

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON PUBLIC UTILITIES AND NATURAL RESOURCES
Tuesday, 24 March, 1981

Time — 10:00 a.m.

CHAIRMAN — Mr. Warren Steen (Crescentwood).

MANITOBA PUBLIC INSURANCE CORPORATION

MR. CHAIRMAN: Committee come to order. We have a quorum, gentlemen, and we are considering the 1980 Annual Report of the Manitoba Public Insurance Corporation. I think we left off the other morning with Mr. Uruski getting an education on how to be an insurance agent. Have you any further questions regarding the Annual Report, Mr. Uruski?

MR. BILLIE URUSKI (St. George): Thank you, Mr. Chairman. Yes, I have a number of items I wish to raise yet, Mr. Chairman, and if there are any other questions that other members have, I'm sure they will have time. Mr. Chairman, there were questions raised last time when Mr. Dutton talked about the new space that the corporation has leased in the — is it Eaton's Square or whatever they are called? Can the Chairman indicate whether or not he has office space provided for him in the new facilities as well?

MR. G. C. MacLEAN: Yes, I have.

MR. URUSKI: Is that aside or in addition to the offices that are there for the executives?

MR. MacLEAN: Yes.

MR. URUSKI: Do you have as well office staff provided for you, a secretary, or do you use the staff that is provided to the Executive Branch?

MR. MacLEAN: I use the staff that's supplied to the Executive Branch.

MR. URUSKI: Mr. Chairman, how much time do you spend; have you been able to devote to your new appointment?

MR. MacLEAN: I can say, and I think you probably realize as Chairman, some part of every day I am spending on Autopac. My own office, I take all the calls that come in from Autopac and people phoning agents as you know. To get to the full grasp of the problems of Autopac it takes a lot of study and a lot of work. I can tell you that I had a holiday and I carried a briefcase full of reports, the Burns Report and read it through. My wife said that you should go on a holiday and forget about it but I think in order to get all the background information you need, and to be able to make proper decisions you have to certainly read all the information; even though you don't spend it in the office at Autopac, you certainly get involved every day of the week, including Saturday and Sundays, with somebody in some part of Autopac.

MR. URUSKI: Mr. Chairman, you're not in the office then at the corporation every day.

MR. MacLEAN: No, I try to get one day a week or part of one day a week and spend it in the corporation office. The office, of course, will also be used for the other directors when they're coming into the city and want some place where we can meet on our own.

MR. URUSKI: Yes. There is, I presume as well, a boardroom that is . . .

MR. MacLEAN: Yes.

MR. URUSKI: . . . the same type of layout or a similar type of layout that there was in the Bank of Montreal Building. What is the change in square footage of the Executive Offices in the new Eaton area, versus the Executive Offices that were in the Bank of Montreal Building?

MR. DUTTON: Mr. Chairman, I don't know the change in square footage, as such, but I can tell you that each executive member, and there's the same number as there was previously, previous to us moving over there; as a matter of fact, I believe it's the same number as when you were Chairman and Minister responsible. Each executive officer has his own office; the other area is made up for the secretaries — incidentally, we do not have a one-on-one situation for secretaries; we have three secretaries for six executive members. But there is more area there for increase in secretarial staff, should it be desirous or become necessary in the future.

In addition, the board room is now part of the executive office, whereas it wasn't before. We do have a reception area that we didn't have before, but I haven't measured it. We can find out. We can get the measurements for you, if you wish. In addition to that we do have a meeting area that we use instead of the board room for the executive staff. We still follow the normal drill of having weekly meetings and other routine meetings and the meeting room is there.

MR. URUSKI: Mr. Chairman, the reason I ask that question, it's been brought to my attention that there's been much to do about the carpeting that has been put in. I don't think there's carpeting throughout the entire office space that the Corporation leases, I think that's probably been the general impression that it has; I don't think that's the case. Am I correct in that assumption, only certain areas have the carpeting put in?

MR. DUTTON: Yes, of course, Mr. Chairman, that's the case. I think it would be ludicrous for us to put carpeting, for instance, in the mail room and areas such as that, or the stock room or the equipment room. That has tile. As a matter of fact, we didn't put a ceiling in those rooms either, a dropped ceiling as we have in the rest. There is carpeting throughout the entire other areas, the hallways too, but it is a very hard-wearing type of carpeting and I'm told it's

much better and cheaper in the long run than tile. We must take the advice, of course, from the experts that pass it on to us. I know there's been a great deal of publicity about the carpeting, but I can assure the members of this Committee, that any carpeting that we have is not in the quality or class of what we're sitting on right now. So to you give you some idea, if you want to come down there at any time and look at it, I think it'll satisfy your mind.

MR. URUSKI: Mr. Chairman, I'm pleased that the Minister is here and for his benefit, in terms of the cost of the operation of the Corporation, I recall his party and his colleagues having sort of a gleeful time during the first or second year that I was appointed Minister responsible for the Motor Vehicle Branch and the Public Insurance Corporation. I recall your colleagues indicating that it was almost ludicrous to have a full-time Minister of the Crown devoting that amount of time to a Crown agency and the Minister was being, at that time, I presume, paid a salary of some \$15,000 a year. Now we find, over the years, the present General Manager, who was Chairman for a period of time, did not receive an additional emolument for his services as Chairman and neither did any of the previous Ministers who had other duties besides the corporation. We find now that the government, after having a lot of glee over the first two years of indicating, well there is a fine little plum for a junior Minister, if I can recall those words, I think those type of words were used by the former Minister of Finance, the Member from Riel, and other members. Now we find a Chairman of a corporation, who has agreed he's learning a lot at the present time, but in terms of time spent, it's about a day a week, and he is attempting to almost on a daily basis bring himself up-to-date; but that the government has seen fit to provide a Chairman who, at this point in time, at a fee of \$20,000 a year.

It kind of makes one wonder, when you're on the other side of the fence, as to what your thinking and your priorities are in terms of maintaining and keeping the cost of the operation down when in fact you were so very critical of having a Chairman of the corporation whose salary would have been covered, and was covered, by General Revenues and no burden to the corporation where it is now in the rate of \$20,000.00. So, it makes one wonder where your priorities are in terms of how you intend to operate the corporation. Yes, it really follows very well along the restraint line, the direction that your government has provided to its citizens in Manitoba.

Mr. Chairman, the news release that the corporation came out with when you increased your premiums, one of the major factors in coming up with the 17 percent increase, was the cost of automobile parts and you gave statistics over the last two years where parts ranged from: (1) a low of 12 percent to a high of 57 percent of increases in one year of various automobile parts which seemed that the parts' prices have increased at such an astronomical level. What are you doing to be able to effect some areas of savings to the motorists in Manitoba in the prices of parts?

MR. DUTTON: Dealing with parts, Mr. Chairman, of course, there are only two sources and that is from the manufacturer and distributors of those parts or trying to recycle parts from wrecked vehicles. We set

up a procedure to maximize the return of parts from wrecked cars, or try to endeavour to maximize it, and that we could put in what we call a hot line. A number of the salvage dealers or parties to this hot line and they have facilities in their office which, when the estimator is going over a car and he may need a fender or whatever for a certain model of vehicle, if he will announce this over the hot line and the first person in gets back to us and says, yes, indeed, I have that part here.

What we have established with them is that the price for that part, instead of being 100 percent that you would pay for a new part, is 50 percent of the value of the new part. That is the rule of thumb of which we operate but it can be depreciated too, if that part has any other damage to it. We've got to extremely careful that we use parts from cars, for the most part, that have been driven in this province. The reason I say that is we don't Ontario cars brought in here because of the salt erosion on the parts and we don't want any of our claimants being subjected to this type of a replacement on their vehicles, but that is what we are endeavouring to do. It seems to be that there is a shortage of these parts and maybe partially that is the procedures that we use that are causing it in that we auction off all vehicles and many of those vehicles that are auctioned off, the parts from them do not get into our stream for repairing cars that are subsequently wrecked. Now obviously I think no one would want us to put a used part on a brand new car and we don't do that. It's only on cars that are a few years old that we will try to endeavour to replace them with, say, a recycled part.

MR. URUSKI: In your figures that you gave me at the last meeting you indicated that in 1979 you received an average return at the auction of \$438 a vehicle and in 1980 you received 499, an increase of \$61 per car or roughly a 14 percent increase in the price of the written-off vehicles, yet your part costs over the last two years, or even the last year, the majority of the cost of parts have increased far above the percentage, in terms of percentage, more so than what returns you have received on your salvaged vehicles. I am suggesting, and I ask you, that if you are serious about saving motorists of this province money, in terms of repairing vehicles, I wonder and I ask you why you have not, strictly from the financial point of view, not established a recycling operation.

MR. DUTTON: Recycling operations, Mr. Chairman, have been discussed I guess, since the inception of Autopac, because we know very well that as a by-product of our industry there were going to be total losses. We have, whether we like it or not, we are in the salvage business. The point is to what degree the business becomes a major policy decision, as the administration sees it, because if we did start to strip vehicles and use the parts, then I would suggest we're of necessity in the retail salvage business. I cannot give an answer to that situation now any more than I could a few years ago. It has to be a question that's decided by a much higher authority in the administration of the Corporation.

MR. URUSKI: Mr. Chairman, then I pose the same question to the present Chairman.

MR. MacLEAN: I would just like to say that I have been looking at it myself. Certainly it will be discussed on the board level. We haven't had an opportunity yet to go into the detail on it, but we certainly will be looking at it.

MR. URUSKI: Well, Mr. Chairman, I know that the Corporation has spent a fair bit of time, and that's going back now five years ago, in terms of looking at the economics of doing a limited operation of stripping to provide a portion. I don't think you can always provide all the parts that you would like to have but the Corporation did work on the economics of this. Since '77, with the change in government, you're had now three-and-a-half years of a new administration, have the economics changed in terms of the setting up of a salvage recycling operation in the Province of Manitoba? Has there been a change in the economics of setting it up? Is it as viable an operation today as it was five years ago, or what has changed?

MR. DUTTON: I think in the course of the cost of parts, continued increase, perhaps it would be a more viable proposition now than it was at that time, but we have not made an in-depth study recently. We look at it at various times; we are getting a very good return I think, from the operation we have now in the way of disposing of the salvage, but that doesn't answer the question that you are asking about the recycling of parts, and being used on wrecked vehicles.

If we did strip our own cars then we would be looking mostly at the skin, if I may use that terminology, and putting on wrecked cars. But you also have the mechanical parts which you'd dispose of and the tires and the batteries and the windshields and you name it that have to be replaced. The proposition again, as I say, it may answer the questions relative to using parts for the repairing of cars but it doesn't answer the overall question of what do we do with the remainder? How do we dispose of it? And indeed, do we have the authority I suppose to really get into a full-fledged salvage business because believe me that's exactly where we would be because we'd have to dispose of it all.

MR. SPEAKER: Mr. Jorgenson.

HON. WARNER H. JORGENSON (Morris): I wonder if I could add one more thought in connection with this particular question. The rapid change in automobile design in the past few years, and I think what will continue to be a rapid change in automobile design, makes that one somewhat of a question and I would think that one would have to study the economics of that situation very carefully to ensure that you are not entering into a business where stripping of automobiles would become a useless practice because of change and design so frequently.

MR. SPEAKER: Mr. Uruski.

MR. URUSKI: Mr. Chairman, obviously I should ask the Minister now whether or not it is his intention, and it has been clearly pointed out by his own corporation's assessment, that one of the largest

input costs, which necessitated the increase of 17 percent across the board and the 9 percent a year earlier, has been the rapid escalation of automobile replacement parts. Now I'll go down the list in the Ford Motor Company: the quarter panel in the last two years went up by 71 percent; fenders went up by 46 percent; trunk lids went up by 37 percent in the last two years; just last year alone in the General Motors area fenders went up by 20 percent; quarter panels went up by 18; trunk lids went up by 16 percent. That is in one year alone, Mr. Chairman.

When you look at the return, and I'm not suggesting that every car be stripped, surely a selective — one has an average of what kind of vehicles and what kind of parts are predominantly required — that one does not go into a large-scale stockpiling of every conceivable part that may be obsolete within two or three years but certainly, if the people in the industry know what the trends are, when those increases in salvage values went up by 14 percent on the global basis, can you imagine what is involved in the cut-down version of the parts that are available to body shops and to the corporation and to the motorists, in terms of the money that we are paying out in many instances for used parts at 50 percent and in, I presume, as many instances or possibly closely related, a substantial amount of instances where there is an unavailable amount of used parts. I want to know whether the Minister himself, it's been pointed out by the General Manager that the economics today, with the rapid escalation over the last few years of parts, are probably more clear than they were even going back to '75, '76, that used parts should be used at a greater and greater amount of time. Is this Minister indicating that government policy is not prepared to save the motorists of this province additional sums of money but he will raise that money by increasing premiums?

MR. JORGENSON: The basic question still remains as to whether or not the corporation, which is an insurance corporation, should be involved in a salvage business as has been pointed out. That's a question that, first of all, has to be resolved. Having determined that you're going to go into the salvage business, then the next question is to ensure, or at least to make every effort to determine, whether or not the economics are favourable. But at this moment I would argue against the corporation becoming involved in the salvage business. That does not mean that the board may not want to have a look at it and that's a decision that the board will take.

MR. MacLEAN: I'm sure the board's going to look at it. We don't know whether the economics are there or not and I've already discussed it with some of the board members. We've looked at the situation and we're going to have an in-depth study made to see whether or not this is feasible or not or whether it's economical for us to do it. To salvage a whole vehicle to get a couple of parts we don't know whether it's really advisable or not but we hope within the next three or four months to come up with some answers.

MR. URUSKI: Mr. Chairman, is the Chairman of the Board suggesting that the recycled parts industry is

an industry that is going down the tube in the Province of Manitoba?

MR. MacLEAN: No, I haven't suggested that. I am not suggesting though that, if we get into it — I'm sure they have a lot of parts they have to get rid of and I don't know whether we want to be involved; I don't know whether they get rid of them to other provinces or what happened. There may be other methods also of getting parts than just using the straight hot line and whether they should be bidding on them or whether we take the lowest bid or not. We're going to investigate the whole story on it and whether we want to expand and get into the salvage business, we have to really take a good look at.

MR. URUSKI: Mr. Chairman, I ask the chairman how do you view your mandate, in terms of providing motorists of this province with insurance at the least possible cost; and how do you view, or maybe my view is the wrong view, that you're not intending to provide insurance at the lowest possible cost to the motorists of this province; how do you view your statements in that line in light of what the mandate of the corporation is?

MR. MacLEAN: Of course that is the whole crux. If we can find that we're going to save money we'll take a very serious look at it. We want to make sure that all the money we collect is spent out as economically as possible and everybody in this province gets the best dollars worth of value. That's what we're here for, that's what the board's there for an that's what we're going to be studying. If we find it is we'll probably instigate it. If we find it's not; we're not certain yet that it's going to pay off to do it. We have to make certain before we move on what the costs are going to be and what the problems arising from doing it. So before we move we certainly have to have a complete study made and the whole thing discussed by the board.

Certainly there's no question that the board members and myself are out to do as much as we can to keep the rates down. I am very pleased when I look at what's been going on because the rates compared with former chairmen and with the operation; certainly we have as good rates as anywhere else in this country. So somebody's been doing a fairly good job so far.

MR. URUSKI: Mr. Chairman, does the present chairman believe that when he indicates that he wants to save more money, that when your return on salvage is, to say the least in some instances, or even on an average, substantially less than the increases in part prices have occurred, that there is something wrong. This hasn't just occurred overnight, it's been happening year in and year out. The difference has been widening annually as to the relationship of new part prices and their increases versus the increases in salvage value. Where do you feel that there is a problem of economics?

MR. MacLEAN: First of all, I notice that on the sale of salvage that we're now taking in considerable amount of moneys, in the millions of dollars — that has to be weighed against keeping them and not getting their revenue and then to determine whether or not we use enough of those parts that we're

salvaging to make up the difference; we're talking about new parts, I'm certain that we don't use all old parts. I don't know what percentage or new parts that we can't get and we have to pay double the price so I don't know how much of the increase is caused by just the supply of new parts or second hand parts. I mean we have to determine whether the second parts are 20 percent of our total costs or whether it's 80 percent. I don't know and we want to get those figures before we can make a statement. I'm just saying if it's economical and feasible and we could save a lot of money we certainly will take a good look at it but all the facts and figures have to be gone into before we can determine that.

MR. URUSKI: Can I ask the General Manager then whether those kinds of figures are in the corporation? Have they been updated? What relationship is there of used-to-new in the present repair of vehicles? Do we have some figures in the corporation now?

MR. DUTTON: Yes, Mr. Chairman, they've been keeping track of a certain number of statistics of course and figures. I just asked them if they brought it with them; they have not. But we do know in dollars of a good estimate of how much we have saved by using the recycled parts. I've told you we cannot carry it through, or at least I tried to convey, to its full extent because of the shortage of parts, and it's our method of course, which has always been the system we used, of auctioning off parts to try to maximize the return in dollars we get for our salvage; which doesn't answer then the question that you're bringing forward about what we're paying for parts. I think the question that you're really getting around to, as I see it, as administration, is that just where did the situation, if it has changed from an initial concept we had, just where did it change and are the used parts going up much more rapidly than our return that we're now getting for the salvage to make it an economic change if necessary?

That part itself has not been looked into in any depth. What we can give you are figures, and I can get them for you and hand them on to you later if you like, the actual number of dollars that we believe that we have saved since we put in this hot line system.

MR. URUSKI: That still doesn't get down to the fundamental question as to the shortages of parts because, as you say, you're not even sure now that a lot of your salvage that you're putting on the market is coming back to you in the availability of used parts that you require, that you are paying, in many instances, new; that's really what I'm getting at.

MR. DUTTON: Mr. Chairman, I agree entirely, that one of the guidelines that we were given some time back is that salvage, the way we were disposing of it at the time, had to be available, not only to salvage dealers but to the general public as well, including the farm trade. Obviously when we sell them to some of the people who are operating a farm they may want to buy a car so that they can take parts off it to put in a vehicle about the same model that they're using.

Now these types of cars do not get into the parts business as we know it; we don't see them, of

course. As long as that policy prevails, we won't. As I try to say, we don't know just what the total economics are right at this time, because the situation changed so rapidly in this last two years.

MR. URUSKI: Rapidly in terms of escalating prices.

MR. DUTTON: Escalating prices. We're not the only ones that are faced with this; this has been faced by the automobile insurance industry right across the country, of course.

MR. MacLEAN: I think, Mr. Uskiw, the other problem we have is on some of these new cars. If you lose or knock a fender it's gone, we will never be able to replace it. I don't know how much this is going to go on with the new cars so we have to be very careful. You don't want to build up a salvage and then find out that these cars were taking over the new ones and that the parts are not there to replace, if they're damaged that badly.

MR. URUSKI: I'm not reading you. Could you explain yourself?

MR. MacLEAN: I'm saying, on the new cars, some of the new fenders are made out of plastic or something and they can't be repaired so if they're damaged, there's no way we can recycle those.

MR. URUSKI: Surely in the industry you will decide for yourselves what kind of vehicle that you will keep based on its salvage value; surely no two vehicles that may have damage, that the same areas of damage will be the ones that you will repair. You may end up writing off a vehicle that will have one part of the car that has not been damaged, and you will save that car because it may be an area that, in another vehicle, will be damaged and you'll be able to replace that. I mean that's the very nature of the salvage industry.

MR. MacLEAN: I agree, but I'm just saying that with the newer cars it's going to be more difficult to do than it was with the older cars.

MR. URUSKI: Why?

MR. MacLEAN: Well, they could be repaired much easier and the parts taken off much easier than they are in the new cars; that's my understanding. All these new little cars, the salvage parts are not going to be as great as the older ones.

MR. URUSKI: Where would you have come up with that analysis that salvage parts of the new industry will be less valuable or less available to the salvage industry than it has in the past? Where have you come up with that analysis?

MR. MacLEAN: Just in discussions with mechanics and with people in the business who have told me that a lot of the cars now, there's no way we can replace those fenders, we've got to buy new ones, they can't be repaired.

MR. URUSKI: But that's my point. The part that will be there to replace it will be a part that is left on a salvage unit that will be taken off and put on in place

of a new part. That's the very essence. You're right, in some of the parts that are made of fibreglass, there are many trucks on the highway now that the whole front end, in terms of cover, is not metal any longer, it's fibreglass; so when it's damaged that's the end of it. So the only thing that you can do is, if you've got a used part which right now we're paying half the cost, you may have another vehicle that has been wrecked or the wires burned out of it, is written off, inside the cab may have been burned out, or a side collision where the fenders remain. That's the very essence of the salvage industry.

Surely you aren't suggesting, and I hope you aren't, that there will be no call any longer for the availability or the need for used parts in the vehicle industry.

MR. MacLEAN: No, I'm not, of course. I say we want to completely study too what's going to happen with the new cars on salvage. It's not just easy to say, well, we're going to go into the salvage business because we're paying more for parts. There's got to be a lot more study done than say we're going to go in it, as you realize. We have to have all these figures before us before we move.

MR. URUSKI: When will you be in a position to have your analysis brought forward to you, or that you are sufficiently brought up-to-date on the state of the industry?

MR. MacLEAN: I have no idea. I would think maybe five or six months before the board can get all that information. Mr. Dutton may have more on it, but we certainly are looking into the question of the salvage business.

MR. URUSKI: What information is now lacking to prevent you from making an analysis and decision?

MR. DUTTON: Mr. Chairman, I think if we wanted to make a decision to get into the recycling business for the purposes we've been discussing here, a lot of information is missing. First of all, I believe the information would have to be presented to the policymakers as to just how far we're going to go in the salvage business. If we simply look at it as the guideline, why can't we use recycled parts; the next question is, what are we going to do with the rest of the material that we have?

You know, in the older model cars, the new cars coming out nowadays don't have a genuine spare in them, but our experience on wrecked cars is there's usually a new tire in the trunk. That car is not very old and they're worth a lot of money these days. I can even tell you that we've gone further than that, part of our studies as approved by the board recently is that we recycle all the fuel that's in it, use it for our own fleet, the gasoline tanks for our trucks and for our own fleet of cars.

But to go on beyond that requires a big study, and then how much money we want to spend to build a structure so that we can strip these cars. What type of stripping process do we want? Do we want bay stripping as they use in Saskatchewan, or do we, if you like, a disassembly line; we start at one end with a red car and you end up with a bunch of parts. Just how we're going to bin them and what the prices would be, and what the whole goal would be. I think a very very thorough study would be necessary.

Now, there's a lot of us that have had some experience in this field, including myself in my days in Saskatchewan, but I'll tell you, I believe they don't handle it just the way it ought to be handled, if we ever get into it. We can only partially rely on information they have because they have not used, or hadn't the last I looked at it, the use of the computer to find out just what parts they have on hand and they have not maximized their return.

So there is indeed a big study and one that, in my view, would take, certainly my gut feeling, over a year, Sir, from the day we got the go ahead sign. As the general manager I have not brought this matter forward to our Chairman here, or to the board, for some time.

MR. URUSKI: Mr. Chairman, I gather from your remarks the fundamental question is that you are waiting for some direction and, if I heard the Member from Roblin in his offhanded comments, indicating it won't work; I want to ask the Minister whether he is prepared to give direction, since I'm not sure that that information isn't already available, about the cost of operation, the efficiency and the type of operation that would be involved, whether or not you do bay work; whether you do it some other way in terms of the actual stripping; whether or not you put your parts inventory on computer or whether you do it on a manual basis? Those are areas, parts of which, I think have been looked at, maybe not the computerization of parts but certainly with the staff that the corporation now has, in terms of the expertise it has in the field, that isn't anything major that could not be overcome relatively quickly in terms of what the cost of the operation would be, or at least estimated costs, and the type of operation. What is required, if I'm getting your remarks clearly, is whether or not there is the will, on behalf of the government and behalf of its appointed chairman, to do something about the cost of parts. I think that's really the nub of the argument and I ask the Minister whether there is that will to proceed in that area?

MR. CHAIRMAN: Mr. Jorgenson.

MR. JORGENSON: Well, Mr. Chairman, I don't blame Mr. Uruski for being enthusiastic about his own ideas. I've promoted a lot of ideas myself in the past that, in retrospect in the light of experience, I found out were not as practical as I thought they were at the outset. It's not that I don't share some of his enthusiasm but before we embark on that sort of an operation I want to be sure that the economics are correct. It's all very well to say that if you strip down an automobile that has been discarded that it's going to be cheaper; that does not necessarily follow. The cost of stripping that automobile must be taken into consideration and, in all probability — and I have no way of knowing this — in all probability you will find that there is probably not a great deal of difference in the cost in the final analysis. Added to that of course is the salvage value of that vehicle that is now being returned; that must be also taken into consideration in determining whether or not there is any advantage in doing something of that nature.

So, without trying to throw cold water on the Minister's, what I presume is an original and enthusiastic idea, I want to assure him that before

we move into that direction that there is going to be a complete analysis done to ensure that what we are doing is going to save money to the motorists and not lose money.

MR. URUSKI: Can I ask the Minister whether he is prepared to indicate that the corporation is free to do that analysis or is there any impediment at the policy level to prevent them from doing it?

MR. JORGENSON: I have provided no impediment to either the corporation nor to the board. As a matter of fact the Chairman of the Board has already indicated that they are intending to embark on such a study. I would hope that the member would accept that for the time being, and once that study has been made then a decision will be made but I'm not going to commit the government or the corporation to embarking on a program that may or may not turn out to be a money saver insofar as the motorist is concerned; that first has to be determined.

MR. URUSKI: Well, Mr. Chairman, at least the Minister has indicated that the corporation, from the government policy point of view, has not been and is not going to be prevented from producing the figures and certainly we'll be here within another year and we will see how far we have advanced in that area in terms of the economics and the analytical work that the chairman has indicated that it should take five to six months, in terms of providing him some basic information, as to whether the decision or not will be made to enter into the cycling of parts.

I wanted one more figure, I didn't have it in the record. Could the General Manager provide me with the average return of salvage for the year 1978? We have '79 and we have '80. 1978, you've provided them for '79 and 1980 and if not then you can send them over to me along with the other information that you are going to be sending to me. That'll be fine. Mr. Chairman —(Interjection)— I have a few more items that I have to speak on but I'll turn it over to my colleague.

MR. CHAIRMAN: Mr. WALDING.

MR. D. JAMES WALDING (St. Vital): Mr. Chairman, I had a couple of questions, relatively minor ones that I had wanted to ask Mr. Dutton about. I was at a vocational high school a few weeks ago and they had a repair shop where the students were working on a number of cars that they had there and they informed me that they had obtained these cars from Autopac and as part of the course the students were repairing them and putting them into good shape, etc. I assume the same thing happens at other vocational schools and I've been told that Red River's Car Shop operates in the same manner. Can you tell me whether the schools and Red River obtain these vehicles by bidding at Autopac's auction or does Autopac have some special arrangement or do they donate the cars as a public relations issue?

MR. DUTTON: Yes, of course, salvage is a business that is very difficult to control and we have set procedures that must be followed on the disposal of all salvage. Initially, with some thoughts that maybe schools using for training purposes, we could give them a wrecked car; we don't do that because we

had to find out and be able to account and the auditors had to be able to check as to what happened to all salvage. So, what we do instead, if there isn't any request from any of these organizations for a salvaged car, instead of giving them a car we give them a grant of money and they purchase a car from the salvage people themselves, in competition, bidding usually with everyone else and that's how they obtain them. Otherwise they simply have to purchase them on the marketplace through us as anybody else would.

MR. WALDING: Thank you. I wanted to relate a story that I heard just on Saturday night from a neighbor of mine and it's a second-hand story.

MR. CHAIRMAN: Mr. Kovnats.

MR. KOVNATS: Yes, after the car is repaired at these schools, what happens to the car? Is it sold and who gets the money.

MR. DUTTON: Well, if they've paid for it, they sell it. I don't know what they do with the money. I suppose they have methods of disposing of it. For instance we help out, I think it's the Police and Pals, or something they call it. We've given them a grant of money and they have a lot of these young people in and instead of taking cars apart they learn how to build them and they dispose of it and that goes to this little organization they have, I understand any moneys they make out of it. But don't forget they don't make anything out of it, they've got to buy shop material; they've got to buy replacement parts that would go into it and I don't think it's done for other than educational purposes and they are very fortunate if they do end up with a surplus, I think, in those cases.

MR. KOVNATS: I'm all in favour, Mr. Dutton, I think that it's a good project. You know, putting things together rather than taking them apart. I think that they should be encouraged. I just wondered where the money went and whether it was in fact to encourage more of it. Thank you.

MR. CHAIRMAN: Mr. Jorgenson.

MR. JORGENSON: A sidelight to that, those of you who were in the House the other day in response to a question, I believe, the Minister of Recreation and Sports said two of his Deputy Ministers driving cars that were repaired by Red River Community College.

MR. CHAIRMAN: Mr. Walding.

MR. WALDING: Mr. Chairman, I wouldn't normally repeat a second-hand story but it was told to me in good faith by a neighbour and I believe it was someone that he worked with, had recently had this experience which surprised me. I will relate it to you as it was told to me. This lady had the sort of job that it was rather awkward for her to set a time to go in and make a claim through the Dial-a-Claim service. It happened that one afternoon she was in the neighbourhood of a claims centre and drove in, that the centre was not very busy. She drove in and there were people standing there and she asked someone if she could now register this claim or go

through whatever the paperwork was. She was then told, no, they were not allowed to accept people driving their car in and that she had to make an appointment. She said fine, fair enough, take out the book and I'll make an appointment. She was then told no, you have to go home and phone in and make an appointment and then come back another time.

Now, it sounds a very inefficient manner of proceeding and I was surprised when I heard this story. I recommended to my neighbour that the lady phone her MLA or write a letter to Mr. Dutton because I'm sure that is not Autopac's intention to treat its clients in that manner. Do you have any comment on this story?

MR. DUTTON: Certainly a thing like that boggles the mind. It becomes a horror story if a person is there and then you'd say now you go home and phone because we have a Dial-a-Claim, it's certainly not the intention at all and if it has occurred . . . You must remember of course, as I say again, we have something like 225,000 claims in a year and you're going to get some people who are perhaps new on the job or misinterpreted the instructions.

What we wanted to do of course was to give the public a facility of phoning their claim in. But that was not to say that they couldn't go down and report a claim, obviously not. You can do that but it's much more convenient for them to phone. I have been told, and maybe this happened one or two times, and I think it's happened at the same centre in each instance and I can assure you every time it has been mentioned to me the instructions have been passed down rather forcibly to Mr. Laufer and if he is a little red in the face, he's normally florid anyway, don't worry about it. But if you hear of any of those then please phone me and let me know and we will correct it because that's not the intent at all.

Incidentally, I should point out that — what is it, 11,000 more claims? As of the end of last month we have an increase of 11,000 claims this year. Without the advent of Dial-a-Claim we would have been in serious trouble in getting all that paper through but there haven't been the long lineups. Maybe a foolish inconvenience of this nature is certainly isolated and for the most part I am sure that this Dial-a-Claim is putting through this heavy flow of paper efficiently.

MR. WALDING: Mr. Chairman, I'm glad to hear Mr. Dutton say that. I don't know the lady's name and I don't know which claims centre it was but I hope that it is reported to you because we don't want to treat our motorists in that manner and I know that you don't either.

Just one further question I'd like to ask. I recall asking a question a couple of years ago about Autopac's General Insurance Branch carrying some insurance on government buildings which I believe had been obtained by tender purchase. I seem to recall that it was a two-year contract. Can you bring me up-to-date on that, whether that has now expired, and do you presently carry any insurance for the government; was it also done on a tender basis?

MR. DUTTON: Yes. We, along with all the other insurers, bid on all government contracts. In other words, it's not a case of any business being directed

our way, if I may use that word. If we have the sharpest pencil, come up with the best proposal, we find that the corporation will get the insurance. But we have no guarantee of any renewal nor has any other company. It's strictly on a competitive basis at this stage. I believe that is government policy. I can't speak for the other departments of government of course, I can just tell you what we do.

MR. WALDING: The contract that you had as of about two years ago, did that run out at the end of 1980? Has there been a new bidding process recently?

MR. DUTTON: I'm speaking off the top of my head now, from memory, but I believe we were able to renew that contract. I can't be positive on this but I think we're talking about the same one, because there are a number of contracts not one, and it's just not only fire insurance, there's automobile insurance, there's all kinds of different coverages available to us. We bid on them, and by automobile insurance I mean the extension to or basic cover. The basic cover of course is purchased by the government as everyone else does. But if they wish to extend that from the 50,000 third party, then they do it in the marketplace, if you wish. If we get the best price then we get it or someone else. I know that we got the contract this last year.

MR. WALDING: The particular contract I was referring to, Mr. Chairman, was a contract on fire insurance on government buildings. I seem to recall it was a two-year contract and was due to expire about the end of 1980 or early in '81. I wonder if Mr. Dutton would undertake to give me the information on the new contract that he has won with the government. I seem to recall the number of dollars involved were in the hundreds of thousands, perhaps a couple of hundred thousand as of two years ago.

MR. DUTTON: Mr. Chairman, any information we don't mind revealing it but it's a two-way contract between ourselves and the department. What I think the corporation ought to do in cases such as that is get the permission of the policyholder to release that information. I can't think of any reason why a department of government would object of course, particularly going out to an MLA, but they're the ones that pay the premiums and certainly any transactions we have with them is confidential. I know we couldn't do it for a member of the private sector. We'd be on the mat real fast.

MR. WALDING: Yes, Mr. Chairman, Mr. Dutton might be right in that. Would this be Government Services that would have awarded the contract?

MR. DUTTON: Government Services I believe handles it. I'm not so sure whether it's handled through them or through the Superintendent of Insurance. I think the Superintendent of Insurance used to handle all government insurance contracts, at least put out the tender forms and I think make the analysis, I'm not too sure. But obviously the Crown corporations don't work that way, they report to their own boards and they're separate entirely.

MR. WALDING: In that case, Mr. Chairman, I will be willing to direct the question to the Minister of

Government Services. His Estimates have now passed but we are on Interim Supply and perhaps I can get the information through him that way, and that would give me information, not only on Autopac's bid but on other companies bids too. I would be interested to get that information.

MR. CHAIRMAN: Mr. Jorgenson.

MR. JORGENSON: It seems to me when I was Minister of Consumer and Corporate Affairs, those contracts were signed by the Minister of Consumer and Corporate Affairs, through the Department of Insurance, which falls under the jurisdiction of the Consumer and Corporate Affairs Department.

MR. WALDING: Is it still that way do you know?

MR. JORGENSON: Yes, I believe it is.

MR. WALDING: Thank you.

MR. URUSKI: Yes, Mr. Chairman. Just to follow up along that line. Are there any other Crown corporations that the MPIC now does the coverage for their assets and if so which ones, in the general insurance area?

MR. DUTTON: Well, generally speaking, Mr. Chairman, in the general insurance business, the premiums are very sizable. As you know with hydro, with telephones, for example, they are very large organizations and the insurance premiums for all their coverage whether it be on property insurance, or liability, on machinery breakdown, motor vehicles, etc., it runs into a few, \$100,000.00. And to make sure that they get the lowest price what they do is they simply tender it. It we feel that we can be of assistance and come up with the lowest price, what is a good price, we'll quote on it and in a couple of instances we simply backed off because knowing in the marketplace there is some specialist company coming in, maybe they're hungry for it, they'll make a good deal, a good bargain with them. It's a case of tendering on these big accounts, is casing heavy capacity in the reinsurance field and knowing what the price will be in bidding. So, I can't tell you right now, Mr. Chairman, through you, Mr. Chairman to Mr. Uruski, just the exact ones we have. But any we have, I'm quite sure, is because we've been able to offer a better service than the other companies.

MR. URUSKI: Thank you, Mr. Chairman, certainly the commentary of Mr. Dutton and the Minister indicating that it's government policy to tender out on the government insurance, on the contracts for government insurance. Another instance, Mr. Chairman, of Tory logic in competition, Mr. Chairman, because if it comes to the Crown and its agencies there has to be a pure and simple competition, but when it comes to assigning auditing and auditors for the Crown agencies that isn't by competition and by tender, it's by an assignment basis. We know that in the case of Autopac that the auditing has doubled in cost from the services that they were receiving from the Provincial Auditor. So, there is a double-standard that the present Conservative administration has when it talks about competition and how it's handling its affairs. It just

depends on who you are looking after in the industry as the way they are handling the business.

MR. JORGENSEN: I think I should point out to Mr. Uruski that when the General Insurance Division was set up in the first place, the basis upon which it was set up was that it would be competitive with the private sector and it's very difficult to expect it to be competitive unless there is competitive bidding and that opportunity is provided. As Mr. Dutton has pointed, if their pencils are a little bit sharper they get the contracts and I know that they have, on occasion. They lose some, they win some and so does the private sector; but they are competitive.

MR. URUSKI: Mr. Chairman, to the Minister. Did he allow the Provincial Auditor to bid on the auditing of the Crown agencies of the province when they gave out the accounting?

MR. JORGENSEN: We were talking about the insurance part itself, and that's what I'm speaking of. You say there is a double-standard; I don't believe there is. I think there is a vast difference between putting out for tender automobile insurance, or general insurance with the private sector, and assigning auditors to do a particular job.

MR. URUSKI: Mr. Chairman, that does point out that there is a double-standard because certainly the present Minister isn't suggesting that Wawanesa is putting out to tender the insurance of their building amongst other companies that they have here on Broadway Avenue. Are you suggesting that Wawanesa will put out to tender their own building to see whether they can get a competitive bid from other insurers in the marketplace?

MR. JORGENSEN: What the member is conveniently forgetting is the statement I made originally and that was the premise upon which the General Insurance Division was set up in the first place and he ought not to forget that because it was done by his government.

MR. URUSKI: Mr. Chairman, nevertheless, my opinion still has not changed with respect to the double-standard. Mr. Chairman, as well we have had a discussion on savings and possible cost benefits to motorists after they have experienced two hefty increases in the last two years in general insurance, and this year being the highest of the two at 17 percent across-the-board. Primarily because of government tinkering, the Minister's government's tinkering of removing approximately the two cents a gallon gasoline, which at the time was roughly \$6 million a year, so they could, and rightly so, they made the announcement that they would provide some tax benefits to the people of more substantial means in the estate and gift tax field. And that removal of funds which, had it remained within the corporation, could have had the effect of the last two years increases and had been cut in half. The motorists continue to pay those funds. There has been no shift. It has strictly been a tax increase to the motorists of Manitoba because they did pay the two cents and they continue to pay that two cents which now has gone into general revenues and they've had to make up that difference by the

increases in the last two years that have been announced.

So that there really has been tinkering with the operations of the corporation at the political level, even though the Minister indicates that there is nothing stopping them from doing certain things. They've had a number of years, since they've been in government, and the way they are progressing certainly does not auger well that the motorists of this province are getting, as a saving, as they could be getting in the way the whole general policy direction that has been given from the government to the corporation, in terms of cost savings motorists continue to pay an additional \$14 million in the last two years to the general revenues. Those revenues were to go to the corporation. The Corporation has had to increase premiums of 9 percent and 17 percent and those revenues amounted to approximately \$30 million in the last two years. They could have had the same coverage, the same results with one-half the increase in premiums as has had to be announced over the last two years.

We know that, and it's been confirmed, that the economics in the salvage area, just in pure terms of replacement part costs. I mean, what did the Chairman and the Corporation rely most heavily, when they announced the increase on, on the increase of parts. Yet we have a complete reluctance, and the government has had three years to look at benefiting the motorists of this province and at least maintaining as low a cost to them as possible. It's not been their objective; it's obvious by the Burns Report, a complete waste of \$300,000 on behalf of the motorists of Manitoba who had to pay for the study, where they could have had the very same results from the Ontario report on automobile insurance across this country. The analytical work that was done certainly did not even compare to what was done in Ontario in terms of the financial stability of the Corporation.

So, Mr. Chairman, the tinkering still goes on. There certainly is that built-in reluctance. The Conservatives never have supported the concept; they fought it tooth and nail; they continue to make it as difficult for that Corporation to operate as much as they can.

MR. JORGENSEN: I can't allow those remarks to go by without making some comment in the first instance. As I said earlier, the member insists that his assumptions are correct ones. By no stretch of the imagination can I agree that assumptions are facts. He assumes that by going into the salvage business you're going to be saving money. Experiences in the past would tend to lead one to the conclusion that the reverse would be quite true. In any case, we're prepared to, or at least the board has indicated they're prepared to conduct study in that area. I'll await the results of that study before I'm going to leap into an area that may prove to be as disastrous as some of the other projects my honourable friends were involved in when they were the government.

The second point that he makes about the reduction or the removal of the 2 percent tax on gasoline. Obviously my honourable friend is determined that in order to make the Corporation look good, that it has to be subsidized in one way or another. I don't believe that is necessary for the

Corporation to look good; I think they can look good on their own. The intention here is to reveal the true costs of the repairing of automobiles, which is reflected in what those costs actually are, and not what the subsidies are.

So I don't agree with the honourable member when he suggests there is tinkering; there is no such thing. If there was tinkering, it was the application of that 2 percent tax that could be described as tinkering, not the removal.

MR. URUSKI: Mr. Chairman, I'm pleased that the Minister talks about assumptions and the reasons for saving of funds. It certainly reminds one, and I can recall the debates that went on, looking at previous Tory records, about the investigations that were done by this Legislature into the area of automobile insurance, and the howls and hoots and debate that went on with the introduction of public insurance in Manitoba, that it was going to be a disaster. Every area that was looked at, it would be a failure; it was a wrong-headed approach; it would be inefficient. The same arguments that were used then are being advanced by this Minister, in terms of arguing against effecting further cost savings to motorists of Manitoba.

Mr. Chairman, I would have to indicate that it would be our intention that we would, at every possible opportunity, shift the burden of premiums from a flat premium rate that motorists are now paying, to the area of paying as you drive, Mr. Chairman, in terms of not only long-term financing — I'm sure from the Corporation point of view that having premiums come in at one time of the year it is much more simple for them, and a large amount of money that would come in — but certainly from the motorist's point of view, if they were paying as they drove, in terms of their insurance costs, that those kinds of shifts, where we can produce a shift in premiums, reducing the premiums that they pay, and shifting them to gasoline tax, that would be a much more favourable approach, Mr. Chairman. I want to indicate that it will be our intention to move along those lines more and more, rather than the way that premiums are being financed at the present time.

In fact, the motorist did not get a break. The motorist did receive an increase. Either way, either the motorists of this province received a tax increase, and it can only be made as such, because they continue to pay the same 2 cents a gallon premium that were used for insurance purposes. Those funds were accounted for; they were not hidden; there was no under-the-table dealings; they were recognized; they were all accounted for and the premium volumes were there, Mr. Chairman. So that the Minister can suggest all he wants that was tinkering, I believe that is a more equitable way, in most instances. I would have to admit that I'm not sure that you could go, or would want to go, all the way to remove the area of premiums, because if you go too far I would think that there can be inequities that would come up, but certainly, moreso than we have done in the past, that we would look forward to shifting premiums from the flat premium rate to pay as you go. Motorists then would be able to finance more equitably their insurance premiums as they drive, rather than as a lump sum payment at one time of the year as they are doing now, Mr. Chairman.

MR. CHAIRMAN: I have a motion from Mr. Kovnats that we pass the 1980 Annual Report of The Manitoba Public Insurance Corporation.

Mr. Kovnats.

MR. KOVNATS: I so move.

MR. CHAIRMAN: Passed. Committee rise.