seen a single year where they use any of these monies for losses. They're not accumulative as far as I understand. It just goes back into the operations from year to year and why don't we use some of these monies instead of bankrupting these firms the way we do, especially in the matter of the Plum Coulee Growers where the people lost every cent that they invested. I think that this is unfair. Not only did the local people lose every cent, the credit union involved in the area is having substantial losses to carry -- and I might mention here that the firm that bought Plum Coulee Growers also bought another plant at Saskatoon which also went into receivership, but, here the Government of Saskatchewan went to the help of the farmer and paid them whereas we in Manitoba there's no such thing. We're not even considering it. --(Interjection)--In Saskatchewan. --(Interjection)-- I don't know, last year. It must have been last year --(Interjection)-- no the year before and - they had their first year of operations last year.

I also note from the discussion here earlier this afternoon in connection with the case of Damascus Steel Products that an analysis was made and a consultant firm was called in. I wonder did they have any consultants in connection with Plum Coulee Growers. Did the firm consult with anyone on this? Or what is the policy of this government in connection with cases like these? When is a consultant firm called in and what is the practice and who decides and when do they call in consulting firms to give advice?

I would also like to make mention that we like to see industry growing, and especially in my part of the country I would like to see it thriving and that we get more and new industries coming in. But to bankrupt a small firm like this in a community such as the one of Plum Coulee it leaves a very sour taste in the mouths of the people, and it will be very hard to go in there and re-establish any new industry. This I think is a very sad thing to happen. I know if this loan had been with the credit union in our area this wouldn't have happened the way it happened here because we've had some bad cases too and we do I think exhaust every avenue or every approach we can possibly think of before we take action of this type. And not only has action been taken on this type but we've heard of many other companies here that have had similar treatment. I think the treatment that these businesses get is too much of a banking philosophy. They should put more credit union philosophy into their administration and I think it would be operating much better.

I already mentioned the reaction in a community of this size, what it does when a firm goes bankrupt, the hard feeling that exists and the impossibility of going in there and starting up a new venture. I think it's deplorable to have these things happen. If we're not willing as a government or as a development fund to provide these companies with some operating capital once they've started then we shouldn't start them off, because we should give them a chance to make a go of it. As the matter has borne out they had a wonderful year last year, these new people in the business there, and they made enough money to pay for the whole thing in one year. Had the old people been left in it, had been able to carry on for another year, even on a rental basis, they could have done it, and it's just too bad that this had to happen the way it did.

I hope that the Minister sees fit to answer some of my queries in connection with the policy and in connection with consulting firms and so on and that we try and curtail matters of this type. I also would like to appeal to the Minister that we should think in considering of reimbursing some of these people, local people like that who lost their life savings just to try to make the local community grow.

MR. JOHN P. TANCHAK (Emerson): Mr. Chairman, I wasn't going to enter into this discussion because I'm somewhat involved in the poultry industry. However, I'm not involved in the broiler industry, but the Minister of Agriculture prompted me to get up. He made a

(MR. TANCHAK cont'd). statement here which he knows is not true and it cannot be true. He was trying to tell us, or in other words he was trying to reverse the law of gravity when he answered the Honourable Member for Gladstone and he said that this kind of integration - he says the cream comes up to the top in the other kind and this time it comes to the bottom. You can't reverse that and the Minister knows that. You can't reverse the law of gravity.

MR. HUTTON: I object. The Minister knows no such thing.

MR. TANCHAK: Well that's quite true, you can't reverse the law of gravity, the cream always comes to the top. --(Interjections)--I can't agree with that, and the Minister, I presume, knows himself that the cream always come to the top and those at the bottom get the skim milk. I'm not going to criticize the Friendly Farms Limited. They are doing a job, and they were smart, very smart, and they are probably doing a wonderful job. Whether they are making money or not making money I'm not here to prove. If the Minister thinks, in the paragraph in the Free Press that he'd like other farm communities to organize and make a profit as I presume he thinks these people are making, why doesn't the Minister produce financial statistics to prove that they are making money, then probably we'll all go into it. But just to come here with hearsay it is not, I don't think it's quite right.

Now another thing that does bother me. Evidently both of the Ministers are so proud. And here's what it is, the principle of it, they are proud of the principle of using the little man's money to put him out of business. I am not proud of that principle and I don't think that any of the agricultural interests are proud of that principle. And that's what I am objecting to. Now they quote 15 percent, none of the shareholders, not one of them hold more than 15 percent or 15 shares or 15 percent of the total shares. I think that kind of a statement without qualifying it isn't quite true because the meaning of it isn't true. Because what does that mean? How many shares are in that company? And my information - which may be wrong, I got the information - that the Big Four own 60 percent; that's true, 15 percent or 15 percent of the shares, the Big Four own 60 percent. The middle three own 28 percent, and the little six - those are the fellows who are supposed to have got the cream that goes down to the bottom - they own 12. What about the nominally held share in there? So when something like that is brought in that no one holds more -- the statement comes every shareholder of Friendly Farms Limited is a producer and the highest number of shares owned by any one shareholder is 15 percent, it just doesn't mean anything, unless the Minister is prepared to disclose the full share status and the nominally held shares too, then we'll get a true picture. But simply to make a statement like this and then come up and say that the cream goes down to the bottom I cannot agree with that and I can't agree with the principle of using the little man's money to put him out of business.

MR. RUSSELL PAULLEY (Leader of the New Democratic Party) (Radisson): Mr. Chairman, just one further point. It's not FFF, it's back to Damascus. I'm not clear from the Minister's statement earlier exactly where Damascus Steel, that is the originators of it, stand as of today. The Honourable the Minister indicated to us certain figures of production or profits in their first two years and indicated that they were substantially less than had been anticipated previously by management and also as I understood him in the survey that was made by Arthur D. Little and Company. But I have before me, Mr. Chairman, a letter, dated November 20, 1964 from the Manitoba Development Fund to Mr. David Rodgers who was named by the Development Fund as Receiver and Manager of Damascus, and it sets out in this particular letter certain conditions under which a further loan of \$30,000 may be made to Damascus Steel. Now I confess - and as a matter of fact I guess, Mr. Chairman, the confession isn't necessary but rather obvious - I confess that I don't know all of the ramifications of the legal phraseology or of the operation in matters of this nature.

However, I would like to quote a bit from the letter on the first page. It says: "We understand shareholders, and particularly Mr. Henderson, feels that with some \$30,000 injected into the company that the company may very well succeed and be able to continue in business and eventually retire its obligations to the Fund. Naturally the Fund in light of the purpose for which it is created would like to do everything possible to assist the company in succeeding. Although legally the Fund may now realize on its securities and it is our feeling that there would be enough securities available to retire the obligations to the Fund, nevertheless, we are quite prepared to go along with the company continuing in business and would like to see the shareholders inject into the company the necessary \$30,000.00." And some reference is made to an order granted by the Court of Queen's Bench. I might as well read that. I go back to the document: "Having regard to the order granted by the Court of Queen's Bench

(MR. PAULLEY cont'd) we will not consent to such a loan unless the persons putting up the money postpone all of their rights in favour of the Fund since in the final analysis if the company does not succeed they would probably be paid off to the detriment of the Fund."

Then the letter goes on on Page 2 to say: "In the event that the shareholders are not in a position to put up the \$30,000 the Fund is quite prepared to lend this money to the company on the terms and conditions hereafter set forth, namely." -- and among these conditions, Mr. Chairman, is one that stipulates that the monies are to be used for the following:

1. Acquisition of a wire drawer, \$6,000; working capital, \$24,000.00. Then it says that the wire drawer will be purchased under a conditional sales or lien contract and the monies will be paid directly to the vendor and an assignment of such paper received. This paper will be by way of collateral security to the main debt. And further, the monies will be repayable on demand. And the next section says that the \$5,000 with respect to the wire drawer shall be repaid over approximately five years through equal monthly payments of \$120, such payments to cover principal and interest and shall commence the first of January 1965 or thirty days from the final disbursement of this sum, whichever is the sooner. Then the next clause, Mr. Chairman, and this is the one that seems very pertinent as far as I am concerned to the operation of the company, and this clause, Clause (g) of the condition says, "that the \$24,000 shall be payable one year from the date of the advance."

Now, it seems to me, Mr. Chairman, rather harsh, whereas the Minister has indicated to us the difficulties of the company for the first year or two, that its net income was not up to what had been anticipated by the firm as far as its original hopes and aspirations were concerned, and then after due consideration it appears when reading this letter that the Fund was prepared to put up another \$30,000, \$5,000 for a wire drawer which could be paid over a period of five years, at interest, and then knowing the difficulty apparently that the company was having insofar as working capital is concerned, in the conditions under which the loan would be forwarded, said to the company, "We'll loan you \$24,000, but only on the condition that that \$24,000 shall be paid within one year." Now, this doesn't indicate to me, Mr. Chairman, an approach that would materially assist the company insofar as working capital is concerned when the agreement apparently insisted that the monies for that purpose must be paid back within one year, the \$24,000, but as far as the wire drawer is concerned, of \$5,000 or \$6,000, could be payable back over a five-year period. Now I can appreciate that the wire drawer I guess, as far as its life is concerned, may last a little bit longer than some of the individuals in connection with the firm, but it does appear to me quite frankly, that the conditions were pretty steep.

The Minister told us this morning that the profits weren't up to what was anticipated -- and I just forget the figures he quoted -- and here was -- apparently the Fund in its wisdom or otherwise, had seen the necessity of agreeing to put up \$24,000 by way of working capital, and notwithstanding the point that the Minister raised this morning of the lesser amount in the way of profit or income over the first year they said in effect to the company -- if my interpretation of this letter is correct -- "we'll loan you \$24,000 for your working capital but, we want it back in a year." In my conversation with the parties concerned in this matter, Mr. Chairman, this appeared to me one of the points that they were finding more difficult than ever. Here they were attempting to establish themselves and go ahead. They did require additional capital; apparently, according to this letter, the Development Fund were prepared, but it would have heaped coals on the fire in my opinion insofar as the company is concerned, that if on receiving from the Fund an additional \$24,000 for working capital, that this would have to be paid within one year. Now it doesn't appear to me, Mr. Chairman, that this is any real aid to a company that might find itself, or has found itself in the position of Damascus.

MR. EVANS: What was the date of that letter?

MR. PAULLEY: November 20th of '64. And I understand, Mr. Chairman, that on November 21st, Mr. Rodgers advised Mr. Henderson of the terms of a loan which might be offered on November 25th. And one further comment in regard to this whole matter that I have on some notes here, Mr. Chairman. The stockholders and debenture holders and unsecured stock optionees have invested 65,000 into Damascus Steel products. Stockholders have done much free work and it does not show on the balance sheet, as a result the plant assets are worth 150 to \$200,000 rather than the \$100,000 as shown on the balance sheet. An appraisal could be better determined on this matter more closely. Then the further comment, and I think this is pertinent. "The Manitoba Development Fund with a secured debt originally of \$22,000 -- now \$33,000 -- is ruining the customer goodwill of the company and jeopardizing

(MR. PAULLEY cont'd).the much larger investment of the stockholders.' And I think too, Mr. Chairman, as I reviewed it - and in this I'm subject to correction - it does appear to me that the action of the Fund itself may have prejudiced to some degree the opportunity of Damascus Steel to get additional outside capital. But surely, Mr. Chairman, that when the Fund lays down the condition, as I understand it in this communication, that we will allow you \$24,000 of working capital as a loan and this loan can be taken up on the 1st of January, 1965 but by December 31st in the current year it would have to be paid back. And I think this is prejudicial in matters of this case.

So I say to the Honourable Minister while I appreciate he may not have at first hand all of the facts, he did make some pretty firm statements this morning insofar as the management of this company is concerned. But I do say - now I don't know. I've asked the Minister, he may have said it in a manner which I didn't quite understand as to what the position of the company is at the present time - it does appear to me, Mr. Chairman, that if my conception of a building with equipment that is all ready to go in the manufacturing, is just simply padlocked - and there may be good reasons for it being padlocked. I'm not disputing the Minister in this - but it does appear to me that if this facility, this industry is there, raring to go - and as I understand it from the management, they're raring to go too - that rather than go through any further receivership or courts to dispose of the assets of the corporation, that a new look or a second look be given in respect of this industry.

MR. GUTTORMSON: Mr. Chairman, much has been said about the situation of Damascus Steel. I don't want to repeat the arguments that have been put forward by the Member for Brokenhead, the Member for Lakeside and the Leader of the NDP, but some items that have been brought to my attention I don't think have been brought out here is that the management claim they were led down the garden path by the Development Board. They tell me, if I understood them correctly, that it was suggested by the board that they go into receivership and that they would be granted the additional money that they required, and it was after they went into receivership that they were closed down. I'm further advised that after they went into receivership they received an order for some \$30,000 worth of work from a firm down in Eastern Canada, which would indicate that they were just starting to make their move. As the Minister admitted, it takes time to get a market when you're competing with factories in Eastern Canada. They further advise me that the board has indicated that they plan to hold a liquidation sale as soon as the Legislature rises, that several firms are just waiting to bid in on this firm which has assets of over \$100,000.00. Now if this is the case, I think that the members have some reason to be concerned about the situation.

Another situation I'd like to bring to the attention of the House is some of the ways the Development Fund is handing out money. I think that the money should go to new industry. However I can give you a classic example of where this is not being done. The Development Fund has loaned more than a half a million dollars - between half and three-quarters of a million dollars - to establish an abattoir in St. Boniface where we have a number of abattoirs in operation, and they're only operating at 50 percent capacity. And as a matter of fact, during the last - since I mentioned this in part to the Minister at the last session - one of these abattoirs has gone into bankruptcy. Now it seems absolutely ridiculous to me that the Development Fund should loan money to a business to go into competition with other firms in the same area, particularly when the firms that they are going into competition with are not operating at full capacity. Some people hold the view that as a result of this money being loaned to this new abattoir was a direct result of the other one going into bankruptcy. Now I think that this policy is entirely wrong. I think if you're loaning money it should be done to new industry but not to other industries to go into competition with existing industries with the possibility of them being driven into bankruptcy and out of business.

On the matter of the Friendly Family Farms, I was disappointed to hear the Minister of Agriculture indicate his support for this project. I think it's entirely wrong. If a firm wishes to operate in this way and they use their own capital, that's one thing; but when the government starts loaning public money in such an operation which will, no question about it, will drive out the small operator, the small farmer, I think it's wrong. I was absolutely surprised the Minister would endorse such a program. I think it's wrong and I think the government should stop this policy immediately because if it's carried to any degree we just won't have any small farmers in the province at all.

MR. CHAIRMAN: (a) passed; (b) passed.

MR. EVANS: Mr. Chairman, if those are the comments I would like to provide some

(MR. EVANS cont'd). information and see if I can answer the questions that have been asked of me. I think probably it would not pay to go over the ground again covered between the Honourable Member for Lakeside and myself. I think the proof of the pudding as to whether the management was competent or able to run this operation lies in the fact that the thing got into financial difficulties and had to discontinue for that reason.

I cannot agree to the principle - and I'm very surprised that a member of the Liberal Party would put it forward - that the government is responsible for the success of a private commercial undertaking or private manufacturing firm. I'm not surprised that my honourable friend from the NDP over here takes that ground. That's his philosophy. He believes this. He thinks the state should interfere - I don't mean interfere - should take a hand in the operation of business, and in fact, should own the means of production to a much larger degree than some others do. I'm not trying to work up any difference of opinion. I think these are just the facts of the case. But the Member for Lakeside to say that the government should have been responsible to keep these people in business and to be responsible for the success of their concern, just simply passes my understanding - I cannot understand how he can bring himself to enunciate that principle in the name of the Liberal Party.

My honourable friend from Brokenhead says that there are two matters not cleared up - that is, he believes there's a difference of view still between himself and myself with regard to the competence of the management. I just give him the same answer that with regard to their ability to sell and their ability to make a profit, the results of 2 years and 7 months of falling so far below the targets give the answer in itself, simply the proof of the pudding is lying in the eating.

My honourable friend from Ethelbert Plains has discussed the timber industry, pointing out that forest resources are going to waste and this is true. He mentioned more particularly that there are losses from fire, losses from such things as the pond at Grand Rapids. These are in fact reducing some of the assets we have. There is another one, I'm not aware of whether he mentioned it or not, that some trees are getting beyond the age so the core rots out and they are no longer right for the purpose. All this is true. All this adds to our sense of urgency of wanting to get them utilized and to get the money's worth out of them and to provide the employment for our people. It could be one of our largest industries he says, and this is true. He makes some comment about a shipment that was made to Sweden. I don't believe it was to Sweden, but shipments were made overseas for test purposes of pulpwood and the tests I may say were very successful, very good. And I'll make no further comment on our prospects for getting a Northern woods industry either of pulp or pulp and paper at this stage, as I indicated earlier on today.

He draws attention to the fact that the Saskatchewan Government announced a pulp and paper mill and why didn't we get it in Manitoba. Well I've lost track of the number of times that pulp mill has been announced by the Government of Saskatchewan and not very long after the announcement was made, they unannounced it by saying it wasn't in fact going to be established in Saskatchewan at this time. So that the last announcement has now been unannounced and they follow a different policy from us. We don't announce things until they are firmly established and in fact going to go ahead.

He indicates that the policy of the government is somehow responsible for the troubles in which some friend of his, or some acquaintance or someone he knows about, established a tourist lodge in Northern Manitoba, he himself having provided some \$30,000-odd of capital, and having borrowed 20, and draws attention to the fact it was foreclosed because the borrower was unable to meet the terms. I don't know if my honourable friend would care to provide me with the name privately; I would like to enquire into the circumstances and see whether he's right. At the moment I cannot make any further comment because I'm really not aware of what the case is. He draws attention to the Birch River Plywood Plant and their difficulties and the circumstances in which they found themselves. And here again this case has two sides. There are very definite factors on the other side, which I am sure a fair-minded appraisal of the situation would want to weigh up. I really can make no further comment on that at the present time without preparing and having available all of the facts. I'd be glad to discuss it with my honourable friend if he wishes to privately, because it is the farthest thing from my wish or certainly the wish of the department, that anyone should begin in business and then have to discontinue.

I think my honourable friend from Gladstone made a quite remarkable speech when he undertook to criticize and even to contradict a speech he had heard on the basis of a letter he

(MR. EVANS cont'd). hadn't read, and then when this extraordinary performance was over, I looked down at my notes here and I find that all the rest of what he said had no intellectual content and so I'll make no further comment on that.

My honourable friend from Logan, I wasn't able to follow all of the statistics that he gave to us. I gathered they were drawing attention to the very considerable extent to which automation has proceeded and I'd be interested if he'd care to let me have it sometime to see the figures that he was using because they were - in a succession of years he gave us a series of statistics and as far as my memory served me I was able to see the point that he was making, which I rather gathered, I'm sure was to the effect that reducing cost in the production of goods and reducing of labour content is providing difficulty for those in the work force, and this is perfectly true. I agree with his point that policies and means must be developed for taking care of and re-training and seeking employment for people who are displaced from their means of gaining a livelihood. I agree with those points.

I think, however, that I must take some slight issue with him on this point. My view is that we must overcome the reduction in the amounts of employment by entering new fields and developing new industries to re-absorb those people rather than by trying to take any means to resist the development of greater productivity in our economy. If we don't make things efficiently, we won't be able to sell them. In fact we won't be able to meet competition here at home, consequently the jobs that we do have now will disappear anyway. My view is that we should create new and different and better and larger industries to re-absorb and even indeed to expand the work force that we have - and this has happened.

The quotations that he made from my speech of a year or so ago were designed to show that we had in fact re-absorbed in Manitoba some 8 or 10,000 jobs that had been made vacant by automation and by the transfer of industries, and that this process has been going on and in my view must be accelerated and must be given additional energy.

I'm sorry I'm not able to comment more in detail on his thoughtful and I thought constructive points that he was making but the mass of statistics was rather too much for me as it was being spoken by the honourable member.

The Member from Portage la Prairie makes the point, and I think the Honourable Member for St. George made the same point in much the same terms, and that was the taxpayers' money was being used to drive the small man out of business. Well here I think is a crucial point that we should discuss. I'll give my point of view on it, and that it's really the fact that if anyone's being driven out of business or given difficulty by the adoption of more deficient methods and the reduction of prices, this was brought about by competition from the outside and the fact that these broiler and fryer chickens are coming in here now in such huge quantities is attributable solely to the fact that the cost of growing a pound of chicken live weight in Manitoba is 18-3/4 cents a pound and in Ontario is approximately 2 cents less, it's approximately 16-3/4 cents a pound, and it's just the difference between a break-even operation in Manitoba or a loss and the fact that Ontario is able to ship here at prices so much lower than we can meet. And so if anybody is being put out of business they're being done by competition from the outside not by competition from within Manitoba, by the FFF farms.

I can offer one particular statistic and that's this: I think I'm right in saying that in the last month, 80 percent of the production of the FFF farms has been shipped out of the province. They have been selling in Ontario and they have been selling in British Columbia. During the time that the FFF has been in operation in Manitoba prices have actually risen and I think this illustrates the fact that they have not had the effect of spoiling the local market for the local producers.

Well then, of course, we come to the other point and that's the fact that broiler and fryer chicken isn't grown by small people on small farms anyway. Never has been. Small farms can't put enough together to produce an order to start with. In the second place they have no hope whatever of competing in the market in this kind of chicken when practically all this chicken is sold through large outlets in urban centres. I refer to chain stores, super-markets and such organizations as cook the chicken and sell it already preserved. These are in large quantities and they have to have uniform quality and high quality of chicken. So there are no small operators in this business and nobody is in fact being put out of business by the large people - no small operators are being put out of business by these large operations such as FFF.

My honourable friend from Portage la Prairie makes the statement that "controls" would stop expansion in Manitoba and that the object of the marketing board as quoted from

(MR. EVANS cont'd). that article would be in fact to stop the expansion of production in Manitoba. My view is that this would be wrong. I established the fact pretty solidly that we have a shortage in Manitoba of some 4 to 5 million pounds of production, the same in Saskatchewan, another million in Alberta, and probably some further quantity in Northwest Ontario; so there is a shortage in the prairie market of some 10, 11 or 12 million pounds now. But certainly by 1970 there will be an expansion of consumption in Manitoba to the extent that we will have a market here of 20 million pounds. We can double our output in Manitoba between now and 1970 - I think I remember that year correctly, but it's close enough. I wouldn't like to be held to the actual year, I'm speaking from memory - but I'm sure we can double the production in this province. And the reason I say that is I think it's largely confirmed by the fact that if we are eating 20 million pounds in Manitoba by that year, we will be eating only five percent of the chicken that will be consumed in Canada in that year. Manitoba's population is approximately five percent of Canada, that's a fair confirmation of the fact. And so instead of restricting production, instead of preventing its expansion, instead of preventing somebody from getting into business and doing business efficiently, I think the opposite policy should prevail and that up to the point at least where we're able to supply our own requirements then we should not go in for a restrictive policy to prevent anybody from going into business and being efficient about it.

I've been informed by the FFF people that they see an almost unlimited market for their products grown in Manitoba, produced and sold at the prices they're able to sell here, in the United Kingdom and Germany. They are turning their sights increasingly to the export market - not only export to other provinces but to foreign countries; and if they can do that they are going to do a very great service for the whole of Manitoba and for the farming industry here. This is their expectation and they tell me that they believe that they will succeed in doing this.

My honourable friend from Portage la Prairie, I think, quotes the article when he says that Manitoba couldn't absorb the increase that was going to be brought about in production by the FFF. I hope I took his meaning there correctly. I think the fact that I've drawn attention to a shortage of at least 10 million pounds here now and a prospective shortage of about a further -- I'm sure it's either eight or ten million pounds in the prairie area by 1970 -- indicates to me quite clearly that there's plenty of room for expansion here without even expanding the export market.

Now some comment was made about well how can it possibly be that we've got a shortage at home here and the FFF are in fact exporting some 50 percent of their production to British Columbia in one month. Well, I don't see why not. I don't see why if they can get a buyer in British Columbia they shouldn't load it on a railway car and shoot it out there. You don't have to really fill the whole market before you make sales there and I tell my honourable friend that they expect to develop a very large market in Quebec in addition. And whether some other sales are made by some other people or some of the larger corporations are procuring their requirements -- I wonder if my honourable friend knows the extent to which this retail trade is in fact dominated by the chain store and the supermarket and the chains of supermarkets, who in fact make their contracts on a Canada-wide basis and may, as a matter of policy, or as a matter of convenience, procure their supplies, contract for them in Ontario and ship them out here to be sold through their branch supermarkets. All sorts of ramifications to this, and this comment of his I think had very little bearing.

My honourable friend from Rhineland calls attention to the problems of the Plum Coulee Growers and he traced the history of it and I'm not able to comment on whether it's accurate or not. He asked me to comment as to whether any of the events that he described were in fact not correct and I, from memory, can neither confirm it or deny it. I have no reason to believe that anything that my honourable friend said wasn't accurate.

He asked whether any consultant was called in and the answer is no. Why not? It's because when a problem is facing the department with which we are competent to deal or within the government service are able to find qualified people to give us advice, we rely on the government service. It's when we feel that there's a specialized problem. We had no person qualified in the screw manufacturing business and so we imported the people from Arthur D. Little or had them get someone for us.

He says that the reserves that have been accumulated in The Manitoba Development Fund should be used and re-used, and that is the policy. It happens - he's undoubtedly seen the statement that there were some short-term investments held in the balance sheet at the end of

(MR. EVANS cont'd) that particular month. This was a temporary situation which was caused by the repayment of a loan and they were being held in short-term investments for a short time; but it is not the policy to carry all of the reserves for bad debts in cash or other securities of that kind. It's a policy to reinvest and to re-use the money that is set aside in reserves.

He makes the statement in more or less these words, that to bankrupt a firm is a very sad thing or a very bad thing, and I couldn't agree more; except that nobody bankrupts a firm, they bankrupt themselves. If they go to work and lose money they bankrupt themselves. If they have said to a banking institution, lend me the money and I'll undertake to pay it back, we simply say to them, "Well you go to work on it." We don't reach over their shoulders and run their business and become responsible, as my honourable friend from Lakeside would have us do, for the sales they make and for their cost of production and for their hiring and firing policies and for the other things that go to make up a business. No department that I'm responsible for will undertake the responsibility of running private business, mostly because they can run it a darn sight better than I can. They know what they're doing; they've got their own money in it and they've got their own incentive to succeed. So I simply say that we didn't bankrupt this company. The Manitoba Development Fund didn't bankrupt this company. Any company bankrupts themselves.

My honourable friend from Emerson said that - well, he made this point again about using the little man's money to put him out of business and of course as I've indicated that's certainly not the case. My honourable friends probably are fixing on this business of losing money as the chief thing that the government has done to assist such an organization as the FFF. Frankly I don't think it's the chief thing at all. I think it's been very valuable, but I would say this; that the technical advice that we were able to provide for them has been of at least equal value. We've been able to get them the information from elsewhere as who has succeeded, how have they been able to do it, and provide them with technical information that they weren't able to secure for themselves. And I think they were entitled to it. I think any Manitoba citizen who provides the tax money to do it and sets up such a department as mine that has either extremely valuable information, or can get it, is entitled to come and seek the advice, and we did so. And I would say that probably we've been of even greater use to this organization in the information we were able to get for them and the plans that we were able to have drawn to help them in their work. I have no apology for doing this because it is certainly true that the profits of this company fall - my honourable friends over there talk mostly about the stock ownership and they are trying to make some point of the fact that four of them control 15 percent each or something of that kind. Well surely that doesn't make very much difference in comparison with the savings that are being made by the operators who get the advantage of belonging to this company by cheaper feed, cheaper poults, cheaper eviscerating charges and cheaper purchases of equipment, and they certainly participate in that, exactly in proportion to their production. And I don't know what difference there is in that and some of the principles of a co-operative that you share in the profits to the extent to which you patronize the co-operative. That's a pretty democratic principle and that principle applies in the FFF. That's where they get their big advantage and not really from the dividends that accrue from the company, because it's a matter of policy as stated in their letter, to have these services performed for the members of the FFF at cost and thus get the advantage down to the farmer or producer-owner of the company.

My honourable friend the Leader of the NDP again returns to Damascus and--(Interjection)--asks about the present position and the position is described as a receivership because the company unable to meet its obligations is then put under an official receiver and the receiver for a time managed the company and then in his judgment it was the advisable thing to close it and await further developments. The letter which he read I have not read - I think I know of the circumstances that are contained in it however - refers to a proposal by shareholders to inject a further \$30,000 capital into it. Well, I draw attention to the fact that the \$30,000 capital was not provided, and it must have been in the judgment of whatever these shareholders or prospective shareholders, whoever they were, that it must have been their judgment in the end that it was not a profitable or safe thing to do--(Interjection)--Well in event the money was not injected - and I would say there's another case of the proof of the pudding. Or, he quotes from the letter and I refer to what he said, that \$5,000 would be put in to purchase, or was it \$5,000 or \$6,000, to purchase a wire drawer, some machine that they needed, which would then be amortized over a period of five years - and that seemed like

(MR. EVANS cont'd). quite a reasonable term.

Then my honourable friend takes exception to the fact that \$24,000 was to be provided by way of working capital and that the term on that was one year. Well I think he will find that that is just common banking practice - that if money is being loaned by any chartered bank on what's called a demand loan - they quite often do finance working capital in this kind of a way, but almost always the note is for one year and is renewed and renewed and renewed and renewed. And it's a common term. I think if it's not universal, and it may well be, it certainly is a very common condition that when loans are made for working capital they are made for very short periods and turned over and over and over and over, and then it would be open to any chartered bank to come in at the end of any of these terms and pick up what is really largely a chartered bank function, to provide more of the temporary or working capital for a company. And so there was nothing significant about this. It wasn't that they were faced with an ultimate final deadline at the end of a year. This is just employing usual banking terms in order to be able to let this company carry on with working capital.

The Member for St. George refers to some order, some large order this company has made. I have no evidence to that effect and my honourable friend doesn't mention anything substantiating his statement. He draws attention to a loan to an abattoir that caused another one to go into bankruptcy. He establishes no proof at all that one did cause the other to go into bankruptcy and as a matter of fact they are in a different class of business from the other abattoirs in the Greater Winnipeg area, doing a custom slaughtering business, and I don't see how he makes the connection. He again, among the others, says that the FFF will drive out the small operator. This is not so because the small operator isn't in to be driven out.

Those are the comments I would make.

MR. ROBLIN: Move the Committee rise, Mr. Chairman.

MR. CHAIRMAN: Call in the Speaker. Madam Speaker, the Committee reports progress and asks leave to sit again.

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

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 Minister of Industry and Commerce that the House do now adjourn.

MADAM SPEAKER presented the motion and after a voice vote declared the motion carried and the House adjourned till 8:00 o'clock Monday evening.