



Second Session - Thirty-Sixth Legislature
of the
Legislative Assembly of Manitoba
Standing Committee
on
Economic Development

Chairperson
Mr. Peter Dyck
Constituency of Pembina



MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Sixth Legislature

Members, Constituencies and Political Affiliation

Name	Constituency	Party
ASHTON, Steve	Thompson	N.D.P.
BARRETT, Becky	Wellington	N.D.P.
CERILLI, Marianne	Radisson	N.D.P.
CHOMIAK, Dave	Kildonan	N.D.P.
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DACQUAY, Louise, Hon.	Seine River	P.C.
DERKACH, Leonard, Hon.	Roblin-Russell	P.C.
DEWAR, Gregory	Selkirk	N.D.P.
DOER, Gary	Concordia	N.D.P.
DOWNEY, James, Hon.	Arthur-Virden	P.C.
DRIEDGER, Albert, Hon.	Steinbach	P.C.
DYCK, Peter	Pembina	P.C.
ENNS, Harry, Hon.	Lakeside	P.C.
ERNST, Jim, Hon.	Charleswood	P.C.
EVANS, Clif	Interlake	N.D.P.
EVANS, Leonard S.	Brandon East	N.D.P.
FILMON, Gary, Hon.	Tuxedo	P.C.
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GAUDRY, Neil	St. Boniface	Lib.
GILLESHAMMER, Harold, Hon.	Minnedosa	P.C.
HELWER, Edward	Gimli	P.C.
HICKES, George	Point Douglas	N.D.P.
JENNISSEN, Gerard	Flin Flon	N.D.P.
KOWALSKI, Gary	The Maples	Lib.
LAMOUREUX, Kevin	Inkster	Lib.
LATHLIN, Oscar	The Pas	N.D.P.
LAURENDEAU, Marcel	St. Norbert	P.C.
MACKINTOSH, Gord	St. Johns	N.D.P.
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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT

Thursday, October 10, 1996

TIME – 3:30 p.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Peter Dyck (Pembina)

ATTENDANCE - 11 – QUORUM - 6

Members of the Committee present:

Hon. Messrs. Driedger, Gilleshammer

Messrs. Dyck, Evans (Interlake), McAlpine, Newman, Pitura, Sale, Santos, Struthers, Sveinson

APPEARING:

Mr. Bob Sparrow, Chairman, Venture Manitoba Tours Ltd.

Mr. Harvey Boyle, Assistant Deputy Minister of Natural Resources

MATTERS UNDER DISCUSSION:

Financial Statements of Venture Manitoba Tours Ltd. for March 31, 1996 and 1995

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Mr. Chairperson: Good afternoon. Would the Standing Committee on Economic Development please come to order.

We have before us the following report for consideration this afternoon: The Financial Statements of Venture Manitoba Tours Ltd. for March 31, 1996 and 1995. If any members require a copy of the report, there are extra copies available and the Page can provide you with one. No one needs one.

Does the committee wish to establish now what time it will sit to, or shall we see how the committee proceeds with its business?

Mr. Tim Sale (Crescentwood): How about midnight, Mr. Chairperson?

Mr. Chairperson: Is that the wish of the committee?

An Honourable Member: It works for me.

Some Honourable Members: No.

Mr. Chairperson: We will just proceed as need be.

I would now invite the honourable Minister responsible for Venture Manitoba Tours Ltd. to make his opening remarks and to introduce his staff present here this afternoon, please, Mr. Minister.

Hon. Albert Driedger (Minister responsible for Venture Manitoba Tours): Mr. Chairman, good afternoon. I have just a few brief comments that I would like to make as introduction, maybe just a little bit of a recap.

After the last number of years, because of the financial performance of Venture in Hecla, there have been some financial difficulties. At one point in time, the government was looking at the possibility of either selling the operation, or even as drastic as closing the operation, but I want to say that position has changed, and the government and the department are committed to Gull Harbour Resort. Part of the rationale and reason for that is the creation of jobs and the economic benefit it has for the region.

As well, the department now has a commitment to the Falcon Lake golf course, which is part and parcel of Venture and looked at also enhancing the thing.

Maybe just a little bit of a background. The wages, I think, are \$1.4 million for the resort and golf course at Hecla. We employ approximately, right now, 67 people at Hecla, and 85 percent of those come from the Interlake. At peak times, which is June, July and August, our employment factor runs anywhere from 95 to 100. Mr. Chairman, I am looking at Mr. Sparrow here. I think that 100 would be without Falcon at this time.

Floor Answer: Yes.

Mr. Driedger: Thank you, but if you look at the financial figures and the statement that is there, last year we covered three years of the Venture operations. I think we are looking at basically one year here today.

We have had necessary improvements and upgrades at the Gull Harbour Resort. Service levels at the golf course have improved substantially and public response has been very positive. Golf course playing revenues were up substantively from 16,000 rounds last year to 24,000 rounds of golf this past summer. This has also led to increased sales in food, beverage, gift shop, et cetera. Operating profit before depreciation and interest expense was up by almost \$106,000 over the previous year.

At Hecla, we are looking forward—and I make reference to this a little later—to the completion of the paving of the road. That is not in this year's report, the report that we are dealing with, but the decision that we have made through the Department of Natural Resources is that portion of the road, the last six kilometres that basically is still a provincial highway, was not paved. In co-operation with the departments of Highways; Industry, Trade and Tourism; and Venture and my department, we have undertaken to pave the last stretch of the road, including the parking lots and access to the campgrounds. We think it is a very positive project.

I have to tell you that I am pleased with the kind of weather we are having out there because the paving plant, their preliminary grading work has taken place, and the actual plant was moved in yesterday, and I think there should be smoke pouring out of there and asphalt being laid today so that with the weather co-operating, possibly by this weekend we can have most of that done. Again, Mr. Chairman, that is not in the report here, but I just wanted to give an update as to what is happening out there.

So, generally, Mr. Chairman, we feel that things are moving more positively. We are trying to create an environment and climate so that there is higher usage. In talking with the chairman of Venture, last year was one of the best years weatherwise. Really positive things were happening on the golf courses.

* (1540)

This year, actually we had a very tough winter, a cold winter, as we all know, and this year with the kind of breakup that we had, it was not conducive to a good start, but things have improved. We, I think, have caught up and are running ahead of last year's operations. We have had a very exceptionally good August and September, and I think we were booked ahead for October previous to last year, so we think things are on the incline and look forward to improving the financial position for the future.

Mr. Chairman, in conclusion, I just want to take and introduce at this time Mr. Bob Sparrow, the chairman of Venture. Most of you know him. He has been here before. Filling in for my deputy who happens to be in hospital for a week already is Harvey Boyle, my ADM.

Mr. Chairperson: I would like to thank the honourable minister. Does the critic of the official opposition have an opening statement?

Mr. Sale: Mr. Chairperson, I do not think I have any opening statement. I have a number of questions, and I would just want to say at the outset that I think all Manitobans and certainly we in the opposition appreciate Mr. Sparrow and his board's work in providing stewardship of an important resource, and we welcome the minister's commitment again this year, which I believe he made last year, that the government is committed to an ongoing process of making this a viable operation and maintaining the public trust and investment in that resource.

We are also very glad to know that we are paving a road today. We were wondering if you might move the asphalt plant on Monday up to road 391 in the North and get something done up there as well. Since we have such a heck of a good fall, we might make some progress in that part of the province as well. [interjection] Consider it done? We put that on the record, Mr. Chairman.

I have a number of questions, Mr. Chairman.

Mr. Chairperson: The committee will now begin consideration of this report. I would like to remind all members that the business before this committee is the financial statements for Venture Manitoba Tours Ltd. for

March 31, 1996 and 1995, and I would urge all members to keep their questions and remarks relevant to the business contained within the report. So with that, shall we proceed?

Mr. Sale: Mr. Chairman, I appreciate your admonition, having been here this morning when you chaired a meeting most ably and called us to account from time to time. We will try not to wander too far off the paved highway here.

First of all, I am a little puzzled about the minister's statement in his remarks, and perhaps he can clarify. Did the minister say that there were something like \$4 million in wages?

Mr. Driedger: Mr. Chair, \$1.4 million is what the wages were for the last year.

Mr. Sale: I appreciate that. I misheard the minister.

My first question, and I do not know whether it is the minister's intention that Mr. Sparrow directly respond or whether he wants all responses to come through him. Can we maybe clarify that?

Mr. Driedger: Mr. Chairman, it would be my intention that anything on the financial specific questions will be answered by Mr. Sparrow, and things on policy and the general direction, of a general nature, that I would be dealing with those.

Mr. Sale: Well, perhaps then a question through you, Mr. Chairperson, to Mr. Sparrow. The statement is I guess, let us say, exceptional for its brevity. I haven't the foggiest idea what the components of costs, of sales are when we look at Statements of Operation and Deficit. I appreciate the minister telling us that about \$1.4 million was spent on salaries, but this is, let me say, not a helpful statement in terms of understanding how the operation is proceeding, where the areas of difficulty might be or might not be. I wonder if your board would not consider a statement which would be more in keeping with the kinds of things we expect from businesses that show costs of sales other than one line and revenues as other than one line. It just basically tells us nothing.

Mr. Driedger: Mr. Chairman, I am prepared to take that up with my chairman and with the board to see whether

a more detailed breakdown—I think I am hearing Mr. Sale ask for a more detailed breakdown of sales of the total package. Am I correct?

Mr. Sale: Mr. Chairperson, to the minister, I am referring to what in my package is the fourth page in. That is the Statement of Operations and Deficit. There are simply no details whatsoever in the revenues and expenditure page that would allow us to have any understanding of the operation. We might be packing pigs, cutting timber, selling fish or accommodating guests, but we sure would not know that from this statement.

Mr. Bob Sparrow (Chairman, Venture Manitoba Tours Ltd.): The statements as presented have not changed over the last few years, and if more detail would be required by this committee, we certainly would be able to provide that to the minister.

Mr. Sale: Mr. Chairperson, I am not sure who would want to answer this question, but I am sure that the board of directors in its monthly or quarterly meetings has considerably more detail provided to it by its staff. Is that the case?

Mr. Sparrow: We actually do have a very finite, big breakdown of our statements and our operating costs and so forth, that is, the board more or less certainly oversees the cost ratios and so forth.

Mr. Sale: Mr. Chairperson, would the full, audited annual statement be somewhat more detailed than the statement we have been provided with today?

Mr. Sparrow: My understanding, this is, as far as the audited statement, what is presented by our auditors. It certainly is not the full financial statement, no, but as far as the audited portion, this is what they provide us with.

Mr. Sale: Mr. Chairperson, does Mr. Sparrow have a copy of his annual statement with him to which this is the attest audit?

Mr. Sparrow: I have a copy of an unaudited statement, a full statement, but it is unaudited.

Mr. Sale: Mr. Chairperson, I do not want to be combative with Mr. Sparrow. It is certainly not my

intent, but I am puzzled. If this is the audited statement, it must be audited on the basis of some year-end, detailed statements, and it is that statement to which I am referring. Presumably, that year-end statement was subject to audit, and this is the report on that year-end statement. So would the year-end statement not qualify as part of the audit?

Mr. Driedger: Mr. Chairman, we do not want to be argumentative either, but I do not know what the requirements basically are in a case of this nature as to the type of information that we would have to or would want to provide. I do not know whether we are at that point, and I would have to check and discuss that with Mr. Sparrow to see whether we want to take, you know, how many towels have been stolen and how many people have shovelled snow. Like, how detailed would we want this? I would want to make sure that we have an understanding as to what the requirement is. Other than that, we will be free to answer as many questions as we can here.

Mr. Sale: Mr. Chairperson, how many staff years does the wage expense of \$1.4 million represent in terms of part time, full time? What are we talking about in terms of full staff years?

Mr. Sparrow: If I can answer that in just, if I could use the current number of 67 that are working right now, approximately 35 of those would be full time. The part-time casual, of course, you know, come September, a lot of them are students and so forth who go back to school and, of course, we are into our shorter season, so we cut back and also at the golf course activities tend to decrease at this time of year.

Mr. Sale: Mr. Chairperson, I have to thank the chair of the board for that answer. The statement, it is very difficult to ask you questions about because it is so terse, but where does the revenue from the golf course flow? Is it simply in the revenue line? Maybe the chair of the board could distinguish between revenues related to the conference centre, the inn, the golf course.

Mr. Sparrow: Yes, you are correct. The total revenue of golf course and food and beverage, accommodation, sales in the resort are all included. If you would like, it will take a moment, I can just look through this statement

I have and give you some idea as to the golf course revenues.

Golf course revenues for the year end of '96 for the Hecla Island Golf Course were \$589,221.

Mr. Sale: I wonder if the Chair would repeat those.

Mr. Sparrow: The revenues for Hecla Golf Course to March '96 were \$589,221.

Mr. Sale: Mr. Chairperson, what were the expenses associated with those revenues?

Mr. Sparrow: I have them broken down between wages and total expenses. Wages were \$279,294; total expenses were \$227,402; with a net income of \$82,525 before depreciation.

Mr. Sale: Mr. Chairperson, that was going to be my next question. What was depreciation, noncash expenses?

* (1550)

Mr. Sparrow: It was \$4,944.

Mr. Sale: So, Mr. Chairperson, that really I think helps considerably to clarify the picture of the overall operation. I would ask the minister if he would consider, when he discusses with the board, providing the kind of breakdown that separates out the elements of the operation of the golf course, the conference centre and provides the kind of detail, because I would take from this that the golf course is a profitable operation obviously to the tune of about \$78,000 or \$77,000. So the true loss on the conference centre then is that much higher if we are going to apportion loss. Am I more or less correct on that?

Mr. Sparrow: Yes, you are.

Mr. Sale: Could we move to the note that points out that last year Falcon Lake became part of the operation of Venture Manitoba Tours Ltd. Mr. Chairperson, in our meeting last year, I think roughly at this time of the year, although I am not absolutely sure of the date when we considered these reports last year, we asked whether there were any plans to do anything of significance that might improve the effectiveness of the operation, make it more

viable, et cetera. We were told that nothing was in the works at that point, and yet within the week the announcement was made about the golf course at Falcon Lake.

I just would say that that kind of failure to be forthright with a committee does not help trust being built, and it seems to me that nothing was gained by not telling us that there was going to be something done of this nature. So we felt that we had not been dealt with in a forthright way in regard to our question at that committee, because clearly that proposal had been well worked on and thought about and was in the works considerably before the committee met, because one does not make that kind of announcement out of the blue. So I just make that comment.

Mr. Chairperson: The honourable minister would like to respond.

Mr. Driedger: I take some exception to that, because the one thing I have always done is put my cards on the table, maybe more so than I sometimes should. Certainly, I mean, I indicated last year when we were meeting that we were looking at options to improve things; there was nothing finalized at that time. I would like to just actually check—and I do not have it here, and I look to my chairman of Venture. When was it when we met last year to deal with these issues? I want to clarify that to some degree, because there was nothing that we were trying to hide. I mean, why would we want to take and—I take exception to the allusion that I was trying to cover up anything. Why would I want to do that if there is something that was going to be happening?

Certainly I cannot take and put on the table all the discussions and options that are in the wind at the present time. We also did not talk about paving the road in there, which is, again, a positive thing that transpired within actually three weeks from the time that we finally got a package together. It was on my mind for a long time. I can sit here and possibly have truth and confessions for a long time about all the things I would like to see happen further with the whole operation out there or with the golf courses. So I do not think it is fair for the member to now try and give the twist that we were trying to hide something. Anything that we have done and are doing now—and that is why I was one of the ministers that said we are looking to sell the place and we are looking

at options to close it, and have been very positive in terms of the impact that it has in the area for the Interlake. It is for that reason that we basically will continue to take and continue to operate that thing.

Just because we took over, if the member wants to look at it, effective April 1, 1996, the company—and it is in there—entered into an agreement with the Province of Manitoba to operate Falcon Lake golf course. We met in October, and how can the member say that a week later we changed after we met?

Mr. Sale: Mr. Chairperson, my understanding is that the press release announcing this was within a very short time of our meeting. The actual takeover date was effective April, but the announcement of the takeover was made quite a long time before that in my understanding. So I do not want to make a large point of it, but I believe that, if the minister goes and checks the date of the press release, he will find that it was close proximity to our last meeting.

Mr. Chairperson, I want to ask a couple of questions about this subsequent event. What was the profitability of the Falcon Lake golf course to the province in the fiscal year prior to the takeover?

Mr. Driedger: The member is referring to Falcon Lake, and in the case of Falcon Lake our net revenues were slightly in excess of \$100,000.

Mr. Sale: Mr. Chairperson, the lease to Venture Tours is for a lease of \$100,000 annually.

Mr. Driedger: That is correct.

Mr. Sale: Mr. Chairperson, the minister indicated that is about what the province's net revenue was in the previous period.

Mr. Driedger: It is slightly less than it basically was the year before, but on the positive side I have to say that the department is saving \$300,000 a year in terms of not having to operate the golf course, so that is above and beyond really the profitability there. I have to further say—because I anticipate the next question, what happened to the employees—those that wanted to have the option of transferring within the department, either

working with the golf course or within the department, moving and continuing with Natural Resources.

I have to say the majority of them did. Three decided not to and subsequently, I think, got their own employment, but every one of the employees had an option to continue within the department.

Mr. Sale: Could the minister elaborate on his comment that the department is saving some \$300,000 when it now no longer has to operate this golf course?

Mr. Driedger: First of all, I make no apologies for looking at the privatization of it. I do not think government should be running a golf course, profitable or not. This is not subject to this here, but we used to run a ski hill out there which was not profitable either. We now fortunately have made some arrangements and privatized the ski hill, and as a result, there are good economic benefits flowing out of that.

It is along that line of thinking that we decided that we should not be into the golf course business and allow Venture, which basically was already running the golf course at Hecla, to take over the golf course there. The \$300,000 basically was wages, mostly wages, I expect. I can get details on that, but that is the figure that my staff presented to me, saying there was a saving in cost of \$300,000 by not having to operate the golf course.

* (1600)

Mr. Sale: Mr. Chairperson, but was there not also a loss of \$400,00 in revenue from the same item? I am just puzzled about this \$300,000 savings. I would hardly call that a savings.

Mr. Driedger: Well, Mr. Chairman, we were making, if you take expenditures and revenues, a little over \$100,000 on the golf course. We are still getting the \$100,000, but we do not have the \$300,000 worth of expenses. We do not pay those employees to the golf course. It does not make sense.

Mr. Sale: Mr. Chairperson, I thought it was the NDP that could not run a business. It seems to me that when you do not have the revenue anymore, and you also are in \$300,000 or \$400,000 less than government revenue

than you had before, you have the net revenue, apparently it looks like it is approximately a wash. So you are going to get a \$100,000 of a lease payment. You used to get \$100,000 in net operating revenue. Is that a fair summary? You have neither the revenues nor the expenditures. You have approximately the same bottom line as you had last year, if the profit were \$100,000 last year as you say it was, you are going to get a lease payment of \$100,000 this year.

Mr. Driedger: Mr. Chairman, we are getting the same net revenue as we did in the past. We pay all those employees, but we do not pay them out of that area anymore. They have been redistributed through the department or gone somewhere else.

I cannot quite understand your rationale in terms of if we do not have \$300,000 worth of expenses and we still have \$100,000 worth of revenue—somebody help me out here, my arithmetic is wrong, I guess. Harvey, I am looking at you. Is my arithmetic wrong? If we do not have the \$300,000 expenses and we still have a \$100,000 worth of revenue, I am missing a beat here, I guess. Maybe I am not that good a businessman.

Indicate yourself, Harvey Boyle, ADM for the department.

Mr. Harvey Boyle (Assistant Deputy Minister of Natural Resources): I am Harvey Boyle, Department of Natural Resources, ADM.

My understanding is that the minister said there is approximately \$100,000 less revenue. What he did say was that there are \$300,000 less expenses to our department. We are taking in \$100,000 and so you are right, but there is approximately a balance in terms of \$100,000.

Mr. Sale: I think just to get past this, because I do not think it is fruitful to go any further, in 1995-96, I believe what the minister has said is that there were approximately \$400,000 in revenue for the operation of Falcon Lake golf course. Against those revenues were approximately \$300,000 in expenses, leaving a net profit or net revenue to the province of \$100,000.

Mr. Boyle: And what I heard him say was there was \$300,000 less expenses to the department, which there is.

Mr. Sale: Mr. Chairperson, through you to Mr. Boyle, but would you not also agree that there is \$400,000 less revenue?

Mr. Boyle: That is correct.

Mr. Sale: Thank you, Mr. Chairperson. That was the point, that the net situation is at least, given the figures that the minister has used and Mr. Boyle has used, there is a net revenue of \$100,000. In both cases it appears on balance, both in 1995-96 and projected in '96-97 through the lease payment.

Mr. Boyle: However, I just want to say that what was said was correct. There is \$300,000 less expense to the department. There was \$100,000 revenue before, and we now are getting \$100,000. I do not think there was any incorrect statement. Mr. Driedger's statement was correct; there is \$300,000 less expenses to this department.

Mr. Sale: I think we would have been better if we had ended 30 seconds ago. There was also \$400,000 less revenue, so it is incorrect to leave on the record an impression that there is a lower level of expense to the department in a net sense, because there is not. There is not, there is simply a change of where the money is coming into, where the money is going out from, but the bottom line for the department has not changed. It still is getting \$100,000 approximately in that revenue from its ownership of Falcon Lake, but now it is renting it to somebody instead of operating it directly. So it does not have the revenue to pay all of those expenses. It does not have the staff associated with the revenue that were incurring expenses. I do not think there is anything really very complex about that.

Mr. Boyle: I know there is not, but I just want to make sure that—I am just saying that every statement was correct. There is \$300,000 less expenses to this department, and that is what Mr. Driedger had said.

Mr. Sale: Mr. Chairperson, if some of the employees have been redeployed within the government, have they been redeployed into vacant Sys or through early retirement? So how have they been accommodated?

Mr. Boyle: What has happened is the employees were given the chance to go to the Falcon Lake golf course.

They were also given a priority basis to come back to stay with us on any vacancies we had. For instance, we have campgrounds to run at Falcon Lake, so if we had a vacancy, which we do at times, and they were a labourer at the golf course, they were then allowed to be the first priority to labour at the campground. Move over, in other words, if you decided not to go with Venture.

There were a few did that. The majority, I think, went with the golf course and there were three or four that went on to other employment at Kenora, Dryden or whatever.

Mr. Sale: Mr. Chairperson, I am not sure who the appropriate person is, but could we have an indication of how many actually went back into the department? What was the breakdown of the numbers?

Mr. Driedger: Mr. Chairman, I do not know whether we have—we will get that detail. I will give you a specific breakdown exactly, the amount of employees that were there and where they were gone.

Mr. Sale: Mr. Chairperson, just to end this particular area of questioning. Any employees who went back into the department were a net cost to the department because there was no longer any revenue associated with their employment. So it is also an area in which costs have shifted somewhat.

Now, it would appear that for this to be a win situation for Venture Tours, they have to improve the profitability of Falcon Lake. That was where I was actually getting to before we went on this long detour about revenues and expenditures. Mr. Chairperson, could the minister, or Mr. Sparrow, or whoever is appropriate, indicate what kinds of things they are doing to make this a win-win situation?

Mr. Sparrow: First of all, I would like to point out that in taking over the golf course, we took over the pro shop operation, which includes the rental of the golf carts, which there is considerable revenue, and learning from the experience of Hecla Island, it certainly does make a difference to your bottom line having the benefit of those revenues. Also, operating two golf courses together, you can operate them more efficiently than if they were operated separately.

We increased the service levels at Falcon Lake and, in spite of a summer that was not as ideal as it was last year,

have managed to increase the rounds marginally, but still managed to increase the rounds over last year in golf. So with better weather conditions we should see more revenue from that side. Also, our costs are quite a bit less as we were operating with fewer maintenance employees. We are using the same ratio of maintenance employees as we do at Hecla Island.

Mr. Driedger: Mr. Chairman, not to take away from the line of questioning and discussion taking place, but we are sticking to the report. That report basically ended March 31. We are actually talking about what is happening right now, and I am prepared to do that, because it is all part and parcel of information that is out there. That is why I raise the issue, and I possibly set the precedent by saying that we are paving the road and the facilities out there. That is also not in the last year's report. That is in the current operating year, but we are prepared to give whatever information is required when we can.

Mr. Sale: Mr. Chairperson, with great respect to the minister, the annual statement has item 5 Subsequent Event, which has actually quite a bit more detail in it than most other parts of the statement, so I think it is entirely appropriate to ask questions about item 5, which is what I was doing. In fact I started my question by stating that that was part of the statement that I was going to.

Before the minister responds, I would refer him to the last sentence under item 5: Management estimates that the operation of the Falcon Lake golf course and recreation area will generate profits and cash flow to the company in fiscal 1997. I was simply asking for clarification as to what that statement meant.

Mr. Driedger: Mr. Chairman, it just basically verifies the fact that by providing this information, this is not in last year's operating statement. This is basically information above and beyond what had been required, and if the member takes exception to it, we can take and get very specific about just dealing with the report.

* (1610)

Mr. Sale: Mr. Chairperson, the minister ought not to go down a road that he is not really familiar with, I think. An audited annual statement is the whole statement. The notes are an integral part of the statement, and any

auditor will tell you that. In fact it will say in most attest audits that the notes form an integral part of the statement, and it is entirely appropriate to ask questions about the notes. In fact, in any audited statement the notes are often the most important part of the statement, because they explain things which are not transparent in the numbers. So I do not have any problem with his graciousness in providing information, but the notes are part of the statement.

Mr. Chairperson, the imputed interest cost information, could the chair of the board just explain the reason for that inclusion? It began to be included, I think, two years ago. If not, I am sure that last year was the first year, or it was the year before that, if he could explain that.

Mr. Sparrow: I would have to get detail with respect to item 6 for you from the auditors as to why that was included.

Mr. Sale: Mr. Chairperson, does the minister know or does his assistant deputy know why this is here or what it refers to?

Mr. Boyle: No, I would have to let Mr. Sparrow answer that.

Floor Comment: He has answered.

Mr. Sale: I do not find a reference to Note 6 in the statement at all. I cannot find a Note 5 reference in the financial affairs of the company. Can the chairperson of the board help me out there?

Mr. Sparrow: It is my understanding that this does not tie actually into any numbers within the statement itself other than a statement indicating investment and interest over the past year, computed interest, but it does not tie in. You know, we would have to get that detail from the auditors as to why that is there. I cannot answer that question.

Mr. Sale: Mr. Chairperson, my understanding of that item, because it has arisen in public accounts—and I will just share with the minister and the chair—my understanding is that this is a requirement under the public sector accounting rules that were agreed to a couple of years ago in which the Minister of Finance (Mr. Stefanson) requested all audits to conform to, to show the implicit subsidy from the government guaranteed loan so

that public accounts could fairly reflect the complete picture of all imputed or implied subsidies of all lines of credit or guarantees that are in various entities, and that is the point of this.

I did not mean to ask a question that I knew the answer to, because I do not know the answer in a terribly detailed way, but it points out one of the concerns I raised this morning, Mr. Chairperson, when you were in the chair as well, and that is that in Manitoba we have a policy different from at least some other provinces that private sector audits are directly contracted by the department or by the company involved. In this case, it may be your board that contracts with Arthur Anderson, or it may be under direction from the department. I do not know. Perhaps you can tell me. The difficulty is that I do not believe that the Provincial Auditor reviewed this statement in an active way. We are sitting here considering important statements. We do not have a member of the auditing firm here. We do not have a member of the Provincial Auditor's department here.

We have a government policy which says we are going to contract out audits. I do not have a problem with the government of the day that has a majority having the right to decide that it wants to contract something out. I do not agree with it, but they have the right to make that decision. That is a legitimate policy decision, but I believe it is not appropriate to contract directly because the integrity of the overall audit of the province is weakened when the Provincial Auditor is not the contracting authority. I will continue to make the point that I have no problem with the capacity or capability of private sector auditors. I find the detail in here abysmally lacking. That is not because Arthur Anderson is not competent. It is because somebody has decided not to present any detail. That may have been an auditor's recommendation. It may have been a board recommendation. It may have been the minister's recommendation. Somebody decided not to present any detail, and as the chair of the board has said, it is consistent with prior years. That is fine, but it is consistently bad in that sense in terms of quality of information for any kind of public accountability.

The problem I have is that we are sitting here, no auditor, no Provincial Auditor and no attest overview on the part of the Provincial Auditor for this audit. Now I am sure the Auditor has a copy of the audit, but I do not

believe that the Auditor supervised the audit or signed off on the audit or perhaps did not even meet with Arthur Andersen's auditor. Now, that may have happened. I do not know, but I continue to be concerned that while the government has a perfect right to make policies to require contracting out, much as we might disagree on that political policy question, I believe they are doing it badly by not having the Provincial Auditor do the contracting and have the oversight required to have integrity for the province's overall financial statements.

Mr. Driedger: Mr. Chairman, we can pick at these things technically whatever way, and you are entitled to your views and that. My question that comes to mind is, are you challenging the figures? Are you saying that the person who put up these figures is trying to camouflage anything? I gave you the undertaking that we would get you anything that can be given to you in terms of detailed information that I would undertake to do that, and somehow you do not get a comfort level with that. The thing that I find from yourself, over the period of time that I know you, and I will make the statement here, is that you have an ongoing suspicion of anything that is said, that there is never any—

Floor Comment: To the Chair.

Mr. Driedger: To the Chair, okay. That the member basically has a suspicion of any statement that anybody makes from the government side. To me, I find that does not make me very happy. I have difficulty with that because, if there is something specific that you want that we have not got here, we will undertake to give it to you. We went through the same process last year, where the member was picking and picking, and we said, well, we do not have all the details here. We will give it to you, and we did that in writing. We gave it to you in writing. We will do the same thing again, but to sort of leave the illusion all the time that something untoward is happening, I take exception to that. Now, that is your opinion, that is fine, but I have mine as well. But I find this in all of his statements that the member basically is making in the House and wherever else that seemingly he cannot accept the statements at value when somebody gives them.

Mr. Chairperson: You both had an opportunity to speak to that issue. Did you have further questions, Mr. Sale?

* (1620)

Mr. Sale: The minister skates very close to inappropriate use of words. I did not say anything about the competence or quality of Arthur Andersen as a company. Decisions about presentation are not entirely made by auditors. Decisions presentation can be simply historic. The minister has undertaken, and I am sure he will do it quickly, to give us information about the detailed breakdown. I made the same policy point this morning, and I will make the same policy point every time we have a private sector audit, that is, that the audit is probably done by highly competent, capable people.

That is not the issue. The issue is that it should be contracted through the Provincial Auditor. The Auditor should have that function. There should be a member of the auditing staff here—I have said that before at committee meetings—so that questions like the one I just asked about the imputed interest cost from the province could be answered. I made it very clear to the minister that I am not arguing with the government's right to undertake policy with which some may agree and some may disagree. I am arguing with contracting out directly because it gives the appearance of political contracting to people who might have some other interest in government than simply winning business.

That is the difficulty. You can achieve your goals of contracting out on a fair and open-bid basis by directing the Provincial Auditor to do that. Every time you refuse to do that, you justify the questions because we have problems with these statements every year.

I am prepared to pass unless other members have questions.

Mr. Ben Sveinson (La Verendrye): I do not have so much questions but some compliments. I would like to pass them on to Mr. Sparrow and Venture Tours and their employees at the Falcon Lake golf course. Of course, most people would know that the Falcon Lake golf course is in my constituency, and this year I have had nothing but compliments on both the service and the condition of the course, how it was run, the service added to the course, in effect, where other businesses within the area, be it the hotel and so on, have been working with the course, trying to put together package deals and so on. People are very, very impressed with that. I am too,

and I want to thank Mr. Sparrow and Venture Tours for the dedicated service that they have shown around the golf courses here. I wish them the best in the coming year. Thank you.

Mr. Chairperson: Any further questions?

Mr. Clif Evans: Mr. Chairman, I must apologize for not being here on time. I had a rather important meeting, and I am sure the minister appreciates that. It is on water in our area, and, of course, that is extremely important as well. I welcome Mr. Sparrow. I know he has been welcomed already, and Mr. Boyle.

I do have a few points of concern, and I think what I have been hearing and what I have seen myself over the past many years that I have been in the area is that the operation of Hecla has improved significantly. But, as we all know, there is a point in time where any property has its difficulties when it comes to equipment and maintenance of that property. It is a very important aspect of any property in the service industry. I do not know if it was covered. Of course, with the lack of detailed expenses and operating costs that we are provided with, might I ask if there has been any serious work that has had to be done in the past year or so, if there have been any work orders put into place, and are there any concerns with respect to the maintenance in the equipment at the property itself?

Mr. Driedger: Mr. Chairman, I welcome the member even though he is late, because we will probably be repeating a bunch of things, and that is one of the concerns that always comes forward. In my opening remarks, I was making reference to the impact that it has in your area, where most of the 85 percent of the employees come from, where the economic impact is felt best. So now we will probably go through that again a little bit, but that is fine. I have no difficulty with that.

The member is making reference to the plant itself. The building is 25 years old, Mr. Chairman, and as a result, it is going to be an ongoing upgrading that is going to be required. A challenge that my board faces basically is that there will be other capital improvements that will be required in terms of the plant system, the equipment, the roof, et cetera, and we have challenged them to basically develop a capital plan over a period of time so that we can stage things that happen. In terms of

the equipment replacement, my understanding from the chairman—he can verify this—even prior to coming out here, he did a personal inspection of it just to make sure that we had a comfort level as to where it was at, anticipating that possibly there was some concern.

Again, I think, the member is well aware—I repeat again that after 25 years or whatever time period that the establishment has been there, there are things like your boiler, et cetera—you know some of these things ultimately will, I guess, give out or have to be replaced on an ongoing basis. But I have the confidence, and basically there are people out there that our maintenance is at a level that is required.

Mr. Clif Evans: Is there a maintenance supervisor or superintendent employed now and in place now?

Mr. Sparrow: At the present time, there is not maintenance supervisor. The individual that did have that position was terminated by the company. The actual work that has been taken on since then is through another individual who is not a fully qualified engineer. However, contractors are brought in. For example, presently there is a contractor working on the boiler system.

Mr. Clif Evans: So the maintenance supervisor has been terminated for whatever reason, but can we—and I say this because I do want to make sure that Hecla resort is around for another 25 or 50 years and continued improvement to it, of course. The minister might think that I am trying to be critical of the fact of the maintenance and/or of the way it is being run. I am not. If I was, I would certainly tell the minister myself, one on one, that I was critical or worried about something. What I am concerned about, as I said, every property needs a good physical, mechanical inspection every once in a while. I do not care where it is. Now, I know that work is being done; some work has had to be done. I say that I just want to make sure that we are at the right level of maintenance and at the right level of mechanical repair, replacement, whatever is necessary, and through that and through the improvement of the whole property—and if it is needed, that it be done, and it be done according to all specifications because, No. 1, the safety of people being there is important.

When you talk about your electrical, you talk about your fire alarm systems, you talk about your boilers, you

talk about your water treatment, you talk about your swimming pool, all of those things are major facilities, major mechanical situations in a resort of that size or any size. So I want to make sure that when people come to Hecla, they know that everything will be working 100 percent, and that they can get there. Of course, they have to stop, and I hope they do, through Riverton—that is very important. But we are looking at something down the road that is going to be viable, mechanically safe, and whatever else is necessary that needs to be done to make sure that we can start bringing up the revenues even more than what we see now. I do not want to have to be hearing complaints to my office or to me personally from anybody that (a) may work out there or (b) has visited there that says to me that there is something that is not working properly or something is not right.

I do not know if it was discussed about the kitchen situation, the work order on the kitchen. I do not know if that was discussed, but that is just one aspect that I am saying that must be treated and taken care of right away if there is a complaint about it or if there is any kind of work order written up about it. We have to make sure of that property, because it belongs to the people. It is a Crown corporation; it belongs to the people of this province. It was built 25 years ago, 20 years ago. That is all that I am saying. I want to make sure that that property is in good condition and will continue to be in good condition.

If we are going to spend improving the site area, and I have been after this minister and the previous minister to have that road from the Hecla village to the resort area itself upgraded, I know, I have seen the numbers and everything else. I know that that is going to be done; that is wonderful. It is great that people will be able to drive from the village to the resort, not on a bad piece of road, but also, that when they get to the resort, the resort is in good shape, top-notch shape.

* (1630)

Mr. Driedger: Mr. Chairman, in my opening comments, I made reference to the fact that over the years when things were not going well at Venture and at Hecla, the government was looking at options of selling or closing it down. Since that time, we basically have made the decision, and I said that in my opening statements, a commitment of this government to continue operating

because of the economic impact that it has in that area there and the employment that it creates. Peak time—June, July, August—we have a hundred-plus employees out there, so it is a big economic impact in that whole area, but once we made the commitment that we are going to try and take and enhance things and make things more efficient, with that came the commitment to make sure that we do not have complaints.

If the member ends up getting some complaints, I would hope that I and my chairman or members of the Venture board, somebody would be able to get some feedback or that they would let us know if there is some unhappiness. Other than that we have certainly challenged everybody out there, and it is for that reason that my chairman himself goes out there and does personal inspections to some degree, not that he is a qualified engineer, I do not know, maybe he is, but he makes a point to be out there himself looking at it.

We cannot afford to take and have, at a time when things are starting to be positive, to start having negative impacts about something not working. I can give the member assurance that that is the understanding that I had with the board, that they are very conscientious of it and they will make sure that we have happy customers. If we do not have happy customers, then we are back here next year looking at figures that are not as positive. When they have started to become positive, then we want to keep them going in that direction.

Mr. Clif Evans: I wish the minister would have just said ditto to the comments I made, because he just

repeated the very same thing I repeated that I want to make sure of, and he is saying, yes, that is what it is going to be. I appreciate that from the minister. But I am saying, and I am going to say ditto and repeat what you were saying, yes, it is very important that that resort be operational and be maintained and be operating 12 months a year under excellent conditions so that the economic spin and the economic development in that area be improved. Yes, I want to see that, but, but, and I say but, I have heard, I have brought it to the attention of those involved of certain situations, and most of the time it has been ratified. But with the different concerns that have been brought to me, I do ask that a whole specific review be looked at and checked out and, if Mr. Sparrow has done that and perhaps a recommendation, and I do not know if that will be done, a recommendation with a qualified engineer to go and check all the facility.

I mean, it is in the best interest of the resort and for the people that are there.

Mr. Chairperson: All right, then, we shall proceed. Shall the financial statements for Venture Manitoba Tours Ltd. for March 31, 1996 and 1995, pass?

Some Honourable Members: Pass.

Mr. Chairperson: The report is accordingly passed.

This completes the business before the committee today. The committee shall rise.

COMMITTEE ROSE AT: 4:33 p.m.