



First Session - Thirty-Fifth Legislature

of the

Legislative Assembly of Manitoba

STANDING COMMITTEE
on
PUBLIC UTILITIES
and
NATURAL RESOURCES

39 Elizabeth II

*Chairman
Mr. Ben Sveinson
Constituency of La Verendrye*



VOL. XXXIX No. 9 - 10 a.m., THURSDAY, DECEMBER 6, 1990

MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Fifth Legislature

Members, Constituencies and Political Affiliation

NAME	CONSTITUENCY	PARTY
ALCOCK, Reg	Osborne	Liberal
ASHTON, Steve	Thompson	NDP
BARRETT, Becky	Wellington	NDP
CARR, James	Crescentwood	Liberal
CARSTAIRS, Sharon	River Heights	Liberal
CERILLI, Marianne	Radisson	NDP
CHEEMA, Gulzar	The Maples	Liberal
CHOMIAK, Dave	Kildonan	NDP
CONNERY, Edward, Hon.	Portage la Prairie	PC
CUMMINGS, Glen, Hon.	Ste. Rose	PC
DACQUAY, Louise	Seine River	PC
DERKACH, Leonard, Hon.	Roblin-Russell	PC
DEWAR, Gregory	Selkirk	NDP
DOER, Gary	Concordia	NDP
DOWNEY, James, Hon.	Arthur-Virden	PC
DRIEDGER, Albert, Hon.	Steinbach	PC
DUCHARME, Gerry, Hon.	Riel	PC
EDWARDS, Paul	St. James	Liberal
ENNS, Harry, Hon.	Lakeside	PC
ERNST, Jim, Hon.	Charleswood	PC
EVANS, Clif	Interlake	NDP
EVANS, Leonard S.	Brandon East	NDP
FILMON, Gary, Hon.	Tuxedo	PC
FINDLAY, Glen, Hon.	Springfield	PC
FRIESEN, Jean	Wolseley	NDP
GAUDRY, Neil	St. Boniface	Liberal
GILLESHAMMER, Harold, Hon.	Minnedosa	PC
HARPER, Elijah	Rupertsland	NDP
HELWER, Edward R.	Gimli	PC
HICKES, George	Point Douglas	NDP
LAMOUREUX, Kevin	Inkster	Liberal
LATHLIN, Oscar	The Pas	NDP
LAURENDEAU, Marcel	St. Norbert	PC
MALOWAY, Jim	Elmwood	NDP
MANNESS, Clayton, Hon.	Morris	PC
MARTINDALE, Doug	Burrows	NDP
McALPINE, Gerry	Sturgeon Creek	PC
McCRAE, James, Hon.	Brandon West	PC
McINTOSH, Linda	Assiniboia	PC
MITCHELSON, Bonnie, Hon.	River East	PC
NEUFELD, Harold, Hon.	Rossmere	PC
ORCHARD, Donald, Hon.	Pembina	PC
PENNER, Jack, Hon.	Emerson	PC
PLOHMAN, John	Dauphin	NDP
PRAZNIK, Darren, Hon.	Lac du Bonnet	PC
REID, Daryl	Transcona	NDP
REIMER, Jack	Niakwa	PC
RENDER, Shirley	St. Vital	PC
ROCAN, Denis, Hon.	Gladstone	PC
ROSE, Bob	Turtle Mountain	PC
SANTOS, Conrad	Broadway	NDP
STEFANSON, Eric	Kirkfield Park	PC
STORIE, Jerry	Flin Flon	NDP
SVEINSON, Ben	La Verendrye	PC
VODREY, Rosemary	Fort Garry	PC
WASYLYCIA-LEIS, Judy	St. Johns	NDP
WOWCHUK, Rosann	Swan River	NDP

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

Thursday, December 6, 1990

TIME — 10 a.m.

LOCATION — Winnipeg, Manitoba

CHAIRMAN — Mr. Ben Sveinson (La Verendrye)

ATTENDANCE - 10 — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Enns, Neufeld, Orchard

Messrs. Carr, Gaudry, Hickes, McAlpine,
Reimer, Mrs. Render, Mr. Sveinson

APPEARING:

Jerry Storie, MLA for Flin Flon

A. Brian Ransom, Chairman, The Manitoba
Hydro-Electric Board, and Chairman, Manitoba
Energy Authority

Robert B. Brennan, President and Chief
Executive Officer, The Manitoba Hydro-Electric
Board

Ralph O. Lambert, Executive Vice-President,
The Manitoba Hydro-Electric Board

MATTERS UNDER DISCUSSION:

Annual Reports of The Manitoba
Hydro-Electric Board for the years ended
March 31, 1989 and March 31, 1990, and the
Annual Reports of The Manitoba Energy
Authority for the years ended March 31, 1987,
March 31, 1988, March 31, 1989 and March 31,
1990.

* * *

* (1005)

Mr. Chairman: I call the Standing Committee on
Public Utilities and Natural Resources to order to
consider the Annual Reports of The Manitoba
Hydro-Electric Board for the fiscal years ending
March 31, 1989 and March 1990 and the Annual
Reports for The Manitoba Energy Authority for the
fiscal years ended March 31, 1987, March 31, 1988,
March 31, 1989 and March 31, 1990.

I would invite the Honourable Minister to make his

opening statement with regard to The Manitoba
Energy Authority and to introduce the staff present
today for Manitoba Hydro and The Manitoba Energy
Authority.

**Hon. Harold Neufeld (Minister responsible for
The Manitoba Hydro Act):** Mr. Chairman, I would
propose that we continue with the report of Manitoba
Hydro until its conclusion. The staff for Manitoba
Hydro are the same as they have been: Mr.
Ransom, the chairman; Mr. Brennan, the president;
and Mr. Lambert, the vice-president.

Mr. Chairman: I would appreciate some guidance
from the committee. Which Crown corporation
should we consider first? Should we continue with
Manitoba Hydro or Manitoba Energy Authority?

Mr. Jerry Storie (Flin Flon): I would recommend
we continue with Manitoba Hydro, although it is
probably immaterial in the long run. The committee
generally passes all of the reports it is dealing with
at some point in conjunction with the conclusion of
the committee. I recommend that we just proceed
with Manitoba Hydro.

Mr. James Carr (Crescentwood): I concur, Mr.
Chairperson. I think it is wise to continue with
deliberations over Manitoba Hydro.

Mr. Chairman: It is the will of the committee to
continue with Hydro then?

I would like to remind all Members that the
business before this committee is the Annual
Reports for The Manitoba Hydro-Electric Board for
the fiscal years ending March 31, 1989 and March
31, 1990. I would urge all Members to keep their
questions relevant to the business contained within
these reports.

Mr. Storie: Mr. Chairperson, we will have a number
of questions on the business of Manitoba Hydro as
outlined in the Annual Reports we are here to review
today. We will also want to talk about the policies
that are reflected in the Annual Reports, whether it
be energy conservation or the development of new
capacity for Manitoba Hydro.

We will also want to talk at some length about the new conservation strategy at Manitoba Hydro. I know that was a subject of some debate at our last committee meeting. There are still some questions remaining about that strategy and the appropriateness of the targets that have been established.

As well, we are going to spend some time talking about the collective agreement that has been signed by Manitoba Hydro relating to future construction on the Nelson River system and the construction of Conawapa and how it affects Northerners in particular.

We are also going to want to talk about Manitoba Hydro board's decision not to seek exempt status under the goods and services tax, a decision which it is apparent is going to cost Manitoba consumers millions and millions of dollars.

Finally, we are going to want to review the work that ID Systems is doing with respect to the Conawapa project on the Nelson River system, where that assessment is, how much remains to be done, and what parts of that assessment have or have not been done.

* (1010)

I would like to begin with the goods and services tax. Mr. Chairperson, the Minister of Finance (Mr. Manness) indicated to the House that Manitoba Hydro had made the decision to apply the goods and services tax without seeking to achieve an exempt status or arguing for that position or for a zero-rated position. I am wondering if the Minister can tell us what advice he sought, what advice he has, what advice he had with respect to that decision. Why was it necessary for Manitoba Hydro to capitulate, seemingly so willingly, to having the GST applied to consumers' bills throughout the province?

Mr. Neufeld: I think Mr. Storie should recognize that the goods and services tax first of all is imposed by the federal Government, and it is imposed against all goods and services, not only that service supplied by Manitoba Hydro. Indeed, the tax will be paid by all consumers of services like Manitoba Hydro, consumers in all provinces, by the users of any other household service like fuel. The tax is there, it is imposed. The Manitoba Government has long been on record as opposing the tax in principle. To apply for a specific exemption for Manitoba Hydro, I will turn that over to the chairman.

Mr. R. B. (Bob) Brennan (President and Chief

Executive Officer, The Manitoba Hydro-Electric Board): Our interpretation of the Bill before the federal Government now, or the Bill the Government is considering, requires Manitoba Hydro to collect the tax on consumers. We have met with other Crown corporations that provide electrical services, to ensure that the tax is implemented to the benefit of all consumers.

Mr. Storie: Mr. Chairperson, I appreciate the Minister's hands-off approach to this important question, but the imposition of this tax is a political question, very much a political question. To leave the decision to the board seems somewhat cowardly, to say the least. It also seems somewhat of a lack of leadership on the part of the Government. The Minister and some of his colleagues continue to suggest that in principle they oppose the GST. Well, opposing the GST in principle has not helped Manitoba consumers very much. Opposing the GST in practice would perhaps do something to convince the federal Government that they are all on the wrong track.

I do not know whether Mr. Brennan knows, but certainly the Minister responsible for Manitoba Hydro (Mr. Neufeld) knows that the Government has chosen to not impose the GST in other Crown corporation activities. The Government has said that we are prepared to stand up and defend the right of Crown corporations in Manitoba not to have the GST applied.

My question to the Minister is: Why did he not, as Minister responsible for Manitoba Hydro, Minister responsible for a corporation that delivers heating energy to 102,000 homes in the Province of Manitoba, say no, we do not need this imposition of an additional seven percent on our bill for something that is an essential commodity. Why did he not do it?

Mr. Neufeld: It goes without saying, Mr. Chairman, that we do not need the tax. None of us need additional taxes imposed upon our available income. The federal Government in its wisdom has seen to impose a general services tax. That tax includes the delivery of hydro-electric power to residential consumers. To say that in practice we should oppose it, does he mean then that in practice we should not collect it and defy the Government of Canada's act of imposing the tax? I do not believe that we can do that.

Mr. Storie: Mr. Chairperson, he does not believe

that we can do that. The Government of Manitoba, individuals in Manitoba, groups in Manitoba, Crown corporations in Manitoba have challenged the federal Government's legislation, regulations time and time again. The goods and services tax is a piece of legislation. It may or may not apply to Manitoba Hydro. Manitoba consumers will never know whether they had to pay this \$20 million or \$30 million, whatever it actually is, but my guess is it is in that neighbourhood, because this Government was too gutless to challenge the federal Government's suggestion that Manitoba Hydro is subject to the goods and services tax.

* (1015)

On the one hand, the Manitoba Government says no, it does not have to apply to the Manitoba Public Insurance Corporation, and we are prepared to fight the federal Government on this. On that front, it seems that the Government does have the will. My question to the Minister is: Why did this Minister not show some leadership? Why are we not standing up to the federal Government and saying no? Manitoba Hydro provides energy for people to heat their homes in many parts of the province where there is no alternative. They heat their homes with electricity because that is what is available, reliable, clean and efficient, as Manitoba Hydro says, and it is all of those things. Why did the Government not try to stand up for Manitoba consumers?

Mr. Neufeld: The Member for Flin Flon can talk all he likes, but the fact remains, if the Act is passed, it is a legal imposition of tax which cannot be ignored. To ignore and to refuse to collect tax that is legally imposed by the Government of Canada is tantamount to traitorism. We end up with anarchy if we simply refuse to pay the tax. I would like to refuse to pay the income tax, and I am sure the Member for Flin Flon would as well. Do we simply refuse to pay taxes to the Government of Canada if we do not agree with its imposition? I think that is bloody ridiculous.

Mr. Storle: I did not mean to exercise the Minister. The fact of the matter is that Governments have challenged the legitimacy of legislation, the legitimacy of constitutional requirements on many occasions in our history. We have done so because we believe in principle in our position. This Government continues to say somehow that it opposes the GST, but every opportunity it has to show that opposition, to take a stand, it seems reluctant to do so. What is more confusing is the

willingness of the Government on one hand to do it, and in Manitoba Hydro's case, not to do it. The CEO for Manitoba Hydro tells us that it was their interpretation of the legislation that they were subject to collect the goods and services tax.

My question to the Minister: Did the Minister request any legal opinion from the Department of Justice, from legislative counsel with respect to the obligation of Manitoba Hydro to collect it, to any question of whether it could apply or should be applying for tax exempt status?

Does the Minister have anything he can share with committee today that would show us that yes, if we had decided to challenge the federal Government in court on this designation, we would have lost or we would have won?

Mr. Neufeld: Mr. Chairman, it is one thing to impose a tax in principle, which the Government has indeed done through the Ministers of Finance and through the First Ministers of the country, but to oppose or to refuse to collect the tax in one specific area is quite another matter. Once a tax is imposed, it is a legal obligation of all those who are required to collect, to collect that tax. We will not shirk that responsibility.

Mr. Storle: Perhaps the Minister can tell us whether he sits in Cabinet or he sat in Cabinet the day the Government decided it was not going to impose the GST on the Manitoba Public Insurance Corporation, and that it was prepared to take that battle to court if necessary?

Mr. Neufeld: The decision on the Public Insurance Corporation is quite a different one, and that should be discussed with the Minister responsible for the Public Insurance Corporation (Mr. Cummings), but there is no decision as to whether or not that tax will be imposed at that level.

Mr. Storle: I am sorry. Then could the Minister, for the edification of this committee, tell us what the Government's position is with respect to the imposition of the GST on legitimate Crown corporations?

* (1020)

Mr. Neufeld: I think the GST Act provides that it shall not be imposed on Governments and Government departments, but whether or not it is imposed on Crown corporations is quite another matter, and I do believe it is imposed on Crown corporations.

Mr. Storle: I have to read between the lines

because the Minister was not more specific. Is the Minister saying that he disagrees with the Government's decision to not impose the GST on MPIC? Is he saying that it should be imposed on every Crown Corporation?

Mr. Neufeld: The decision has to be reached whether or not the Crown corporation qualifies as a governmental department. That is the area of dispute.

Mr. Storle: Somewhere along the line someone in Government decided that the Government was going to seek tax exempt status for MPIC. My question was: Does the Minister have any substantive evidence to suggest that we should be allowing, without a fight, the imposition of the GST on Manitoba Hydro consumers, other than his own seeming intuitive guess?

Mr. Neufeld: I can only repeat what I have said before. We are going around in circles on this issue. The Manitoba Government has for some time publicly indicated its rejection of the tax, but having said that, once it is imposed we have an obligation to collect. We will not defy the law of Canada.

Mr. Storle: I do not think we have any obligation to do anything if it is wrong. We have challenged the federal Government successfully in court on some things that it has done in the past, and we have won, individuals have won. My question is: Has the Minister done anything to assure himself that Manitoba could not have won this case on behalf of the more than 100,000 consumers of Manitoba Hydro?

Mr. Neufeld: Mr. Chairman, electrical utilities across the country have met and have between them come to the conclusion that the tax is properly assessed against their consumers. I do not think that arguing without knowledge about whether or not we should collect the tax is going to get us anywhere.

The tax is imposed by the federal Government. I have to repeat that. The tax is imposed. It is a legal obligation upon those who are legally obligated to collect, to collect. Manitoba Hydro is one of those who are legally obligated to collect, if and when that tax comes into law.

* (1025)

Mr. Storle: Perhaps. Certainly I would not be here arguing if the Minister had laid before the committee any substantive evidence, any conclusive evidence, that Manitoba Hydro consumers should be or could

be forced by the federal Government to pay this inherently unfair tax.

Can the Minister tell me, or obviously by the Minister's responses he has no substantive evidence, he has no conclusive legal opinion which says that.

My question is to Mr. Brennan however. Can Mr. Brennan tell the committee how much the imposition of the GST is going to cost Manitoba Hydro consumers exactly?

Mr. Brennan: We will add the 7 percent onto all bills that are issued from Manitoba Hydro. All businesses of any sort, whether they are large or small, will treat that tax as an input tax credit. The residential consumers will be the ones that will pay the tax. I guess a rough estimate of those would be in the neighbourhood of about \$300 million, something like that, of residential customers, and so there is 7 percent on that.

Mr. Storle: My guess of between \$20 million and \$30 million, it would be \$21 million by that calculation?

Mr. Neufeld: Rough calculation. I can give you the exact number if you want, Mr. Storle.

Mr. Storle: That \$21 million, Mr. Chairperson, would be round enough. We are talking about \$21 million that consumers will be paying because this Government was not prepared to take a legal stand on the status that Manitoba Hydro should achieve under the goods and services tax. Can the Minister indicate whether he or the Government ever contemplated applying for exempt status?

Mr. Neufeld: First of all, the tax is not yet legally imposable. To apply for exempt status when the indications are—let us start over. If you are legally obligated to collect a tax, why would you apply for exempt status? The tax is payable by the consumers, and the application for exemptions should be made by consumers. We have numerous consumer organizations who apparently have not made an application for exempt status. They are the ones, I should think, that should be making that claim.

Mr. Storle: I am flabbergasted! The Minister has just abdicated his responsibility as a Member of Government to lead, to defend the interests of the \$300 million consumers pay for electricity in the province, to the consumers themselves.

The Minister is saying, "I have no responsibility, it

is not my tax, besides I do not pay it, consumers pay it, so I do not really have any interest in this." That is the most outlandish statement I have ever heard from a Minister of the Crown.

The Minister has responsibility for Manitoba Hydro. The Minister has responsibility to ensure if this tax is going to be imposed that it is justifiable, that it is in principle correct, and that it is morally correct. I do not think any of those conditions meet. The Minister is telling me that he has done nothing, he is prepared to do nothing, and he has no legal opinion to support his contention that there is nothing they can do. The mind boggles.

Could I ask the Minister now whether he will instruct legislative counsel to develop a legal opinion for the Province of Manitoba as to whether the goods and services tax should be charged on Manitoba Hydro's bills? Will he do that for the consumers of Manitoba?

* (1030)

Mr. Neufeld: Mr. Chairman, the Member for Flin Flon (Mr. Storie) becomes more idiotic as he goes along. This is not a tax that is imposed on principle, it is not a tax that is imposed morally. Nobody suggested that it was a moral tax or that it was right in principle. It is right legally.

If the Government of Canada passes an Act to collect a tax, it becomes right legally. Whether it is right in principle or whether it is right morally becomes incidental, and I think that the Member for Flin Flon should think about that and should recognize that. It is easy for him to sit there and say Government should have done this; Government should have done another thing; Government should refuse to collect the tax; Government should refuse to collect another tax. Maybe we should refuse to pay all income taxes, maybe we should refuse to pay all excise taxes. How ridiculous can the man get?

Mr. Chairman: Order, please. I would, before we continue, just like to caution all Members of this committee that words like "idiotic, cowardly, gutless" are not words that show reasonable thinking in the uses of our words at this committee. Please choose your words carefully.

Mr. Storie: I apologize if I used any words injudiciously. Mr. Chairperson, my question for the Minister is: He has again suggested that somehow we have a legal obligation. There are Crown corporations, there are entities inside and outside of

Government that are going to get tax exempt or zero-rated status. Can the Minister table with this committee any legal opinion? The Minister is not a lawyer. Can the Minister table any legal opinion that says yes, definitively, Manitoba Hydro has to charge this tax to its consumers? The Minister.

Mr. Neufeld: I do not have legal opinion that says we do not have to charge the tax legally. I am of the opinion that Hydro has done the work necessary to assure itself the tax must be collected, and under those circumstances, Hydro will collect the tax.

Mr. Storie: The Minister is a Member of Cabinet. Can the Minister tell me whether he has any legal opinion, the Government has any legal opinion, that it is not obliged to charge the tax, impose the tax on MPIC services?

Mr. Neufeld: I am not aware of any legal opinion the Government may have under which MPIC may not have to collect the tax.

Mr. Storie: If I understand the situation correctly, the Government has no legal opinion that MPIC does not have to pay it, it has no legal opinion that Manitoba Hydro does have to pay it, but I am the idiot for asking the question. Will the Minister get a legal opinion to determine whether Manitoba Hydro has to apply this tax?

Mr. Neufeld: No.

Mr. Storie: The Minister has just issued his \$21 million "no" to the consumers of Manitoba. No, he will not find out whether they have to apply the tax. No, he will not make a decision in support of the taxpayers of Manitoba, 99 percent of whom do not believe that the GST should be applied to their Hydro bills or anything else in the province. The Minister is saying categorically the Government will not stand up for consumers.

Mr. Neufeld: I wonder where he gets the 1 percent. I do not think there is anybody in Manitoba who wishes to pay the tax. Indeed, I do not think there is anybody in Canada who wishes to pay the tax, but the Governments are obliged to collect the monies necessary to run their operations, as the Manitoba Government does. The federal Government, in its wisdom, has seen to impose, or hope to impose a general services tax. Whether or not that is morally right, whether or not that is right in principle is immaterial. It is, once it is passed, a legal obligation to pay. Those who fall under the Act must pay, unless we want anarchy to exist in this country.

Mr. Storie: This would be quite funny if it were not

so sad. The Minister has said that we are obligated to pay because we are required to pay the GST in its federal legislation. We have the situation where there is one Crown corporation that is not prepared to charge it; we have another that apparently is. We have a situation where the Minister says that we have a legal obligation but refuses to get a legal opinion that says we have a legal obligation. When I ask him a specific question—will he undertake to study this to get a legal opinion?—he refuses.

Mr. Chairperson, there is no logic in those two positions. There is no logic in refusing to get a legal position to substantiate a Minister of the Crown's argument, an argument that could save consumers \$21 million. The Minister is saying, "I will not even make the effort to get a legal opinion to decide whether we have a case that could be taken to a court of competent jurisdiction to make that decision."

The Minister is sitting rocking in his chair, deciding that consumers have to pay \$21 million because he is not prepared to make a logical, rational, reasonable decision. Will the Minister then resign from his position so that someone can take responsibility and defend the interests of consumers?

Mr. Neufeld: No.

Mr. Storie: Mr. Chairperson, it is hard to know where to go after that. The Minister has said that he will not seek a legal opinion, he does not have a legal opinion. Can the Minister indicate whether the Government has any policy when it comes to the imposition of the charging of the GST on heating versus other uses for Manitoba Hydro? I have heard the argument that somehow Manitoba Hydro competes for provision of energy to consumers. Was there any discussion ever of splitting the obligation on Manitoba Hydro consumers between heating and other uses?

Mr. Neufeld: These discussions take place within meetings of utility companies across the country. They have met, they have discussed the GST and they have come to the conclusion that they are obligated to collect the tax. I think the Member should recognize that those people have the best interests of their own consumers in mind when they do hold these discussions.

If it was not necessary to collect the tax, if they did not think it was necessary to collect the tax, they would make every effort to have the federal

Government see it their way. I think that the utility companies that have had these discussions know a great deal more about the tax than the Member for Flin Flon (Mr. Storie) and are in a much better position to come to a decision and have a greater interest in coming to a decision than the Member for Flin Flon.

Mr. Storie: The Minister and I may agree on something. Neither one of us knows a great deal about under what terms and conditions the GST might apply. The difference, or course, is that I am prepared to get a legal opinion. I would require a legal opinion. The Minister is saying although he does not know anything about it, he is prepared to do nothing to protect those consumers, and I am afraid I cannot understand that position. I am afraid there are lots of Manitobans out there who are going to be paying \$20, \$30 per month more for their Hydro bill who will not understand that position either.

Mr. Chairperson, my question is to either Mr. Ransom or Mr. Brennan: Did Manitoba Hydro consult with, for example, the Consumers Association of Canada, the Manitoba Society of Seniors on their decision to apply the GST?

Mr. Brennan: I do not believe we did. We reviewed the Act, and I can give you the sections of the Act, but electricity is set out clearly in the Act, I think, and we will give you those sections. In addition to that, the big areas are the other services that Manitoba Hydro provides, and those are the items we are meeting across the country with, nationally, to ensure that we do everything in the best interests of consumers that we can.

Mr. Storie: I realize Manitoba Hydro's position, the board's position, and your position as senior management is not to establish policy, and I realize that it would be unfair to expect you to take exception to these decisions as a Crown corporation or as executives in a Crown corporation. My concern and consternation lies with the Minister and the failure of the Government to look after the interests of the consumers. However, I am somewhat surprised that the imposition of a tax of this magnitude would not have led Manitoba Hydro to discuss with major consumer groups the imposition of this tax.

My question however is a more technical one, a factual one. What percentage of that \$300 million that is charged to residential consumers would be

for home heating? Can you give me a ballpark figure of what that might be?

Mr. Brennan: No, I would have to look that up. The \$300 million number though is a little less than that. Last year it was \$241 million, so the \$241 million would grow with both last year's rate increase as well as growth, but I do not have that exact number.

Mr. Storle: There is no exact number?

Mr. Brennan: We do have an exact number. I just do not know it.

Mr. Storle: I am sorry. Could I ask Mr. Brennan to give us that number at some point? I did receive from Manitoba Hydro, and I want to thank them, an indication that they had 102,000 consumers who heated their homes with electricity, but I would like to know what portion of the \$300 million total revenue comes from those—

Mr. Brennan: We can provide that fairly fast.

Mr. Storle: I have no further questions on this GST issue, if my colleague has any questions on that.

* (1040)

Mr. Carr: Mr. Chairperson, I have questions on other issues, and I will take this opportunity to be in asking them. I would like to follow up with one or two questions, however, on the GST and Government policy. I am a little confused as to the difference in logic the Minister proposes that there should be no GST applied to the Manitoba Public Insurance Corporation, but there ought to be GST applied to the bills of Manitoba Hydro. Could the Minister please explain to us the difference?

Mr. Neufeld: I have not said there should be no GST applied to Manitoba Public Insurance Corporation, nor have I said there should be GST applied to Manitoba Hydro. I have said that legally Manitoba Hydro is obliged to collect the tax. It is specifically mentioned in the Act, as Mr. Brennan has indicated, and he has given the section to you, I think it was Section 24, that Hydro falls fully within the scope of the Act with respect to the collection of the tax. As far as Manitoba Public Insurance Corporation is concerned, there is some doubt in some areas, and the Public Insurance Corporation is taking that up with the collectors of the tax.

Mr. Carr: Mr. Chairman, I would like to ask the Minister some questions on the approval processes in place now for the capital projects of Manitoba Hydro, particularly the Conawapa development.

Last Friday, we received a copy of the Public

Utilities Board recommendations on Manitoba Hydro's capital plans. We now are expecting a report from the Crown Corporations Council. There was some confusion at the beginning whether or not the Crown Corporations Council would make recommendations by December 31. The Minister will know that December 31 is the last day, after which the schedule of penalties of the contract for the export sale with Ontario Hydro kicks in.

Can the Minister tell us what the mandate of the Crown Corporations Council is in its review of the Conawapa plan, when he expects that recommendation to be made available to Government, if he expects that recommendation will be made public, and that the Crown Corporations Council will appear in front of a legislative committee to justify its recommendations?

Mr. Neufeld: As the Member well knows, the Crown Corporations Council reports to the Minister of Finance, but I will attempt to answer the questions from our perspective. The Crown Corporations Council will report through the Minister of Finance (Mr. Manness) to the Government some time before the end of the month, and I think the Minister of Finance has indicated that they would indeed report before the end of the month. In private discussions with the chairman of the Crown Corporations Council, he indicated to me that he would very definitely report before the end of the month.

As far as making the report public is concerned, that will be the responsibility of the Minister of Finance, but I would expect he would, inasmuch as he has indicated I think to the Member in the House, be prepared to have the Crown Corporations Council appear before a committee of the Legislature. Yes on all counts.

Mr. Carr: I am interested in knowing from either the Minister or Manitoba Hydro what the mandate of the Crown Corporations Council is. Does it have the staff resources available to it to do a thorough analysis and review of the Conawapa project? Is its mandate competitive with that of the Public Utilities Board?

In order to explore that, I would like to enter into a conversation with either the chairman or the president of Manitoba Hydro to review the correspondence and communication to date with the Crown Corporations Council, and what Hydro's understanding is of the council's role in approval of Conawapa.

Mr. A. Brian Ransom (Chairman, The Manitoba Hydro-Electric Board and Chairman, Manitoba Energy Authority): Mr. Chairman, we have no control over the mandate of the Crown Corporations Council. We simply respond to requests for information from the Crown council, and we have done that in providing them with all of the information they requested with respect to the capital plans of the corporation.

I would think that their level of involvement in the review of the capital plans of all Crown corporations would be substantially less than the sort of review that was undertaken before the Public Utilities Board.

Mr. Carr: I am not quite sure in that case what the Crown Corporations Council is there to do. The Minister of Finance (Mr. Manness) has asked it to report by the end of December, so presumably the Government is in possession of not only the Public Utilities Board's recommendation, but the Crown Corporations Council's as well.

We have no way of knowing what relative weight the Government will give to those two reports. We have no way of knowing whether or not they will agree, and we will not know that until we see the Crown Corporations Council's report. Presumably, because the Minister of Finance has asked it to report to the Government before December 31, there will be some weight given to the Crown Corporations Council's advice on the question.

I am interested in knowing what the Government is expecting from the report from the Crown council. We know that the mandate of the Public Utilities Board was expressly articulated in an Order-in-Council. Did the Government specifically ask the Crown Corporations Council to answer a number of questions vis-a-vis the capital development plans of Manitoba Hydro? If so, what are those questions and can the Minister enlighten us?

Mr. Neufeld: We should remember that the Crown Corporations reports directly to the Minister of Finance (Mr. Manness) and is responsible to the Minister of Finance. My own thinking would be that the Crown Corporations will report to the Minister of Finance, and to the Government through him, on the results of the Public Utilities Board hearings, the interveners that appeared before them, the weights that the Crown council believes were given to the various interveners' sub-topics, an overall thought

on the project itself, and an overall thought on the sale to Ontario Hydro, based on the information it has received from attending all the hearings. This will give the Government an added level of comfort in reaching its decision.

Mr. Carr: Mr. Chairman, I suppose one of the frustrations of the whole process of review is that there are so many levels of authority. We have the board of Manitoba Hydro itself which presumably initiated the capital development plans, we have The Manitoba Energy Authority which was involved in the negotiation of the sale to Ontario Hydro, we have the Public Utilities Board which recently made its recommendations public, we have the Crown Corporations Council which intends to make its report known to the Government by December 31st, we have the Minister of Energy and Mines (Mr. Neufeld) responsible for Manitoba Hydro, and then we have the Cabinet itself which presumably will make the ultimate decision.

* (1050)

What is worrisome is the that Minister has now told us that the Crown Corporations Council, which reports through another Minister and is therefore not responsible to him, is off on a tangent of which he is not fully aware. I gather from what the Minister says that the Crown Corporations Council will simply review the testimony that was delivered to the Public Utilities Board during its hearings and will make a conclusion based on the same information that was provided to the Public Utilities Board, therefore having no independent analysis of its own. Is that the Minister's understanding?

Mr. Neufeld: I think we should recognize that the Crown Corporations Council will give Government and should indeed give the Member for Crescentwood (Mr. Carr) an additional level of comfort. It is another opinion we will be getting in Government in order to reach the decision which is best for the people of Manitoba.

I think it is fair to say, however, the information that was given to the Public Utilities Board through interveners, through cross-examination, and through the witnessing of Manitoba Hydro will be far more than the Crown Corporations Council could on its own receive, so they will indeed, I think, have to review the information that was placed before the Public Utilities Board over the number of days, the number of weeks of hearings and reach a conclusion based upon the information and the

intervention by interveners on the decision that the Public Utilities Board gave to Government.

Mr. Carr: Mr. Chairman, can the president or the chairman of Manitoba Hydro shed any light on the differences of responsibility between the Public Utilities Board and the Crown Corporations Council? I guess the best way that they could help us is to give us some sense of just what kind of communication they have had with the Crown Corporations Council, what sort of questions are being asked. Are they simply being asked, that is Manitoba Hydro, to duplicate the process of the Public Utilities Board hearings, or has the Crown Corporations Council asked Manitoba Hydro to give them additional information, a different kind of information? Are the questions of a different nature? What is the sense of Manitoba Hydro on what the Crown Corporations Council is doing right now in preparing its recommendations to Government?

Mr. Ransom: I would ask Mr. Brennan to deal with some of the specifics of the information, but from the perspective of Manitoba Hydro, which is more affected by this wealth of interested and responsible parties with respect to Hydro's plans, it has been an interesting development over the years. Originally when Manitoba Hydro was established, I am sure at the time it was assumed that it was sufficient protection to have a Crown corporation managed by a board, publicly owned and members of the public serving on the board, that that would in itself protect the interests of the public.

As time has passed, Hydro has been perceived not to have acted in the public interest all the time, some further kinds of reviews were required, and so, as the Minister has said, out of an abundance of caution and desire to make certain that the public interest is served, we now have the Public Utilities Board at the request of Hydro and the empowerment of the Government undertaking the most extensive review of Hydro's capital plans ever seen in this province to serve the public interest, and Hydro has viewed it from the perspective of serving the public interest.

We similarly see that the Crown Corporations Council is there to serve in the public interest as well. I suppose if we approached it from an institutional, jurisdictional perspective, we might feel that some of our responsibility was being usurped. As the Member would know from discussions around this table in recent weeks, when the committee was proposing to give a specific direction to us, we

objected strongly to that, but we see that the other reviews that are taking place are in the public interest, and we approach it from that point of view, recognizing that there is not a neat matrix of decision-making that you put on the wall that says this is the specific responsibility that lies here and this is the specific responsibility that lies there.

Ultimately the Government has to take the responsibility for the decision that is taken. In this case they are going to have advice from the Hydro board, they have advice from the MEA board, they have advice from the Public Utilities Board, and they will have advice from the Crown Corporations Council. They are the people who ultimately exercise the responsibility for the correctness of the actions that are taken.

Mr. Carr: I would like to ask the Minister to expand on his answers to a question we posed in the House the other day about tendering for the road into the Conawapa site and the transmission facility. The Minister explained in the time available to him during Question Period that it was necessary for these expenditures to take place immediately.

I would like the Minister to expand why. Why is it that before we hear from the Crown Corporations Council, before the Government in its wisdom makes a decision to allow Manitoba Hydro to proceed with the development, before the environmental review process has even begun, Manitoba Hydro is spending millions of dollars in advance of the necessary approvals?

Mr. Neufeld: First of all, I will leave the details of the questions to Manitoba Hydro's management. The question posed to me in the House was not "would they spend any money before the Crown Corporations Council rendered its decision, the recommendation." The question was posed, "would they now be spending money before the end of the year," I believe, "and before the environmental review took place."

My understanding from management is we have to get certain things in order so that we can carry on with the tendering of the contract and to keep in the deadlines that have been imposed by us, by management in relation to its contract with Ontario Hydro. I will let Mr. Ransom or Mr. Brennan talk about the details of the road into Conawapa.

Mr. Ransom: First of all, it should be understood that the environmental approvals have been sought and obtained from both the federal Government and

the provincial Government with the possibility that there is still a final forum to take place with respect to the transmission line from the province.

We have gone to both levels of Government to seek regulatory approvals to call tenders for construction of the road and the transmission line because of the necessity to have this work done in order to preserve the option of having Conawapa in place in the year 2000. The tender calls, if that is the correct terminology, were put in the paper a few weeks ago with respect to aspects of the road construction made it clear that these tenders would only be called with a positive approval from the Public Utilities Board. There is an element of risk involved, but it is necessary to expend money this winter in order to maintain the in-service date of 2000 for Conawapa. I do not know whether Mr. Brennan has any specific details to add to that or not.

(Mr. Jack Reimer, Acting Chairman, in the Chair.)

Mr. Brennan: I do not think so. The road tender itself has not gone out as yet. The only tender that is out at this point is a tender for some culverts. We expect the province to be issuing tenders. They are building the road for us, and we expect the tenders out hopefully next week.

* (1100)

Mr. Carr: Mr. Ransom has just told us that the final decision to proceed or not to proceed with the project is the Government's, not the Public Utilities Board. He now tells us that Manitoba Hydro considered it sufficient and waited for the approval of the Public Utilities Board before taking the decision to spend money on infrastructure into the Conawapa site. I do not understand why Manitoba Hydro would do that. Manitoba Hydro has taken the decision to expose itself to this risk before the Crown Corporations Council report, before the Government itself—and I think all agree that it is the Government itself which will have the final say to proceed or not to proceed—has made its decision, before the necessary environmental approvals for the entire project are in place, and now we hear from the chairman, before final approval for the transmission line is in hand from the province.

Can the Minister or the chairman of Manitoba Hydro tell us why it is necessary to take these decisions, literally three weeks in advance of the decision expected by the Government of Manitoba

and before the approvals are in hand from the province vis à vis the transmission line?

Mr. Ransom: Yes, I think we can answer that question, Mr. Acting Chairman. That, as the Member can imagine, was the subject of some discussion within the corporation as to the timing, and there was a desire to delay any decision and the expenditure of any money as long as possible to get all of the approvals in place, but it was the best advice from our engineering and construction people that in order to accomplish this construction within the next year, it was necessary to go at this point and begin the process of calling for tenders. Not to do that would result in much more expense being incurred if we delayed. The choice of management and the choice of the board is "do we wait and run the risk of spending more money later?", or "do we go now and run the risk that there may be no approval at all?"

Given the report of the Public Utilities Board, which very clearly sets out that Conawapa is in fact required and is the most desirable source of supply for Manitoba's own requirements. Given our obligation, that is the choice we made, that we would go at this time. Given that we would prefer if we did not have to do that, that is the risk we take.

Mr. Carr: I think we are seeing the replay of an old movie here, and as Members of the committee will remember, it was the building of infrastructure and the expenditure of millions of dollars that led to the decision of the Saskatchewan Court of Appeal to allow the final stages of the Rafferty project to proceed. The argument was that so much had already been spent, it was too late to turn around. We are seeing now in the Province of Quebec a very similar story unfold, that some \$600 million of infrastructure will be built towards preparation of the James Bay project, and we are seeing the very same thing happen in Manitoba at a time when the process itself for environmental review is very much up in the air.

As the Minister knows, we have amendments in front of the Manitoba Legislature that will affect the environmental assessment process in our own province. There are legislative changes currently in front of the Parliament of Canada, Bill C-78, which will change the environmental review process for Canada. There is some attempt being made to harmonize the way in which the two jurisdictions approach environmental assessment, but how it is going to turn out is very unclear.

We asked the chairman of Manitoba Hydro about two weeks ago if it was reasonable to assume that environmental licences would not be granted through 1991, and the chairman's answer was yes, that is a reasonable assumption. We then went into a long debate with the president of Manitoba Hydro over the financial exposure of the corporation, should approvals not be in place by that time, and the date we were using was March 31, 1992. The first total that we received from the president was some \$150 million expended by Manitoba Hydro in addition to the \$60 million in the penalty clauses for a total of \$210 million. Then, upon reflection, the figures were revised downward to I believe \$100 million of expenditure by Manitoba Hydro in addition to the \$60 million penalty clause.

I would just like it on the record this morning at this committee from the chairman of Manitoba Hydro and the president of Manitoba Hydro, given the uncertainty of the environmental review process, given the fact that final political approval has not yet been given to the project, if they believe the course that Manitoba Hydro has chosen to be prudent?

Mr. Ransom: Of course we believe it is prudent or we would not have taken that decision, Mr. Acting Chairman. We are aware of all of the arguments that the Member has put forward, we are aware of all of the possible things that can happen and can go wrong, and in light of all of those things, we have to make a decision. We have the responsibility to provide the source of power to the people of Manitoba, and in this case we are assisted in that through the sale to Ontario, so we have judged that this is a prudent course of action.

The amount of money that is projected to be expended on the road and the transmission line, while it is a very significant amount of money in actual terms, is a very small amount of money compared to the overall capital investment for Conawapa and the transmission line, and that would be very unlikely to place any Government or any board in the position of feeling they were forced to proceed as a consequence of this expenditure of money on the road and transmission line, given that it is such a small percentage of the overall capital investment that will ultimately be required.

Mr. Carr: Mr. Acting Chairman, at the last meeting of the committee, or perhaps the meeting before that, we asked Manitoba Hydro to advance copies to us of the environmental assessments that were

done within the corporation, and I believe the president has those with him this morning.

Mr. Brennan: The individual who was bringing them, I do not think has brought them. He is nowhere at this point, but they are on their way. We brought them last time as well and did not get the opportunity to file them.

Mr. Carr: I am sorry we did not have the chance to debate it last time. I am grateful that they are here, and we would like to see them as soon as they do arrive. Can the president of the corporation tell us which company did these studies? Were these done by outside consultants or by Hydro itself?

(Mr. Chairman in the Chair.)

Mr. Brennan: These studies were, I guess, managed by Manitoba Hydro. We had professional support from two different companies. In the case of Conawapa, it was ID Systems, and in the case of the transmission line, it is McLaren Plansearch.

Mr. Carr: Can the president tell us the nature of the contract with ID Systems? What is the duration of the contract, and what is the total amount of the contract?

Mr. R. O. (Ralph) Lambert (Executive Vice-President, The Manitoba Hydro-Energy Board): The consulting services agreement with ID Systems was started in January 1988, and it was to gather and organize environmental information to do some work on predicting environmental impacts, to recommend means of preventing and reducing adverse effects, and to prepare required documents for a regulatory review. The original contract was let in June 1988, for \$470,000.00. Subsequent to that, there has been some additional work required, and that has now reached a total of \$726,000.00. It is expected that the final cost will be \$815,000, and that work will conclude in the near future.

* (1110)

Mr. Storie: Continuing on this issue -(interjection)- Mr. Chairperson, the Member for Pembina (Mr. Orchard) has a right to ask questions if he wants.

The contract that was signed with ID Systems was originally to consist of some \$470,000.00. I understand that has been expanded due to I guess the changing scope of the work that ID Systems was to undertake. In answer to questions from my colleague from Crescentwood (Mr. Carr), we did not get a very clear picture on what specifically remains to be studied, nor what specific topics have been

added to the preliminary work plan that was filed by ID Systems in July of 1989. I am wondering if we could have a more specific outline of what projects have yet to be concluded because, it is of some concern, because in the paper at least, and we are only going from reports, the environmental assessment, perhaps for some people the most critical part of it, had not been concluded. Could we have some more specific information on that?

Mr. Lambert: Where we are with this contract with or agreement with ID Systems, we will conclude all of the information that is required to go forward and to be reviewed by the regulatory agencies. After that, they will comment on the work that has been done as to its satisfaction from their perspective and may request that additional work be done.

If additional work is requested we would do that. It is not clear at this stage what additional work they might request; it hinges on whether or not the work that is nearing completion is to their satisfaction from their perspective.

Mr. Storle: If I understand you correctly, the PUB actually may require some additional work, or who else may require additional work? What I am trying to understand is, the costs have now increased, almost doubled from what it originally was anticipated to cost. I am wondering from what sources could additional pressure be brought to bear to study other issues, the PUB, Manitoba Hydro board, environmental groups? Where else could we get pressure to increase the scope of this contract?

Mr. Lambert: Possibly I was not very clear on that. I had mentioned that the reports will go forward to the regulatory people. I should have said the environmental regulatory people, who will assess the reports from their perspective with respect to adequacy in terms of dealing with the environmental issues, and they may or may not ask for some additional reviews to be done, some additional studies to be done, to satisfy themselves that we have done an appropriate job.

Mr. Storle: Mr. Chairperson, it could be the Clean Environment Commission, for example, that might say "we want another study of this." I think that is probably understandable in a project of this scope and with the potential for so many ramifications, environmental and otherwise. My question then is: If a decision is made by a body, PUB, the Clean Environment Commission, Government, whatever,

that additional study is needed in a specific area, how does Manitoba Hydro handle providing that additional information? Would it necessarily go to ID Systems because they conducted the initial work? Would it be another contract? How does Manitoba Hydro deal with those additional requests?

Mr. Lambert: Dealing specifically with the Conawapa project, which is the one that ID Systems have done the work to date on, the only practical way to do it would be to ask them to do additional work, because they have been the people that have gathered the bulk of the data to date. If one were to consider hiring a different organization to do it, then they would in all likelihood have to go back and collect a lot of the base data again, so from a practical perspective one would expect that in all likelihood we would go back to ID Systems.

Mr. Storle: Mr. Chairperson, we are in a situation where one group has been awarded the contract for a specific work plan. Other factors may change, other requests may come in that would require that work plan to be altered or additional work to be done, but Manitoba Hydro is saying other companies may not have access to the contract for doing that because ID Systems has already done the groundwork.

Would that be true if the contract were only on a subject that was just related to it but not part of the main work plan? I am not an expert; I cannot understand all of the things that might come up, but if during the original work plan they did not examine the effects on a mollusk or something and somebody said, "What about this, what about the impact of this species on this project?", would that normally go to ID Systems? It would not be considered different enough to have a new contract let?

Mr. Lambert: My comments were primarily in the context that it would be an extension of the work that ID had done. I suppose if one could visualize or assume that there was something significant totally missed and totally different from the work that they had done, then the consideration of a number of different consultants could be taken.

My comments were in the context that the practical way to approach these things is that if it is an extension of work, it is some additional studies that maybe were not complete in the view of the regulatory people, then the practical way to do it would be to ask ID to finalize it. If it was in a totally

different area we would presumably consider all of the consulting fraternity that could contribute.

Mr. Storle: This is going back to the scope of the work that ID Systems is doing. Of the \$815,000 that may be the final cost, and that is assuming that no other work is asked to be done, how much of that has ID Systems received already?

Mr. Lambert: I cannot be sure exactly how much they received, but what I think I had said previously is that the costs to date are \$726,000.00.

Mr. Storle: So there is a remaining \$100,000 roughly that may be outstanding. Mr. Chairperson, could this committee or will this committee have access to the work that is submitted directly, or is that internal information for Manitoba Hydro's use, or would it go normally through, for example, the Clean Environment Commission when it starts to look at the project in more detail?

Mr. Lambert: The information that is contained in the reports, of course, the intention is that it is for the regulatory process, which in the case of the province is the Clean Environment Commission, so those reports will be made available, and the reports generally are of a public nature in any event.

Mr. Storle: When does Manitoba Hydro expect the final report on the environmental portion of the contract, the portion that was referenced in the paper, in the one article by the Winnipeg Free Press of a couple of days ago?

* (1120)

Mr. Lambert: If you are referring to the report from the regulatory agencies, what our current schedule provides for is for us to get the final report and licensing in the fall of 1991.

Mr. Storle: For all of that to happen, obviously there has to be a sequence of events. When would you expect ID Systems to have their final report to you to achieve final approval? We talked earlier about December, January. When do you expect that to finally happen?

Mr. Lambert: Insofar as the current work that ID Systems is doing, it is nearing completion right now, and as soon as it is completed it will be advanced to the regulatory bodies for their consideration. As I have indicated previously, they may or may not ask for some additional work to be done.

Mr. Storle: My questions are to the Minister, I guess, of a more difficult nature, and that is dealing with the whole question of conflict of interest. I preface my

remarks by saying that in this case, and I recognize that the conflict of interest issue has been discussed by the chairman of Manitoba Hydro, Mr. Ransom, and Mr. Filmon, I gather, perhaps as well the Minister of Energy and Mines, the Minister responsible for Hydro (Mr. Neufeld), but it is nonetheless an important issue in terms of public confidence.

While I am raising it in the context of the contract that Manitoba Hydro has with ID Systems, I want to make it very clear that the integrity of Mr. Ransom is certainly not under question by me or anyone that I know of. That makes -(interjection)- Well, Mr. Chairperson, the question is the perception, and I realize this is a difficult issue for Mr. Ransom in particular, but also a difficult issue for Manitoba Hydro that is dealing with a project that is extremely important to Manitobans.

My question really was: Was there any consideration—this is to the Minister—of having it very clear that ID Systems would do no further work with Manitoba Hydro for a period of time just to ensure—and again it is difficult to deal with the issue because everyone, I think, in the community respects the integrity of Mr. Ransom, and I certainly do, but these kinds of situations and circumstances are going to arise from time to time, and why would it not be possible to have ID Systems remove itself or the Government to ask ID Systems to remove itself for a period of time?

It becomes particularly complicated when we hear from Manitoba Hydro that it is possible that ID Systems will be required on an ongoing basis to complete work, to do new work to satisfy the regulatory agencies who are reviewing this project? Was that considered, can the Minister indicate?

Mr. Neufeld: Mr. Chairman, I have to say at the outset that Mr. Ransom as a past Minister of the Crown and as a chairman of Manitoba Hydro is very well aware, probably more aware than most of us, about the conflict of interest guidelines and probably more willing to ensure that there is no perception of conflict. I have to say with respect to the specific question the Member posed, the resignation of Mr. Ransom came in on Friday of last week, and there has been no discussion in Cabinet with respect to that resignation with the exception of wishing him well in his new venture.

Mr. Ransom: I would like to point out for the committee that this exact situation was

contemplated by the Members of the Legislature when they passed the Act which is entitled The Legislative Assembly and Executive Council Conflict of Interest Act.

The precise type of situation was contemplated at the time, where a Minister or a senior public servant leaving the service of the Government might go to an employer who had a contract with the Government or a Crown corporation.

(Mr. Jack Reimer, Acting Chairman, in the Chair)

If the Member has not had an opportunity to read that Act since having voted for it in the Legislature, perhaps I could read Section 19.3(1) that is entitled "No participation in employer's dealings".

"Where a minister or senior public servant, after leaving office, accepts employment with a person, partnership or unincorporated association or organization with which the Minister or senior public servant has official dealings during the year preceding the date on which the minister or senior public servant leaves office, the Minister or senior public servant, for a period of one year following the date on which the minister or senior public servant leaves office, shall not, directly or indirectly, attempt to influence or assist in any way or in any way participate in (a) deliberations of the employer with respect to a matter in which the employer has a pecuniary interest and in which the government or a Crown agency is involved; (b) negotiations or consultations between the employer and the government or a Crown agency; (c) the performance of obligations of the employer under a contract between the employer and the government or a Crown agency."

I have been aware of that section of the conflict of interest Act for some time, since I sought advice from the Civil Service Commissioner with respect to my contract and potential conflict of interest, and before deciding to accept the position. It was evident that the Legislature had contemplated something almost exactly as the situation that I find myself in, and I have accepted the wisdom of the Legislature in passing this Act, and I intend to conform to it.

Mr. Storle: Mr. Acting Chairperson, I have no doubt whatsoever that Mr. Ransom intends to conform to it and will conform to the requirements of the Act. The difficulty is, and it is not of Mr. Ransom's making, we appreciate that it is not of the chairperson's making, but ID Systems is performing a contract at a time when the chairperson is

involved, and the unfortunate part perhaps, in a timing sense, is that ID Systems is in a position to continue to benefit from that contract at a time when the chairperson is assuming new responsibilities. It makes it difficult because if, for example, ID Systems continues to do work as requested by regulatory agencies, others after the normal expiry date and the conclusion of the work originally planned, there are going to be questions.

I guess you are never going to satisfy everyone, but my simple question to the Government was, and perhaps to Mr. Ransom: Was it ever contemplated to ask ID not to seek to do that additional work, not to seek work, because of the quite unusual circumstances, for a period of a year? Whether it is adequate and whether we could ever cover all of the possibilities dealing with the movement of people and opportunities that become available, I guess is open to question, but it seems to me that if the Government and Manitoba Hydro and indeed Mr. Ransom wanted to make it absolutely clear, they could simply say for that period of time there would be no additional dealings. Perhaps that leaves Manitoba Hydro in an awkward position, but I am wondering if it was ever contemplated.

Mr. Neufeld: Mr. Acting Chairman, the question of course is hypothetical. Should that indeed come about, I have the greatest confidence that the chairman of Manitoba Hydro will at that time take the decision he believes in keeping with the legislation that was passed with respect to the conflict of interest. I recognize that future dealings of Manitoba Hydro will be scrutinized by this committee and indeed perhaps by the Legislature in Question Period, and I have no doubt that when the time comes, questions will be asked, and I am confident that no agreements will be entered into that are in conflict with the Act.

* (1130)

Mr. Storle: Mr. Acting Chairperson, we will leave that issue and move to another one, one that was dealt with at some length in the last committee, and that deals with the energy conservation targets of Manitoba Hydro. I apologize if Mr. Ransom or Mr. Brennan have to review some of the ground that was covered during the last committee, but unfortunately I was not able to get a copy of the Hansard of last committee, so I am at a little bit at a loss to know exactly what was dealt with.

I wanted to know whether Manitoba Hydro could

lay on the table an overview of the energy consumption pattern of Manitoba Hydro consumers, individual residential consumers, commercial consumers, industrial consumers, because it seemed to me that Manitoba Hydro was indicating that a demand-side target of 6 percent may not be realistic. To conclude that would not be realistic, it seems to me that Manitoba Hydro would have to have pretty good knowledge of where our energy is going, how it is being used, by whom and when.

Does Manitoba Hydro have something that they can table with this committee that would show us what percentage of residential energy goes to heating, to hot water heat, to water heating, to plugging in the car, to outside lighting, to those kinds of things? Does Manitoba Hydro have any specifics on that kind of question?

Mr. Brennan: I do not believe our load forecast is broken down like that, but our load forecast is developed on the basis that various end uses will grow. We do have a breakdown of where we think various consumption increases will come from, and that was filed with the Public Utilities Board, and we can file it with this committee as well. It was reviewed relatively extensively in the PUB process, but that can be made available to you.

Mr. Storle: I would appreciate receiving a copy, and I actually probably do have the PUB documents although I have not reviewed them all. Could Mr. Brennan indicate, for example, how detailed that might be? Does it suggest what percentage of the existing load of Manitoba Hydro goes, for example, to heating water residentially? Is it that detailed?

Mr. Brennan: It is not that detailed.

Mr. Ransom: Mr. Acting Chairman, as the Member has pointed out, he does not have access to the transcript from the last proceeding, and perhaps he is unaware then that the committee passed a motion at the last sitting directing Manitoba Hydro to report to the committee presumably roughly a year from now, at least when it next sits, on this very subject of the potential for achieving greater demand-side management savings.

Mr. Storle: To Mr. Ransom, yes, I was aware that request had been made, but again Manitoba Hydro has already filed information on demand-side management, and it appears as though it is not as thorough as it could be. Manitoba Hydro it seems to me has to know its consumers intimately. It has to know what percentage of electricity is being used for

various things to determine a strategy for conservation. We have recognized, Manitoba Hydro has recognized that plugging in our cars and running interior car warmers is a major energy user and has moved quite appropriately to address that, but there may be other—the more detailed information they know about how the consumers are reacting, how they are using it, the better informed they can be, so I am asking Mr. Brennan whether the information that will be provided a year from now will be that specific.

Mr. Brennan: The first thing we have to do in the process is to go out and try to determine just what is the potential, both in terms of a just achievable potential as well as that which is cost effective, and we intend to do that right away. It is estimated that it will take us six months or so, but we are proposing to do that virtually immediately, so to answer your question, a year from now we should be able to give you that.

Mr. Storle: Mr. Acting Chairperson, perhaps Manitoba Hydro already has a strategy for determining on an individual basis how people are consuming energy, but just for the record, I think that it should be possible for Manitoba Hydro to determine, for example, what percentage of a residential user's energy is going to plug in their car, to heat their water, to light the outside of their home for security reasons, to do all of those individual things. I recognize that it is going to take some individual consumer surveys. You are going to have to be asking people for information on how they live their lives, but it seems to me that a 6 percent target in terms of energy conservation is very achievable.

I can only use a personal example in our home, that when we decided to be energy conscious, we reduced our Manitoba Hydro bills by almost 50 percent. If you do not run the dishwasher any more than once a week rather than every day, you can save a lot of energy. Six percent, it seems to me on the surface, is extremely achievable if we understand how our consumers are reacting. I am hoping that we can have that kind of detail from Manitoba Hydro.

Mr. Brennan: We agree with you, that information is required. We need to know just what is the potential out there and certainly that which is cost effective to achieve, and we intend to do everything possible to achieve the most cost-effective conservation we can, regardless of what the target is. The target that we have now was the one that we

proposed to use at this point for planning purposes. That was reviewed by the Public Utilities Board, and they agreed with us, with the target that we came up with for planning purposes. They also suggested that we do everything possible to achieve cost-effective conservation.

Mr. Storle: Then my question is to the chairperson of Manitoba Hydro. If in a year from now, Manitoba Hydro finds that not only is 2 percent or 3 percent achievable, that in fact 6 percent or 8 percent or 10 percent is achievable over a very short period of time, what implications does that have for Conawapa and other proposed planned Hydro projects?

(Mr. Chairman in the Chair)

Mr. Ransom: One of the difficulties with respect to demand-side management is that Hydro, under the previous board and previous administration and previous Minister, did not make a start on this, and so there is a great deal of information that has to be gathered before the utility can be confident as to what level it is actually possible to achieve by way of demand-side management. That is why the Public Utilities Board has concluded that the 100 megawatts is the appropriate target for planning purposes. The Member having been a former Minister responsible for Manitoba Hydro will no doubt be familiar with the planning process and the implications of injecting a specific target into the planning process. They also concluded that it should be Hydro's objective to implement all cost-effective demand-side management that can be achieved, and we agree with that.

* (1140)

Over the next few years we could find that it is possible to achieve cost-effective levels of demand-side management higher than 100 megawatts, and if that is done, that is to the advantage of the corporation. The Public Utilities Board dealt with the issue of what would be the effect on the proposed preferred development scenario, if it turned out that it was possible to achieve a higher level of demand-side management, and it is still to the advantage of the corporation and its consumers to do that.

We are in the position of being able to set a target which we regard as a minimum target for planning purposes and then be in the happy position that if we were able to achieve more it is advantageous to achieve more, and under some circumstances it

may even be possible to delay the in-service date of Conawapa, say, by a year.

If that were the case it would become evident, say, midway through the construction period, and the construction period could be extended. It still is to the advantage of the corporation and its consumers to do that. The fact that we do not use a higher target than 100 megawatts for planning purposes does not in any way constrain us from our intention to pursue all demand-side management that is cost effective.

Mr. Storle: I appreciate the importance of positioning this demand-side management target in terms of the overall long-term planning of energy generation. I guess my question then is: How long does the chairperson expect it to take before Manitoba Hydro would have enough confidence in its demand-side projections to, for example, target whatever amount might be saved for firm export? How long is it going to take before Manitoba Hydro knows how much we are achieving and can achieve, and whether that achievement is sustainable, so that we can then turn around and export that 100 megawatts on a firm power basis? Are we talking about five years or a decade?

Mr. Ransom: From listening to the evidence at the Public Utilities Board and from discussions with management and staff at Hydro, my personal judgement is that it will be two or three years before we know whether it is realistic to be talking about 2 percent, 5 percent, 8 percent. If we go beyond that into the realm of some of the figures that people like Amory Lovins and the Rocky Mountain Institute talk about, then I think we are talking decades before we know whether society and the utilities will achieve those kinds of levels, but if we are talking about choosing between 2 percent, 5 percent, 8 percent, then I think we will have a pretty good idea of that in two to three years.

Mr. Storle: Mr. Chairperson, just perhaps a little more specific, I appreciate it is a bit of a crystal ball gazing, and I realize it is difficult to determine, but I am wondering on a more concrete level, why Manitoba Hydro has not been promoting the use of fluorescent lights, for example, in a more direct incentive kind of way.

Mr. Brennan: I guess the real reason is because we got into the program relatively late. We are looking at a program like that now. It is not a major program, but certainly it is a program. We are hopeful of having something take place fairly soon in that area.

Mr. Storle: Mr. Chairperson, I would like to change topics and talk about the Conawapa project for a minute. I believe the Minister or perhaps Mr. Ransom signed the Burntwood-Nelson Collective Agreement with the Allied Hydro Council some year ago, and I am wondering whether it would be possible for us to get a copy of that agreement.

Mr. Neufeld: The agreement was signed by Manitoba Hydro and not by the Minister, but there is no reason why you should not get a copy of that agreement, and it will be tabled.

Mr. Storle: I appreciate that very much. The Minister will recall when I first learned of the signing of that agreement I expressed a great deal of concern that the agreement did not improve on the current provisions of the collective agreement in terms of hiring preferences, the northern hiring preference. I want to ask the Minister whether before he signed that agreement there was any consultation with native groups, Native political organizations, northern communities, et cetera, before that agreement was signed?

Mr. Ransom: Mr. Chairman, the Member will probably be aware that there was quite a lot of discussion between the parties to the agreement, negotiation that goes on before the agreement would be signed, and that these types of things were the subject of some discussion. The negotiated agreement that was arrived at was essentially the same as the agreement that was in place before. While some of the Native people and organizations have expressed dissatisfaction with what had taken place on Limestone, it is fairly evident I think that, when you examine the employment situation, it was not the caps on the preferential hiring that limited the ability of Native people to be employed on the project. Only in very limited circumstances was that the case.

The Member will also be aware of the different interpretations that are placed on the Northern Flood Agreement as well, with respect to who has "priority for work on the project" as opposed to Northerners generally. This is a fairly contentious area to enter into in negotiating the agreement.

Hydro's perspective is that what has to be done to really improve the employment opportunities for Native people is to have adequate training programs in place, that literally it is the case that if qualified Native persons present themselves to be hired they will be hired irrespective of any kind of preferences

that are there. A preference that sets a high target is meaningless if there is not a trained person available to take that job.

In practical terms, we do not see the Burntwood-Nelson Agreement, as it is now referred to, as constraining us in any way from proceeding with programs to improve the employment opportunities for Native people. It is perhaps relevant, too, to realize that in the global negotiations with the NFA bands where some of the bands have taken the position that they were exclusively entitled to first preference on employment on the project, we dealt with that issue by saying let us forget about targets and obligations, let us sit down and talk about how we actually get people to the point where we can employ them on this project, and if after a period of time you are not satisfied with the progress that has been made in employment, then you still have recourse to go back to get a court's interpretation of those particular sections of the NFA.

Hydro is simply approaching it from the point of view that we want to do everything in a practical sense that we can to improve the employment opportunities for Northerners, for northern Natives in particular.

* (1150)

Mr. Storle: I recognize that it is a complex issue; however I think that perhaps Manitoba Hydro, Mr. Ransom, is misreading the circumstances with respect to certainly the next generating station, the Conawapa station. The fact is that some of the caps were a hindrance. Mr. Ransom indicates that it was only on a very limited basis that those caps became a problem. However, in practical terms, but also importantly psychologically for the people involved in the project, the contractors, Manitoba Hydro, it is important to recognize what the goal is. The goal, at least as expressed by Manitoba Hydro through the Limestone project and I hope through the current project should it proceed, is to employ all Northerners if possible, to employ Native people in the vast majority of positions.

Our experience, and not only the experience in Manitoba but the experience in other large projects in northern Canada have shown unless there is that kind of commitment, unless we have a target, a goal in mind, all of the fine sentiments notwithstanding, nothing is achieved. We have a situation now where towards the end of the Limestone project, we had

certainly 25, 30 percent participation by Native people who would be affected by the preference clauses, and our goal should be 50 percent.

We know that there are many people, because there was that level achieved, we know that those people already exist out there who may be available for the next generating station. What we have to do is make sure that if we begin now to train new people to add to that base of already trained people, we do not run into the caps.

It seems to me if the Government is intent, as the chairperson indicates, to establish a training program, if we train a whole new group of people, if we bring the skills of those already in training programs up to the optimum level, we are going to run into those caps very quickly. We certainly should if we are operating an effective training program.

That leads to the question: Why was there not more thought put into Manitoba Hydro's position when they started the negotiations with the Allied Hydro Council? Why did the Minister choose not to discuss and establish some realistic targets for Manitoba Hydro before it went into negotiations? Did the Minister contact any groups to seek information about how we could achieve the optimum level of employment and training from northern people?

Mr. Neufeld: Mr. Chairman, in the end the agreement is a negotiated one and the Allied Council as well as Manitoba Hydro has to be satisfied with the end agreement. This was the result of negotiations between Manitoba Hydro and the Allied Council, and for better or for worse, this was the agreement that they reached.

I think we have all said that these are minimum targets that are set, and if it can be exceeded, all the better.

Mr. Ransom: The committee should be aware that under the Nelson-Burntwood Agreement the targets were established by a letter of understanding that was attached to the original agreement that was negotiated. It is clearly, as a precedent, that if it proves the present targets are too low then the same possibility remains to negotiate an understanding for a higher target.

It is Hydro's belief, it is my belief, that the targets are not what constrained the employment of Native people on that project. One only needs to look at statistics of hirings and leavings and where the people came from to realize that there are other

factors that are much more significant than the targets that are in this agreement, contentious as the targets might be in negotiating the agreement itself.

Mr. Storie: Mr. Chairperson, I understand that it is a letter of agreement, but I think Mr. Ransom will agree that when you are dealing with—and the Allied Hydro Council has their own interests in this. They are there to protect the interest of their members, and that is a given, and that is understood.

The obligations of the Government on the other hand are to make sure that the benefits of this project are distributed equally, and one of the few ways that many Northerners, if not most Northerners, can participate is through employment. The Government, I am sure, I hope will try and address the involvement of businesses and industry in the North, but the prospects there are more limited. The only way they can actually be involved is employment.

You pick an occupation. We need 100 cement finishers, we currently have trained 22 and the target is 30, clearly if we leave the target at 30 and we train 25 or 30 new cement finishers, they may not ever have access unless we up the caps.

If we are genuinely interested in doing that training, then we already have the existing 25 out there who are trained and who may want to work on the project, we are going to quickly run into the cap for those people who will want to be and hopefully will be trained as a result of the interest in the new project. We would then end up with 50 or 60 people from northern Manitoba working there.

The Member for Lakeside (Mr. Enns) wants to say, well, that is why there is no cap. It was not a cap per se; it was a trigger point below which contractors -(interjection)- a target, yes, Mr. Chairperson, but there were certain obligations contractors had to meet if those figures, if those targets, were not met, and they had an impact on making sure that contractors attempted to bring people on stream who were within the preference group. The only conclusion one can draw is that if there is any training done under this program, it will have limited benefit in terms of getting people actually onto the site.

I know that the argument is going to be made that those are only targets, they can exceed them at any time; however, contractors of course have their own

crews, they have their own contacts, their own people. Anyone who has worked or been involved in projects like Long Spruce or Limestone or any of the others knows that it is hectic, it is not always easy to co-ordinate, and unless there are specific goals that everyone understands, targets that everyone understands, these things get lost.

My question is: Why did not Manitoba Hydro use its prerogative during negotiations to seek that higher target, to make it clearer at the time what its objectives were, rather than just saying, well, we will go with the status quo?

Mr. Ransom: I think I have answered the question quite extensively as to how Hydro sees it, Mr. Chairman, but again the committee should realize that if someone does not qualify under a target as a northern Native, then they qualify under the next target which is Northerners, so there is a further preference given.

Eventually, one reaches the point where you have to make some kind of decision as what is fair to everyone that is involved in this, other people who live in the North, people who live in the South, people who have made their careers out of being trained to do this kind of work. If you ultimately ended up giving total preference, which by the way was the first position of the previous Government when they requested Manitoba Hydro to set a target, to have preference for the Northern Flood bands alone on every project, every job in the project, that is something that many people would judge to be quite unfair, and it is certainly a contentious issue at the moment.

Better to have some realistic programs in place that see people being trained and presenting themselves for employment, rather than setting some targets that are not met and that create unrealistic expectations on the part of people as well.

It is virtually—in my judgment, I will reduce it to my judgment—that we are at the situation where, if northern Native people present themselves for employment on the project, they are literally guaranteed a job. There may be specific cases where it does not happen, but it is something that people can look forward to in terms of getting adequate training. When jobs are available, they are first in line.

* (1200)

Mr. Storle: I am glad that the chairperson has put

his views on the record. What I would like to know from Manitoba Hydro then is how the benefits of, for example, Limestone were distributed in the province. As I indicated, I think that employment is one of the few benefits that Northerners can realistically hope to achieve from a project of this kind. The manufacturing, although much of it was done in Manitoba, the spinoff benefits of the project accrued to businesses all over the province. If you looked at the regional benefits of the last project, probably the smallest portion went to northern Manitoba.

It is also instructive to note that if you compare the projects of the '70s to the Limestone project in the '80s, the participation rate of Natives went from about 10 percent to about 30 percent. I do not think it is unrealistic to expect that percent will move to 50 percent or 60 percent, given that the only benefit those smaller communities, certainly many of the bands and the Metis communities, achieve is the employment.

I do not think it is difficult to argue that in terms of the preference clause we should have a much stronger preference clause and that should be our target. Can Mr. Ransom indicate whether he has any information on the breakdown of benefits from the Limestone project in terms of the total cost of that project and whether Manitoba Hydro has done any review of where the benefits are likely to go in the next stage?

Mr. Ransom: I do not have that information available. It may be available in some form, Mr. Chairman, but I can tell the Honourable Member that in discussions with some of the Native people, despite the statistical evidence that is available, there are Native leaders who will say that they had more employment on projects prior to Limestone, so this is not a cut-and-dried case here.

Mr. Storle: It is a fairly cut-and-dried case. I mean the speculations, the subjective views of some individuals may be that there was not the same kind of participation, but I think the objective information is—certainly, I was involved and met with many of the organizations and many of the individuals over the period 1985-88 and beyond—that there was tremendous participation.

My colleague from Point Douglas (Mr. Hickes) was involved in the training program and can certainly give you some more information on the

involvement, both in terms of the training program and of the employment of those that are trained.

My colleague from Point Douglas has some questions directly related to this on the employment and training prospects, and then my colleague from Crescentwood (Mr. Carr) would like to ask some questions.

Mr. Carr: I am interested in the long-term trending in Manitoba Firm Peak Demand. It is fascinating, actually, if you look back to the last 10 years, that peak demand actually went down between 1982-1983 by 7 percent, and it went down between 1985 and 1986 by .4 percent.

I would like to ask the chairman or the president of the corporation: What explains the rather wild fluctuations in peak demand?

Mr. Brennan: For the most part it is weather related. The cold weather, extended periods of cold weather give us record peaks, and that is what you see happens in 1988 as well; it was extremely cold there. If you get a real cold period, if you get really cold weather followed by a warm winter, you will see the growth is not as significant. That is what I say, cold weather one year with a lot of growth followed by a normal winter the next year will give you a lower growth, even negative depending on the situation, despite there has been growth in the system.

Mr. Carr: Does the same explanation hold true for the percentage change in the Total Integrated and Isolated Systems?

Mr. Brennan: Could you repeat that, Mr. Carr?

Mr. Carr: I see, if you look at the operating statistics under Integrated System, Manitoba Hydro and Winnipeg Hydro, the last item is called Total Integrated and Isolated Systems. There is a 1.1 percent increase from 1989-1990. What are the variables that impact on those numbers?

Mr. Brennan: One, of course, is peak and one is energy. In terms of energy, it is not influenced quite as much by the weather, but certainly you will get more energy consumption with cold weather. It is primarily just growth in the system.

Mr. Carr: Mr. Chairman, I would like to pursue a line of questioning that I began I think two meetings ago of the committee, and that is the whole issue of contingent liability and mitigation costs. I had asked the corporation if it would be so kind as to provide for Members of the committee a comparison of projected contingent liability costs with actuals

spent over time. I believe I had made reference to Grand Rapids, South Indian Lake, Lake Winnipeg regulation. Does the president have that information available?

Mr. Brennan: Yes, we do.

Mr. Carr: Could he please summarize it for us?

Mr. Brennan: Could we distribute it, and then everybody would be working off the same document?

Mr. Carr: Certainly.

Mr. Brennan: That other information you were asking for too, Mr. Carr, is available.

* (1210)

Mr. Carr: Mr. Chairman, I now have the document if the president would be so kind as to take us through it.

Mr. Lambert: Looking at the document, we developed this document recognizing that as time passed the requirements out of environmental concerns have changed over time. As a result of that, in our operations as time went on, out of respect for the environment, more and more dollars and more and more considerations were paid to the environmental issues, and for the most part in many instances those dollars were just kind of naturally folded into the cost estimates for the projects.

We developed this document in order to try to paint a picture, if you like, of the general nature of the situation when we entered into the development of the various projects, tried to identify the types of environmental issues or things that were at hand at that point in time, and maybe some of the considerations and work that was done.

In the case of Grand Rapids, you can see the reference to a study in 1960-61. Then we proceeded in accordance with the request, I believe, to try to reflect initial budget estimates that would have pertained to environmental issues; the next column, to reflect what the actual costs were at the time that the project was completed at budget close-out; the next column to reflect the actual costs as a result of mitigation and environmental consideration subsequent to the project budget being closed out and the project going in service; and the last column is to give some appreciation of what our budgetary considerations are in terms of possible future payments or obligations that the corporation might incur.

As indicated on the left column, the projects that

we have dealt with are Grand Rapids at the top; the second one down, Churchill River Diversion and Lake Winnipeg regulation; then Limestone; and then Conawapa. I would want to emphasize for those reviewing this material that with the passage of time, as I indicated, in many respects environmental costs were folded into capital costs of the project. They were not specifically identified separate from the project. Also one has to appreciate that we are talking about expenditures over a long period of time, and as a result expenditures in today's dollars cannot be compared with dollars of 20 years ago.

Mr. Carr: To review generally, for example, in the case of Grand Rapids, there were no initial project estimates, that is to say that at the time the project was anticipated, Manitoba Hydro built in no estimate for mitigation, and the result—we know this from announcements that were made in the last few weeks—is in the neighbourhood of \$21 million. Is that correct?

Mr. Ransom: Mr. Chairman, I believe, and this is from recollection, that \$3.5 million on Grand Rapids that occurs under Actual Costs Incurred should also be under the initial budget estimate, that they have placed in effect a cap. They will spend up to \$3.5 million, and that is what was spent.

Mr. Carr: There is an error in the document then. The \$3.5 million which is now listed under Actual Costs Incurred ought to have been included in the line that says Initial Project Budget Estimates.

Mr. Ransom: That is my recollection from reading the history of this, Mr. Chairman.

Mr. Carr: What is the understanding of the person who prepared the sheet?

Mr. Lambert: I cannot comment because I did not prepare it specifically, so all I could do is just confirm whether or not that \$3.5 million was in there. One of the difficulties in this is whether or not the money was right in there at the very outset, at the concept of the project being considered, or whether it was put in in the course of reviewing the project. We will confirm whether or not the document is near.

Mr. Carr: In the case of the Churchill River Diversion and Lake Winnipeg regulation, again if I am understanding the columns correctly, the initial budget estimates were for a \$5 million expenditure. Could the president or Mr. Lambert tell us what the total of actual and anticipated costs will be against the initial budgeted figure of \$5 million?

Mr. Lambert: I believe that we have indicated in the next column what the direct mitigation compensation payments are or were. Over in the next column we have additional expenditures reflected there, and in the last column we have a number of what the ultimate mitigation and compensation will be.

Mr. Carr: I gather then the \$74.5 million in the final column is a sum total of the previous lines, not in addition to. Is that correct?

Mr. Lambert: It is in addition to.

Mr. Carr: Then that is not the total. Can we please know what the total is?

Mr. Lambert: At the top of the column, Mr. Chairman, we have reflected the column that says "estimated costs yet to be incurred in special mitigation compensation budget."

Mr. Neufeld: The total then would be adding columns from the right hand side, one, two, and three, \$167.1 million.

Mr. Carr: I would like to thank the Minister. No doubt his education as a chartered accountant is serving him well here. That is just exactly the figure I was looking for, because I wanted an opportunity to compare the budgeted projection at the time that these projects were anticipated to the total costs in reality. We see in the case of the Churchill River Diversion and the Lake Winnipeg regulation that the difference is huge. The Minister perhaps can use his mental calculator to let us know what percentage the difference is. It is enormous. If I am correct, and the Minister can correct me if I am wrong, this \$167.1 million is Manitoba Hydro's contingent liability, not the total costs of mitigation. Is that correct?

Mr. Brennan: Yes, some of it is already spent, so it is not a liability, but you are basically right.

Mr. Carr: Now we have to do some more totalling. This only represents Manitoba Hydro's portion of the total liabilities. What would the total figure be if you add in the responsibility of the Government of Canada, which is involved, and the Government of Manitoba? What therefore would be the total costs of settling contingent liability claims against the projected \$5 million figures in column three?

Mr. Brennan: We only know that which has taken place through the global negotiation process, but actual events will determine what they actually are. The global negotiation process had a number on the table though that I believe is public.

Mr. Carr: I would like to ask the president for some help here. If he does not have the exact figure, that is fine. What I am looking for here is an estimate of what the total costs will be as a result of the construction of these generating stations. Can he give us a ballpark figure? Is it \$300 million? Is it \$400 million? Is it \$500 million?

I see the Minister of Northern Affairs (Mr. Downey) is here. He may be able to shed some light on the subject, because I know he is personally involved in the negotiation.

There is no mystery in what I am trying to establish here, Mr. Chairman. I am trying to establish the gap between what was anticipated at the time of construction and what turns out over time and in reality to be the cost of the corporation and Governments for the flooding and for other consequences of Hydro development. Can we have a ballpark figure of the total?

* (1220)

Mr. Neufeld: First of all, we would have to establish whether or not the Governments of Manitoba and the Governments of Canada established at the time of the construction a liability for mitigation. That is something that I am not aware of. I see my colleague, the Minister of Northern and Native Affairs (Mr. Downey) nodding, but we would have to be aware of that figure. We would have to also be aware of what the Government of Canada and the Government of Manitoba have paid towards their eventual liability in the interim. We do know that, at this point in time, they have a figure on the table that is in the neighbourhood of, between the two of them—what?—\$120 million.

Mr. Brennan: \$177 million in current dollars.

Mr. Neufeld: Among the three or between the two?

Mr. Brennan: Among all three.

Mr. Carr: I would like to understand the figure. The Minister totaled up the last three columns from the right. That was \$167.1 million, and that represents Manitoba Hydro's liability. Is the \$177 million in addition to that \$167 million, which represents the liabilities of the two Governments involved?

Mr. Brennan: No, if you want the total cost—the original question that the Minister asked me to answer was the total outstanding liability now for all three parties, and that is the \$177 million, so that includes the \$74.5 that is on the page.

Mr. Carr: Help me. What is the total of the

Government of Canada, the Government of Manitoba and Manitoba Hydro's liability for the Churchill River Diversion and the Lake Winnipeg regulation?

Mr. Brennan: I have no idea personally what the Province of Manitoba or the Government of Canada paid up to now, I have no idea.

Mr. Carr: Can the Minister help us out from the point of view of the Government of Manitoba? The Member for Flin Flon (Mr. Storie) is giving his own advice, but I would like to ask the Minister if he can let us know what the provincial liability is.

Mr. Neufeld: If memory serves me correctly, the amount paid since we came into office is \$10 million, but the amount paid prior to our taking office, perhaps the former—nothing?—Minister can tell us, but the Manitoba Government then has paid nothing prior to the time we took office. I do not know what the federal Government paid.

Mr. Ransom: I think, Mr. Chairman, that if one looks in the proposed basis of settlement which the four negotiators signed with respect to the global negotiations, there is a figure of \$141 million of combined payouts by all three parties, Manitoba Hydro, Manitoba Government and the federal Government. If what the Member is looking for is a figure, then he is probably safe in using the \$141 million.

While it may not be exact, it is very close. The three parties were prepared, in the global negotiations, to place another \$177 million in present value on the table to try and close that out. I should point out that the global negotiation process is not proceeding on that basis with all five bands, and so it is unknown at this time what the ultimate payout will be, because there is the Northern Flood Agreement in place which has a provision for arbitrated settlements, but until all claims are settled that figure will not be known. It could be literally decades before the final figure is known.

Mr. Carr: Well, I am just going to stay with it until I am satisfied that I understand the numbers. The chairman says that \$141 million represents a reasonable estimate of the liability of the three partners, and \$167.1 million represents only Manitoba Hydro's liability, if you add up the total of the three columns on the page, so it does not add up.

Mr. Neufeld: What Mr. Ransom indicated was that \$141 million had been paid in total to date. Of that

amount, roughly \$92 million has been paid by Manitoba Hydro, so that makes a total of \$233 million that has been paid. What was also said was that there is \$177 million roughly still owing, of which \$74 million is the stated liability of Manitoba Hydro.

Mr. Brennan: If Mr. Ransom's number of \$141 million is correct, then to that you will add the total outstanding obligation that was on the table of \$178 million, and your total will be \$319 million.

Mr. Carr: I appreciate the indulgence of the Minister and the chairman. So our best guess—and that is not very good, because the chairman says we could be involved in negotiations for decades—\$319 million therefore represents what has been paid to date and what has been agreed to be paid among Manitoba Hydro, the Government of Canada and the Government of Manitoba. Do I have that right? Okay. That \$319 million, incomplete as it is, can be related to \$5 million -(interjection)-

Mr. Chairman: Order, please. Mr. Carr has the floor. I cannot hear him at this point. Would you hold your remarks or perhaps step to the back if you wish to discuss it?

Mr. Carr: I know that the current and the previous Government probably have outstanding quibbles, and I am not going to get involved in them.

The \$319 million figure has to be related to the \$5 million in the initial project budget estimates, plus whatever would have been budgeted by the Government of Manitoba and the Government of Canada.

I would be interested in knowing what those figures are, Mr. Chairman. I do not expect the Minister to do the research to figure out what the Government of Canada had anticipated, but it would be helpful if he could bring to the next meeting of this committee, whenever that might be, the figure of estimate from the Government of Manitoba.

Mr. Neufeld: I may be wrong, but I do not think there was a budgeted amount, unless it was an amount that was kept from the records. It was not a recorded budget amount.

I was going to ask if it were the will of the committee to pass the 1989 Hydro report and the '87-88 and '89 MEA reports that would be left outstanding, with only the current year's reports on both.

Mr. Chairman: Shall the Annual Report for The Manitoba Hydro-Electric Board for the fiscal year ending March 31, 1989 pass—pass.

Shall the Annual Report for The Manitoba Energy Authority for the fiscal year ending March 31, 1987 pass—pass.

Shall the Annual Report for The Manitoba Energy Authority for the fiscal year ending March 31, 1988 pass—pass.

Shall the Annual Report for The Manitoba Energy Authority for the fiscal year ending March 31, 1989 pass—pass.

The time now being 12:30, the committee will rise.

COMMITTEE ROSE AT: 12:30 p.m.