



Second Session — Thirty-Second Legislature
of the
Legislative Assembly of Manitoba

STANDING COMMITTEE
on
PUBLIC UTILITIES
and
NATURAL RESOURCES

31-32 Elizabeth II

Chairman
Mr. A. Anstett
Constituency of Springfield



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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Second Legislature

Members, Constituencies and Political Affiliation

Name	Constituency	Party
ADAM, Hon. A.R. (Pete)	Ste. Rose	NDP
ANSTETT, Andy	Springfield	NDP
ASHTON, Steve	Thompson	NDP
BANMAN, Robert (Bob)	La Verendrye	PC
BLAKE, David R. (Dave)	Minnedosa	PC
BROWN, Arnold	Rhineland	PC
BUCKLASCHUK, Hon. John M.	Gimli	NDP
CARROLL, Q.C., Henry N.	Brandon West	IND
CORRIN, Brian	Ellice	NDP
COWAN, Hon. Jay	Churchill	NDP
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DOERN, Russell	Elmwood	NDP
DOLIN, Hon. Mary Beth	Kildonan	NDP
DOWNEY, James E.	Arthur	PC
DRIEDGER, Albert	Emerson	PC
ENNS, Harry	Lakeside	PC
EVANS, Hon. Leonard S.	Brandon East	NDP
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FILMON, Gary	Tuxedo	PC
FOX, Peter	Concordia	NDP
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GRAHAM, Harry	Virден	PC
HAMMOND, Gerrie	Kirkfield Park	PC
HARAPIAK, Harry M.	The Pas	NDP
HARPER, Elijah	Rupertsland	NDP
HEMPHILL, Hon. Maureen	Logan	NDP
HYDE, Lloyd	Portage la Prairie	PC
JOHNSTON, J. Frank	Sturgeon Creek	PC
KOSTYRA, Hon. Eugene	Seven Oaks	NDP
KOVNATS, Abe	Niakwa	PC
LECUYER, Gérard	Radisson	NDP
LYON, Q.C., Hon. Sterling	Charleswood	PC
MACKLING, Q.C., Hon. Al	St. James	NDP
MALINOWSKI, Donald M.	St. Johns	NDP
MANNES, Clayton	Morris	PC
McKENZIE, J. Wally	Roblin-Russell	PC
MERCIER, Q.C., G.W.J. (Gerry)	St. Norbert	PC
NORDMAN, Rurik (Ric)	Assiniboia	PC
OLESON, Charlotte	Gladstone	PC
ORCHARD, Donald	Pembina	PC
PAWLEY, Q.C., Hon. Howard R.	Selkirk	NDP
PARASIUK, Hon. Wilson	Transcona	NDP
PENNER, Q.C., Hon. Roland	Fort Rouge	NDP
PHILLIPS, Myrna A.	Wolseley	NDP
PLOHMAN, Hon. John	Dauphin	NDP
RANSOM, A. Brian	Turtle Mountain	PC
SANTOS, Conrad	Burrows	NDP
SCHROEDER, Hon. Vic	Rossmere	NDP
SCOTT, Don	Inkster	NDP
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STEEN, Warren	River Heights	PC
STORIE, Hon. Jerry T.	Flin Flon	NDP
URUSKI, Hon. Bill	Interlake	NDP
USKIW, Hon. Samuel	Lac du Bonnet	NDP
WALDING, Hon. D. James	St. Vital	NDP

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON PUBLIC UTILITIES AND NATURAL RESOURCES

Tuesday, 31 May, 1983

TIME — 10:00 a.m.

**LOCATION — Room 255, Legislative Building,
Winnipeg**

CHAIRMAN — Mr. Andy Anstett (Springfield)

ATTENDANCE — QUORUM - 6

Members of the Committee present:

Hon. Mr. Parasiuk

Messrs. Anstett, Doern, Eyer, Fox, Orchard,
Ransom and Scott

APPEARING: Mr. S. Cherniack, Chairman of the
Board

Mr. J. Arnason, President and Chief Executive
Officer

MATTERS UNDER DISCUSSION:

Annual Report of the Manitoba Hydro-Electric
Board for the fiscal year ended March 31, 1982

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MADAM CLERK, Carmen DePape: Committee come
to order. I have here the resignation of our present
chairman, Mr. Eyer. Are there any nominations for a
new chairman? Yes, Mr. Parasiuk.

HON. W. PARASIUK: I nominate Mr. Anstett.

MADAM CLERK: Any further nominations? Seeing
none, Mr. Anstett, would you please take the Chair.

MR. CHAIRMAN: Gentlemen, the matter before us is
the Annual Report of the Manitoba Hydro-Electric
Board. I understand Mr. Arnason has some answers
to questions raised at previous meetings.

Mr. Arnason.

MR. J. ARNASON: Mr. Chairman, following the Public
Utility Committee meetings on April 28th and May 3rd,
we have reviewed the transcripts for accuracy and for
any unanswered questions. At this time, I'd like to
correct a statement made in my opening remarks to
the committee on April 28th on Page 22.

I stated that the total cost of mitigation and
compensation for the harmful effects of northern Hydro
projects in the last year was 5.5 million. This was the
expected amount to be paid up to March 31, 1983.
However, actual spending was 4.4 million. In essence,
this is a cash flow problem and not a reduction in total
expenditures.

In regard to questions related to the number of
professional engineers and the peak number of
employees at Manitoba Hydro, on Page 26 of the

transcript, information was provided to the chairman
of the committee on May 3, 1983.

On Page 53 of the transcript, Mr. Ransom requested
information on tenders for the construction of the Cross
Lake arena. The tenders were received from Janiro
Investments Ltd., Central Canadian Structures Ltd.,
Norcan Development Ltd., Kraft Construction Company,
Ed Penner Construction Ltd. Of the five proposals
received, three were unacceptable, because on the
judgment of Manitoba Hydro staff, they did not meet
the terms of our specification. Of the remaining two
proposals, the one from Ed Penner Construction Ltd.
was the lowest evaluated price, and this company was
awarded the contract. The estimated value of the
contract is \$2,363,000.00.

Mr. Brown requested a comparison of power rates
in the United States with local rates, and generalized
information was provided at that time. Mr. Brown
specifically asked on Page 67 of the transcript for the
power rate in Minneapolis. This information is now
prepared and copies are available for the members of
a comparison of power rates in Minneapolis with power
rates in Manitoba.

I would take the opportunity to note that in very
general terms, Mr. Chairman, the power rates in
Minneapolis are approximately twice the rates which
we charge in Manitoba.

On Page 66 of the transcript, reference was made
to the Manitoba system average return for energy sales
of 2.8 mills. This should have read 28 mills. Those are
the corrections and comments I'd like to make at this
time, Mr. Chairman.

MR. CHAIRMAN: Further questions for the general
manager or the chairman of the board from members
of the committee? Mr. Manness.

MR. C. MANNES: Mr. Chairman, I'd like to ask a
series of questions regarding the proposed MANDAN
line. First of all, I would like to compliment Manitoba
Hydro in the methods they've used in dealing with the
municipalities and those landowners that may be
affected once the route is chosen.

I'd like to, for the record, ask some questions
regarding some of the history of the line. I know that
the hearings in the rural areas are to begin, I believe,
tomorrow and will last a series, I believe, through the
whole month of June. I would then like to ask, firstly,
when was the idea of the MANDAN line conceived?

MR. CHAIRMAN: Mr. Arnason.

MR. J. ARNASON: In my recollection, it would go back
to about the 1974-75 period.

MR. C. MANNES: Well, I would then ask what were
the prime reasons at that time for the consideration
of such a line?

MR. J. ARNASON: The prime considerations were for a seasonal diversity between the Nebraska people and Manitoba Hydro, the sale of surplus energy, were the two prime considerations.

MR. C. MANNES: Have any of those reasons or considerations changed over time?

MR. J. ARNASON: Those considerations are still valid today and are the reasons we're proceeding.

MR. C. MANNES: I would then ask what the economic benefit is to Manitoba within the next, well let's say five years after completion of the line, to 1995, and beyond that. Has there been any forecasting at all beyond that particular point in time?

M. J. ARNASON: The contract has not been signed as yet. There are still a couple of outstanding items. So because of that, it would be a little difficult to discuss those details.

MR. C. MANNES: Well, Mr. Chairman, I suppose I have to ask that question because I have a fair number of constituents who are asking me that same question. If one wants to go over the proposed routes through the constituency of Morris, they either vary between - I believe 24 to 46 miles of proposed routage would go through that particular area, and farmers are asking me what the benefit will be to Manitoba, as a province, of this line.

I am asking Manitoba Hydro, knowing full well that they will be posed with that very same question at the hearings that are coming up over the next month, and I am wondering what answer then will Hydro give to the farmers in the area who will be posing that question.

MR. J. ARNASON: The major component, of course, besides the sale of surplus energy, is the diversity exchange concept which would provide opportunities of exchange starting with some 400 up to a maximum of 700 megawatts of capacity, whereby we would make that available to the Nebraska people during the summer months and that would be available to Manitoba Hydro in the winter months. That in itself is a major consideration and provides maximum use of capital expenditures for generation.

MR. C. MANNES: Mr. Chairman, I can understand the broad rationale and where it leads to potential savings to Manitoba Hydro as far as possibly postponing the construction of another major facility in the northern region. But again, surely there must have been a feasibility study done somewhere that has some numbers on it that represents a dollar savings to Manitoba Hydro. I think it is only fair to those people who are going to suffer some type of loss that indeed those numbers be presented; or is it the intention of Manitoba Hydro at these meetings that are coming up not to present them?

MR. CHAIRMAN: Mr. Cherniack.

MR. S. CHERNIACK: While Mr. Arnason is checking with the staff, I checked with the staff a moment ago

to think, in layman's terms, what it means, and it is confirmed to me that apparently what it means is that approximately a third of the Limestone plant would be postponed in perpetuity in that there will always be the equivalent of a delayed need for construction for as long as this agreement lasts, which is as long as it's beneficial to Hydro to continually postpone the construction of any future plans within Manitoba. That is my understanding of the advantage of the diversity exchange, I believe to both parties to the agreement.

I don't know if that's helpful, but that's my understanding in layman's terms.

MR. C. MANNES: Mr. Chairman, through you, I thank the chairman for at least attempting to offer that analysis. I am wondering then if Manitoba Hydro could confirm what there information officer reportedly told the Scratching River Post as of February 21, 1983, that indeed the MANDAN line is expected to net Manitoba Hydro \$25 million every year and pay for itself in six to eight years. Is there any validity at all to that comment?

MR. CHAIRMAN: Mr. Arnason.

MR. J. ARNASON: Those figures would be reasonable.

MR. C. MANNES: Well, Mr. Chairman, I have to know whether they are reasonable enough, that they are the numbers that Manitoba Hydro are prepared to use and present at the meetings coming up in the month of June, or indeed are they going to fall back upon what the Chairman has just offered as an answer; that being that MANDAN represents roughly a saving of a third of a new power plant in perpetuity, or will there be any answer at all? I'm very curious as to what Manitoba Hydro are going to tell my constituents and those in the constituency of Pembina and Rhineland as they ask that question over the next month.

MR. J. ARNASON: Those numbers that we mentioned earlier will not specifically be used, but there will be simply a general coverage of the benefits of the line.

MR. C. MANNES: Mr. Chairman, well fine, we'll move on. I am not at all totally satisfied with the answers in that regard.

I would ask then why the proposed corridor was selected over prime agricultural land. What was the determining factors that brought forward that determination?

MR. J. ARNASON: There are a number of proposals for the line route and none have been selected at the moment. I think from the information that was sent out within the last week or so to a number of MLAs, indicated the alternative routes that were being reviewed.

MR. C. MANNES: I don't know if Mr. Arnason didn't totally understand my question, Mr. Chairman. The question I posed was not the proposed route, so much as it was the corridor. The corridor itself, which encompasses all the proposed routes, falls strictly within prime agricultural land. I am wondering what factors

brought about the selection of the corridor within the region.

MR. J. ARNASON: There was a detailed study, Mr. Chairman, and this was in conjunction with government departments. A decision was made on this corridor and approved by the interdepartmental IPB and approved by PLUC, as I recall.

MR. CHAIRMAN: Mr. Parasiuk.

HON. W. PARASIUK: There is a body that was established, I think, in 1977 and continues on to this day, called the Provincial Land Use Committee. There are provincial land use guidelines. There is an interdepartmental body that advises this Cabinet committee. Processes were established, I think, over the last five or six years for determining the route of projected hydro transmission lines through Manitoba. The MANDAN line has, in fact, followed those procedures and has been through that interdepartmental process and through a government procedure that I think has existed now, and I think worked fairly well for about a five-year period, that this particular larger corridor was chosen. Within that, of course, are narrower corridors that ultimately have to be decided upon.

I don't know if we have anything more specific without referring and getting more information from the Interdepartmental Planning Board which I'd be prepared to get and send over to the Member for Morris.

MR. C. MANNES: Well, Mr. Chairman, I'm glad to hear, and I suppose I once knew that it was referred to, and a decision was reached by the Provincial Land Use Committee; although I would hope that they've taken into account what has happened in other jurisdictions, including the Niagara Peninsula where indeed, because of the ease of crossing flat and relatively open land which is highly productive, that they have an area through there now which is completely dissected because of power lines, roads and whatever. As long as our Provincial Land Use Committee has taken that into account, I suppose I have to rest my case on that argument.

Nevertheless, I would ask, I have never seen the total proposed route to Nebraska, but does the route at all vary to the west from the proposed corridor in Manitoba, or does it indeed run due south?

MR. J. ARNASON: Essentially, it runs due south.

MR. C. MANNES: Well, I'm wondering if we could be a little more definitive. Does it run due south in the sense it doesn't vary 30 or 40 miles, because I posed the question because just 30 or 40 miles removed from this corridor to the west within Manitoba I would say that there is land that is certainly not quite as prime as this, and it still falls within my constituency basically also, but I make that general conclusion.

MR. CHAIRMAN: Mr. Parasiuk.

HON. W. PARASIUK: I believe that this matter has been looked at by PLUC since early in 1981, and I'll

check on the specifics of that. As I said, I'll get back to Mr. Mannes on it.

But the American corridor - and these things are always difficult in terms of exact timing - certain processes might flow a bit sooner than others or a bit later than others - they've picked an area that I think can have latitude within about a 20-mile range. We don't know whether in fact the process that will take place over the summer will have these two corridors meeting at exactly the same point on the border. We hope that happens as close as possible.

We certainly would have to get involved in some negotiations and discussions. It's a bit difficult when you have two railway tracks not meeting, and that's difficult when you talk about international transactions such as this, where the American process is strictly through the Public Service Commission with a very tight set of rules and regulations. You can't have quite as much consultation as we can in Manitoba.

We have said that we would make all our best efforts to ensure that we come close, and they've said that they would make their best efforts to make sure that we come close. We can't guarantee it at this particular stage, but roughly speaking, we are talking about a 20, 25 mile corridor that really can't be buried that much if, in fact, we want to pursue this without delaying everything for probably another year or two, and even then possibly putting the whole project in jeopardy if the Americans then had to try and get a complete rerouting of their section as well.

So we are trying to be flexible to try and provide for the interests of Manitoba of an agricultural nature, and yet also provide for the interests of Manitoba in a larger industrial, economic way. We hope that the process will lead to a situation which won't create too much difficulty by the end of the fall. Beyond that, I don't think we have the possibility of taking it out 25 miles to the west of the present larger corridor without running into a lot of difficulties in terms of trying to, in a sense, be within a ball park in terms of our dealings with the American side in terms of the corridor.

MR. C. MANNES: One final question, then, specifically to the corridor. Would the decision to not vary it then not be one based on extra costs so much as it would be on the fact that we sort of set the guidelines with the interconnection internationally, which forces us to stay within the existing corridor? Cost moving westward really is not the prime consideration. Is that a fair statement?

HON. W. PARASIUK: I don't know if cost is a major factor. I would have to do more checking on the specifics of it. I would hate to make that statement. I thought that cost was a factor, but not a major factor. I think the major factor is trying to come within some ball park distance of the other side of the border.

MR. C. MANNES: Mr. Chairman, I would just then like to pose a couple questions as to the method of settlement with the landowners. Has any consideration at all been given to payment to affected landowners, other than a single one-time payout? Are there at all any previous agreements, not only within Manitoba but within other jurisdictions, that would allow for affected

landowners to share over some period of time by some formula the benefits of this line?

HON. W. PARASIUK: I don't know of any that exists for the government as a whole. I know that Hydro has been in the business of building transmission lines for some time, but I guess we could apply that to anything that is expropriated or taken for right of public use.

So that means that if anyone, for example, took highways, and I know that people are interested in highway construction in southern Manitoba, if we take the position - I don't think it's a position - you are just asking the question of it. If one established some type of ongoing compensation that is reviewed every 10 or 20 or 30 years with respect to land that is taken in the public interest for highway construction or for drainage ditches or you name it, I think it would create a tremendous difficulty in trying to project the cost and in trying to project what the operating costs of those programs would be over a long period of time. I think, generally, there is a consistent policy with respect to appropriation and land assembly that is used by the government and I think followed by Hydro, but I don't know the specifics regarding Hydro.

MR. CHAIRMAN: Mr. Cherniack.

MR. S. CHERNIACK: Mr. Chairman, I have reviewed practices on expropriation and I'm not aware of any case at any time actually of this kind of a proposal having been even considered, and I believe - and I haven't looked at it for a long time - that The Expropriation Act, which is the basis for this kind of taking of land, I don't believe it provides for anything like that. All it does is for the payment for the best use of the land as at the time of the expropriation. Now, of course, there's a capital amount paid. Whether that is spread over a period of years by some form of amortization may be the decision of the person expropriated when he receives that lump sum as to how he uses it, but I'm not aware of any other kind of settlement other than a cash settlement. As I say, I don't think that The Expropriation Act of Manitoba provides for any other means.

MR. C. MANNES: Mr. Chairman, just then let me state the case of some of my constituents who feel that their situation is possibly a little different than an individual giving up land for a road which is, of course, removed forever from his title. It belongs to the province.

In this case, of course, the land is gained by way of easement but still it remains within the title of the owner; but, certainly, particularly around the area around Winnipeg where there is strict land-use regulations that are going to prevent a subdivision of this prime agricultural land, and yet where owners of the property are being asked to, at this point in time, put a value on their property, or to accept a value for that easement right, but then are going to no doubt be left with an asset that will be deemed to have lower value only because of the presence of the lines which they'll have to carry as their economic burden until the time they wish to dispose of it. They are questioning, of course, why they are going to be forced to sign an agreement now and yet the line may not come into existence for

a number of years and yet will be asked to share no potential benefit of that line. So I think the questions that they pose are legitimate and I'm offering them to Manitoba Hydro because no doubt they will be presented in further detail by the landowners that are affected by the proposed routes.

MR. S. CHERNIACK: Mr. Chairman, I appreciate what Mr. Manness said and I would assume that it will be considered again, but I pointed out what I think are the difficulties. I think Mr. Manness' almost warning is valuable, so that the Hydro administration can look again at the problem, as posed by him, to see if there is some other way it could be dealt with. Offhand, I would say I'm not sure that there is such a procedure, but I appreciate his suggestion as being of some value to Hydro's review.

MR. CHAIRMAN: Mr. Arnason.

MR. J. ARNASON: Mr. Chairman, just as a matter of clarification, I appreciate the point that was made and will take it under consideration; but the amount of land that is actually taken out of production is relatively minor, if that's the right description. These towers are some 29 feet by 27 feet, and if you consider a tower for 60 miles of line and all of these on cultivated land, which won't be the case, the total acreage that is taken out of productive use is about 6.5 acres, so it's relatively modest in that respect.

MR. C. MANNES: Well, certainly, Mr. Arnason is correct and, certainly, the landowners recognize how much land is leaving, but whether it's an oil-pumping station that affects surface land rights or whether it's a tower, and bearing in mind that modern farm machinery today in some cases is represented by 100-foot sprayers or 50-foot cultivators, the obstruction does present a considerable problem. So I would just make that final comment while everybody's being stargazed by something in this room.

MR. CHAIRMAN: Thank you, Mr. Manness. Any further discussion?

Mr. Brown.

MR. A. BROWN: On these towers that are going to be built along this line, how many guyed wires are there going to be and about what area are they going to encompass?

MR. CHAIRMAN: Mr. Arnason.

MR. J. ARNASON: Mr. Chairman, these are self-supporting towers, but normally they're not guyed. The only place they would be guyed, if you're going to change direction, so normally it's a self-supporting tower without guy wires.

MR. A. BROWN: Is there any particular reason why you did not consider going along the Pembina escarpment with this line? There you have relatively low cost land and in many areas it's land which is not being farmed. The same thing pertains in the United States, where you go along that escarpment; it goes

way down south. You could very easily, by going about 15 miles farther west, you could get away from the prime agricultural land, the land that is being used extensively for special crops. It's the special crops really that are going to be posing the problem for the line. Is there any special reason why you did not go along the escarpment?

MR. J. ARNASON: One of the reasons, Mr. Chairman, would be the fact that this would add a considerable amount to the length of the line and we're talking about costs of a transmission line here that is in the order of a half-a-million dollars per mile, in 1983 dollars.

MR. A. BROWN: I can't really see where this would greatly increase the length of the line where we're talking. At the most, I would say 15 miles farther west, you certainly would be getting your easements for a lot less money than what you are going to be getting them going straight south.

One of the reasons that have been quoted both on the American side and on our side, and we'll be getting together with some of the Americans on that side, and over there they're saying that they can't go along with the escarpment because Manitoba already has chosen their route and they've got to meet that route, which is going to be straight south of Dorsey, more or less.

In Manitoba, as the Minister was just saying a little while ago, that we have to meet the Americans, wherever the Americans are going to be coming up, so you're kind of caught in a kind of a play that is going on between the two facilities which are saying, well, we've got to meet each other's line, which of course is correct. But, that line could also be met just by going a little farther west and you would certainly not be disturbing the prime agricultural land.

One of the reasons that have been stated a number of times and that have been used is because it's a fly path for geese, and this of course is something that nobody is buying in that particular area because the geese are flying all over the place; they're not just flying along the Pembina escarpment, especially this year, when the geese were around that area for a long time on the corn fields. They were feeding on the corn fields before they went up North because of the cool spring, and this of course meant that they were right in the area and where you are proposing to build this particular line. Has this been a major concern, the fly path of geese, as far as Manitoba Hydro and the Nebraska Power Corporation have been concerned?

MR. J. ARNASON: It's one of many concerns. You say a major concern. I would say, no, not a major concern.

MR. A. BROWN: The major advantage of the line, as far as I can determine, is that it's probably going to delay the construction of Limestone for a period of about two years. Is that correct?

MR. J. ARNASON: Yes, that could have the effect of delaying Limestone approximately two years.

MR. A. BROWN: How much of a saving would this be, taking into account the weight of inflation, the rate that the cost would be going up for construction of Limestone? Have you done any figures on this?

MR. J. ARNASON: I can't answer that question specifically, Mr. Chairman; but what it will mean, all other things being equal, is that if it delays Limestone for two years, it'll mean that it'll delay the period in which rate increases for this province will be required by that period. It's the introduction of Limestone that will add costs to our system which will, no doubt, result in requirements for rate increases.

MR. A. BROWN: Is there any discussion or is there any provision in the agreement that at such a time as Limestone would be coming into generation, that they would be generating power, selling firm power down to the United States?

MR. J. ARNASON: There are discussions under way at the moment through the Electrical Energy Marketing Committee, whereby proposals are being discussed relative to the sale of firm power.

MR. A. BROWN: There will be no problem either with the National Energy Board or with the American equivalent of the National Energy Board in going into such an agreement?

MR. CHAIRMAN: Mr. Parasiuk.

HON. W. PARASIUK: Yes, I think I'll answer that. The Premier and I and the Chairman of Manitoba Hydro were at a special conference on export sales in Napa, California, last spring. At it was the Minister of Mines representing the Federal Minister of Energy, also the head of the Canadian National Energy Board, who both indicated that the policy of the Federal Government was to allow export sales for periods up to, I believe it's 20 years. Or is it 25 years? It's 20 or 25 years - 25 years - one could talk about a firm sale for periods up to 25 years, and that was part of the policy. Yes, that was it.

Secondly, there was the head of the American equivalent of their Energy Board, who also indicated that it was the policy of the American Government to encourage and not discourage these types of intercountry sales of a renewable energy source like hydro-electricity. So from a general policy perspective of both countries, these export sales are indeed being allowed and indeed are being encouraged.

MR. CHAIRMAN: Mr. Orchard.

MR. D. ORCHARD: Thank you, Mr. Chairman. The discussion on the MANDAN routing was given a fairly thorough airing this morning. The Minister indicated that the Provincial Land Use Committee was the - let's call it the overriding vehicle by which a corridor is chosen - and the Minister indicated that the Provincial Land Use Committee had been struck since '77 or thereabouts. The Minister may correct me on this because my memory's not complete, but I was chairman of the Provincial Land Use Committee from '79-81, and the interdepartmental planning group may have been working on the pros and cons of various routings for the MANDAN line as proposed, and the Minister may well correct me, but I don't recall us ever dealing with it at a ministerial level in terms of routing or getting

into detailed discussion on the routing. I know the Minister - I don't think he meant to leave that impression, but this routing of the MANDAN line was not one of the issues that we had discussed at a ministerial level, to the best of my recollection, until the time period that I had to do with Provincial Land Use Committee ending in fall of '81.

The area of routing is naturally going to be a very very difficult decision to make, because you've got on the one hand, as Mr. Arnason points out, a half-million dollar per mile cost in, say, assuming an escarpment routing compared to going directly south of Winnipeg. The offset on that, as expressed by my colleagues this morning, is the potential disruption that that power line will have in terms of the modern farming practices that are part and parcel of probably the largest field size in agriculture that we have in the Province of Manitoba. You've got now not an uncommon site in terms of seeding equipment, for instance, having four 15 or 16 or even 18-foot discers being pulled by one tractor.

I fully realize that Hydro has only, I believe, three towers per mile, so that you would have three of them to negotiate; but when you've got - what's my mathematics - 76-foot or 74-foot wide machinery on discers, they are not the easiest to manoeuvre around any obstacle in the field. That is one thing that can be, let's say, managed around, but more and more swathers, for instance, are 35, 45 feet wide to accommodate the new generation of combines that can take that kind of grain capacity.

I think one of the major overriding concerns is the impact that any additional power line would have in terms of using aerial spraying and aerial application methods. Aircraft are going to have a great deal of difficulty negotiating any power lines. I think that's fully appreciated. So the routing is going to be no easy decision, no matter which government is chairing the Provincial Land Use Committee to make that decision. I think there are some very very good arguments that Manitoba Hydro will hear as they have their hearings in the agricultural areas of south central Manitoba, and they've given us the assurance that they will indeed listen to those arguments very seriously.

A question on the escarpment routing. Is a 500 kV line, such as is proposed, vulnerable to ice storm damage such as we've had in the fall of '77 and now just recently in the spring of 1981, and that ice damage terminating at the top of the escarpment? I'm more than familiar with that because I live below the escarpment; I have land on top, and it's like night and day, let me assure you, in the spring, in going from below the hill where we had no ice accumulation to seeing ice accumulations on ordinary lines of four to six inches. Is a 500 kV line vulnerable to ice storm damage?

MR. CHAIRMAN: Mr. Arnason.

MR. J. ARNASON: All lines are vulnerable to ice storm damage. Usually these lines are designed to recognize certain thicknesses of ice. Our experience has been that it's lower voltage lines that take the worse beating in the heavy ice storms and with the design of our backbone system, the higher voltage lines, we attempt to retain them under the most severe conditions. But

certainly, you can get ice conditions that will wipe out your system, there is no doubt about that.

MR. D. ORCHARD: A question that I would like to pursue now is, in coming into Winnipeg and travelling No. 3 Highway - I believe my location is correct, it's between Sanford and Brunkild; there are three separate power lines that are along the highway, Highway No. 3. One is on the north side and two are on the south side. One appears to be a local distribution line, the other two appear to be major feeder lines. Those will cause probably substantially more disruption to the farming practices in that immediate area than will your major 500 kV line because of the closer spacing of towers.

My question to Manitoba Hydro, is there any move afoot or is there any planning in the mill, which would rationalize those lines or are they capable of being rationalized to bring three into one and have an offset - let's call it an offset to major line routings that are possibly going to have to be put through by expropriation or whatever method?

MR. J. ARNASON: Mr. Chairman, this is being looked at. Certainly this problem has been brought to our attention by the Department of Agriculture and it is being looked at certainly.

MR. D. ORCHARD: Mr. Chairman, if I might proceed to a different topic . . .

MR. CHAIRMAN: Mr. Parasiuk.

HON. W. PARASIUK: I would just like to comment on the earlier comments of the Member for Pembina. It is true I don't know the specific dates. I do know that there has been a lot of work being done on the routing of MANDAN line because it had been under discussion for sometime. I am not sure whether PLUC formally looked at it or didn't. I wasn't trying to imply anything in that sense, apart from agreeing with the member that these are very very difficult trade offs that one makes and choices. Where it is possible to lessen the trade-off difficulty, you try to.

I think that was the intention of all of the people who have been looking at this, because as the member knows from his days on PLUC - and I was the first secretary of the Interdepartmental Planning Board back in 1977 - it is a fairly complicated process. The reason why it's complicated is that you want to try and get as much input from the different perspectives as possible. I think sometimes you have that type of process to build in all these perspectives. I don't have those facts at my fingertips right now, but that was the whole intention of the whole Interdepartmental Planning Board procedure and the review.

My recollection is that all of this was done and that's one of the reasons for having the hearings as well that are public so that again you can get the municipal input, but I think there had been some general discussions prior to that.

I can appreciate the very grave concerns that farmers will have. It reminds me in part of the discussions we had here at Law Amendments Committee when we were talking about Surface Rights legislation, where

on the one hand, I think, from a societal prospective it's good to have oil development in Manitoba. At the same time, there are difficulties because often that is in conflict with a farmer's desire for farming, be it intensive farming or even extensive farming. People still have concerns when they get into extensive farming rather than intensive farming, and this is particularly complicated because the area is one of more intensive farming than possibly other areas of Manitoba.

MR. D. ORCHARD: There is no question the process is one that's complicated and I think once again Manitoba Hydro will hear probably some very refreshing ideas on compensation in the compensatory offset to the disadvantage of having that 500 kV line go through. I think, by and large, you'll find rural Manitobans are eminently reasonable people; if they are given a fair round at the negotiating table they recognize the value of progress, they are progressive people. So I think the compensation and the hearing process will be most informative to Manitoba Hydro.

My next question is regarding the installation, the present installation at the Limestone generating site. The cofferdam is in place now and has been in place for some five years at a cost of \$100 million. Can the Manitoba Hydro staff indicate whether they have a figure on the yearly maintenance cost of keeping that cofferdam operable and in place?

MR. J. ARNASON: Mr. Chairman, we have no specific figures on that. It's relatively small. I usually visit the site two or three times a year and really there is no maintenance going on, other than at one time we had an overtopping off the cofferdam and they had to build it up a little bit. Other than that, there is no great amount of annual maintenance on it.

MR. D. ORCHARD: That's encouraging to hear because I talked to some people from Gillam over the weekend and the current rumour up there, and one should never be subjected to rumours, was that the maintenance costs were escalating on the cofferdam and Hydro was even considering letting it go. I couldn't see that as a logical move and waste of \$100 million. I am encouraged to hear the answer to the question.

MR. CHAIRMAN: Mr. Ransom.

MR. B. RANSOM: Thank you, Mr. Chairman. I would like to follow up on some of the information given by Mr. Arnason with respect to the Cross Lake Arena. Mr. Arnason provided some information this morning concerning five companies which had bid on the arena. I believe he said that three didn't meet the tender specifications. Could he give the committee the names of the three that didn't meet the specifications?

MR. J. ARNASON: Yes, Mr. Chairman, the three that did not meet the requirements of the spec were Janiro Investment Ltd., Central Canadian Structures and Norcan Development Ltd.

MR. B. RANSOM: Can Mr. Arnason tell the committee in what way these companies did not meet the specifications?

MR. J. ARNASON: Their tenders were incomplete to the degree that we could not make a proper financial analysis of the tender in order to make comparisons.

MR. B. RANSOM: Did Hydro go back to these companies then to get clarification?

MR. J. ARNASON: I am not aware that we went back to the three companies I mentioned specifically to get clarification. There may have been some discussion with them, I can't precisely indicate one way or the other, Mr. Chairman.

MR. B. RANSOM: What were the two tenders then in dollars that did meet the specifications?

MR. J. ARNASON: The two tenders were the Ed Penner Construction with a price of \$2,363,000, and the Kraft Construction Limited would be - the base price is \$1,575,325, and to that would be added a sum of \$1.1 to \$1.3 million which would cover material and equipment that would be supplied by the tender.

MR. B. RANSOM: What were the bids of the three that did not meet the specifications?

MR. J. ARNASON: They were incomplete. We could not evaluate them. We couldn't put a number to compare them with these other two that I just mentioned.

MR. B. RANSOM: Well, Mr. Chairman, would Janiro Investments' tender have been in the range of \$1,396,000, and Norcan Developments Limited bid in the range of \$2,014,000 to \$2,015,000; Central Canadian \$1,900,000; the other two then, Kraft Construction shown as \$2,283,000; and Ed Penner is \$2,216,000.00?

MR. J. ARNASON: I don't have those numbers.

MR. B. RANSOM: Well, Mr. Chairman, I have a sheet before me which says specification No. 1693, design and construction of a community arena, Cross Lake arena. Is that specification one of Manitoba Hydro specifications?

MR. J. ARNASON: Yes, Mr. Chairman, that's the Manitoba Hydro spec.

MR. B. RANSOM: On this sheet, which I have, it lists an item No. 1 and an item No. 4 and it says the total cost estimate, in brackets it says on Page 21. Perhaps I could give Mr. Arnason a copy and he can tell me whether he's ever seen the sheet of this nature or not.

MR. J. ARNASON: These figures would be from a public opening and would not have been assessed at that time, so we really don't know what these figures would mean.

MR. B. RANSOM: Mr. Arnason is telling us that figures presented at a public opening would not have any meaning with respect to the cost which it might end up costing Hydro to build this arena, even though the

three tenders which Hydro says didn't meet the specifications were some of them substantially lower than that which was awarded, for example. Given that there is such a discrepancy, why would Hydro not have gone back to these three companies to determine whether or not they had met the specifications or to ask for clarification? After all Hydro has expressed the concern that the cost of this arena are rather extreme. This certainly gives an indication that it might have been possible to have this arena constructed for substantially less than has been the case.

MR. J. ARNASON: Mr. Chairman, these were public openings and to my knowledge staff did not go back to the tenders to ask for clarification.

MR. B. RANSOM: Mr. Chairman, does it not strike Mr. Arnason as unusual that three out of five companies, companies which certainly have had some experience in this area, would not be able to even put in a tender that met the specifications of Manitoba Hydro?

MR. J. ARNASON: Yes, Mr. Chairman, that would be a little unusual, three out of five not being able to prepare a tender on that particular spec that was satisfactory.

MR. B. RANSOM: Can Mr. Arnason tell us exactly what does the tender contain which Mr. Penner has? What does Mr. Penner do? How are the payments to Mr. Penner made? I'm specifically interested here whether that is a set figure for the cost of the arena, or whether that includes an item for engineering and supervision; whether part of the contract is cost plus, just how is that contract structured?

MR. J. ARNASON: I haven't got all the details of that, Mr. Chairman, other than there was a fixed tender fee and then there was an indication for requirement for engineering design, so it was a fixed fee type of spec.

MR. B. RANSOM: So the figure of \$2.363 million, which is the approximate amount of Mr. Penner's tender, that includes engineering and supervision plus all other costs that those costs are not being handled through Manitoba Hydro, they're being handled through Mr. Penner, and Hydro is assured then that their costs will not be higher than \$2.363 million?

MR. J. ARNASON: The figure of \$2.363 million is an estimated value of the contract. There are certain materials and equipment to be supplied to the degree those numbers changed, and that figure could change one way or the other.

MR. B. RANSOM: Is there any portion of this contract then which is set?

MR. J. ARNASON: The fixed fee is set.

MR. B. RANSOM: Is that the fixed fee then of \$410,000.00?

MR. J. ARNASON: Yes, that's the figure, \$410,000.00.

MR. B. RANSOM: Mr. Chairman, then if the \$410,000 is a fixed fee and the rest is variable, then I suggest

that this whole issue has not been pursued with the kind of vigour that it should have been pursued, because the \$410,000 then is the highest of all five, Jenero Investments on the fixed figure tendered at \$226,500; Norcan Developments Limited at \$385,700; Central Canadian Structures Limited, \$154,000; Kraft Construction, \$397,670 and Ed Penner Construction, \$410,000.00. So Ed Penner Construction, in this case, was the highest bidder on the set fee. Is that correct?

MR. J. ARNASON: Ed Penner was the highest on the fixed fee. The other components in the tender analysis, besides the fixed fee, would be field supervision, rental of construction equipment, fee for provision of miscellaneous hand and power tools and equipment, labour and accommodations.

MR. B. RANSOM: I take it then that it is these other items, field supervision, rental, miscellaneous tools, labour and accommodation, in which the three companies, Jenero, Norcan and Central, did not provide a tender that would allow Hydro to analyze that tender?

MR. J. ARNASON: Yes, it would be in those areas that we found it difficult to make financial evaluations.

MR. B. RANSOM: Well, Mr. Chairman, given that Mr. Penner's tender was the highest of five on the fixed figure, \$410,000, the lowest was Central Canadian Structures Limited at \$154,000, why did Hydro not go back to the other bidders and ask, can you really meet this tender price? We're talking about hundreds of thousands of dollars. Why didn't Hydro go back to them?

MR. J. ARNASON: We did not consider this tender worthy of further consideration after the initial evaluation. There was a lack of requirement for field supervision; the list of construction equipment was inappropriate and incomplete; there was exaggerated work force intended and inadequate execution of plan.

MR. B. RANSOM: What do you mean by an exaggerated work force?

MR. J. ARNASON: The number of people that they had for constructing the project was larger than our estimates.

MR. B. RANSOM: What are your estimates for the number of people that would be required?

MR. J. ARNASON: I haven't got the man days in front of me, Mr. Chairman.

MR. B. RANSOM: But nevertheless, Central was still saying that they could do it for less money.

MR. J. ARNASON: The total of all their items were less in their tender submission.

MR. B. RANSOM: Could you just explain that statement? The total of all their items was less than the tender submission. That would seem to me to indicate a lower tender.

MR. J. ARNASON: I'm looking at the sheet that you just provided. The right-hand column shows that they were not lowest but second low in terms of their submission. However, staff considered their submission incomplete and was not further considered.

MR. B. RANSOM: How much experience have your staff had in contracting out the construction of arenas?

MR. J. ARNASON: Our staff have a great deal of experience at contracting and analyzing tenders. In terms of arenas, I'm not sure that we have built any arenas.

MR. B. RANSOM: Mr. Arnason, I'll ask you, are you aware that in the case of Central Canadian Structures Limited, that they have built arenas and similar structures in Melita, in Oak Lake, in Carberry, in Neepawa, in Portage la Prairie, in Lac du Bonnet, in Pinawa, in Birch River, in Kamsack, in Erickson, in Ingliis, in The Pas, in Flin Flon, Snow Lake, Thompson, Gillam, Yorkton, Birtle, Benito, Reston, Starbuck, Oak Bluff, Glenwood Community of Winnipeg, Fort Richmond Community Club, Victoria Curling Club, Assiniboine Curling Club, Creighton, Saskatchewan, and Vita, Manitoba? Are you aware that Central Canadian Structures has had that much experience in constructing arenas and like structures?

MR. J. ARNASON: I am not aware that they built all of those arenas that you mentioned.

MR. B. RANSOM: Mr. Chairman, it strikes me that in this case, and perhaps the other companies are similar, that Central Canadian Structures Limited has had infinitely more experience in building these types of structures and in tendering these types of structures than Manitoba Hydro has in building them, or in calling for tenders for them, and that what has happened in this case is that there is every indication, on the basis of the experience, that this company and perhaps others could have constructed the arena for less money than Manitoba Hydro is now proceeding to expend.

I would like to ask one further question on this as well, Mr. Chairman. Could Item 1, on the sheet which I've given to Mr. Arnason, be separated from Item No. 4? Is it possible to have provided engineering and supervision from one company and have another company do the field supervision, look after the rentals, the small tools, the labour and the accommodation?

MR. J. ARNASON: Under the terms of a spec, that would not be possible.

MR. B. RANSOM: Why would that not be possible?

MR. J. ARNASON: There's a requirement, a specification, that they complete the job.

MR. B. RANSOM: Mr. Chairman, could we have some more detail than as to what was missing, in this case, from Central Canadian Structures, because they were the lowest on engineering and supervision. What was missing from their tender that prevented Hydro from being able to properly analyze the tender?

MR. J. ARNASON: Generally, there was a lack of commitment to undertake the work required under the terms of the Interim Order; that is, local involvement and training of staff.

MR. B. RANSOM: A lack of commitment, Mr. Chairman. Mr. Arnason just said a few moments ago that Central had an overexaggerated work force estimated. How was this evidenced in the tender, that there was a lack of commitment to work with a northern work force?

MR. J. ARNASON: I haven't got the details to all of that information, Mr. Chairman.

MR. B. RANSOM: Well, Mr. Chairman, will Hydro table the specifications and the tenders that came in as a consequence of the call for tenders?

MR. DEPUTY CHAIRMAN, P Eyler: Mr. Cherniack.

MR. S. CHERNIACK: I am not aware of either the legal implications nor the practical considerations involved in revealing all tenders for public review. I believe that there are certain constraints imposed either by good business practice or by law, and therefore I would like to respond quickly and say of course anything we have we'll table, but I would have to be sure that what we do is acceptable, as I say, by business practice and by the legal requirements.

So I would like, on behalf of the board, to say we will certainly investigate the ability, both legal and from business practice standpoint, to do so and if so actually I would like to table whatever we have.

May I add to that from the standpoint of the board that we received a comprehensive review of the five tenders. The review started out by indicating the various items that were included in the specifications for which tenders were required and I'd like to, if I may, to read into the record those items. I don't know if Mr. Ransom wants to have them on the record. He's nodding his head, so I'll read it if I may, Mr. Chairman.

"Item 1. Fixed fee for supply of engineering and design and management services with identification of the amount included to cover engineering and design.

"Item 2. Field supervision tendered on a monthly basis to cover all field supervisory and information also requested on background and experience of staff and administrative staff.

"Item 3. Rental of construction equipment for supply and operating on a monthly and hourly basis covering tender as listed and necessary equipment with additional information to be provided on the plant.

"Item 4. Fixed fee for provision of miscellaneous hand and power tools and equipment.

"Item 5. Hourly labour force on a basic hourly rate for all classes of labour with provision for a fringe benefit assessment.

"Item 6. Accommodation for a living-out allowance for non-local field personnel.

"Item 7. For the provision of a contract performance bond."

"The form of tender also made provision for tenderers to provide information on, design team with summary of experience; tenderers' previous experience of work of a similar character and magnitude; list of sub-

contractors that tenderer is proposed to use; lists of materials and equipment to be incorporated in an arena; a detailed execution plan covering the overall work; tenderers' proposed plan for training and maximum use of local labour; tenderers' proposed plan for use of Cross Lake supplies, goods and services; a detailed estimate to cover all phases of the work; provision of outlined drawings and specification for the facilities."

Now, Mr. Chairman, the board of course accepted the recommendations of the administration after ensuring itself that the administration had made an adequate review of the tenders supplied, and the board accepted the statement made after the conclusion of a review of all of the items that I have read for each of the tenders; that the three tenderers that were not evaluated to the fullest extent were inadequate to the extent that there was not sufficient evidence to satisfy the administration that the job could be done by these firms, in both an adequate way and within the confines of the requirements, both of the practical aspects of construction and of the order of the arbitrator, stating in some detail the insufficiency of information in those three items.

Now, I personally and as chairman of the board, I would like very much to give Mr. Ransom everything that we have on that, but I would have to make sure that it is proper to do so. I would be quite prepared to go back to both the legal side of Hydro and the administrative side of it in regard to practice, to ascertain whether it's order, and if it's cleared then I for one would like to bring it forward.

Other than that, I can only say that the board accepted the statement by the administration, that it had carefully reviewed the items that I referred to and their application in each of the tenders, and had rejected three of them as not being sufficiently in accord with the requirements of the specifications, and the other two because they were to a large extent incapable of evaluating the end cost. The other two that were felt to be capable of evaluation were so evaluated and the firm which received the tender was considered to be the lower of the two.

MR. B. RANSOM: Mr. Chairman, we're going to have to get to the bottom of this because it certainly appears to me that Hydro has not acted in a prudent fashion in respect to this tendering. I don't really care how we get to the bottom of it, but this committee and the Legislature and the people of Manitoba have a right to know whether or not Hydro has acted prudently. We can come at it from a number of different ways, I assume.

The indication was that the three companies that appeared to have lower bids on the initial opening of the tenders, the initial indication appeared to be that Hydro could not evaluate what the cost control of the final cost would be. It's my understanding then that item 1 is the only fixed cost item. Is that correct?

MR. CHAIRMAN, A. Anstett: Mr. Arnason.

MR. J. ARNASON: Item 1 is the only fixed price item according to my understanding, Mr. Chairman.

MR. B. RANSOM: And who exerts control over the other items?

MR. J. ARNASON: Manitoba Hydro field supervision and the contractor exert control over the other items.

MR. B. RANSOM: What type of field supervision does Hydro employ then to control these costs?

MR. J. ARNASON: Mr. Chairman, we would have on-site inspectors on this project.

MR. B. RANSOM: Would they be saying, no, you're paying too much for equipment; or no, you've got too many small tools; or no, you've got too many people hired? How would they exercise their control?

MR. J. ARNASON: The control would be exercised relative to the adequacy of the equipment for the job at hand, to meet the schedule and to provide the training requirements of the specification.

MR. B. RANSOM: Who would have the major control over the other items then, the contractor or Manitoba Hydro? Who would have the greatest ability to control that?

MR. J. ARNASON: The contractor, in my opinion, would have the greatest ability to control those items.

MR. B. RANSOM: How does a bid bond figure in this sort of thing? What is the responsibility of the contractor relative to his bid? What guarantees are provided to Hydro by way of the bid bond?

MR. J. ARNASON: Mr. Chairman, those details we'd have to check with our construction people to provide the information.

MR. B. RANSOM: Well, surely they can give us some general indication. If a contractor's tender is accepted does not the bid bond give some guarantee to Hydro that the contract will be carried out for the costs specified?

MR. CHAIRMAN: Mr. Cherniack.

MR. S. CHERNIACK: I am just consulting with staff.

I will request the report on the point I made as to any obstacle in the way of giving all the information which Mr. Ransom requested. I will request that report from the people involved and will of course file it in order to be able to produce as much as we are allowed to do, in the concept of those people who would be advising us.

The questions of a specific nature that Mr. Ransom is asking, if they're not available to be answered on the spot here today, will of course be answered.

I don't know that there is anything further that I can undertake on behalf of the board but there is every reason in the world why we should hope to be able to give all the information we can.

MR. CHAIRMAN: Mr. Arnason. Did you have a further answer to Mr. Ransom's question?

MR. J. ARNASON: No.

MR. B. RANSOM: Mr. Chairman, then to go back to the fact that the contractor has the greatest control over the cost expenditures of Items 2 to 7, I believe it would be, is there not a very real probability that the cost of the tender that's accepted, might well go over the costs of what Mr. Arnason has indicated should be the case?

MR. J. ARNASON: There is always that possibility, Mr. Chairman.

MR. B. RANSOM: A question to Mr. Cherniack then. Was the board aware that on the only fixed-cost item, that they were being asked to accept the highest of five tenders?

MR. CHAIRMAN: Mr. Cherniack.

MR. S. CHERNIACK: Mr. Chairman, the board was informed that of the three rejected tenders, in no case was the fixed item adequate in the opinion of administration.

MR. B. RANSOM: Well then, Mr. Chairman, I would like to have a specific item-by-item breakdown provided by Hydro, as to why the bid on that particular item was unacceptable. The information that I have only has two items before us but there are, I believe seven, but since we have the one that is a fixed-cost item, perhaps Mr. Arnason or his staff could tell us right now what it was about the lowest tender on this item, \$154,000 by Central Canadian Structures Limited, that was unacceptable, or was that portion of the tender acceptable?

MR. S. CHERNIACK: Mr. Chairman, I would like to repeat that the board was informed that all three of the rejected tenders were not considered adequate in the terms of that fixed item; that therefore there was no reliance that could be placed on them.

I would like to be able to file all the information given to the board. I am going to ask if there is any obstacle in our doing it because we would want that to be done. But I have to have the precaution of making sure and I intend to make sure and if I get a clearance, I will file it. If I don't get a clearance, I will file the reason that is given to me for not giving it. But I would like to give it.

MR. B. RANSOM: Well, the alternative and I guess a supplement to it as well, will be the item-by-item evaluation because it certainly is highly unusual that the highest tender - there are five tenders on a fixed item - and the highest tender was accepted, not the lowest.

Now — (Interjection) — well the financial expert from Inkster says that's a very small proportion of the total cost. It's nevertheless the highest tender on the fixed item. I think that most people would have to agree that it is highly irregular to be accepting the highest tender instead of the lowest, especially when all the other items are variable. We know in this case that at least one of the companies and I expect all three of them . . .

MR. CHAIRMAN: Order please. Would those members who want to carry on private conversations, please leave the committee room. Mr. Ransom.

MR. B. RANSOM: . . . that other companies whose bids have been rejected have had extensive experience in building arenas and in tendering on arenas.

It strikes me as extremely unusual that we should have three companies like that who are unable to bid properly on a tender. It certainly raises the question in my mind, whether they were unable to bid properly on the tender, or whether Hydro officials were unable to examine them properly; and whether or not they pursued their responsibilities in trying to arrive at the lowest-cost method because the indication from Mr. Arnason is that they didn't go back - they didn't go back to the contractors - and the explanation so far that has been given sounds as though it is a very subjective one. The indication has to do with local labour. First of all, that there was an exaggerated labour requirement; then there was not adequate provision for local labour, if I am paraphrasing Mr. Arnason correctly.

That sounds like a very subjective kind of evaluation as opposed to simply leaving out some aspect of the tender, or not taking into consideration part of the construction which had to be done. How great is the confidence then that Mr. Arnason and Hydro and Hydro Board have that the cost will be kept to what they expect it to be, given that on the only fixed cost item there was, they selected the highest cost tender?

HON. W. PARASIUK: I just want to deal with the first part of Mr. Ransom's comments. I believe that it is incumbent on an entity, when not choosing the lowest tender, to give adequate and sufficient explanation as to why they have not chosen the lowest tender. Therefore, I believe it is incumbent upon Manitoba Hydro to provide that detailed type of information unless there is something in law or something in sort of contract practices, and there is something called bid pedaling which may be involved; I'm not sure and I certainly would like have that checked with the Vice-President of Construction for Manitoba Hydro. We do have people on the staff of Manitoba Hydro who are very well experienced in construction; they've had Manitoba, Canadian, international experience. They're well known in this respect. We certainly have people on the board; we've got the Dean of Engineering at the university; we've got someone who is head of a construction company in his own right; we have someone on the board who is owner of a plant, who is an engineer himself and I assume that these things are looked into. I think the Member for Turtle Mountain has raised points that I believe do require more detailed explanation, if that is possible. The chairman of the board has indicated that he will provide that unless there are some exceptional reasons as to why that can't be provided, at which point there would be an explanation.

I confirmed that undertaking. In fact, I think it's very important that information be provided and I make the undertaking that unless there is some reason that I can't think of at present, that I don't know about, that information will in fact be provided to the Member for Turtle Mountain.

MR. B. RANSOM: What was the nature of the local labour requirements? What was called for in that area?

MR. CHAIRMAN: Mr. Arnason.

MR. J. ARNASON: Mr. Chairman, there is a very specific training program included in the spec, but I don't have a copy of the spec in front of me.

MR. B. RANSOM: Well, in general terms, what are we talking about? There's an arena being constructed; there's a training program being carried out. Was the requirement that local labourers were to be trained to the point where they could do certain work, masonry work or plumbing work? How far would the training program be expected to go?

MR. J. ARNASON: Mr. Chairman, I can't answer that specifically; I don't have the spec with me.

MR. B. RANSOM: How many Hydro engineers are involved in this project? How many Hydro engineers are working on this arena, either full or part-time?

MR. J. ARNASON: We can provide that information, Mr. Chairman.

MR. B. RANSOM: Can Mr. Arnason indicate at this point how much cost from Hydro then has been attributed to the overall cost of the Cross Lake Arena?

MR. J. ARNASON: Mr. Chairman, our estimates for field engineering, supervision and inspection is \$198,000.00. Besides that, we have office engineering and overheads.

MR. B. RANSOM: \$198,000 for field supervision? My God, Mr. Chairman, how much is the engineering cost aspect then apt to be, from Hydro, the working on the design, etc.?

MR. J. ARNASON: The Manitoba Hydro office engineering is \$15,000.00.

MR. B. RANSOM: Mr. Chairman, are Mr. Arnason or Mr. Cherniack or Mr. Parasiuk aware that it's possible to get a whole recreational complex designed and built for \$1 million, that would include - and there is a specific case which has recently been tendered and shown in Sanford Evans Building News Services, where Shoal Lake, Manitoba is building an arena and a curling rink combined and that the lowest tender for that is \$980,821 and that includes the design and that includes the engineering and supervision?

MR. CHAIRMAN: Mr. Cherniack.

MR. S. CHERNIACK: Mr. Chairman, I can't say that I'm aware of that but we were certainly made aware at the board that arenas could be built for considerably less than we were told had to be paid in Cross Lake, elsewhere in Manitoba, but we were informed, and that's all subject to consideration, that this was unusual, that there were restraints and qualifications imposed by the arbitrator which varied, which made a substantial change in the costs. I'm not justifying the costs; I think the last time this was discussed I said the board was very much upset by the cost. But we were informed that the specifications, and I think I see in front of Mr. Ransom a copy of the order, but may I just say what the requirements were and read them into the record.

It says, (a) "The specification facilities shall be appropriate to a community of similar characteristics, population, size of Cross Lake and growth rates of those of Cross Lake; (b) It shall be designed in consultation with the Band Council and Community Council; (c) It shall have regard to the minimizing of maintenance; (d) It shall have regard to the possible subsequent expansion of the complex; (e) The minimum characteristics include 500 seats, dressing rooms, artificial ice, etc.; (f) A fund shall be established in trust for all future maintenance operation and replacement; (g) Manitoba Hydro shall provide engineering advice and assistance to ensure proper engineering and construction standards; (h) The government shall provide training, particularly on-the-job training, for local residents to the maximum extent possible; (i) Best effort shall be used to complete the construction of the arena by November, 1982."

May I add, Mr. Chairman, that the arena was, I think, barely commenced in November of 1982 - it wasn't, I'm sure - commenced in November, 1982 because we, the board, and the administration were not satisfied with the projections of costs that were presented to us, that we sent it back several times for review.

What I've read is a precis, a summary of the interim order, and we were informed that to comply with the requirements of the order, it was necessary to go to the extent that has been done. The need for minimizing and maintenance, we were told, provided for the need for a higher standard of initial construction, especially since there had to be a fund established for future maintenance operation and replacement which had to be paid for by the governments and Hydro. Under these conditions we were informed that this was the best deal that could be made, but I would want to comply with my undertaking and that of the Minister to provide further information and if Mr. Ransom has any further questions as to information, then I would like to add that to the list of those questions I would want to have posed to the administration on the construction side of Hydro.

MR. B. RANSOM: Mr. Chairman, this is absolutely astounding; it is absolutely astounding. There is nothing in the order of the arbitrator that is unusual. The arbitrator has said and I'll read from a copy of the award which the Minister of Northern Affairs tabled in the House.

It says, "It is ordered that the respondents, the Government of Manitoba and the Manitoba Hydro-Electric Board as a contribution on account of compensation shall cause to be constructed an indoor arena (complex) at Cross Lake, the specifications and facilities of which shall be appropriate to a community in Manitoba of similar characteristics, population, size and growth rate to those at Cross Lake, and which shall be designed in consultation with the Band Council and Community Council, and which shall have regard to the minimizing of maintenance and to the possible subsequent expansion of the complex to accommodate further recreational facilities as the community may require, and shall have at a minimum the following characteristics: a minimum capacity of 500 seats; washrooms and showers; front viewing area; canteen and cafeteria area; artificial ice; a minimum of four

dressings rooms; site preparation and landscaping, and spectator heating."

Mr. Chairman, there is absolutely nothing in that award which is different from dozens of arenas that exist in this province and across the prairies. That describes a rural arena almost to a tee. What is astonishing in this case is that this relatively simple project has been botched to the extent that it has been; that Hydro themselves have to this point either expended or expect to expend \$353,000 on the engineering and they, along with the committee, hired a person to design this arena, paid them approximately \$100,000 and then threw that plan out the window and it's now being modified by Hydro engineers. You then have a cost of \$453,000 of design and of Hydro engineers going into this. It is no damned wonder that it's going to cost \$3.5 million to build. It's going to cost a lot more than \$3.5 million to build if that's the kind of control that is put in place.

It's possible, Mr. Chairman, to have a complex designed as the Shoal Lake complex was, which is a skating arena, a hockey arena and a curling arena. The entire design cost was \$5,950.00. That total structure is going to be built for \$980,821.00. Now what is the difference between building in Shoal Lake as opposed to building in Cross Lake that can account for a difference of less than \$1 million at Shoal Lake for a complex that includes a curling rink, to one at Cross Lake which is simply a hockey arena and the arbitrator describes it in the terms that anyone would describe a rural arena being constructed these days, a difference of \$2.5 million? Can Mr. Cherniack or Mr. Arnason or Mr. Parasiuk, can somebody tell us what's the difference?

MR. S. CHERNIACK: Mr. Chairman, if the information about that Shoal Lake arena is fully available to Hydro, I would certainly try to get an answer to that question. I'd be interested in it myself.

MR. B. RANSOM: Well, Mr. Chairman, I have some further questions then for Hydro in this area. Could Mr. Arnason give us a breakdown, at least roughly, of the \$3.5 million which it is estimated to cost to put an arena into Cross Lake?

MR. CHAIRMAN: Mr. Arnason.

MR. J. ARNASON: Mr. Chairman, the estimated contracted cost is \$2.363 million. The payment to consultants is a total of \$134,000; power supply, \$37,000; site work covers the clearing and preparation of aggregate, the final grading and landscaping and the problems related to the methane gas problem that was encountered at the site, the total for that was \$438,000; the remainder will cover the Manitoba Hydro office field engineering and overheads for a total of \$3.5 million.

MR. B. RANSOM: How much are the materials?

MR. J. ARNASON: I haven't got a breakdown of material as such. Material and equipment would be \$1.1 million.

MR. B. RANSOM: Where is the material included then, in Mr. Penner's contract?

MR. J. ARNASON: The material and equipment is included in the total of Mr. Penner's contract of \$2.3 million.

MR. B. RANSOM: Who is providing the steel?

MR. J. ARNASON: It's included in the \$3.5 million and will be supplied - we'd have to check that, Mr. Chairman. We'll see if we can get an answer to that question in a minute.

MR. B. RANSOM: Mr. Chairman, the \$2.63-whatever million of Mr. Penner's contract, does that include the steel?

MR. J. ARNASON: The figure is \$2.36 million and it includes the steel.

MR. B. RANSOM: But, Mr. Chairman, Mr. Penner isn't providing the steel. It's my understanding that Central Canadian is providing the steel under a separate contract, is that correct?

MR. CHAIRMAN: Mr. Cherniack.

MR. S. CHERNIACK: Mr. Chairman, we don't have the information here. My recollection is that the cost of the steel was included in the amount shown as being the cost of the contract to Penner. I believe, in the calculation, the cost of the steel structure was added into every tender in order to arrive at a total cost of the contractor's side. The specific answer to that question has to be checked out. We don't apparently have the information here.

MR. B. RANSOM: Then the information that we were given, initially, that Mr. Penner's contract was for \$2.363 million is incorrect, because that isn't just Mr. Penner's contract; that also includes a contract to a separate company to provide the steel.

MR. S. CHERNIACK: Mr. Chairman, as I recall it, the information was given that that was the evaluated price of the contractor and I believe does include other items; but when Mr. Ransom says that the contract with Penner was for this amount, I don't believe the contract stipulates in every respect the dollar cost, but rather an evaluated price has been given. That's my impression. Again, it's just an impression I have; I don't have the details and I wouldn't normally have them anyway.

MR. B. RANSOM: That's an interesting area in itself then, Mr. Chairman, because if the cost of the steel is included in that amount, then it would appear that the sheet of information which I had distributed earlier must be very close then to being the meaningful figure of Mr. Penner's contract, because surely the steel for a complex such as this must be rather a major item.

MR. S. CHERNIACK: Mr. Chairman, Mr. Ransom is looking at me for an answer and I would say to him that since it is possible to get a precise answer, then I don't want to speculate with him as to what may or may not be included in the amount.

MR. B. RANSOM: In any case then, the figures which Mr. Arnason has given so far, if my quick Turtle Mountain arithmetic is correct, would come to roughly \$3.5 million at this point on the estimate. Who did the site preparation? Was that done under Hydro supervision?

MR. CHAIRMAN: Mr. Arnason.

MR. J. ARNASON: That was done under Hydro's supervision in conjunction with the band.

MR. B. RANSOM: The band, I assume, did the work then. Did they provide equipment? There must have been a substantial amount of earth to be moved there.

MR. J. ARNASON: Once again, Mr. Chairman, we're getting into detail questions and I think the answers are not all available here and could be provided more readily by our construction people, but I can't answer that question specifically.

MR. B. RANSOM: Then, presumably, we could get some details of that because that figure is a rather large figure; I believe, 438,000. I recognize there may be problems in finding a satisfactory site, but it's nevertheless a very significant amount of money and if we could have details on that as well.

I'm also interested in Mr. Eshmade being hired. Could Mr. Arnason, or did he confirm the final cost to Mr. Eshmade? The last time he estimated approximately 100,000.

MR. J. ARNASON: The payment made by Manitoba Hydro to Mr. Eshmade is \$92,000 approximately, Mr. Chairman.

MR. B. RANSOM: To whom then was the other \$42,000 paid that shows under Consultant's Fees?

MR. J. ARNASON: It's \$10,000 paid to a firm called Hardy. I believe that's a consulting firm. There is a Cross Lake co-ordinator; a person who is working at Cross Lake to assist the local people in getting maximum input to this job; and then there was a fee of some \$2,000, was paid to a consultant regarding the number of seats in the arena. I think there was some question or dispute or discussion about the number of seats that were to be contained within this arena and there was some advice received from a consultant on that.

MR. B. RANSOM: How much does the co-ordinator get?

MR. J. ARNASON: The estimate for the total job is \$30,000.00.

MR. B. RANSOM: Who is the co-ordinator and how is the person hired? Is it a straight contract, or is it a daily rate, an hourly rate?

MR. J. ARNASON: We can check on that, Mr. Chairman, but we believe it could be a contract through the band itself; a local person.

MR. B. RANSOM: What relation will they have to the contractor and to the Hydro field supervisor who is helping to supervise what the contractor is supervising?

MR. J. ARNASON: We will provide that information, Mr. Chairman.

MR. B. RANSOM: Perhaps they could tell us who the co-ordinator is, as well. What does Mr. Hardy do or what did he do - or Hardy Consultants, whatever the name is - for \$10,000.00?

MR. J. ARNASON: That was soil testing, the checking out for foundation conditions.

MR. B. RANSOM: The arbitrator's award simply says a minimum capacity of 500 seats. What would a consultant provide for \$2,000, relative to seating in an arena?

MR. J. ARNASON: The consultant was used to satisfy the band that 500 seats was all that they needed in that particular arena.

MR. B. RANSOM: Who was the consultant?

MR. CHAIRMAN: Mr. Cherniack.

MR. S. CHERNIACK: I am informed his name is Johnson and I believe he is the person who is reputed to be an expert on recreational facilities. The question brings to the fore, one of the major problems that the board learned was being faced, and that is that everything that was being done was being done under an interim order, which was constantly subject to being referred back to the arbitrator by any of the parties, and in this case, of course, by the Northern Flood Committee.

Apparently, the consultant in this case, and I am sure in many other cases, was required in order to be able to arrive at an understanding with the other parties to the agreement, that is, the federal government, provincial government and the Northern Flood Committee consisting of the five Bands, and in this case, of course, Cross Lake Arena. I am sure there was quite a bit of money spent in order to arrive at an understanding that was acceptable to all four parties. Much of the work that was done and much of the work that is being done is being done because of the need to arrive at an understanding amongst all four parties and always subject to the intervention of the arbitrator.

My recollection is that the requirement for seating by the local Band was much greater than 500. That was one of the contentious issues, and I think the solution was accepted that there would be 500 seats and 500 standing room. If you ask my why that much space is needed for a community of 2,300, I have to say, because the arbitrator said so.

MR. B. RANSOM: Mr. Chairman, according to a letter in the May 11th Winnipeg Free Press from Colin J. Gillespie of Taylor Brazzell McCaffrey - he, I gather, is involved from the community's point of view - said that, "The nature, scope and facilities of the arena were determined by agreement between the parties," not

by the arbitrator's award. I would take from his letter that it was agreed in advance. Is that not a correct interruption then, or did some of this work go ahead before the arbitrator then wrote an award that was the same as the committee had agreed upon?

MR. S. CHERNIACK: Mr. Chairman, the award came first. The award was negotiated with the arbitrator and the arbitrator made the award. The statement by Mr. Gillespie that it was by agreement should be interpreted in the light of the fact that the award provided that if there is any problem in relation thereto, the matter should be referred back to the arbitrator. The result was that when agreement was arrived at, it was after pretty strenuous discussion, mostly of course on the staff level, but in part, in one particular case, a meeting with the board itself which didn't get involved in the details, but in this case had to try and resolve the demands made by Mr. Gillespie on behalf of his clients and to take a firm position, which on that occasion was done.

The result is, when he says by agreement, it was only after considerable discussion, argument, submission of consultants' opinions and difficult negotiations that agreement was arrived at, always with the knowledge that the arbitrator could be called in at any time to make a final decision on any issue.

MR. B. RANSOM: Mr. Chairman, I realize that the arbitrator can be called in, but I'm quite impressed by the reasonableness of the arbitrator's award, because I think what the arbitrator has asked for was what any community elsewhere in Manitoba of a similar size would expect to build if they were building an arena today. I don't see anything unusual in the arbitrator's award and the arbitrator only says, "It shall be designed in consultation with the Band Council and Community Council." The arbitrator didn't say that they will have a veto over what's done. I think the arbitrator's award was eminently fair.

I rather fear that this government is demonstrating a great reluctance to allow processes to run their course. I believe they are perhaps overly scared - scared isn't the right term - overly cautious, overly concerned of what the arbitrator might say in this case. They certainly have demonstrated that in terms of the French language, the agreement that is being worked out between the government and the federal government and the Franco Manitoban Society. I think in this case that the arbitrator has been very fair and that Hydro and the province shouldn't be concerned about that. If it goes back to the arbitrator, I think he will make a fair award.

Nevertheless, Mr. Chairman, I would like to ask then, since it was necessary to pay a consultant a fee of \$2,000 with respect to seats, can I ask whether the committee contacted any rural towns, communities, who were building arenas, to ask them how many seats they thought they would require in their arena, or for those that had an arena, whether the number of seats they had was adequate or not?

MR. S. CHERNIACK: Mr. Chairman, the Hydro is in the position of having to provide the compensation decided on by the arbitrator. Hydro is represented on

that committee as one of four parties. Ida would like to spend as little as possible in recognition of its prime object, which is the production and distribution of power, but it also is required by the agreement of the Northern Flood Agreement, which was signed, I believe, sometime in 1978 to participate in the planning and the provision of mitigation of damages as required under the Agreement. The arbitrator was appointed by the four parties and the board, as such, and I, for one, have never met with the arbitrator in this connection nor has the board, but the board has been receiving reports from its representatives on the committee and from its council, which is the same council that has been appearing all along for Hydro on these matters, and has had occasion to meet with representatives of the provincial - I don't recall if the board met with federal people - but the advice we were given by the people who were represented at the negotiation committees and by our council who appears before the arbitrator was that we arrived at an understanding which was the best for Hydro under the circumstances, as they saw it.

There was a more specific question about \$2,000 paid to a consultant on recreation. I don't know the extent to which that \$2,000 was checked out as against what is being done in other rural arenas, but this person, Johnson, whose first name I forget, is reputed to be an expert hired by other communities on recreational needs.

MR. B. RANSOM: Well, Mr. Chairman, I can assure Mr. Cherniack and others on the committee that any rural community building an arena today could satisfy themselves for \$50 of telephone calls as to how many seats they would require in the arena. What they would do would simply be to get on the phone and phone some people in other communities who have arenas and say, "How many seats have you got in your arena and is that an adequate number?" Usually that kind of good common sense, of practical evaluation, is worth more than you're going to get from some expert who tells you how many seats it requires in an arena.

I am concerned that this committee then that's functioning, that there seems to be a lack of control, because as I questioned the Minister of Northern Affairs about what was going on, it all seemed to be put back into the lap of the committee. Of course, we don't have access to the committee. We only have access to the Ministers and to Hydro. I gather that Hydro is certainly paying part of the bill. I gather they're the means of paying all of the bills initially until their compensated for it, so a question would be, who specifically would authorize the expenditure of an item like \$2,000 to a seating consultant?

MR. S. CHERNIACK: Mr. Chairman, I would like to get the answer and I said we will get the answers to who authorized the hiring of this consultant for \$2,000.00. I would say to Mr. Ransom that the board was quite satisfied in its own mind from information it received that 500 seats was more than adequate. But again, the decision was that of the arbitrator, and Mr. Ransom knows very well that the arbitrator said, because he read it from the order, the minimum characteristics include 500 seats.

Now the discussion was, should there be a 1,000 seats. It wasn't to satisfy ourselves as to what the community of wherever needed for its use, but rather to satisfy the requirements of the arbitrator and that of the committee with whom Hydro was required to consult. The outcome was what you see before you, which is a very very costly project and one which I would in my mind only justify on the basis that there was an agreement under which we had to operate, there was an arbitrator who was agreed on by all parties, and no matter how much was spent, it is part compensation in mitigation of damages caused by Hydro's flooding of Cross Lake and other areas.

I would expect that when the final decision is made by the arbitrator, he will have had to take into account that an arena was built at a price and according to specifications and that that price was in part mitigation, because I assure you that Hydro didn't have the slightest need to build an arena other than it was required so to do, and the cost of the arena - and I am as interested as Mr. Ransom in making sure that the cost was the least possible in the light of the various requirements imposed on us and the fact that the arbitrator is final arbiter - but the simple phone call, which would have cost less than \$50, was in effect made by individuals who said that that 500 seats are too many. But the fact is that we couldn't just go by what Hydro thought, because if Hydro was free to do as it saw fit, it wouldn't be anything like this cost, I am sure.

Now as to whether or not there is lack of control, I think the board has the same concerns that Mr. Ransom has and we are constantly getting reports and meeting with the people who are dealing with the Northern Flood Agreement, both the lawyers and the representatives. We are constantly attempting to satisfy ourselves along the lines Mr. Ransom has concern about and of which we share. It's a very difficult situation, which is going to cost many millions of dollars in the future, as it has in the past. But we know that there is an agreement which binds us; we know that there is therefore a legal obligation; and we know that there is an arbitrator. Within those requirements, we are trying our best to accommodate and to carry out our obligation.

MR. B. RANSOM: Mr. Chairman, the community clearly is entitled to some compensation, but the compensation doesn't have to be provided in a profligate manner. There is nothing that says that Hydro and the province can't provide the compensation in a careful manner, in the way that any other community would go about controlling the cost with possible exceptions for some additional costs of using local labour, who perhaps haven't had the experience. But for Mr. Cherniack to express such concern on the part of Hydro at the same time as were told that Hydro themselves have already expended or will be expending \$353,000 worth of engineering costs, and so far we have not had anywhere close to an adequate explanation of why lowest tenders weren't accepted in this case, it certainly raises some serious questions and I hope we'll be able to have answers to. In that regard I would ask that the Minister if he can undertake to have some of the written information made available to the members of the committee before the committee meets the next time, so that we're not simply coming here and sitting down

at the table and trying to go through a great deal of written information. Hopefully we would then be able to conclude the committee the next time.

MR. CHAIRMAN: Mr. Parasiuk.

HON. W. PARASIUK: My undertaking is to try and get that information. I certainly will and we're meeting again I believe next Tuesday. Is it Tuesday or Thursday? Tuesday, that's a week from now. I would hope that by Monday I could provide the material to the members of the committee so they would have it and then we could discuss it on Tuesday. Unless as I said that my qualifier before was business practice and legalities, but certainly my desire is to provide the material.

MR. CHAIRMAN: Mr. Ransom.

MR. B. RANSOM: Whatever information is available, Mr. Chairman, I would appreciate having it in advance. If the information isn't adequate of course then we'll simply proceed to try and get satisfactory answers.

In the meantime, I am interested again in how Eshmade Consultants were hired? \$92,000 have been paid to Eshmade Consultants. Could Mr. Arnason tell us exactly how Eshmade Consultants were selected, what Eshmade Consultants did and to what extent the work done by Eshmade Consultants is being utilized?

MR. CHAIRMAN: Mr. Arnason.

MR. J. ARNASON: Mr. Chairman, going back a little ways in 1977 when the demonstrated effects of the works that were completed on the Cross Lake residence was evident, then the people in Cross Lake were asking for a sports complex, and it was at that time that they sought the advice of Eshmade and Associates. So the people of Cross Lake were using Eshmade for advice at a very very early stage. Subsequent to that and after the Claim No. 11 was brought forward in March of 1981, under that claim, the people in Cross Lake asked not only for an arena but a meeting hall, a swimming pool, a playground and a children's summer camp. After this claim was filed, the Department of Northern Affairs also obtained advice from Eshmade and Associates relative to arena costs and designs.

I'm just trying to trace some of the background here, Mr. Chairman. In September, 1981, the arbitration hearings were held on Claim No. 11 at Cross Lake and later on in 1981 in Winnipeg, and the Cross Lake Band, represented by the Northern Flood Committee, made quite a convincing case of the damages that they had suffered, and claims of Manitoba Hydro's liability.

Following the hearing, Manitoba Hydro reviewed its position and we came to the conclusion that it might be reasonable that a settlement would be preferable to continued arbitration hearings.

During the course of these discussions, Eshmade assisted the various parties in reviewing the features of an arena. At that time, there was no formal agreement with Eshmade. It was just an understanding and an assistance being provided; the only understanding being that in due course they would be paid for whatever their costs would be.

Following the Interim Order, Manitoba Hydro, after consultation with not only the Cross Lake people, but

the Federal and Provincial Governments, came to the conclusion that Eshmade would be the logical people to carry on with the design of an arena. They were acceptable to the community and the province had some experience using this consulting firm. So through this discussion with the parties involved, we placed a purchase order with Eshmade for the design of the arena, and that was on the first formal contract that we had with Eshmade, was a purchase order that was issued in April of 1982.

Following that, certain designs were prepared and information prepared by Eshmade and, in due course, it was decided that a specification would be issued calling for the design and construction of the arena. Eshmade's work was completed, as far as Hydro was concerned, with the issuing of that specification and for his work he was paid, as indicated previously, some \$92,000.00.

It is my understanding that Eshmade is being - "used" isn't the right word - his services are being provided to the contractor that is presently engaged in the work on the arena.

At the moment, Manitoba Hydro has no contract with Eshmade, directly.

MR. B. RANSOM: Has Mr. Arnason any idea how many arenas Eshmade and Associates designed?

MR. J. ARNASON: No, I have no idea how many arenas they've designed.

MR. B. RANSOM: Well, Mr. Chairman, I find this very disturbing, that what would seem to be to anyone who has concern over how the dollars are going to be spent, especially if they are their own dollars or if they've got to raise those dollars themselves, that people in that position would take an entirely different direction towards fulfilling the arbitrator's award as a means of compensating the people of Cross Lake.

They wouldn't go out and hire an architectural firm, or whatever, to design an arena for them. They'd call up the people that build arenas because they do have their own engineers and their own architects. As I said earlier, the Shoal Lake complex has been designed for \$5,950.00. They didn't call up some outside exotic consultant and give them - I won't say an open-ended or uncontrolled contract - but certainly one that was very excessive in terms of what it could have been done for, if Hydro or the committee or the province or somebody had exercised some responsibility and taken a common-sense course.

It certainly raises the question of how is that committee functioning? Who is exercising some kind of restraint on the committee? It raises the question in my mind of what's happening within Hydro itself; what kind of questions the board have been asking of staff? Was the board aware that Hydro staff alone are putting in, I believe the figure is \$353,000 of engineering time? What are the limits on this sort of thing, Mr. Chairman? When does somebody blow the whistle and say there's got to be some control exercised, arbitrator or no arbitrator, Northern Agreement or no Northern Agreement?

Surely, the existence of the Flood Agreement and the mechanism for making an award doesn't mean that

the government is obliged to disregard some of the normal practices that other people would put in place to control expenditures. Mr. Chairman, I'm hopeful that it will have some satisfactory answers prior to the next meeting because at the moment this thing is, quite frankly, a nightmare when one takes the answers that have been provided here, with the answers that have been provided by the Minister of Northern Affairs, and I believe that any objective observer could only come to the conclusion that this thing is simply out of control.

MR. CHAIRMAN: Mr. Parasiuk.

HON. W. PARASIUK: Mr. Chairman, I think that the board members and certainly myself, as Minister of Hydro, are concerned that the Northern Flood Agreement established processes that in fact put the costs up very very high, and it's our desire to bring those down; to take our experience, which, frankly, the initial experiences with respect to the Flood Agreement have been very difficult to live with. We have established no precedence in experience in that the previous government signed the agreement in the latter part of 1977 and I don't think proceeded with looking at a number of issues that were pent up for about four years.

Now, the point about that is that there wasn't a track record to go on; there isn't experience to go on. It certainly is our desire to bring those under control, to bring them down to ensure that costs are brought into line. We have four parties to a fairly complicated undertaking; the Provincial Government, Manitoba Hydro, the Northern Flood Committee and the Federal Government. That is a very very cumbersome vehicle. There were the previous New Democratic Party administration was involved in the negotiations on that agreement; the previous Conservative Government signed that agreement. I don't know if much was done with respect to implementation past that time. I think it was very important that — (Interjection) — Pardon?

MR. CHAIRMAN: Order please. Carry on. Are you finished, Mr. Parasiuk?

HON. W. PARASIUK: Well, no. Was there a point of order that he was raising?

MR. CHAIRMAN: The hour is 12:30. No one's raised a point of order. If the Minister can finish in a sentence or so I'll allow him to finish.

HON. W. PARASIUK: No, I'll stop. I'll just say that these are things that I think it's very important for everyone to try and deal with and I believe that we've probably had some teething problems. I think it's important that this matter be dealt with because that agreement is of perpetual duration; so it's important to establish a set of control on procedures in the future drawn from our experience to ensure that is a liveable type of agreement. I think that those are very valid concerns that we certain share and want to deal with.

MR. CHAIRMAN: Committee is adjourned and stands adjourned till 10:00 a.m. next Tuesday, June 7th, in this room.