



Third Session - Thirty-Fifth Legislature
of the
Legislative Assembly of Manitoba

**STANDING COMMITTEE
on
PUBLIC UTILITIES
and
NATURAL RESOURCES**

39-40 Elizabeth II

*Chairperson
Mr. Jack Penner
Constituency of Emerson*



VOL. XLI No. 3 - 10 a.m., THURSDAY, APRIL 30, 1992

MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Fifth Legislature

Members, Constituencies and Political Affiliation

NAME	CONSTITUENCY	PARTY
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ASHTON, Steve	Thompson	NDP
BARRETT, Becky	Wellington	NDP
CARSTAIRS, Sharon	River Heights	Liberal
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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON
PUBLIC UTILITIES AND NATURAL RESOURCES

Thursday, April 30, 1992

TIME – 10 a.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Jack Penner (Emerson)

ATTENDANCE - 11 – QUORUM - 6

Members of the Committee present:

Hon. Messrs. Findlay, Manness

Messrs. Alcock, Dewar, Gaudry, Helwer,
Laurendeau, McAlpine, Neufeld, Penner,
Storie

APPEARING:

Kevin Lamoureux, MLA for Inkster

Tom Stefanson, Chairperson, Manitoba
Telephone System

Oz Pedde, President and Chief Executive
Officer, Manitoba Telephone System

Barry Gordon, Vice-President, Network
Services, Manitoba Telephone System

Kevin Kavanagh, Chairman, Crown
Corporations Council

Douglas Sherwood, President and Chief
Executive Officer, Crown Corporations Council

Jon Singleton, Vice-President, Finance, Crown
Corporations Council

MATTERS UNDER DISCUSSION:

Annual Report of the Manitoba Telephone
System for the year ended December 31, 1990

Annual Report of the Crown Corporations
Council for the year ended December 31, 1990

* * *

Mr. Chairperson: Would the committee please come to order.

The standing committee will this morning continue the discussions and considerations of the MTS report.

We will also be considering the Crown Corporations Council report. Although we do not need to pass this report, when all questions or

considerations have been made, we will close the committee's proceedings at the end of that.

With that, I would ask the minister or the opposition members, if they have any further questions on MTS, we will resume consideration of the MTS report.

* (1005)

Mr. Gregory Dewar (Selkirk): Mr. Chairperson, I have a quote here from I believe it is MTS Chairperson Tom Stefanson. It is from the Free Press article of Friday, October 25, 1991, and apparently these are your words. He said he is aware that Unitel has offered to pay a subsidy, but he said he is not sure if it would be enough to ensure that local subscription rates are not negatively impacted. Does he still agree with that statement?

Mr. Tom Stefanson (Chairperson, Manitoba Telephone System): Mr. Chairperson, the question of the amount of contribution is something that will have to be resolved if the CRTC approves the Unitel application.

As far as impact on local rates, it is very, very difficult to assess in advance the—certainly, if the contribution by Unitel is the same as it is by the present Telecom Canada members, a very positive situation will occur, as far as we are concerned, the argument being that any loss of business that we might incur would be offset by increased stimulation.

There is definite evidence that lowering of long distance rates increases stimulation. The last two or three years, we have seen long distance rates come down some 50 percent, and the result was definitely an increase in stimulation until 1991, at which time we entered this recession that we are presently in. I would stand by that statement, that I basically see no evidence at this point that there will be a need for any increase in local rates.

I would also like to add that our president, our vice-presidents and management staff and all employees of MTS are doing an excellent job in keeping costs down. Operating costs in 1991

increased a modest 3 percent from \$311 million to \$321 million. They are presently working very hard and coming up with creative ideas as to how to keep these expenses under control.

With that kind of management, I feel very comfortable that we will be able to meet the challenges as a result of the competition which appears to be on the horizon.

Mr. Dewar: You are still unsure whether Unitel's contribution would be sufficient to not have a negative impact upon local rates?

Mr. Stefanson: Mr. Chairperson, I am assuming that the contribution awarded will be fair and reasonable and based on historic contribution. I am not in a position to prejudge the CRTC as to what kind of ruling they may come down with.

I think that Telecom Canada has presented its case very well, that the contribution is at a certain level, and if the contribution maintains at the level it is now, I see no reason.

Mr. Dewar: If it is not, local rates will rise.

Mr. Stefanson: If the contribution is not there and, of course, as I pointed out that through Stentor, which was previously known as Telecom Canada, MTS along with other telephone companies in Canada are insisting that the contribution level be maintained.

I do not think it is really fair to speculate at this time or prejudge that contribution rates may not be there.

As to possible effects, that is another thing that is subject to a whole pile of ifs. I think I have just stated that the president and management of MTS are very well prepared, and I think that if you take a look at the 1991 statements, when they come out in the next day or two, that you will see the positive results of operating expenses increasing by only 3 percent.

* (1010)

Mr. Dewar: The Public Utilities Board in its July 24, 1991, statement states, and I quote: The board accepts that competition could have an impact on the system's revenues in the future. However, there is great uncertainty at the present time as to the magnitude of that impact.

There is great uncertainty as to the magnitude of that impact. I would say that because of that level of uncertainty I think that competition will increase local rates. Would the minister comment on that?

Hon. Glen Findlay (Minister responsible for the administration of The Manitoba Telephone Act): I think let us go back a little bit over time in terms of the competition that has already been happening in terms of long distance from outside the province. When Bell Canada in Ontario lowers the long distance rates, naturally it puts an incentive on somebody to call from that direction instead of originating the call from this side. That has put pressure on MTS to lower the long distance rate, and they have lowered them almost 50 percent over the last four years.

In the first three years of that period, the elasticity allowed the increased use of the system to actually still have the revenue from long distance to continue even though the rates were going down. The recession of 1991 certainly slowed that up.

I would like to remind Mr. Dewar that he is talking about Unitel competition, and the application they have made to CRTC at this time does not involve Manitoba. If and when they do make an application in Manitoba, we will be asking that the contribution remain as is. Any contribution from long distance to keep local rates down will be asked to be the same as is.

Mr. Dewar: I hope you succeed.

I was wondering if you could give us the status of MTS' dealings with the SystemHouse corporation.

Mr. Oz Pedde (President and Chief Executive Officer, Manitoba Telephone System): Yes, Mr. Chairperson, I assume the question relates to the potential outsourcing of certain data services. We looked at SystemHouse as one of three alternatives to further augment our outsourcing. Our outsourcing is currently done with ISM, and there was a particular application we looked at as potential outsourcing. SystemHouse was the unsuccessful bidder in that undertaking, and that is where the situation stands with SystemHouse.

Mr. Dewar: Okay, I think I could basically conclude that.

When would MTS be going to the PUB to seek its new rate structure?

Mr. Pedde: Mr. Chairperson, we have filed an application with the PUB. The process involves public notice with the PUB on our behalf. I believe that public notice will come out shortly or may be out—I am not quite sure—and the official formal hearings would likely occur during the later part of

the summer or early September. That would be my expectations, but they are at the call of the PUB.

Mr. Dewar: Would MTS be seeking an increase in its rates?

Mr. Pedde: Yes, Mr. Chairperson, MTS is seeking an increase on the average telephone bill of slightly less than 1 percent.

* (1015)

Mr. Dewar: I was wondering if the minister or Mr. Pedde could explain to us the status of the Call Management Services of MTS?

Mr. Pedde: Yes, Mr. Chairperson, the Call Management Services was approved with some modification as a trial in Brandon. It was launched I believe in March of this year as a one-year trial service. The acceptance of the service has been beyond our expectations in terms of 1,800 customers being involved.

Mr. Dewar: I believe there were certain groups came forward to the Public Utilities Board with certain concerns. What were those concerns?

Mr. Pedde: Mr. Chairperson, the concerns involved two elements.

First of all, there was the question of privacy of a telephone number and, secondly, the identification or the location or the identification of the caller in terms of a telephone number. There were certain groups that considered certain aspects of this service as a potential threat.

We believe that the majority of those elements, to the extent that the technology can address them, have been addressed. We also believe that MTS has the most progressive call management service in the country, or for that matter in North America, and that is being put to the test in the trial at the present time.

Mr. Dewar: So all those concerns were addressed then. What were they? How were those concerns addressed?

Mr. Pedde: Mr. Chairperson, perhaps in terms of the specific details of the technology, maybe I could ask Mr. Gordon to answer the question.

Mr. Barry Gordon (Vice-President, Network Services, Manitoba Telephone System): Mr. Chairperson, the concerns of the parties with respect to the privacy of the calling number were addressed by the provision of a number of call-blocking alternatives. This is where the

technology is configured such that the calling number is not delivered to the called party's set.

There were several versions of this made available. There was a version called Automatic Call Display Blocking, which effectively prohibits or denies the delivery of the calling number to any called party. This was put forward specifically for women's shelters and places where victims of abuse might be residing, outside of women's shelters and so on.

There was also a Call Display Blocking option provided on an occasional use basis by going via the operator, having the call placed by the operator.

There was also a third Call Display Blocking mechanism, which you could invoke on a per-call basis so that the calling party could dial a code, I believe it was *67 on a touch-tone phone, or dial 1167 on a rotary-dial phone. That would cause their calling number not to be displayed on that particular call.

There was a wide variety of Call Display Blocking options provided. Collectively, we believe that those addressed the concerns of the parties who came forward during the PUB process.

Mr. Dewar: So then all of those groups who raised those concerns, are they now satisfied?

Mr. Gordon: Mr. Chairperson, I am not in a position to comment on their level of satisfaction or not. I think it would be appropriate if they were to; we believe that they are. I think their concern now is not so much for the Brandon trial but for the configuration that might take place as we endeavour to roll this out for service, for example, within the city of Winnipeg.

Mr. Pedde: Mr. Chairperson, if I can make comment that again our judgment is based on reading of the media, and we do not necessarily judge that as an absolute. The media, in reporting on the adjudication on this by the Public Utilities Board, concluded that the concerns of the various interest groups had been heard and had been adequately met. Otherwise, the trial would not have proceeded.

Mr. Dewar: I was wondering if the minister could explain the Rightsizing Program of MTS.

Mr. Findlay: I will ask Mr. Pedde, who is President, to answer that question.

* (1020)

Mr. Pedde: Yes, Mr. Chairperson, Rightsizing at MTS has one fundamental principle and that is saying to only have workers where the work is. Therefore, looking forward and looking at the changing work requirements, it will have two elements.

Rightsizing has a component of reassigning or redeploying workers and another component of shrinking the work force where it is no longer necessary to have as many people to perform a certain function.

Mr. Dewar: How many jobs would be lost because of Rightsizing?

Mr. Pedde: The current Rightsizing initiative of Manitoba Telephone System is focused on about 150 jobs.

Mr. Reg Alcock (Osborne): Mr. Chairperson, I just have a short question following up on our discussion we had the other day. It may be in Mr. Gordon's area.

Mr. Pedde, when we were talking the last time the committee met, made reference to the imminence of this one-number roving feature—the telephone will find you wherever you are. Then coincidentally, one walks home and finds that—is it AT&T is now advertising it on a trial basis in certain markets?

I am wondering when it is anticipated that such a service will be available in Winnipeg.

Mr. Pedde: Mr. Chairperson, I will try to answer the generality of the question but, in terms of the specifics of the technology, I will go back to Mr. Gordon.

The major milestone right now is federal licensing of the spectrum and what type of technology and what type of users of this spectrum will be approved. That is in the working stage now, and we expect some form of licensing approval later this year.

The technology is being used on a trial basis in a variety of trials, and we expect some infancy of commercialization in the second or third quarter of next year.

Mr. Dewar: I would like to go back to our discussion of the Rightsizing Program. Mr. Pedde indicated that 150 jobs will be redeployed. I was wondering where those jobs will be lost.

Mr. Pedde: Mr. Chairperson, the bulk of those positions are management positions.

Mr. Dewar: How many employees are there in the Selkirk area now?

Mr. Pedde: Mr. Chairperson, I do not have that information, but I can undertake to get that.

Mr. Dewar: I was just wondering if there are any plans to move any of those employees to any other areas.

Mr. Pedde: Mr. Chairperson, we have no plans to move Selkirk employees to other areas, but I should hasten to add, we do move workers where the work is. That is not Selkirk-specific, that involves all other communities. We have a commitment to retain our pro rata presence in every community throughout Manitoba.

Mr. Chairperson: Can I ask the members of the committee to direct their comments or discussions to the debate currently held between the corporation and members of the committee? If they have other matters to discuss, they might want to discuss it outside of the hall. Thank you.

Mr. Dewar: Last year, I believe I raised some concerns about the awarding of fibre optics contracts to outside provincial firms. Have all those contracts been awarded now? I believe there were some here. I have a list of requests for quotations in February of this year, in March of this year. Can I have some comment on that?

* (1025)

Mr. Pedde: Mr. Chairperson, if I can just seek some clarification, are we talking about the actual construction, or the suppliers of the fibre? Is it the equipment or the actual installation of the equipment?

Mr. Dewar: It is the installation of the equipment.

Mr. Pedde: Yes, Mr. Chairperson, the majority if not all of those contracts have been approved by our board, if not awarded at this stage. The majority of those contracts, if not all of them—I could ask Mr. Gordon to speak to them specifically if we awarded to Manitoba companies.

Mr. Dewar: Maybe I could have a list of those successful bidders.

Mr. Gordon: Mr. Chairperson, I would have to undertake that. I do not have that information with me.

Mr. Dewar: Are you aware of any outside-of-Manitoba winners?

Mr. Gordon: Mr. Chairperson, my recollection is that there were one or perhaps two Saskatchewan companies that were successful on various

contracts, but I would have to confirm that with the specific list.

Mr. Dewar: Did you make it clear to them to follow Manitoba labour laws insofar as hiring practice and paying heavy construction wages and so on? That was a bit of a contentious issue last year.

Mr. Gordon: Mr. Chairperson, I am not first-hand familiar with the wording that was in our requests for tenders, but I could certainly provide that.

Mr. Dewar: I was wanting to talk about the Urban Unlimited program for a few minutes. Will Selkirk be receiving the Urban Unlimited program in the near future?

Mr. Pedde: Mr. Chairperson, as the committee may be aware, Urban Unlimited is applicable or is available to those communities that touch the Winnipeg exchange. At this time we have no plans to extend Urban Unlimited beyond those immediate ring communities that touch the Winnipeg exchange, and Selkirk falls into the latter category.

Mr. Dewar: I am aware of that. Why not?

Mr. Pedde: Mr. Chairperson, the why not is that I guess some boundaries had to be drawn, and the Public Utilities Board asked for a recommendation. MTS management and board did an analysis, and they thought the most reasonable and appropriate vehicle, ruling or mechanism for drawing a boundary would be those exchanges that touch the Winnipeg exchange. Selkirk does not touch the Winnipeg exchange; Selkirk touches the Lockport exchange. That is why not.

Mr. Dewar: What is the participation rate for some of the communities surrounding Winnipeg that have participated in this program, say Stonewall or Lockport?

Mr. Pedde: Mr. Chairperson, I am just fumbling for the exact numbers.

Mr. Chairperson: We will give you a bit of time.

Mr. Pedde: I will take that back. I do not have the exact numbers.

Mr. Chairperson, looking at Winnipeg and Brandon combined, there was a customer base of just over 10,000 potential customers and, of those, currently over 4,000 have subscribed.

Mr. Dewar: That would be about 40 percent then?

Mr. Pedde: That is correct, Mr. Chairperson.

Mr. Dewar: From the exchanges that have signed up to the Urban Unlimited program, are you making

more money or less money than you were prior to the program?

Mr. Pedde: Mr. Chairperson, we are making less money.

* (1030)

Mr. Dewar: Urban Unlimited, that is not a failure but obviously you had made more revenues from the long distance calls from those exchanges in the past than you do now?

Mr. Pedde: That is correct, Mr. Chairperson.

Mr. Dewar: What are the revenues that MTS would receive from long distance calls made from Selkirk to Winnipeg? Is that possible to find out?

Mr. Pedde: I can undertake to provide that answer.

Mr. Dewar: I guess it is conceivable then that if Selkirk were to participate, your revenues would be less than they are currently?

Mr. Pedde: That is correct, Mr. Chairperson.

Mr. Dewar: What would be that rate of loss?

Mr. Pedde: I can undertake to get that answer, but if I were to predict anything, the rate of loss for Selkirk would be greater than the rate of loss for the communities adjoining Winnipeg.

Mr. Dewar: We do a number of phoning between Winnipeg and Selkirk. If Selkirk were to get Urban Unlimited, what other areas would MTS have to provide it to?

Mr. Pedde: Mr. Chairperson, I do not even want to entertain that option. I think in the first ring there are eight or 11 communities at the present time, and I believe there would be somewhere in the neighbourhood of 30 exchanges that would qualify equally to Selkirk.

Mr. Dewar: You just find it very difficult, I suppose, to allow Selkirk to become part of the Urban Unlimited program. Is there ever an option that they will, the possibility that they will?

Mr. Pedde: I guess, Mr. Chairperson, in terms of our planning and seeking out issues of the future, we look at our customers' expectations and desires. Obviously, if you looked at customer expectation, everybody in Manitoba would want to call each other for free. We are trying to add the cost I mentioned to that.

One of the ways to perhaps look at the issue in the future—we are not saying yes, we are not saying no, one way or the other. We may put the numbers on the table with some options and say, for \$30 a

month would you, should you, would you like to, or who will pay for this difference?

It is in the planning stage with a number of packages, pricing options and considerations, but it is only from the context of saying, not yes or no, either way.

Mr. Dewar: What does the Urban Unlimited option cost now?

Mr. Pedde: The Urban Unlimited option, in terms of a cost structure, is not optional to Winnipeg customers. The Winnipeg customers have the privilege of calling all the adjacent exchanges at a rate of 90 cents a month.

The customers in the qualifying exchanges surrounding Winnipeg have the option of buying into that service at the rate of I believe it is \$18.95 or around \$18.00 a month.

Mr. Dewar: What would be the amount that MTS would have to charge those individuals who decided to take the Urban Unlimited option to make it a success, an economic success?

Mr. Pedde: Mr. Chairperson, I do not have the exact number, but it is probably another 50 to 100 percent above the existing rate. I can undertake to get the specific number.

Mr. Dewar: Where are the telephone directories currently being printed?

Mr. Pedde: Mr. Chairperson, just outside of Chicago.

Mr. Dewar: I guess, just outside of Chicago is not in this country. What are the savings to MTS to have the directories printed in the United States?

Mr. Pedde: Mr. Chairperson, just slightly over \$2 million a year.

Mr. Dewar: Has MTS ever considered the social costs to Manitobans, to Canada by this action in terms of increased unemployment insurance, increased social assistance costs?

Mr. Pedde: Yes, that goes into the deliberations, but our principal guiding thought in this in a tender contract is: What will the impact be on the telephone bill of our customers?

Mr. Dewar: What company in Manitoba made a bid on the printing of these directories?

Mr. Pedde: I believe, Mr. Chairperson, it was LGM Graphics.

Mr. Dewar: Would you know, what impact would this have on LGM Graphics, not having this contract, not having this work?

Mr. Pedde: Well, permit me to answer it this way. One could argue it had no impact, because they were fortunate in terms of utilizing the capacity that they had in terms of securing a contract out of Edmonton, Alberta, and utilize their plant capacity that way.

Mr. Stefanson: Mr. Chairperson, I would like to just point out one thing, that the \$2 million represents 50 percent. In other words, the cost of doing business on this particular contract in Manitoba would have cost MTS 50 percent more than what it did out of Chicago.

Mr. Dewar: You are saying that a firm from Alberta decided to not cross-border shop. Why did you?

Mr. Pedde: Two million dollars, Mr. Chairperson.

Mr. Dewar: Anyway, no it is obvious that—I do not think you take into consideration the social costs. Is there a labour rep on the board of directors of MTS?

Mr. Stefanson: At this time there is one vacancy on the board of directors. Up until the end of 1991, there was a representative from one of the unions at MTS, Mr. John Helston. He has taken another position now and therefore had to resign off the board.

The minister has been advised of this matter, and he will be dealing with it in the foreseeable future.

Mr. Dewar: There is no labour rep now?

Mr. Stefanson: Mr. Chairperson, at this time there is no labour rep. We have historically had labour reps on the board. During the four years that I have been on the board of MTS, we have had representation from IBEW, CWC and TEAM. The last labour rep resigned from the board in December of 1991, and the matter has been referred to the minister. I am sure that he will be dealing with it in due course.

Mr. Dewar: My question to the minister is then: Are you dealing with this in due course?

Mr. Findlay: Yes, I am taking it under consideration as to whether the position should be filled and by whom.

Mr. Dewar: Do you know when this position will be filled and by whom?

Mr. Findlay: No, I cannot give you a specific time.

Mr. Dewar: All right, thank you very much. I was wondering if the minister could explain to us today the status of the houses that MTS owns on Jessie Avenue.

Mr. Stefanson: Yes, I believe we discussed at the last appearance here the status of the Jessie Avenue houses. MTS is committed to acting in the best interests of the citizens who live in the area that the houses are located. We have no plans to go ahead with any parking lot or any such thing. The houses were put out for tender sometime in 1991. The best price received for the tender was \$125,000 for the five houses.

This the management and the board of MTS deemed an unsatisfactory offer, as we have had the houses appraised and they come in at over \$200,000. We are now in the process of trying to dispose of them on an individual basis.

Mr. Dewar: Does MTS have any plans to demolish these structures?

Mr. Stefanson: No, Mr. Chairperson, they are rented out on a short-term basis at monies sufficient to cover the cost. We will be selling them on an individual basis and hopefully obtaining what would be considered a reasonable price for them.

Mr. Dewar: There was a firm that recently went bankrupt in Stonewall, Suttle Apparatus Canada Ltd. Did MTS do any business with this particular company?

Mr. Pedde: Mr. Chairperson, I am not familiar with the company, but I assume if they had telephone service, we would have done business with them.

* (1040)

Mr. Dewar: The company does final assembly and packaging of telephone cord jacks.

Mr. Pedde: Mr. Chairperson, perhaps Mr. Gordon can clarify. I assume they were a supplier of ours at one time.

Mr. Gordon: Yes, Mr. Chairperson, that company has been a supplier of ours for telephone jacks and so on. I am not up to date on their financial status and I am not even familiar with when the last time we placed an order with them. I could certainly undertake to get that information, but we have done business with them in the past; they have been a supplier to us in the past.

Mr. Dewar: They state the reason they went out of business is that Canadian customers are buying

their products from offshore manufacturers. Would that be a case with MTS as well?

Mr. Gordon: Mr. Chairperson, I cannot comment on that, I am afraid. I am not familiar with the recent purchasing of telephone jack equipment from that company or any other for that matter.

Mr. Dewar: As I drive in from Selkirk I notice on Salter Street, there is a building at Salter and Burrows. I remember there were some issues raised about the plans for that particular building. Can you tell me now what they are?

Mr. Pedde: Yes, Mr. Chairperson, we have no major plans with the building except to retain it.

Mr. Dewar: Are you going to proceed with that?

Mr. Pedde: We will keep the building. The use of it internally is under review.

Mr. Dewar: I guess my final set of questions—I just want to hear about what is going on with the Community Calling program, the status of the program currently?

Mr. Pedde: Mr. Chairperson, modified Community Calling is rolling out as per our plan right up until 1996. The level of satisfaction seems to be there because we do not have any further complaints on the offering.

I do not have the exact timetable of the communities that were planned, but we are staying with a course of adding Community Calling as the fibre and as the digital switches go into the various communities and as we can modify the exchange boundaries. The plan that was approved by the Public Utilities Board is being followed to the letter.

Mr. Dewar: Well, thank you, that would conclude my questioning. I would like to thank the minister, Mr. Pedde and Mr. Stefanson for their participation.

Mr. Chairperson: Shall the December 31, 1990, Annual Report of Manitoba Telephone System be passed—pass.

* * *

Mr. Chairperson: We shall now commence consideration of the December 31, 1990, Annual Report of the Crown Corporations Council.

Just prior to starting, though, I would like to remind the committee that as there is no legislative requirement for the report to be referred to a standing committee, the committee is not required to pass this report.

The committee members will have ample opportunity to address questions pertaining to the report and to the business of the Crown Corporations Council. When the committee has exhausted its consideration of the matter, the committee rises without passing the report.

Is that understood? Agreed.

Is it the will of the committee to break for a few minutes? Five minutes?

An Honourable Member: What did you just say about not passing this report?

Mr. Chairperson: No, there is no legislative requirement to officially pass this report. It is just a consideration of the committee. There is no legislative requirement for it.

We will recess for five minutes.

* * *

The committee took recess at 10:45 a.m.

After Recess

The committee resumed at 10:50 a.m.

Mr. Chairperson: Is it the will of the committee to proceed? Did the minister have an opening statement on the Crown Corporations Council?

Hon. Clayton Manness (Minister responsible for the administration of The Crown Corporations Public Review and Accountability Act): Mr. Chairperson, it is a pleasure to be in attendance at committee today. As you indicated earlier, there is no mandate for Crown Corporations Council to have their report passed.

Let me say it is a pleasure to present at this time an opportunity for all legislators to come forward and address questions with respect to the annual report and the process of Manitoba's latest and newest Crown.

This entity came into place as a result of legislation passed in 1988. Our first board meeting, I am led to believe, was September '89, so this council now has basically two and a half years of experience.

Today, Mr. Chairperson, I would like to introduce to you Mr. Kevin Kavanagh, Chairman, Crown Corporations Council. I think Kevin Kavanagh is known fairly well to most of us around this table. Kevin has certainly been a major provider and giver of his time and energy to the community, certainly the Winnipeg community and Manitoba as a whole,

with a long association of course, as we all know, with Great-West Life.

* (1050)

I would like to also introduce to his left, Mr. Doug Sherwood. Doug is the new President and Chief Executive Officer of the Crown Corporations Council. Doug has been aboard roughly now for two months. Doug took over from Bill Emerson, who had helped steer the Crown Corporations Council through its formative period of times, and Doug comes to us from Federal Industries.

Jon Singleton, Vice-President of Finance—I am sure Jon is no stranger to most people in this room, having been the Deputy Provincial Auditor for many years.

With those few remarks, Mr. Chairperson, I am going to turn the microphone over to Mr. Kavanagh at this time, who I think has a few minutes of commentary. After that I would ask Mr. Sherwood to go into a little bit greater detail as to the mandate and what it is that the Crown Corporations Council is doing by way of a legislative mandate and also by way of day-to-day practice.

Mr. Kevin Kavanagh (Chairman, Crown Corporations Council): Well, I just have relatively few headlines to start off with. The age of the Crown Corporations Council was a little more than two years when it first met. Its mandate is to facilitate Crown corporation performance and accountability. The board of the council is prescribed by the act to be a minimum of seven people of a diverse background.

The current membership of the board is indeed quite diverse and, aside from myself, we have a chief financial officer of a company who also is the nominee of the Institute of Chartered Accountants; we have a lawyer; we have a life insurance agent; we have a person who is representative of the consumerist element in our community, who also happens to be a Ph.D. in economics; we have an investment manager; and finally we have the dean of the business school. That is the group, aside of course from the participation of our CEO.

The staffing of the council is eight people, and the budget is somewhere in around \$900,000 currently.

Our focus is, of course, 10 Crown corporations that in the aggregate make up about \$2 billion worth of revenue and about \$6 billion worth of assets.

I tend to look at the 10 in terms of their character. One grouping involves the MPIC, Manitoba Hydro and the Telephone System. I see those as a group because they are very intensively focused on the price of their services in Manitoba. Then there is a second group that, while there are other considerations in their make-up, I think they tend to be revenue intensive. I am referring to the Liquor Control Commission, McKenzie Seeds and the Lotteries Foundation.

Then there is a final group that have a diversity of objectives: the Communities Economic Development Fund, which of course is involved in making loans to small business in the northern part of the province; Venture Tours, which concerns itself with the Hecla Island resort and tourism in that area; Manitoba Hazardous Waste, which is charged with the task of finding a site and a strategy for the disposition of hazardous wastes; and then Manitoba Mineral Resources Ltd., whose mandate is to encourage mineral exploration in the province, largely through joint ventures, of which there are about 53 or 54.

My colleague Mr. Sherwood is going to talk about our processes. Very simply expressed, each month we review a Crown corporation; each year several Crown corporations are scheduled for what we call a staff examination. Doug will say more about that. Then every five years, each Crown corporation is charged with the task of rethinking their longer-term strategy, and it is the responsibility of the council to assist the Crown corporations in that quinquennial task.

In coming to the job that I have been asked to do, about a year ago I found that there are probably two perils in our work. One is that analysis is so preoccupying that it tends to generate some paralysis unless you are disciplining yourself to avoid it. We tend to try to achieve clarity in the kinds of questions toward which the analysis is directed.

The kinds of questions that I found myself pursuing to assimilate some sense out of the considerable information base of the council were along the lines of: What do the managements of each Crown corporation consider to be the strategic issues that are confronting them?

The second question is: Does the council itself agree that management has identified the strategic issues that we see in the corporation's affairs?

A third question is: What is management doing about the strategic issues that they identify? What is their management plan to address them? Finally: Does the Crown Corporations Council agree with management's plan to address the strategic issues? That is our antidote to the peril of tending to get paralyzed by the huge amount of data.

A second peril is that we are not a panel of experts. That is, we are not in a position to second-guess engineers and geologists in an array of science and technology. Rather, we are a panel, I think, that tends to be generalist in its character although there is present some degree of expertise in management in the private sector, by and large.

I have felt, as I have experienced participation in the council's affairs, that the application of generalist capabilities really involves the application of common sense to the issues that are present.

I recall in that particular respect that years ago--Mr. Campbell was the Premier at the time. In commenting on the affairs of Hydro in the latter part of the '60s, he said that in having offered his commentary, the then chairman of Hydro scolded him for using schoolboy arithmetic. That always stuck in my head, because I think that maybe some schoolboy arithmetic and some common sense does have a place in the accountability chain of these very large enterprises.

That is about all, Mr. Chairperson, that I wanted to say in preface, other than to introduce to you the current CEO, Doug Sherwood. He is a graduate of Queen's. We have all forgiven him for that. Perhaps he has ameliorated that by being subsequently a chartered accountant. He has spent--

Floor Comment: I am not sure that helps.

* (1100)

Mr. Kavanagh: Well, give it a try. He spent 11 years at Xerox, ending there as a senior financial officer, and then came to Federal Industries, where he was for six years as vice-president and treasurer. Of course, in that particular company the management tasks that he was confronted with had to do with the surveillance of a portfolio of companies and, in a sense, that is what the Crown Council is all about. It is a portfolio of companies of very considerable diversity.

Doug, with those few words in the background, I would ask you to carry on from this point.

Mr. Douglas Sherwood (President and Chief Executive Officer, Crown Corporations Council): Mr. Chairperson, I would like to take this opportunity to point out the approach council staff take in familiarizing itself with the Crown corporations under its purview and provide you with some of my initial general observations on those Crowns.

Our activities break down into two quite distinct categories. We are firstly required under the act establishing Crown Corporations Council to be an advisory monitoring agency. Our primary area of focus is to ensure that the Crowns have an appropriate mission, well thought out strategic plans and are executing those plans in an optimum business fashion.

We follow a number of steps in conducting this advisory and monitoring responsibility. Our approach is to maintain a high level of personal communications with both key members of the Crown staff as well as interested and knowledgeable third parties. This would include senior government staff experts in such areas as labour relations, telecommunications and information systems.

We would also liaise closely with other monitoring organizations such as the Public Utilities Board and the Provincial Auditor's office. Our direct communications with the Crown key in on the chief executive officers and their senior management teams as well as the ministers and chairs responsible for those Crowns.

Through this comprehensive and ongoing series of communications, we are in a position to become aware of issues or concerns that may be looming on the horizon, whereas a minimum are developing and need quick managerial attention. Our role is not to usurp the responsibilities of both management and its board but to complement them by providing independent, objective and professional critique and analysis.

In addition to the oral communications, council staff focuses quite extensively on reviewing significant documentation of each Crown. Such documentation includes board meeting minutes, strategic plans, budgets, capital plans and all other documentation produced both internally and externally which may provide perspective and insight into the issues facing the Crown and how it deals with them.

The most important part of this monitoring activity consists of our staff examinations of the Crowns. These examinations may cover a period of three to four months and involve in-depth reviews of the Crowns' strategies, issues, risks and general business conduct. Upon completion of each staff examination, council produces a detailed written report summarizing its perspective on these matters.

The report is reviewed with Crown management, council's board and the appropriate ministers. Should serious deficiencies or policy violations be noted, council reports such exceptions. Of course, should those be noted, we would work very closely with the management of each Crown in seeing that they get adequately addressed.

To complement the above practices, as Mr. Kavanagh noted, council's board conducts an annual review of each Crown corporation whereby that Crown's senior management meets with our board, provides an overview into its operations and responds to any direct questions our board may have. We feel that the combined weight of each of these approaches puts the council in a strong position to assist both the Crowns and government with ensuring that there are no surprises.

I mentioned earlier that council staff had two primary roles. I have covered the advisory and monitoring role and would now like to comment briefly on our resource role.

As knowledgeable, objective and professional outsiders, I feel we are in an excellent position to assist the Crowns, particularly the smaller ones, with upgrading or operating and business practices to the maximum level possible. This is the value-added part of our role, and one in which I believe strongly. In the brief period in which I have been with council, I feel there are a number of instances in which we have provided a significant contribution to both board and staff at a number of the Crowns.

I have a handout, which will be available to all committee members. Included in the handout is an agenda for a directors' and commissioners' seminar we are holding commencing this evening and tomorrow for all Crown board members.

As can be seen from that agenda, we have assembled some of Canada's and Manitoba's best and most knowledgeable speakers in terms of the

operation of Crown corporations and the challenges they face.

In 1991, we conducted an operational review of the Manitoba Lotteries Foundation, which helped produce an organization structure which positions them for the great challenges and changes they need to have in place for the future.

We are working with boards of the various Crowns to assist them in better understanding their roles.

On a more technical side, we are working with one Crown in developing an information package to be distributed to perspective third-party investors; with another, we are advising them on investment-return calculations relating to possible acquisitions which they are contemplating.

Our activities encompass virtually any area of business responsibility.

In closing, I would point out that the Crown corporations of Manitoba which we monitor are generally well managed and conduct their operations quite proficiently. Some represent notable success stories.

The Manitoba Lotteries Foundation, for example, is receiving numerous requests from other agencies to assist them with establishing similar operations in their jurisdictions.

The Manitoba Hazardous Waste Management Corporation, which Mr. Kavanagh mentioned, has accomplished what few in its field have been able to do, namely obtaining a site for its operations with the support of virtually all interested parties.

This is not to say there are not significant challenges facing most of the Crowns at this time. Manitoba Telephone Systems, whom we were just meeting with, is on the threshold of very substantial technological and competitive change and must work very aggressively to ensuring that it is at the leading edge of this change while at the same time minimizing its risk to the people of Manitoba and to the shareholder.

Manitoba Hydro must plan and develop the Conawapa project, a \$6-billion project, while ensuring that environmental, aboriginal and financial issues are all appropriately addressed.

I have no hesitation in saying that both council, board and staff are deeply committed to working with each Crown to optimize their performance results within the parameters of their mandates.

Mr. Chairperson, I wish to thank the committee members for their time and attention.

Mr. Chairperson: Thank you, Mr. Sherwood.

Would the critic for the opposition want to make a short statement?

Mr. Jerry Storie (Filn Flon): Mr. Chairperson, first of all I would like to welcome Mr. Kavanagh and Mr. Sherwood to committee and, following on the minister's remarks, hope that nothing we say here today will dissuade you from coming back and joining us at some future date.

Mr. Chairperson, I appreciated the overview that Mr. Kavanagh provided and some of the more detailed review of the council's operations provided by Mr. Sherwood.

Obviously we have a number of questions about the role and the operation of this council. It is very important and, as Mr. Kavanagh pointed out, has a role to play in managing some \$6 billion worth of assets for the province of Manitoba—tremendous assets and probably proportionally as important to the province of Manitoba as any other set of Crown corporations across the country.

When the government changed in 1988, there was an act that had been put before the Legislature dealing with Crown corporation accountability, and the new government continued and put in place its own act following essentially the principles that were announced in the previous act, but also established this council.

Certainly we had high hopes and, if you read or followed the press releases that the government issued back in 1988, you would have, I think, very high expectations of the results of this council and its activities.

* (1110)

I can share with committee some of the words that were put into the press release, in describing The Crown Corporations Public Review and Accountability Act. The minister, still the Minister of Finance (Mr. Manness), said that this was one of the most progressive pieces of legislation in Canada, and I go on to quote, ". . . will ensure the depoliticization of Crown corporations by establishing an arm's-length relationship between management and government."

The minister went on to say that by introducing this act, Manitobans can be assured—a strong word—that actions taken in the future by Crown

corporations will be based on sound business practices and not politics—heavy emphasis on the not politics.

Mr. Chairperson, since this piece of legislation was introduced and since those remarks by the Minister of Finance, the Manitoba Oil and Gas Corporation has been sold; Manitoba Mineral has sold assets; Manitoba Data Services has been dismantled; the other services delivered by the Department of Agriculture Crown corporation were disassembled; Channel Area Loggers has been cut; last night we learned that the Manitoba Development Corporation is being eliminated; the Manitoba Energy Authority has been discontinued.

Mr. Chairperson, we come to the point where we have to ask some fundamental questions, both about the government's intentions with respect to Crown corporations and, unfortunately, I guess, about the council's role in determining the role of Crown corporations in the province and their future.

I would like to begin, Mr. Chairperson, when I conclude my remarks, with some questions about where we are going and how the council is currently viewing the role of Crown corporations in our economy and in the lives of Manitobans.

Mr. Chairperson, I know that many of the activities that the staff are undertaking are very similar to the work that was being done by the public investment corporation in previous years. I certainly appreciate the delicate balance that has to take place between involving yourself in decisions of Crown corporations and interfering in what are perceived to be the legitimate decisions made by the board of directors and direction given by government.

I am sure that the Crown Corporations Council will always have a fine line to walk in evaluating, considering without interfering, in the view of the corporation or the government. I wish them well in that aspect of their work.

Mr. Chairperson, this is a relatively new activity. I appreciate that the board members, certainly including Mr. Kavanagh, come with a great deal of wisdom and knowledge and come with the best interests of the province at heart when they do their work. I think it is important that we review not only the words that were given to the Crown Council in terms of its mandate originally, but how the council views its mandate.

If you read on page 16 of the report that is before us today, the mandate of the council is to build

justifiable public confidence in the effective planning, execution and control of activities of Manitoba Crown corporations. I am not sure that the way this government, and I will not lay the blame at the foot of council, has treated Crown corporations gives any reason for the people of Manitoba to have justifiable confidence in Crown corporations.

In many cases they have demeaned and undermined the work of Crown corporations, I think, to the detriment of other Crown corporations, to the respect people have for Crown corporations generally, to the view that Crown Corporations are not effective, are not good instruments of public policy. I think that is unfortunate.

I am going to want to explore some of those questions. I do not think the comments the government made with respect to MDS or Manitoba Oil and Gas are very productive in terms of building public confidence. I will want to know how the council views those questions.

Mr. Chairperson, I think I will conclude my introductory remarks, but this, I think, will turn into quite a lengthy session.

Mr. Chairperson: I would ask then whether the second opposition would want to make an opening statement.

Mr. Kevin Lamoureux (Inkster): Mr. Chairperson, I believe that the Crown Corporations Council, as a concept, is a very good one, that there are some concerns, as the member for Flin Flon has pointed out, that we too share.

There have been some things that have been going on in the last year, year and a half and just recently where we were in committee talking about the Channel Area Loggers and the Moose Lake Loggers, and interested in terms of the council's role and the role they played in terms of the privatization of those two Crown corporations, and some of the arguments as to why we would see two done simultaneously as opposed to, let us say, one this year on a trial basis, see how it works in terms of the community and then proceed next year or two years later if in fact the first one is working.

It would be interesting in some of the remarks that were given in terms of the role it plays when made mention of the MTS wanting to be on the leading edge and the whole concept that has been talked about from different levels of politics with the concept of Prairie integration and if in fact the Crown

Council has looked into any form of Prairie integration of some of the Crown corporations, in particular one such as MTS, if there is any benefit of that nature.

Mr. Chairperson, just having said those very few words, I conclude my remarks and we will move on to questions.

Mr. Chairperson: I would like to thank all members of the committee as well as staff for their short, concise opening statements. I would open the floor now to questions.

Mr. Storie: Mr. Chairperson, I guess the first question, and I direct this to Mr. Kavanagh, is whether he can enunciate for us the current view of the council, the council's thoughts on the value and the role of Crown corporations in the province.

Mr. Manness: Mr. Chairperson, I am not going to stand in the way of Mr. Kavanagh moving into the realm of discussing the public policy issue of Crown corporations and from where they come and where they should go. He has such control of his understanding and indeed his ability to express his viewpoints on this issue that certainly I will provide to him any freedom that Mr. Storie wishes.

However, I think I have to make clear one point. Somebody ultimately is accountable for Crown corporations, and ultimately that accountability is found within Executive Council. Executive Council, in its wisdom, will make certain decisions with respect to, not the make-up, that is the wrong word, but an acceptance of strategic plans in the future or with respect to the longevity of a Crown or with respect to divestiture of a Crown.

* (1120)

It is an asset owned by the people of the province. As it was created by a decision in the Legislature flowing from some decision made in Executive Council, obviously a Crown, if it is to be altered in any fashion, leading even to the final selling of either assets or the company as a going concern, that decision also will be made in Executive Council, given in effect in most cases by the decision of the Legislature.

That is the parliamentary system. That is democracy as we know it. That is the way it has been for generations, and that is the way it will always be.

I guess what I am saying to Mr. Storie is that once government makes a decision to divest and/or to

create a new Crown corporation, that is a decision of government and they will be held accountable, not certainly Mr. Kavanagh and certainly not Mr. Sherwood.

With those parameters put into place, I have no difficulty in Mr. Kavanagh attempting to answer the question.

Mr. Storie: Yes, Mr. Chairperson, I want to make clear I am not intending to put Mr. Kavanagh on the spot necessarily. However, I think I want to read back to the minister his words about the intent when he created the Crown Corporations Council, and he said: . . . so that Manitobans can be assured that action taken in the future by Crown Corporations will be based on sound business practices and not politics, No. 1; No. 2, that Crown Corporations own comments on its mandate, which says that they want to build justifiable public confidence in the effective planning, execution and control of the activities.

I recognize that the Crown Corporations Council is an advisory body. They have no power, at least presently, to interfere with, to undermine, to perhaps even object to publicly any action the government decides to take with respect to Crown corporations.

I think the people of Manitoba, however, have a right to know whether the people who are currently on the council, how they view Crown corporations, how they view their role in the province's economy and in the delivery of services to Manitobans.

Mr. Kavanagh: There is such diversity in your question, where to begin? First of all, there is not on my part, and I do not believe any member of the seven-person council, some ideological fix that Crown corporations do not have an appropriate role and that we do not see it, nor have we been requested to see it that our mission is to find ways of privatizing the portfolio of Crown corporations that we have.

Our focus, certainly it has been mine, is to try to understand the nature of ownership accountability in the public sector. I think because we are private-sector people—you know I spent 39 years of my business career with a publicly traded corporation and have viewed ownership carrying out its particular responsibilities that are really very different than the responsibilities of management. I have watched in the private sector quite a number of situations in which ownership has failed in one

fashion or another to do the things that are appropriate in relation to a corporation.

When I have come to the public sector corporation, I found it a very curious thing in that it lacks the behaviour of say a major shareholder. A major shareholder will come into a large corporation, he will be advised by a very sophisticated in-depth staff of experts in the evaluation of the company's performance and go at things in a very, very professional and tremendously motivated fashion. It is very, very hard to recreate those kinds of motivations and focus in the public sector.

I have come to believe that the legislation under which the Crown Council has been put together was good legislation in the sense that while it really seeks to answer the question: How do you strengthen ownership accountability in the public sector without at the same time undermining the basic accountability that exists in a line sense from the minister to the chairman of the Crown corporation to its board and then to its management?

It is very easy, in my opinion, to impair and undermine that line of primary responsibility and intention if you do not take care and be attentive to that as a peril.

The Crown Council, it seems to me, attempts to be, in a sense, an invisible member of each board. There was one stage in the formation of the council where some argued that it might be useful to have a council member on every board. I am not so sure that is a great idea in terms of boards tend, whether it is private sector or public sector, to over time start to identify with management, and you really have to fight that. You really have to have two different focuses.

The Crown Council seeks to be in pretty much the same circumstance of a board member by receiving all of the information that board members get at about the same time as board members get it. They are reinforced in their capability to address the issues, because we do have a modest staff who can do analyses and work-ups that are not typically available to the generality of directors of Crown corporations.

In terms of the information and the timeliness of it and in terms of the assistance that we are given by way of analysis, the council has sought to reinforce the ownership aspect of the whole process.

I guess it is quite intrinsic to the existence of the council that you are not very visible, that you are not in the business of advocacy. What you are in the business of doing is trying to, at least in my head, recreate the aspects of vigilance that you would see if you really owned it and that it was your money.

It is very, very hard to do in the public sector, but I think that with double-teaming that is present in the accountability chain through the Crown Council you can make a very substantial step toward it and try to discern impending major difficulty and to try to discern opportunities for improving the process.

As I said, it is not a very visible activity. We are not in the newspapers. I say that happily. That is for the politicians to live with.

Those are some of the thoughts that occur to me in response to your question and, if you want to pursue it further, I could try to embellish what I have learned and what I have thought in the process.

Mr. Storle: No, I appreciate your comments. I think you moved a little bit away from the question of what role you saw for Crown Corporations and answered more of the question about how you saw the council's role in assessing the effectiveness of the Crown Corporation's mandate or operation.

* (1130)

I guess what I am trying to get at here is that I appreciate your background, and I am trying to assess, and I think the people of Manitoba have a right to assess, the general view of the council in terms of Crown corporations in and of themselves and their role in the delivery of service. If we wanted to take perhaps more of an example which has more relevance for you personally, it is the question of the Manitoba Public Insurance Corporation.

When MPIC was introduced, there were many, not the least of which was the insurance industry, who said this was an awful thing. I think categorically one can state today that the Manitoba Public Insurance Corporation has been of benefit to Manitoba and to the motorists, the individual people of Manitoba.

I think that if you wanted to you could calculate, based on experiences in other jurisdictions, some sort of net benefit. That of course goes against the grain amongst some people who say that it is not a business that government should be in, that the private sector can do that, which of course is quite true. It is also true that the motivation of the Public Insurance Corporation is quite different than the

motivation of other motor vehicle insurance companies.

The difference is that a Crown corporation is an instrument also of public policy. It is designed to protect the interest of consumers, the people of Manitoba, the insuring public. Yet, at the same time, it does not want to be a drain on the taxpayers of Manitoba, so profitability is also important to MPIC, but it has the twin concerns of being a public utility as well.

I am trying to find out whether the council has come to grips with that kind of duality yet and what your particular views as chair of the council are in terms of the ability of Crowns to deliver service.

Is that a worthwhile idea? How does that fit into the general economy of the province, the mix of our economy?

Mr. Kavanagh: We have never debated, at least not in my presence, as you have given the example of MPIC, whether the choice that was made in earlier days was meritorious or not. What we have concerned ourselves with is its performance, its mandate, its financial condition and so forth.

Frankly, in respect to MPIC, I would have to say that in recent years its performance has been pretty good. You know, I take note of the fact that in recent years, in respect to the \$32-million accrued deficit that was unhappily created in respect to the reinsurance business and other lines of business that they were in, they have managed through their own operations to fund that and to relieve the government itself of restoring that.

That is a very major accomplishment on the part of the current management. They have additionally built their contingency reserves to the point where they are at 15 percent of the mandated Autopac premium levels, which I thought was a reflection of some very careful, attentive management. They are currently undertaking a wide range of computerization tasks to the end of achieving what are really sort of consumer-customer oriented flexibilities. I think that is a good strategy and the right one, a timely one for them to pursue.

I think as a leading person in the opposition that you could be content with the view that the council is not prejudicial in any way to the concept of a Crown corporation, nor is it viewing it or the environment as one in which they should be finding reasons to privatize.

I addressed this issue at the request of Mr. Evans at a national assembly, I do not know, eight or 10 months ago of Public Accounts committees. Somewhere in the context of my remarks at that time I said that in being given the portfolio of Crown corporations that we have, we have not been urged to look for privatization of them. At the same time, if we thought and if I thought that there was a public-purpose argument to privatize a particular company, we would say so. We have not said so in any of these particular assignments, but I do not ideologically or philosophically see that the council should rule that out as a remedial step if it were thought to be the right thing to do.

Anyway, to summarize it all, I really do not think that members of the opposition should be concerned about some kind of a negative bias in respect to the concept of Crown corporations. I just do not think it exists. Our crowd has been operationally focused, fiscally curious, very concerned to find danger in any of the situations. That has been the substance of our discussion and examinations.

Mr. Storie: I thank Mr. Kavanagh for those thoughts. I certainly do not want to have Mr. Kavanagh leave the committee believing that somehow there is an accusation that the Crown Corporations Council, individually or collectively, has a bias. The question that I was asking was to determine your views at this point, and I think you have laid them out fairly carefully.

I guess if you say on one hand that you would have no particular hesitation in commenting or perhaps recommending or advising the government that a certain Crown corporation should be privatized if you felt and the council felt that that was in the best interests of the public. Would it also be true that you would have no trouble in recommending to the government that a Crown corporation be formed if you believed that to be in the interests of the public?

Mr. Kavanagh: I would not have any trouble with that. Mind you, I say that with the freedom of knowing that we never would be asked that, because our mandate is to address Crown corporations that are given to the Crown Council to assist the government in their ownership responsibilities.

I do not believe that it is any part of our mandate to look at the generality of affairs in Manitoba and

come up with a viewpoint that a particular activity ought to be put into a Crown corporation. There are some activities within the province of Manitoba's public sector that we look around and see if there are elements in the public sector that might benefit from the work of the Crown Council in terms of assisting the government with the ownership role.

I think, for example, that in respect to the Lotteries Foundation, which came into our purview during the course of my tenure, I thought it was a very good idea to put that into the Crown Council. Incidentally, in the governance of gaming in this province, I am a firm believer that a Crown corporation and public involvement in that activity is very, very desirable. I have no reservations about that at all. A strong hand is really needed in that kind of thing.

There may be other activities in government that might be moved from a ministry into the form of a Crown corporation and governed in the context of a Crown corporation with whatever values the Crown Corporations Council might add to it.

Mr. Manness: Mr. Chairperson, this is actually a very interesting issue that is being discussed, because I know members of the board and certainly the chairman, the president and I have talked about this in the presence of Mr. Singleton. Of course, Mr. Singleton has been Deputy Auditor of the province for a period of time and is very familiar with the various entities that make up government, just not departments of government.

I look at my colleague the Minister of Agriculture (Mr. Findlay) here, and I think particularly of MACC, and I think of MCIC, Crop Insurance Corporation.

Government has grown significantly over 25 years. Yet we have Treasury Board, which is very much involved in a lot of day-to-day activities, line to line to line, and that is good. Some would say that maybe the Crown Corporations Council is the treasury board of Crowns. When people say, what is it, to me, very quickly, I say, do you want a quick answer? It is the treasury board of Crowns.

We have some other entities of government, maybe Manitoba Crop Insurance Corporation, maybe Agricultural Credit Corporation, maybe the Manitoba Housing Authority, and so on and so forth, that maybe should come under some greater purview of government. That is not a put-down on the line existence of accountability and authority that exists right now.

* (1140)

The reality is, when I look at the Crown Corporations Council and I see the way that they are at this point taking their role, I question whether or not, in a public policy sense, whether greater discussion should not be given to possibly folding more of the entities of government, underline departments now, maybe into the Crown corporation. That would therefore be an expansion of Crowns per se.

As far as the new mandate, the new thought process of what is coming down the way, maybe in an environmental area, as to what will spawn off another Crown, I do not think that is the mandate particularly of the Crown Corporations Council, that is the mandate of public policy people such as yourself and myself.

Mr. Kavanagh: One of the things I neglected to say, you know the general direction of the discussion was that I do not believe that Canada is overwhelmed by the weight of Crown corporations. Even after all of Mrs. Thatcher's exertions to privatize what appeared to be large parts of the public sector Crown corporations in the U.K., all she ever got to was at the level that Canada is now. Canada has received a certain component of Crown—

Mr. Storle: Was there dissatisfaction in your voice there?

Mr. Kavanagh: No, I was discerning that maybe you thought I was terribly much on the side of privatization and that I or other members of the council were preoccupied with the size of it all. I have not considered the size of the Crown corporation an element in Canadian life in terms of the numbers of people employed as a percentage of the aggregate jobs in this country or the assets that are involved. The numbers are 5 and 25 respectively. Those are not huge numbers. They are far less than western Europe.

I do not think that there is a sort of a theme that we are into a question of excess in terms of public enterprise and that some great thing should be done about it. Our concern has been this question of ownership. Ownership, as I have said, is a very difficult thing to do successfully. I mean, the number of corporations in this country that have gone down because of ownership mistakes is very large. It is very hard to get done.

I think the council has been motivated to try to figure out what they can contribute to this task of

ownership in the absence of the typical motivations that ownership has, which is large investment and the peril of loss. We do not have that. As I have said, I thought that the double-teaming idea of the traditional line of authority and responsibility and the reinforcement of the Crown Council was a pretty good idea, and that it could be built into something that was quite constructive.

Mr. Storle: On Mr. Kavanagh's latter point, I certainly agree with him. I think there is no doubt that it has a very constructive role to play. It is to the credit of the minister and I think reflects a certain understanding that we gained from '81 to '88 that it was necessary.

I guess there are some interesting questions about ownership that you have raised, and I am going to get to those a little bit later. I wanted to go back to the issue of the council's role in advising the government with respect to either privatization or assuming additional responsibilities, because the minister makes the point that those are policy decisions.

Certainly in your role as a council when you are reviewing the financial future of a Crown corporation like Manitoba Telephone System or any other Crown corporation, there may be opportunities where an additional service could be provided by a Crown corporation which would be in addition to the services they already provide.

Perhaps we can use as an example, energy. Manitoba Hydro may at some point want to consider expanding its energy services. At one point the province did attempt to purchase a gas distribution company.

There are many people in the province, in southern Manitoba, in the Interlake, in Parklands who have been asking for years for the expansion of natural gas. A Crown corporation, an extension of an existing Crown or the creation of a new Crown, to do something like that certainly is conceivable.

I guess I am wondering whether the Crown Corporations Council sees itself having a role in doing the kind of analysis that would be necessary to make those kinds of recommendations to existing Crowns, if not the creation of new Crowns. Maybe that is a question more fairly directed at the minister.

Mr. Manness: Mr. Chairperson, I would not have difficulty if indeed the government decided in a public policy sense they wanted to go that way in asking the Crown Corporations Council for their

views as to how best to set up the development of an organization to provide for that ultimate goal.

However, I would be offended if the Crown Corporations Council came to me, by way of resolution, on their own desire and say, here is a good idea or here it is from our point of view. I would say to the council, you have crossed the bounds. If you believe that, then start knocking on doors, put your names on ballots and get into the public policy field with me. That is a very harsh statement, but let us clearly define our roles.

I would say that if that happened, you then on opposition should have a great concern. That would say to you that philosophy maybe was at play as between the Crown Corporations Council and this particular government and that there was a very close communication of philosophy. I would say, in that respect, you should be very concerned if you were to see that happen.

I would say to you, if it goes down with a request for a recommendation and support as to what the government might be prepared to do in a public policy sense and to provide energy, using your example, in some fashion to a greater number of our people, and I asked for the recommendation from the Crown Corporations Council, I know I would receive a well thought out recommendation but, for it to come the other way, I do not think can work.

Mr. Kavanagh: I just want to stake out a little proviso here in that in McKenzie Seeds it has been thought desirable by its management to acquire one or two businesses. Beyond what the minister said, there has been some acquisition on the part of one Crown corporation, namely McKenzie Seeds, to buy some businesses that are in their particular things, and the Crown Council thought they were good ideas because they were businesses which were completely homogeneous with what they were doing; they were not sort of not sticking to their knitting.

I do not think that those kinds of things are in contradiction with the philosophic notions that the minister expressed, but we have done that. I mean, if it was a good idea in one of these enterprises to add to market share and to achieve the sort of benefits that that can bring, then we do it. That is to say we would favour it and we would present it as a sensible business idea. I think that we would have an expectation I would think very seriously.

Mr. Chairperson: I just want to briefly as Chair indicate to members of council, this being the first time that you appear here, I would suspect that you will periodically witness the kind of exchange between members of the committee that just went on briefly. I would suggest that you just continue your remarks. That happens periodically. If I think that it interferes too much, I will interject.

* (1150)

Mr. Storie: I just have one other question, and I will allow my colleague from Inkster to get the floor. This is to the minister. The minister says that if the government was contemplating providing additional services or creating a new Crown corporation, he would or would certainly consider asking the Crown Corporations Council for advice, for a review of that.

I ask the opposite side of that question. Did the government consult with the Crown Corporations Council when making divestiture decisions of the numerous Crowns that have now been divested or discontinued?

Mr. Manness: The short answer is no. Certainly that does not mean that if there were to be a contemplation by the government to possibly consider divesting or altering the make-up of a Crown, that we would not approach Crown Corporations Council.

Now, I have to backtrack a little bit in that when I provided the categorical no. Certainly with respect to Manfor, Crown Corporations Council was not up and running at that point in time; Manitoba Oil and Gas, Crown Corporations Council was not up and running at that time, ManOil; Manitoba Data Services, I would tend to say yes, there was a discussion with the predecessor, Mr. Sherwood, when he acted in dual capacity although, again, it did not come forward by way of recommendation.

With respect to the ones that have gone forward, they happened, for the most part, early in the mandate, the same time when the Crown Corporations Council was developing, the latter one being Manitoba Data Services, there was some discussion. I would think that of any of the 10, and this is of course not to sound alarm bells, because certainly there is not at this point any ongoing drive towards greater divestiture at this point but, if there were, and I say, if there were, obviously we would approach Crown Corporations Council for their viewpoint. Their viewpoint, of course, would be one

additional source of information which would help Executive Council ultimately make a decision.

Mr. Lamoureux: Mr. Chairperson, thus far I have found the discussions most interesting and wanted to add in a few thoughts onto the record on behalf of our caucus.

It was interesting in terms of the advisory, monitoring role that we believe the council is to perform in that we are taking the initiative to either go in or expand Crown corporations or to decrease the number of corporations. The minister, I believe, is saying it is something that is one of policy and that the council should not be responsible for.

I would concur with those types of remarks, that in fact it is a policy debate in terms of Crown corporations or the expansion of the number of Crown corporations and going into whatever fields that there might be.

In terms of the advisory and the monitoring of the current Crown corporations, I think that the council is unique in the sense that as legislators, we can go through our Estimates process and do not really have the opportunity to ask the extensive questions that many of our constituents would like to see no doubt us ask in respect to the Crown corporations. I see a role for the council in bringing to the members of the Legislative Assembly, not only to the minister or in terms of the cabinet information as to how the Crown corporations are going, but also to the members of the Legislature.

I reference what the Minister of Health (Mr. Orchard) just did the other day in terms of bringing to the Legislature an information package on what is going on in health care. Well, that was much appreciated, but I would suggest to you that there is one significant area of public expenditure, in revenues if you will, that is not given the type of scrutiny that it deserves from the politicians and that the council does have a role in ensuring that that information is made available for all the elected officials.

When we have, as previously MTS, that comes to the table, they have a bias. Whether it is real or not, it is a perceived bias. I see the council as more of a neutral body that should be able to inform legislatures as to what the real status is of our Crown corporations, whether it is in a formal fashion such as we are into right now, where we can question or what I would suggest would even be a preferable one where we see a presentation, whether it is a

slide show or whatever it might be, to the Legislature made available on the different Crown corporations and how the council sees them progressing into the future, playing a very neutral role.

In my opening remarks, I made reference to MTS and the remarks that it is imperative that they remain on the leading edge. I would ask the council board members, does the council have any role in terms of looking at how these corporations could become more efficient, more competitive, particularly MTS?

I have heard discussions in terms of the concept of having Prairie integration, where you have SaskTel and you have MTS and I think it is Alberta Bell or Bell Alberta, I am not too sure of the actual name of the—AGT—if in fact the council addresses concerns of that nature.

Mr. Manness: Mr. Chairperson, I am not again cutting off Mr. Kavanagh or Mr. Sherwood from answering or giving comment.

I will say to the member, I acknowledge what he is saying. I have no difficulty in ultimately working to greater and greater opportunities for objective comment as coming from the council with respect to our Crowns.

I think in our first couple of years we wanted to go relatively slowly, and we did purposely because, of course, it was a whole new approach and really there were some lines of responsibility that had to be more clearly defined.

In the first instance, we put out a quarterly report. We put out an annual report. I would say that for the first while it has been general in nature.

Council recently, because council has asked me whether it is the desire under the act and the desire of the government to make that worded commentary more detailed, more specific, I said yes, it is. I do not want it to take on necessarily just pure audit proportions. I do not want it to be purely an auditor's comments. Certainly they have greater freedom now to expand on concerns and put it in a written form.

* (1200)

Of course, I know what that will bring. I know what that will bring on the floor of the Legislature, I know what it will bring everywhere else.

I agree with the member for Inkster (Mr. Lamoureux). It is what we are going to have to do with the Crown Corporations Council and ultimately

our Crowns. That is the most important, our Crowns and how they are perceived in the public mind.

We are going to have to provide that greater role of accountability, and if what you are saying is, ultimately is it going to lead to some day where there can be more of an informal discussion between the officers that we have before us and all members of the Legislature in an accountability session, I can see it in time working toward that direction.

Mr. Chairperson: Maybe as Chair, I am not sure whether this is proper to pose this question, but I find the question extremely interesting. I wonder whether Mr. Lamoureux is suggesting that this forum might be changed at some point in time to be a broader, informative type of forum bringing wider presentations into this forum.

Mr. Lamoureux: In essence, that is in part what I was talking about. That debate no doubt will continue as we address rule changes and so forth.

To follow up specifically with the report, I would be interested in hearing in terms of the role that was played with the divestiture of the two loggers, the Channel Area Loggers and Moose Lake Loggers, if the council, what role they played. I know previously, as they had mentioned in their opening remarks, that as a Crown corporation it could go to the council for expertise. Now that they are not a Crown corporation, do they still have access to that expertise? What role, if any, did the council play in the divestiture of those two Crown corporations?

Mr. Jon Singleton (Vice-President, Finance, Crown Corporations Council): The role we played was primarily one of assisting the board of Channel Area Loggers and the secretary-treasurer to work through the process of privatization. We assisted them with the legal steps that were necessary to go through in bringing about the wind-up of the corporation and provided accounting advice to them in terms of how to budget and account for the process of the wind-down.

It was basically a technical role that we played in facilitating the actual wind-down after the decision had been taken by the government to privatize or wind-down those corporations.

Mr. Lamoureux: What other types of services then are offered to Crown corporations from the council, in particular for those two? Had they remained a Crown corporation, would there be expertise that they would be receiving from the Crown Council?

Mr. Sherwood: Most definitely there would be. I mentioned in my opening remarks that one of the things we do is add value. It is particularly with the smaller Crowns that do not have the staff resources on their payroll to do some of the things that we can assist them with. The value added can vary from assisting them with recruiting a key staff member to assisting them with the development of their strategic plans. In other words, it can cover virtually any aspect of their business operations, and frequently does.

We have just an ongoing series of requests from the various smaller Crowns for assistance of that nature.

Mr. Lamoureux: Mr. Chairperson, the reason why I ask is that the last thing, like the idea of moving into a community ownership, I believe is a good one in these two particular cases and supported it.

The question in terms of once they have left as a Crown corporation, is there something in place, especially more so in the short term, because of the expertise the council has on its board, that these new community-owned corporations can tap into so that we do not see them closing shop two or three years from now or having to go back to the government under government ownership?

Mr. Sherwood: I would say as a general statement that our responsibilities would tend to cease upon the transition of the ownership to in this case the local citizenry. We would assist with the transition, and we are right now.

There is another Crown corporation, Moose Lake Loggers, that is in the final stages of being divested and sold to the community of Moose Lake. We are playing a very significant facilitator type role in that exercise but, once it is completed, I would say that our role would be considered to have ceased.

Mr. Lamoureux: Mr. Chairperson, because of the limited time, I did want to ask some other questions regarding MPIC, and I did say to the member for Flin Flon that I would give him back the floor right away. I was wanting to know from the General Insurance portion of MPIC what type of projections the council has for the General Insurance branch? Is it positive? Do we see some very good things coming in the future from it? There was some concern in previous years in terms of the costs and the management of it.

Mr. Sherwood: Mr. Chairperson, those are detailed numbers that typically we would not be in a

position to disclose because they are projections of future operations. I would be reluctant to comment on them.

Mr. Kavanagh: I think that if I could supplement it a bit, none of us are carrying the numbers in our head, but when you said General Insurance, I take it that what you are talking about is insurance other than the mandated automobile coverage. That would include what MPIC calls SRE, which is what, Jon?

Mr. Singleton: Special Risk Extension.

Mr. Kavanagh: Special Risk Extension, but it is in the automobile field, and it is to large transportation trucks and so forth and so on.

I believe, Mr. Minister, that MPIC withdrew from general insurance areas beyond that and withdrew from the reinsurance business in the casualty areas of the insurance business.

I think that when you are thinking about MPIC within the context of its current strategy, what you might expect is gross in the mandated Autopac coverages in the business of providing lower deductibles at the option of the customer and businesses that have to do with automobile risks that are not mandated, but provided by that corporation.

There is no strategic intent to re-enter the property insurance business for apartment dwellers or dwellings or reinsurance or things like that.

Gratuitously, I would suggest that is a good idea that they not do that. I think that the way to achieve the highest level of performance in the mandated Autopac business is to stick to your knitting. I mean, the mandate for this corporation is to deliver mandated Autopac coverage to the citizens of Manitoba at the best balance of cost and service that can be achieved.

If I learned one thing in business, it is that it takes a lifetime to learn how to do one business really well. It takes intense discipline to focus on that business. When you start to get into areas where you do not know quite what you are doing, it can be very, very difficult, whether it is in the public sector or the private sector. So anyway those are some thoughts on that.

Mr. Lamoureux: Mr. Chairperson, I look at it in the sense that you have your basic mandate which everyone concurs with but, over and above that mandate, like getting the extra insurance that you

can buy from any insurance like the deductible of at least \$300 from MPIC, if you want to you can reduce it down to \$50 or get this and this additional automobile insurance. Is that something that we are going to see in terms of long term with MPIC? Do they feel that that too is a part of the original mandate?

* (1210)

Mr. Kavanagh: I believe they do. Perhaps the minister might supplement that, but I see no contradiction with that.

Mr. Manness: Mr. Chairperson, I would just like for the member to restate the question a little bit more clearly. I did not—he talked about the MPIC mandate.

Mr. Lamoureux: I am talking about if you go into an Autopac retailer, you will see that you can have your basic package. For the sake of argument, it will cost you \$500, you get a \$300 deductible, if you want to reduce the deductible, you can pay an extra so amount of dollars, something which I understand is offered from private insurers, that additional insurance. I guess in that sense it would be a government policy question, but the idea is, is that part of Autopac's or MPIC's mandate to continue doing that? It was just two years ago where we saw the house insurance, if you will, being taken away.

Mr. Manness: Well, certainly from time to time we discuss MPIC's role in providing coverage that can buy down deductible. At this point in time, we see no reason in changing. We sense then, obviously, that it fits within the strategic plan and the mandate that MPIC has.

Mr. Storle: Just following up on perhaps the example or the comments of my colleague from Inkster on the General Insurance Division, I would like to go back to comments that Mr. Kavanagh made in his introductory remarks when he talked about the importance of accountability, which was the principle of establishing the bill, to make sure that there was some sort of accountability.

I wondered whether the council has considered accountability in more than just a fiscal sense. Mr. Kavanagh commented somewhat later that the council had been fiscally curious. I think that is a good thing. I am wondering whether though in terms of accountability the council has gone beyond simply wondering about the bottom line, which we all acknowledge is important, but also went beyond that to determine the value beyond the corporation

of the services provided, for example, by MPIC or Manitoba Hydro in terms of a net saving to individuals, ratepayers, consumers.

Mr. Kavanagh: No, not very much. It may be that as we become more proficient fiscally that maybe—I think really what you are getting at is the other side of business, which is the quality of service. We have certainly been positive in our attitude with respect to MPIC's very expensive undertakings with respect to a modern day recomputerization of the company for which most of the business objectives of that computerization appear at least to me and I think council to be directed toward customer value, dealing with annoyances such as how premiums are paid for part of a month and so forth and so on. All of that requires in a large organization that thinking, and there are a number of different things.

Certainly, we have not been confounding the motivations of Crown corporations who are moving in that direction. We have not evaluated, say, the speed of claim service in that particular company or the aesthetic considerations that associate with the marketing of liquor and beer and so forth. I am really uncertain as to our role in that respect. Maybe we have one; I am uncertain of it at this stage. In establishing the priorities of the Crown Council, I guess right at the top of the list is, look for trouble and try to find it before it becomes expensive for people, and other considerations like that.

I have not heard the minister say, I want you to get into service quality yet, but that is the truth of the matter.

Mr. Manness: Well, I am glad. We are making commentary on the run here, but I can tell you this is a very good discussion because, let me say, I have not asked the council to bring in value-related assessment.

I have not asked them to do cost-benefit analysis, because I do not believe that is their role. As the minister, as I have indicated, or as Mr. Kavanagh has indicated, their role is to look for trouble on the fiscal side primarily, provide resource help in any dimension that they can help and, thirdly, be a sounding board for anybody either from the public or within the Crown corporation to come forward and blow the whistle. Those are basically their elements. I have not asked them to try and work toward determining the value of the service provided by the Crown.

I will tell the member why. First of all, that is cost-benefit analysis; that is in the realm of economic analysis. I am an economist, and that is fraught with assumptions totally contrary to accountants and general managers and, you see, once you have moved to that realm, then to subjectivity and assumption, then obviously you are into the realm of politics.

That is for the member for Flin Flon and the member for Morris to debate back and forth. That is not for Crown Corporations Council. The government of the day may want to do that, but that then should switch from the Crown Corporations Council into the policy branch of government under the Premier's (Mr. Filmon) guidance to determine value.

I mean, as close as I can come, the Provincial Auditor is also after us to determine the value of our social programs. We are trying through different attributes of accounting to try to build a model to do that. I am not going to in any way delude myself into believing that you can come up with a magical formula that is a yes or no, whether or not there is a social program stay in place.

It will never be that simple. I do not want to impose that on the Crown Corporations Council, in all honesty, if the member is looking for a definitive statement from government. That is not their role. Maybe in time, once we have matured a system of accountability, maybe it might be, but today it is not.

Mr. Storle: Mr. Chairperson, I do appreciate the minister's comments, and I know that he did not sit down and say, well, these are the questions that are going to be asked today. I think we are off onto some very interesting ground, and it does go to the heart of, I guess, the role of this council. Obviously, the council has the mandate that the government decides to give it.

Mr. Manness: No, the Legislature.

* (1220)

Mr. Storle: Well, Mr. Chairperson, the Legislature has provided them with an act which gives the minister, in essence, the right to task the council with whatever tasks he sees fit, virtually unlimited.

I want to focus a little bit on the question of accountability, because it is an important aspect of, I guess, the council's stated goal of increasing public confidence in Crown corporations.

Mr. Kavanagh referenced earlier in his comments the fact that many, many, many private corporations flounder. In fact, if you include small businesses, the vast majority of private corporations fail. Public confidence in Crown corporations is less than, I think, we would like to see it. Public Crown corporations have a much more public airing of the frailties, the mistakes, in many cases, as compared to private corporations.

One of the things that we, and I include all of us in this, including the government that brought in The Manitoba Hydro Act, which was not a socialist government, have failed I think to put forward the necessary facts to assure people that there is value for money in Crown corporations.

If the Crown Corporations Council is going to do its work of justifying and ensuring that the public recognize the benefit that exists by virtue of the province, the public owning these corporations, then I think it is missing an important aspect. If all the Crown Corporations Council is going to be is a financial watchdog and whistle-blower, it is going to undermine further the confidence in Crown corporations, because it is going to highlight the mistake.

I know and am familiar with enough large corporations in this province to know that mistakes are made on an almost daily basis which cost millions and millions of dollars. They do not just cost shareholders millions of dollars, they cost taxpayers millions of dollars.

I think that if we are going to deal honestly with the question of accountability, you cannot simply deal with the question of, did this corporation show a profit for this particular year? An important question, yes, but I think that the public has a right to know the value of the services that are being provided.

The minister says he is not prepared to give the Crown Corporations Council that kind of a mandate. My question is: Why not? If we are going to justify the provision of any services through Crown corporations, why should those questions not be addressed?

Mr. Manness: Specifically because it moves into the realm of the subjective. It moves into the realm of economic analysis based on assumptions. I say to you, that is what makes us different philosophically. There is no way, in my view,

anybody can put a value on a service, only the marketplace.

Only the marketplace can put a value to the service, but yet we are talking about Crowns for the most part who have been given monopolistic powers, who do not have their services tested in the marketplace. To back away from that then says that somebody subjectively has to put a value on it. That moves into the realm of debate.

This is a pretty philosophical discussion that we are having but on what basis, for instance, would the member want to address probably MPIC and say, well, look, we can justify that there has been a net saving because we have Autopac. I know that if I went to work or some other people went to work on that argument, they could blow it potentially to pieces whether they believed in it or not—could blow it to pieces.

I am saying there are too many things to do. There are too many jobs ahead of us. There are too many issues surrounding Crowns as to their cost-side management, as to their potential strategic plan, as to their role in the future. Let us not get bogged down in that area.

That is why I prefer not to give that mandate to the Crown Corporations Council. Now I invite Mr. Sherwood and/or Mr. Kavanagh to respond from their viewpoint as people who have been in the private sector most of their lives, probably agree with some of the elements you have said, maybe agree with everything you have said, if they would like to comment further.

Mr. Sherwood: I would like to add to what the minister says from the perspective of looking at the role of the management of a particular Crown corporation, its board and council. I think the primary responsibility and I would say knowledge level must reside with the management of the Crown itself.

As we had mentioned earlier, council staff consists of a total complement of eight people, including a secretary. We would not have the resources to do such in-depth analyses in any way. Even if we did, I believe that management would then tend to feel that they no longer had to accept responsibility for their actions. The boards would hold a similar perspective. The responsibility has to lie with the management of the Crowns.

Mr. Storie: The minister, I recognize, is certainly partly right, that whenever you do any kind of

analysis, you get into the problem that you are going to base your analysis on some assumption. There always has to be. I am a little surprised at his suggestion that somehow economists cannot devise a way of valuing services. I mean, there are ways of comparing.

Mr. Manness: I did not say that. That is not what I said.

Mr. Storie: Well, you said it would be subjective.

Mr. Manness: I said, you compare it in different ways.

Mr. Storie: Well, Mr. Chairperson, I still think that it is valuable to do that. The minister says on the one hand that government departments are preparing to put a value on social programs. It seems to be a much simpler matter to put a value on services. All of these services, the services that are provided by our Crown corporations, are provided elsewhere by the private sector.

For example, the Manitoba Health Services Commission, which is our largest Crown corporation, in effect, has been compared seemingly quite simply with the delivery of private health care in the United States. I am not sure why the government or the minister seems reluctant to say that that is an important aspect.

I certainly would never suggest that a Crown corporation should not have a bottom line. I think that perhaps the comments earlier from Mr. Sherwood about taking away the incentive of management to make the correct decision and be accountable certainly was not the intention of my comment.

I am simply trying to suggest that, and it is partly in response to the government's actions, I will be quite candid—the government has divested itself of nine or 10 Crown corporations. In some cases I believe that they have done so without any kind of consideration of the net value of those corporations to the province.

That is why I want some sort of balance in terms of how these decisions are being made. It is clear to me that the minister is not making them. I had assumed that part of the role of the Crown Corporations Council was to provide that kind of a balanced view of the relative merits and relative strengths and weaknesses of our Crown corporations.

The minister is saying that he does not need that because it is subjective. He does not want that kind of information. I am wondering how that can be justified?

Mr. Kavanagh: I think that there is an opportunity and a channel for Legislatures to address the question of quality opposite each Crown. You do have hearings for most or all Crowns, because in their mandate statements it has become habit to make some kind of statement about the quality, what they are trying to achieve in respect to the quality.

It is an appropriate part of professional management of corporations that once you have made some kind of objective with respect to the quality of service that you establish some kind of monitors.

I do believe that the generality of Crowns, where they are interfacing with the public and the public has certain expectations of service from them, that they have that under a valid and effective management process. We have not attended to the issue. We have had an awful lot to do frankly to get on to our priorities. It is not something that the government itself, without a capability of knowing what is happening or for opposition people to in the hearings like this, pursue.

We are not there yet except in this respect that—take the Liquor Control Commission. One of the major financial tension points in running the Liquor Control operation is the expense as a percentage of sales. You could reduce that and greatly impair the quality of the retail service. I mean, you could reduce it dramatically. I say

tension because, how do you get the right balance there? Through the back door it becomes a consideration, but the way we try to get at it is by increasingly encouraging the idea of comparative analysis in the Crown Council.

For example, in our staff examination review of the Liquor Control Commission, the performance in respect to the percentage of expense versus sales has been put into the context of comparison with the western Canadian provinces. We have not attempted to plumb the subjective character of service levels as between those, but we were damned interested to find that the Liquor Control people had the lowest rate in the western provinces.

* (1230)

There is a great virtue in comparative analysis to find yourself, both find the positives and the negatives. You back into it a little bit, but we are not anywhere near ready to sort of take on the complexities of service evaluation in whatever—I do not think the current minister is going to fund that, Mr. Storie.

Mr. Chairperson: The hour is 12:30, and I am wondering what the wish is of the committee. Committee rise? Before we do, the minister would like a brief statement.

Mr. Manness: I would just like to say that I will try to reconvene this committee next week, either Wednesday evening or Thursday morning, and I will attempt to organize it for Thursday morning. I have not looked at my schedule. If it is open it will be Thursday morning.

Mr. Chairperson: Thank you. Committee rise.

COMMITTEE ROSE AT: 12:31 p.m.