



Fourth Session - Thirty-Sixth Legislature

of the

Legislative Assembly of Manitoba

Standing Committee

on

Economic Development

Chairperson

Mr. Mervin Tweed

Constituency of Turtle Mountain



MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Sixth Legislature

Member	Constituency	Political Affiliation
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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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	Steinbach	P.C.
DYCK, Peter	Pembina	P.C.
ENNS, Harry, Hon.	Lakeside	P.C.
EVANS, Clif	Interlake	N.D.P.
EVANS, Leonard S.	Brandon East	N.D.P.
FAURSCHEU, David	Portage la Prairie	P.C.
FILMON, Gary, Hon.	Tuxedo	P.C.
FINDLAY, Glen, Hon.	Springfield	P.C.
FRIESEN, Jean	Wolseley	N.D.P.
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.
MALOWAY, Jim	Elmwood	N.D.P.
MARTINDALE, Doug	Burrows	N.D.P.
McALPINE, Gerry	Sturgeon Creek	P.C.
McCRAE, James, Hon.	Brandon West	P.C.
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McINTOSH, Linda, Hon.	Assiniboia	P.C.
MIHYCHUK, MaryAnn	St. James	N.D.P.
MITCHELSON, Bonnie, Hon.	River East	P.C.
NEWMAN, David, Hon.	Riel	P.C.
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PITURA, Frank, Hon.	Morris	P.C.
PRAZNIK, Darren, Hon.	Lac du Bonnet	P.C.
RADCLIFFE, Mike, Hon.	River Heights	P.C.
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TOEWS, Vic, Hon.	Rossmere	P.C.
TWEED, Mervin	Turtle Mountain	P.C.
VODREY, Rosemary, Hon.	Fort Garry	P.C.
WOWCHUK, Rosann	Swan River	N.D.P.
Vacant	Charleswood	

LEGISLATIVE ASSEMBLY OF MANITOBA

THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT

Wednesday, March 4, 1998

TIME – 10 a.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Mervin Tweed (Turtle Mountain)

VICE-CHAIRPERSON – Mr. Gerry McAlpine (Sturgeon Creek)

ATTENDANCE - 11 – QUORUM - 6

Members of the Committee:

Hon. Mr. Newman

Mr. Ashton, Ms. Barrett, Messrs. Dyck, Helwer, McAlpine, Penner, Rocan, Sale, Struthers, Tweed

Substitutions:

Hon. Mr. Downey for Hon. Mr. Newman

MATTERS UNDER CONSIDERATION:

The Financial Statements of the Manitoba Development Corporation for the year ended March 31, 1995.

The Financial Statements of the Manitoba Development Corporation for the year ended March 31, 1996.

The Financial Statements of the Manitoba Development Corporation for the year ended March 31, 1997.

* * *

Mr. Chairperson: Good morning. Will the Standing Committee on Economic Development please come to order.

Committee Substitution

Mr. Chairperson: Before considering the financial statements of the Manitoba Development fund for the

years ending March 31, '95, March 31, '96, and March 31, '97, we have a resignation to deal with.

I have before me the resignation of the honourable Minister of Northern Affairs (Mr. Newman) as a member of the Standing Committee on Economic Development effective immediately. Are there any nominations to replace the honourable Minister of Northern Affairs?

Mr. Edward Helwer (Gimli): Mr. Chairman, I would like to nominate Mr. Downey, the Minister of Industry, Trade and Tourism.

Mr. Chairperson: It has been moved that the honourable Minister of Industry, Trade and Tourism (Mr. Downey) replace the honourable Minister of Northern Affairs (Mr. Newman). Is it the will of the committee? [agreed]

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Mr. Chairperson: The business referred to the committee for consideration this morning are the following: The Financial Statements of the Manitoba Development Corporation for the year ending March 31, 1995, the Financial Statements of the Manitoba Development Corporation for the year ending March 31, 1996, and the Financial Statements of the Manitoba Development Corporation for the year ending March 31, 1997. If the members do not have copies of these reports, there are extra copies available. Please indicate and the page will provide them.

At this point, does the committee wish to determine what time we will rise today?

An Honourable Member: Twelve thirty.

Mr. Chairperson: Twelve thirty. Is that agreeable? [agreed]

I would like to ask the committee how they wish to proceed. Do you want to deal with the three annual reports to be discussed, or should we deal with them separately?

Mr. Tim Sale (Crescentwood): Mr. Chairperson, the nature of this corporation is that there is very little change from year to year apart from the MIOP, and MIRI is, I guess, now wound up more or less; well, not wound up, but it is in different program now, but the nature of the reports is that they are very similar.

So what I would propose that we might do is to accept the 1995 statements and then begin our consideration with 1996 and move on to 1997, and if we make good progress I do not see any reason why we could not finish those up. Many of these issues will also arise again in Estimates, and so that would be my proposal. We start with by adopting 1995 and then consider 1996.

Mr. Chairperson: Great, thank you. We will now consider the—what I am actually going to do is—

An Honourable Member: Have you got agreement from the committee, Mr. Chairman?

Mr. Chairperson: Shall the financial statements of the Manitoba Development Corporation for the year ending 1995 pass? [agreed]

Now, as suggested, we will discuss the '96 and '97 in conjunction with the hope of passing one and possibly both before the end of the meeting.

Mr. Sale: Just for the record, Mr. Chairperson, we will pass '96 by the end of the meeting at least, and we will see how we do on '97.

Mr. Chairperson: I would ask now, does the minister responsible have any opening statements?

Hon. James Downey (Minister charged with the administration of The Development Corporation Act): Yes, I do, Mr. Chairman, and I want to note for the member opposite that there has been a change, which he requested, as it related to the reporting of the Part I and II loans, the interest which he had requested.

Mr. Sale: Could you just repeat that?

Mr. Downey: Yes, I will. The member previously requested that we separate Part I and II loans as it

related to the interest that was paid, and it is now being done so in the report, so I want him to know that we have responded to one of his requests.

I should also make a correction, and it is the first opportunity that I have had to do so, that there was some inaccurate information, not meaningfully put on the record but staff did not have the details of it, and I will report that under Part I there are two loans, one which is a—

Mr. Sale: Mr. Chairperson, I am sorry, I am having some trouble. My hearing difficulty is well known, but I am having some trouble—

Mr. Chairperson: Order, please. I would just ask the indulgence of the committee. The minister is making a report, if we could have your attention, please. Thank you.

Mr. Downey: I want to correct the record, which was not done. It was staff who had given me some information which they wanted corrected and I want it corrected as well, that Part I is involved in financing a wire and cable company in Fort Garry, and No. 2, the other project is a hotel that is being financed in Minnedosa, and I think it was Dauphin that they had previously put on the record, so that I want the record to be corrected, Mr. Chairman.

Mr. Chairperson: Mr. Sale, opening comment or question.

Mr. Downey: Oh, I have not finished my opening comment yet.

Mr. Chairperson: I am sorry. Okay, Mr. Downey.

Mr. Downey: Yes, Mr. Chairman, I just want to acknowledge the co-operation in passing '95 and moving into '96 and '97. I will try to make sure we get as much information as the members want and try to accommodate the moving along of this committee. Thank you.

Mr. Chairperson: Mr. Sale, do you have any opening comments?

Mr. Sale: No, Mr. Chairperson.

Mr. Chairperson: Seeing that there are none, I will ask that we begin the proceedings to review the annual reports of '96 and '97.

Mr. Sale: Mr. Chairperson, just a very general request at the beginning. Would the minister—and I would be happy to have staff respond if the minister is comfortable with that, but would he highlight specific issues in 1996-97 that have any significant differences, that are new, that change things.

Now, I know we have changed, for example, the disclosure of interest under Part I and Part II. The pages unfortunately are not numbered, but the Statement of Income and Retained Earnings shows the interest income from Part I and interest income from Part II. That is a change. Are there other changes of any material nature that we should have drawn to our attention?

Mr. Chairperson: Mr. Downey, just before I ask you to answer that, would you please introduce the other people that are sitting at the table on behalf of your Development Corporation, just for the record.

Mr. Downey: Yes, Mr. Chairman, I apologize. We have Mr. Ian Robertson, who works in Financial Services in the Department of Industry, Trade and Tourism, and Mr. Jim Kilgour who also works in the Department of Financial Services for I, T and T.

Mr. Chairperson: I will now ask you to answer Mr. Sale's question, please.

Mr. Downey: The answer would be no.

Mr. Sale: Mr. Chairperson, could the minister just point out in '96 and '97 where the two changes are shown? The wire cable company in Fort Garry, what is the company and what is the detail on that? I may just have not seen it, but where is the hotel? I know it is in Minnedosa, but where is it in the statements?

Mr. Downey: It is on the balance sheet under 1996, Mr. Chairman, of some \$616,263. It is a hotel in Minnedosa, and, if I recollect, I think it would be on Main Street; I am not sure if there are any in any other parts of Minnedosa. The wire company is Centennial Wire in Fort Garry. Both of them are being collected in

a current status, so there are no difficulties with those loans.

Mr. Sale: Are these under Part I?

Mr. Downey: The answer would be yes.

Mr. Sale: There is, as far as I know, no listing, at least not in the annual statements of the Part I current portfolio, at least I do not think it is here. Could the minister provide a list of the outstanding commitments made under Part I and their current status?

Mr. Downey: We do not normally list them as individuals loans, and there is no new activity as it relates to Part I.

* (1010)

Mr. Sale: Then could I clarify the wire cable company? Is the minister indicating, then, that this was not new activity, that it was old activity that was left off inadvertently?

Mr. Downey: No, it was not left off inadvertently. Last year, when a question was asked as to what loans were outstanding, the information that I had received was inaccurate as it relates to the projects that we were financing. That is the correction that I made.

Mr. Sale: Could then we have the same question for the same information, that is, the status of the loans outstanding under Part I, the list of the companies that are in compliance versus in default or in arrears, however that is being stated?

Mr. Downey: There are only two under Part I. They are current in their payments, and the amount is listed here on the balance sheet under 1996 of \$616,263. So those are the only two loans under Part I. That is the amount, and I have stated what the two facilities are that are being financed. They were reported the year in which they were made under Part I loans as part of that report.

Mr. Sale: Could the minister point out where the \$616,000 number is shown?

Mr. Downey: On the 1996 report, there is the introductory letter. There is the Manitoba Development

Management Report, and then there is the next page if he goes down the 1996 column to where he reaches then \$616,263 at the top of the page. It is the sixth line down.

Mr. Sale: For clarification, the minister is indicating that these are two accounts only and that the accounts are both current?

Mr. Downey: The answer would be yes.

Mr. Sale: Could we then move on to the general point under note (c). The government has recently disclosed its pension obligations in Part I of the Public Accounts. It has not actually brought them forward into Part III yet. Government departments and corporations are generally, at this point, not showing the liability fully, and they are not generally funding the liability. It is still on a pay-go basis.

Is the corporation considering a change to bring it more in line with Crowns and with current accounting practice, or is this going to stay as essentially an unstated liability?

Mr. Downey: I am told by the staff that our full liability is shown in the statement as it relates to any pension responsibilities as of '96.

Mr. Sale: Mr. Chairperson, could you clarify for me then, this will be shown under the Pension Benefit Cost line? Would that be the appropriate line, or am I looking for something under Liabilities that will fully disclose the accrued pension liabilities? It indicates, note 5 is a full accrual. Is that, in fact, the case? This is currently under this year.

Mr. Downey: That is correct, and if the member were to go to the page that I referred to earlier and go down to where it states, note 5, you will see a number of \$601,857. That is the accrued pension liabilities.

Mr. Sale: Does this represent a government change, or has the corporation always fully accrued its pension liability?

Mr. Downey: This was taken when the Manitoba Development Corporation no longer had any employees directly responsible to it. This is when this took place.

Mr. Sale: If that is the case, how would it change if essentially it is frozen and it was fully funded at the time? Could the minister explain how this would happen?

Mr. Downey: It is change based on actuarial evaluations which are carried out every three years.

Mr. Sale: Are the liabilities for this pension plan then separated out from the Civil Service Superannuation Fund? Because, as far as I know, the government, of course, does not do this. It has not anywhere full funding. It would be \$2.1 billion if it was. So has this been segregated out and dealt with differently?

Mr. Downey: It is managed by the superannuation people. As it relates to being separated out, I would have to get that information for the member.

Mr. Sale: Could we then move on to a couple of specific areas that are of concern? I would like to start with a topic the minister is well familiar with, and I hope we just do not rehearse the conversation we have had in the past in regard to this.

The government has a major stake and, I think, an appropriate stake, in several capital corporations. I have asked in years past for information in regard to the companies' portfolios, Manitoba Capital Corporation, Vision Capital Fund, and the minister in the past has refused that information. Even though virtually all of it is available, it is available only because the press has reported specifics. The government has occasionally reported specifics, Vision has occasionally announced specifics, but the policy that the minister outlined in previous discussions was that the investments made by these funds were secret and that they could not be released to the public.

I have raised the question before and raise it again that it seems to me to be inappropriate, particularly when virtually all of the contributed capital comes from funds that have a Public Trustee component.

Could the minister respond as to whether he has had further discussion and thought about the release of, at least, the names of the companies that are subject to investment by these capital funds?

Mr. Downey: The policy has not changed because the issue has not changed as it relates to people operating their business activities, and it is a loan to a fund from the province. So he is correct, there is not any use of going through it, but I am prepared to do so. It is a matter of companies operating, which, if the information were provided, could, in fact, negate the support that they were getting; in fact, it could put the investment by the province and the public in some jeopardy which, by not disclosing, it would not.

I can further add that I do have a written opinion that would further substantiate the position that I have taken. So, if the member wants it, I can table the information so that it may be helpful for him to understand as to what professional opinion is as it relates to the issue which is in force.

Mr. Sale: Mr. Chairperson, if the minister offered to table the document, I would be very happy to review it.

Mr. Downey: I would have suspected that, and I want to be co-operative and do so, Mr. Chairman—this is what it is all about—but I do want to maintain the position, again, of tabling this based on the fact that I have taken seriously what he has asked for and said—asked for an opinion as to whether or not it is more than I who is saying this, and it is. I am prepared to table it; it is a document, which is prepared by Fillmore Riley, signed by Mr. Fillmore. So I am tabling that document.

Mr. Sale: Mr. Chairperson, I would appreciate a couple of minutes to read that document; but, if that is not possible, then I will go on with questions on the same line or we could wait for a couple of minutes till it came back.

Mr. Downey: Wait for a couple of minutes. In fact, I would not even mind a five-minute recess, Mr. Chairman.

* (1020)

Mr. Chairperson: We will take a five-minute recess. The committee will reconvene at 10:28.

The committee recessed at 10:20 a.m.

After Recess

The committee resumed at 10:25 a.m.

Mr. Chairperson: We will call the committee back to order and proceed.

Mr. Sale: Mr. Chairperson, I think this letter is very helpful and refer particularly to the third paragraph where the lawyer involved, Mr. Fillmore, it looks like, has suggested that there are four qualifications under which disclosure might take place: compulsion of law, obviously, and that would be the case with the Crocus Fund, where, by its nature, it must disclose to its shareholders the investments; the duty to the public, and we can talk about that; interests of the banks. Banks' interest always prevail over everything else. I understand that. They do not much care about other interests when theirs are a stake; and with consent, which I guess is obvious.

My argument with Mr. Fillmore and with the minister, I guess, would be that one of the primary, indeed the primary public right in regard to the finances of the province is disclosure. The public historically has a right established in many parts of the financial administration acts, the public accounts acts, the Auditor's Act and other acts to disclose to the public fully and frankly the state of the finances, the source of the acquisition of money and the programs to which those monies are applied.

Now, the minister, I think, is taking the stance that Manitoba, as government, is providing a disclosed capital contribution to an arm's-length corporation and, therefore, does not have an obligation to go further than to disclose the nature and extent of its liability because it has advanced funding to an arm's-length corporation.

The difficulty with that position that I have as a member of the public and as an elected official is that that would open the door for government to fail to disclose all sorts of information on the, I think, very questionable ground that it has simply insulated itself from the funds that have been given by putting a corporate body in between the public and the government, and the public then cannot get at the corporate body because the government has simply disclosed what it gave to that corporate body and,

beyond that, claims no duty of disclosure. I think that is a very tenuous position for a government to take.

We will have a good discussion this morning, and the minister and I have had this discussion before, but he may not have the opportunity, because he may choose not to run again, but he might have the opportunity to sit in a different place on this discussion. You know, Mr. Chairperson, I have looked back at the odd bit of Hansard when the government currently in power was in opposition, and I would just invite the minister sometime when, you know, he is bored and he is driving somewhere and someone is doing the driving, maybe he might review some of the questions that his colleagues asked our government with regard to investments.

* (1030)

I just think it would be very interesting for the minister to do that, and for him and me, just for fun, to change places, just for some humour, and we would then watch the minister sitting here and saying: What! You are not prepared to tell us where we have invested \$20 million or \$30 million or \$40 million or \$50 million. What! You are not prepared to be accountable to the people of Manitoba for where you have put public funds? You are claiming that just because you have got a corporation that is managing these funds on your behalf, that we do not have the right to know—the grants, the loans, the conditions of the loans, the equity investments? You must be out of your mind, he would say.

Obviously the minister is not going to disclose this information, but let me suggest that in the first place he, in my position, would not tolerate that and would not accept it—would not find it acceptable that the scope of the monies involved in Manitoba Capital Corporation and Vision Capital Corporation should not be detailed at least as to the companies in which they have invested and the state of the portfolio in terms of its losses and its gains.

Now, the second issue that the minister raised, and he was careful to correct himself and to couch his statement. He said that companies' interests might be jeopardized by disclosing that they had investment either in equity or in loan form from the Manitoba

Development Corporation through MCC or through Vision. Now, that is a very interesting position to take, that a company in which the public places an investment or the teachers of Manitoba place an investment or the Superannuation Fund places an investment would be harmed by the disclosure of that company's name. That is a very interesting position to take.

What might be the nature of that harm? Let me suggest that the minister is an experienced business person and that he has travelled the world—in fact, travelled the world several times, I think. I do not think it is an insult to say he was not born yesterday or the day before, and he knows perfectly well that, when the company in which he has invested goes to the bank, the bank says: Who holds your various equity or debenture or loan responsibilities? To whom do you owe money?

Now, let us take company A, and they go into the bank and they say, by golly, Mr. Banker, we are not going to tell you that. That might jeopardize our interests; that might jeopardize our future. We cannot disclose to your our banker who has invested in our company; my goodness, that would not be appropriate. The banker would perhaps smile or perhaps just usher them out without smiling, but the banker would not even begin a discussion with a company that would not disclose to the bank the full and frank information about its source of funds, its source of investments, the debentures that it has placed with various other funds.

Would the Vision Capital Fund or the Manitoba Capital Fund even begin to deal with a company that would not disclose to it where money was owed or where money had been obtained from? The answer is obviously no, because they would do a business case, they would do a very careful check, due diligence, and they would ascertain the real state of the projected company's loan situation, capital situation.

So if the bankers of companies, in fact, know all this information already, and should, and other potential sources of capital, other venture capital funds or any other source of capital, private investors, will know this information already, just who is it that is going to harm that company's interests by having information? I mean, does the minister think that the public having this information is going to prejudice the interests of OpTx,

for example, or any of the other companies that have been invested in by one or another of these, Manitoba Capital or Vision Capital corporation?

Vision has taken a position in Faneuil. That is well known. How is that going to harm Faneuil by that information being known? I fail to see the logic of Mr. Fillmore's position in regard to public disclosure, or the minister's position. It seems to me that he simply avoids public commentary on the wisdom or the lack of wisdom in the decisions made by MCC or by Vision. Mr. Osborne tells me that Vision's rate of return has been reasonable, not great as venture capital funds go, but in the 10 percent region. That is what he claims. I have not seen the statement to prove that, but that is what he indicates to me, and I certainly take his word for that. I do not think similar numbers have been released for MCC as yet.

But surely people have a right to know the state of those funds and their return and the object of their investment if they are going to use public money to do so. If they are private, of course they have the right to confidentiality. That should not be taken as meaning that their business partners will not know, which the minister seemed to imply that some danger would come from.

So how can the minister tell Manitobans and tell the Legislature that there is no duty under (b), Mr. Fillmore's letter, where there is a duty to the public to disclose? How can he maintain that public funds should not be publicly disclosed in terms of the corporate investments that the government has made? It seems to me that the only danger is not to the companies, because their bankers, their debt holders, their investors already know that Vision or MCC hold part of that company. There cannot be another investor that is unaware of that or they have not done their due diligence or they are not reading the financial statements.

So the only party that does not know is the opposition party and the people of Manitoba. So is the minister afraid that he would come into some public criticism for some questionable investment activities on the part of these firms, on the part of MCC or Vision? Is he embarrassed about some of these investments and does not want them made public, or is this a kind of cozy

government investment operation that it will take until there is a different government to audit and find out that, in fact, things inside these corporations are not what they are claimed to be? If things are going well, what is the rationale for hiding this information?

Mr. Downey: Mr. Chairman, first of all, I am not going to respond to the speculation as to what my future may or may not be. In fact, I think that for him to put that on the record without checking with me before that is unfair. [interjection] I will certainly overlook that. I am certainly in good health and good form and prepared to serve.

Let me deal more specifically with the comments made. I want to speak against his accusations that there is some particular intentional hiding, that there is something other than what I have stated as to the reasons why we are not able to disclose the individual business deals which are entered into by an organization that is partially sponsored by the Province of Manitoba. I say partially sponsored because the setting up of a fund is, in all cases, contingent on the raising of other funds to be part of it, so we are only a part of a group of funders which put a fund in place, that make business decisions.

I am not in any way, shape or form concerned about being embarrassed by a business deal that is not appropriate, and I am not aware of any. Mr. Chairman, I am sure, as he knows, that all business deals do not make money every time, that one works on a pool of investment, that there are winners and there are losers. It is my understanding that we are disclosing fully everything that is essential and necessary for the public interest in the reports that are here and that at the end of the day, the investments made by the Province of Manitoba in these funds, as a partner in them, that we are in a very secure situation. I am not embarrassed and do not intend to be embarrassed, and if there is something awry, I can assure him that I would be the first one to want to make sure that corrections were made. That is not to say that decisions have not been made that may not have been all in the best interests of a business deal. People are human when they make these decisions.

* (1040)

So I, again, table this document, table this opinion to further support what I have been putting on the record, and, Mr. Chairman, will leave it at that.

Mr. Sale: Mr. Chairperson, who are the partners in Vision Capital, and what are the contributed capital amounts?

Mr. Downey: Mr. Chairman, again, I put this in the category of when people be key. When we put a certain money into a fund, who the other participants are I am not, in my opinion, at liberty at this point to disclose who those other investors are. I will, however, take it upon myself to check as to the propriety of doing such and the willingness. Again, I personally have no direction or have never given any direction, but I will certainly look into the propriety of doing it, again, based on whether a company or an individual wants or should, in fact, be disclosed as to making an investment. It is not my job to disclose on their behalf what they feel is a good investment as it relates to a fund. So I would be in the negative at this particular time to disclose that.

What I am doing here today is disclosing what we are, in fact, investing in as a province as it relates to an investment fund. The individual investments made from that fund, I have clearly put a position on the table. As it relates to who or if there is a mechanism to have to publicly disclose who else is involved in that investment, I will take as notice for the member.

Mr. Sale: Mr. Chairperson, Alice in Wonderland said this gets curiouser and curiouser. The participants in the original Vision Capital and MCC have been disclosed in the supplementary funding information and the annual reports of the department. I am simply asking for that information. Teachers, Superannuation Fund, Bank of Commerce, tell us who they are and what the money is. It is already in your reports; just put it on the record.

Mr. Downey: Mr. Chairman, I will get that information and put it on the record or send it to the member. I know that in the initial announcement of the Manitoba Capital Fund that was the case. Other investors, and again I am not fully understand the impact of the question in total, what has been made public, and again I have no difficulty. It is not for me,

and they did so by consent, quite frankly, it is not for me, quite frankly, to disclose what somebody else has invested in a joint fund.

Mr. Sale: The Companies branch requires annual returns from all companies. When you review the annual return from Vision and Manitoba Capital Corporation, the investments in those corporations are disclosed as to amount, shares that are held. It is relatively straightforward arithmetic to determine what the contributed capital is on the basis of the shares, and you can go back and calculate that.

This kind of cutesy discussion here is absolutely ridiculous. You have not only told us we cannot know where the money is going to from Vision. You are now telling us that you are not prepared to tell us how much money that those two capital funds received in total to start their business from the various founding partners, which included in various cases the Bank of Commerce, the government, the Superannuation Fund, MPIC, and other major government-controlled, with the exception of the Bank of Commerce, sources of capital, mainly government-controlled pension funds. That is true for all but the CIBC.

So why this sort of dance around the mulberry bush? These are straightforward questions. You have declined to disclose where the capital corporations are investing, even though most of that information is public in one form or another. It just is not public in the way that you can put it all in one place. Now you are saying you are not prepared to tell us who the partners in the fund are and the contributions of capital.

I ask the minister again. Would you sit there and accept this if you were a member of the opposition? I think not.

Mr. Downey: I am not being cute or anything else. What I am trying to do is accommodate the member to get the information that he is asking for. But I am not going to sit here and say that I will disclose information from an investor in a fund if, in fact, it is not either by consent or it is inappropriate to do so, and I say this genuinely. I will try to accommodate—the member, in fact, has disclosed on his own behalf that he has this information anyway. So if he has the information and it is public and there is a means of getting it for the

member and further putting it on the record, I am prepared to do so. I have nothing to hide on this. It is a matter of making sure that we deal with it appropriately. He makes all kinds of comments about how I would operate in opposition. I have been there, I have done that, he can read the record, and I think he will find that I was very reasonable in my opposition days.

We carried out the responsibility that we had to carry out. He has the same thing as an opposition member to do so. As far as his offering to change positions, I will leave that to the people of Manitoba to decide in the next general election. If that is what they so decide, then so be it.

Mr. Sale: In the 1997-98 departmental Estimates, it is disclosed that the Manitoba Capital Fund has \$25 million in it as of this current information, which was sometime last spring; CIBC, \$5 million; Manitoba, \$5 million, I believe; Civil Service Superannuation, Workers Compensation and MPIC, \$5 million each. Is that information correct, Mr. Chairperson?

Mr. Downey: Yes, that is correct.

Mr. Sale: Would it not have been easier just to say that in the first place? Could we have the same information for Vision Capital, please?

Mr. Downey: Mr. Chairman, I again made the comments earlier which still stand. I am not in a position to disclose information which would not be appropriately disclosed, not saying that there is any reason why I could not disclose it, but I would believe that it would have to have consent from the investors to do so.

On the one that he has referred to, they fully were participants, and he is right, they were—and let me add another comment to the record. I would hope that the pension funds in Manitoba would become more aggressive in getting involved in equity funds rather than less because, quite frankly, there is a tremendous amount of money in our pension funds which, quite frankly, is sent to other jurisdictions to be invested. That is why we are trying to build this whole capital equity, this equity pool, so that there is money available in the Province of Manitoba to invest in small, medium-

sized companies. That, of course, is the basis for the investment in the development of the labour-sponsored funds.

Those are two funds that he is aware of, the Manitoba Capital Fund and Vision Capital, but to answer the question specifically, unless I had consent or if there are other ways in which the information was made public, then the question is automatically answered. If it is not, then I would have to reserve on the position that it would have to be done by consent.

* (1050)

Mr. Sale: I just have a couple of other questions under 1996 statements. One of them though will take us a few minutes.

We can handle this Linnet Graphics question under either year. I do not suppose it really matters, but let me just put the context around it. When the province entered into discussions with Linnet Graphics sometime around 1989-90, the indication from that company's group of sponsors and supporters was that there was an enormous opportunity in the geomatics industry in Manitoba, an unfilled and undersupported opportunity. There were some visionary people there, and they essentially proposed that if the government would give them a monopoly on government-related geomatics work, through which they might do some subcontracting but the guarantee that they would be the lead, including with Crowns, that they would develop a world-class industry with 700 employees and that Manitoba would become a world leader in geomatics. This was certainly the hope, and I think everybody shared that hope. I do not think this was necessarily a vain hope.

The original projections that we have on our files for Linnet saw a very large operation on an international scale with the number of employees that I have indicated. At that time, in the early 1990s, there were a number of small survey firms; Atlas, for example, was one. There are a number of others. The minister, I am sure, is familiar with places like Pollock & Wright and other survey companies who were beginning also to get into the new era of geographic information systems, or geomatic services, where you use satellite positioning and very accurate measurements that allow

you to do things that the old physical mapping system allowed but were cumbersome and very costly.

This was the case in just about all places in Canada. The geomatics revolution began in the late '80s and accelerated and is accelerating even more quickly today. Unfortunately, in the last five or six years in Manitoba, it has been well documented, I do not think the minister would argue with the documentation that Linnet has failed to live up anywhere close to its hopes. At last count, I believe it had somewhere between 60 and 80 people working for it and it was still working primarily, not entirely, but it was still working primarily on contracts and work that had come as a result of the monopoly period of time, which included the forest work for L-P in Swan River. They are doing the mapping for them on their allowable cut to figure out what the sustainable yield is of that forest, and that is a \$5-million contract that was an untendered contract which was written in such a way that only Linnet could meet the requirements because there was no other firm of sufficient size in Manitoba to do it. It was part of the deal with L-P, as the minister knows.

Now, I am not wanting to be critical of Linnet's quality of work, although some others have been. I am not knowledgeable enough to know whether they are right or not, but I am suggesting to the minister that the promise of this company has been nowhere near fulfilled. Unfortunately, what has also happened in Manitoba is that the geomatics industry as a whole has stagnated very badly. We have what the previous minister, Mr. Driedger, described as mom-and-pop shops rather derisively, which I think is unfortunate, because most small businesses are mom-and-pop shops and they form the backbone of our economy. So I do not think that that means that they are not competent, aggressive, capable firms and, in the case of some of those firms, they are growing rapidly now, but they are still small by comparison.

Essentially because of the way in which Linnet operated, the innovative proposals coming from some of those smaller firms were not able to be used, because Linnet required disclosure of the source codes and of the technology, because it was, in effect, holding the control of all the subcontracting, and no small firm that is struggling with a few really good products that are on the leading edge is going to disclose its source code to

a big firm that has the capacity to compete in ways that a small firm does not. I would think the small-business people in the government would understand very, very well. So it seems to me we had, unfortunately and with no malice of intent at all, but, just as the cards got played, we had the worst of both worlds.

We had a company that did not come anywhere close to meeting its expectations or objectives, and we forced an industry that in other provinces, if you look at the number of geomatics firms, the number of employees—in fact, the government has its own report on this, which I have referred to at points in the past, showing that our industry is very, very weak by comparison with other provinces. So we got neither the jobs nor the industrial development in a very critical area. The government, in order to support Linnet's monopoly over the five years and I suppose to indicate its commitment, took a 24 percent equity stake in Linnet, which is reflected in a variety of places in these statements, for example in note 1.(b) to the statements, and there are other places here.

Could the minister indicate first of all whether the province is still in the process of divestiture of its 24 percent stake in Linnet?

Mr. Downey: Mr. Chairman, at the outset, I want to challenge the member. He puts on the record that there was projected to be 700 jobs that flowed from this. I do not know where he gets that number from. It is the first time I have heard it, so I question that number.

Number 2, on the operations of Linnet, it has not fallen within the Manitoba Development Corporation, so the operations of it would more appropriately be asked of another ministry, although I am certainly prepared to stand up and defend the decision of government and how it was established, developed, and the fact that there are important jobs in Manitoba. It was the cutting-edge technology, and I think that there has been—I know of some export activity that has taken place from the sale of their services, not only in other parts of Canada, so I would have to question totally that there are other areas in Canada that have better services. I know that we have sold some service to other jurisdictions within the country.

Again, as it relates to the operations, I will not accept the fact that the proposals were only written so that

when that could be the bidder—I do not accept that. If there is a proposal call put out, I am sure that there are other capabilities that could put forward proposals and would be given a fair and open appraisal. But, to my knowledge, not having hired any of the services within my department for Linnet, I cannot speak any more to it than that, but I would say at the outset that it is my understanding that the question, if I understood it correctly, is: Is there a process of divestiture of the 24 percent by the province? I would answer that that is, in fact, the case. I think there is a process in place that is looking at the divestiture of the provincial interest.

Mr. Sale: Mr. Chairperson, that divestiture has been under discussion now for at least a year and a half. Mr. Driedger, a former minister, indicated more than a year and a half ago that this divestiture was under discussion and would be concluded very shortly at that time. Mr. Cummings, Mr. Driedger's successor, indicated that the divestiture was only under discussion last year during Estimates and would be concluded very shortly. What is the time line for the conclusion of this divestiture?

* (1100)

Mr. Downey: Mr. Chairman, I think that the information that he received from those ministers is certainly accurate. Time is something—I guess it is a matter of doing it right rather than trying to rush it. So my answer would be that it is my understanding that their statements were accurate, as they always are, and the process of divestiture is still being carried out.

Personally, and I put this as a personal note, I think that it has accomplished the goals that were put out for it and again I question where he got the 700 people. The fact that we do have 60-plus jobs in Manitoba, we do have technology here that has been developed and we are exporting it and adding to the economy of Manitoba is extremely important. The next step, if it can carry out its responsibilities—and it was the establishment of a company that will be here in Manitoba by provincial participation, and it can go on its own and if an appropriate sales arrangement can be made, then I am fully supportive of that next step.

Mr. Sale: Mr. Chairperson, this is a difficult situation for the minister and the government to be in. They have a company that they claim is successful, but they

are still a major equity partner in it. They have a company that they claim they no longer have a monopoly relationship with in terms of MLRIS services, for example. The minister should not be puzzled by the monopoly assertion; this is something that was part of the deal. In hindsight, I do not think it was a very good deal. I do not claim that I had necessarily the expertise at the time—I was not around—but I am saying that I do not think there is any question that there was a monopoly. Everyone knows that, and the government acknowledged it at various points.

There was an agreement between Linnet and government in terms of sole-sourcing geomatic services. The difficulty the government has got itself in is that by taking an equity position in a company which its small Manitoba competitors, I think, have accurately demonstrated, and, in fact, the government's own study demonstrated, that the industry here has languished and continues to languish. The government is a shareholder and has a direct financial stake in the success of Linnet, and every time it bids on a contract, every time there is any government influence in regard to how that contract might be let or any government ability to influence, to put the squeeze on a city like Brandon or any other municipality that is considering mapping services, to use this company, even though the monopoly is not there, must be somewhat difficult not to exercise the interest of the government in earning more money from its equity investment and increasing the value of its equity investment.

The government is talking out of both sides of its mouth in terms of industrial policy here. It generally takes the view that the business of business is business and the business of government is not. That is not necessarily a view that I always subscribe to, but it has been the view of the government. We have got a very advantageous relationship for Linnet with the government, which the Minister of Natural Resources (Mr. Cummings) indicated terminated last March.

In July of 1997, Manitoba Hydro entered into an untendered, exclusive contract with Linnet to provide services into the future. Now what is the geomatics industry in Manitoba to make of this? Here is the biggest Crown entering into a long-term, untendered, open-ended agreement for services in which Linnet is

doing exactly for Hydro what it did throughout the whole government service for the five years when it had its monopoly. If there is to be any subcontracting, it goes through Linnet. What small business is going to disclose to Linnet its capacity, its source codes, its programs, its expertise when it knows that Linnet has a privileged position within government? The government's hands are not clean on this one. They are holding an equity stake in a company they claim is competing with other companies that do not have the benefit of government investment and did not have the benefit of a government directing of contracts.

The government is not in a very good position in this, Mr. Chairperson, through you to the minister. The government holds an equity stake in a company that has an untendered, exclusive contract with its biggest Crown, that has not met the expectations, and the claim was that the monopoly arrangement, the exclusive arrangement was over. Well, is it over? The geomatics industry in Manitoba does not seem to think so because they still perceive the same thing happening as was happening under the exclusive arrangement. How does the minister respond?

Mr. Downey: Mr. Chairman, let me first of all say that I think he is unfair because I am not aware of—and I am sure it would never happen—that any squeeze was put on Brandon as it relates to using of Linnet. If he has evidence of that, he should produce it. That is, in fact, an unfair comment on his behalf. As it relates to Manitoba Hydro, he knows that it is operated by an independent board of directors, by an independent management, and they carry out their tendering as they see fit. I would hope he would ask those questions that he has concerns about at Manitoba Hydro hearings, which were held last week.

I will further look into it, but, again, they are an independent board, they are independent management which carries out their business independent of government. I would not have any knowledge of anybody that that policy, as he said, as he is laying claim to, would have any impact on Hydro's decision. So that to me is, I think, again somewhat unfair if he understands the process of how Manitoba Hydro works.

I also want to add that he accuses me of talking out of both sides of my mouth. It appears to me that is what

he is doing, Mr. Chairman, because on one hand he is saying it is not successful, that for some reason it should have done a better job, and because it had exclusive business with the province that some way that was wrong. I am really not so sure. I guess the bottom line is he just does not want to have a company like that start up and operate in Manitoba. Is that—I mean, that is an unfair comment on my part. I am sure he would not want that. Hopefully, even as the critic for the opposition, criticize for maybe how things are done, but at the end of the day, I believe he would like jobs and economic development and new technology introduced in the province. This is how we have proceeded to do it in this particular case and are prepared to stand by it.

Mr. Sale: A couple of responses. I met with the president of Manitoba Hydro before Christmas to raise these concerns and provided him with a letter outlining them in detail and he responded in detail to my concerns, so this is something that I did do as critic. I did not raise the questions last week in the hearings because, basically, the critic had lots of questions, and the president had responded a couple of days previously to me, and I needed to verify with my contacts in the geomatics industry whether this was a satisfactory response or not. So I have done those things.

I think the minister will see that on the record I indicated that I was not critical of the quality of Linnet's services. I think it is true that they have exported some services to Mexico and I believe Chile. I am not sure about the other countries in South America, and they have certainly bid on other services, sometimes with success and sometimes not. So I am not suggesting they have not exported to other countries.

* (1110)

My point was simply that they have failed up to the projections that were made in the business case that was presented to the province in the late 1980s, early 1990s, around the hoped for level of employment. If the minister is unable to come up with that information, I would be glad to provide him with it, because we have it all in our files in regard to the business case proposals.

The fundamental question here is how long does the government maintain an equity position in a company

that it claims is successful, that appears to be able to at least sustain itself at a 60 to 80 employees level, that is in direct competition with unsubsidized, unsupported companies that do not have the advantage of government investment and have not enjoyed the advantage of positioning that the government gave through the five-year exclusive arrangement and through what I think can only be described as a wired contract from L-P with a deliberate—I mean, it was deliberately done to make sure that Linnet got this business, because this was another one of those situations where if you develop a good product, it could well be exportable, given the expansion of the forest industry in various parts of the world.

So it is not an unreasonable case made for it, but it had the effect of making sure that no other business in Manitoba had the ability to respond to that request for a proposal, and so Linnet is doing that work. I have no idea whether they are doing it well or badly. I assume they are doing it well.

The question here is when are we going to get out of this position, because the geomatics industry is hurting in this province and it is not hurting in other provinces. It is doing very well.

Mr. Downey: I appreciate the pro private sector that the member for Crescentwood is putting on the record, how anxious he is to privatize, and I can assure him that as my colleagues have said, they said soon, and that is some time ago. I honestly do not know what the exact holdup is, but my position is that the sooner we get it sold, the better. But it has to be sold. If we do not do it right, justifiably so, we can be criticized for it. So it is a matter of getting on with the job and selling it. That is what the member for Crescentwood (Mr. Sale) is urging.

I will talk to my colleagues and make sure they get the message that the member for Crescentwood is anxious to see us divest ourselves of the Linnet investment, and I appreciate his support in that move. I am serious. I mean, that is the message I am taking from what he is putting on the record at this particular time, and he is doing so legitimately to say—making sure that other companies are not critical of the fact that there is any connection. That is really the point he is making.

Mr. Sale: A very minor point. We are not talking about privatization here. This is not a Crown corporation. We are talking about an equity investment that has, hopefully, increased in value from the time it was made and the divesting of an equity investment. So just so the record reflects where we are on that one.

Could we move to note 7 under the March 31, 1996, statements? My question is the commitments and undisbursed balances of approved loans under Part II. I know that Pine Falls Paper has all been retired, and that is a good result. I am not as clear about whether the long-term situation for the company is improved or not improved by the Tembec acquisition. I hope it will be improved, and we will only know that as time unfolds. Could the minister just explain the commitment and undisbursed balances of approved loans? Is this the loan to Vision Capital? In which case, what is the total that has been disbursed, or is this the loan activity of Vision Capital that has been approved by Vision Capital? What are we looking at here?

Mr. Downey: Overall approval for the purposes of this report, the overall approval was \$30 million. I am told by staff this is the amount that has been drawn by Vision Capital. [interjection]

Oh, I am sorry, I misunderstood. This is the amount that has not been drawn down by Vision at this point, at the time that this report was prepared.

Mr. Sale: What is the total that has been drawn down?

Mr. Downey: As it relates to this report, the total drawdown from Vision was \$21 million out of the \$30 million that was approved.

Mr. Sale: Was that \$30 million changed during the period up to the end of '96, during '96 or '95?

Mr. Downey: That has not changed for the purposes of this report.

Mr. Sale: Maybe we could just deal with the obvious next question, which is the year that we are going to consider shortly, '97? Was Vision increased during the '97 financial period?

Mr. Downey: I wonder if the member would repeat the question so I am clear on it.

Mr. Sale: What is the approved total investment in Vision, which I would take to have been \$30 million increased during '96-97? The next statement we are going to be considering. It just makes more sense to ask that now than to wait.

Mr. Downey: Mr. Chairman, I want to fully disclose what is happening. It may not be in the '97 year, but there is an additional amount of money which has been provided for the fund of \$8.5 million to Vision. It may not show up in the '97, but it has, in fact, been approved but again approved on certain conditions of payback to the funds. So it may not show up in the '97 year, but there is an additional \$8.5 million approved with capital.

Mr. Sale: Just to conclude that, is that primarily in regard to Isobord?

Mr. Downey: No, Mr. Chairman. Because of the timing, it is a matter of—there are some projects of which they were involved in, which we would anticipate some divestiture in which would yield some funds rather than putting that in a situation that would jeopardize any sale or any potential sale, was in the best interests, we believe, of the government's investment to add the additional money, but I do not believe it was for the Isobord project specifically.

Mr. Sale: We might be able to save some time on this next question. The minister may want to just get back to me. The Schedule of Financial Assistance Approved, Schedule 1, under Part II, could he provide a statement of the current status of those loans as to whether any of them are in arrears or, well, just a statement in regard to those loans?

Mr. Downey: These are approvals. They may not have been, in fact, taken out, but I can provide him as to the status as it relates to the flowing of money from this program, the ones that are and the ones that are not. I will make an effort to get him as much information as possible as it relates to this question.

Mr. Sale: Could we just quickly go down them without giving a great deal of information? I just want

to ask whether monies have been advanced under them or not. Are there any under this list on this first part of the schedule which goes on for another—oh, there are one or two pages, another page—is there anything on this page that has not been advanced at all?

Mr. Downey: On the first page, Mr. Chairman, I am told by staff that the Pauwels Canada Inc. has not been advanced at this point, and the Wilson Auto Electric Ltd. has not been advanced at this particular point.

* (1120)

Mr. Sale: We are considering '96 at this point and I do not want to—I am not trying to trap the minister here. Does he mean when he says “to this point,” does he mean to this date or does he mean to '96?

Mr. Downey: As of this date, not in the report, but as of this date sitting at this committee.

Mr. Sale: Mr. Chairperson, the same question for the next page. MIRI, MADAP AND MIOP, we have got a series here. Are there any there that have not been advanced?

Mr. Downey: I am told the answer is no.

Mr. Sale: Mr. Chairperson, what are the conditions on the forgiveness for the AT&T \$2-million MIRI grant?

Mr. Downey: A capital expenditure commitment and sustained job commitment as part of the forgiveness of the loan.

Mr. Sale: Mr. Chairperson, I am not quite clear about what conditionally forgivable loan, interest forgivable—is that meant to be in the same, it is really all one phrase? So the interest is completely forgivable, the loan is completely forgivable, and the conditions for both are the same or different? What are we talking about here?

Mr. Downey: They can be forgiven if the conditions are met. Basically they are the same, the conditions for meeting the obligations. I mean, it is a matter of, if the conditions for the loan were not met, then there would be an obligation to pay interest, and if there were

certain obligations for the interest met, then you would start by, if you were not going to forgive the loan, you would start, first of all, with the interest and discuss that, but if the principal was still owing, there would be an interest component that would have to be paid. It is basically the same; if the conditions are met, then both the interest and the loan are forgiven.

Mr. Sale: Mr. Chairperson, is AT&T meeting these conditions at present? Is it in arrears? What is the situation?

Mr. Downey: I will get the information, Mr. Chairman.

I am told by staff, on July 7 of 1997 there were 108 jobs more than were required under the contract.

Mr. Sale: Mr. Chairperson, is that the only condition, or has the capital condition been satisfied because of the setting up of the centre itself?

Mr. Downey: I am told by staff that the commitment has been met there as well.

Mr. Sale: The same questions for Superior Teleservices. Mr. Chairperson, I have tried to find who this company is, and I am wondering if there has been a name change here in the process of this loan. Could he tell us about this one, or is this the Boissevain one?

Mr. Downey: Yes, there has been a name change. The Chairman might be able to help me. I have been informed that it is now Midwest Telemark International, and it is performing a tremendous service in a small community in southwestern Manitoba, a very progressive community, with an excellent MLA.

An Honourable Member: Hear, hear.

An Honourable Member: That would be Turtle Mountain, for the record.

Mr. Sale: Perhaps the Chairman could tell me a little more about it. Is the company located in Killarney, or where is it located?

Mr. Downey: Mr. Chairman, it is in Boissevain, where they have the Turtle Derby and they have the murals on

the building, and very close to the International Peace Garden, where there are some 200,000 people come and visit annually in southwestern Manitoba, very close to Arthur-Virden.

Mr. Sale: I do not know Mr. Virden. Anyway, you mean Arthur-Virden. Yes, and I do not know him.

An Honourable Member: That is a constituency.

Mr. Sale: Oh, is it? Okay. I did not know that.

Mr. Chairperson, I had the information on Midwest Telemark, and I assume that that is what this one was. You have four made-up loans. These are simply interest-rate reduced; there is no capital forgiveness here?

Mr. Downey: Repeat, please.

Mr. Sale: The made-up loans that are disclosed here, Elmer's, EPT, Hunter Wire, Sonnicks, are simply interest rate reduced, or is the capital also forgivable?

Mr. Downey: The principal is fully repayable. There may be some reduced interest in these loans, but they are repayable.

Mr. Sale: Could the minister just quickly indicate the status of those loans and the companies?

Mr. Downey: They have all been disbursed and all in the process of being repaid. It is my understanding they are current on their repayment, but I will check if they are not and notify the member.

Mr. Chairperson: Okay. Will the Financial Statement for the Manitoba Development Corporation for the year ending March 31, 1996, pass?

Some Honourable Members: Pass.

Mr. Chairperson: It is accordingly passed. We will now move on to the Manitoba Development Corporation for the year ending March 31, 1997.

Mr. Sale: Mr. Chairperson, could we take a four- or five-minute recess?

Mr. Chairperson: The committee will recess for approximately five minutes, and we will start back up at twenty-five to twelve.

The committee recessed at 11:24 a.m.

After Recess

The committee resumed at 11:34 a.m.

Mr. Chairperson: We will call the committee back to order. We are now reviewing the Manitoba Development Corporation financial statements for March 31, 1997.

Mr. Sale: Just a couple of opening comments. I am very concerned, both in Public Accounts and in this committee in this case, and there are a number of others as well, that government frequently finds itself two and three years behind in the approval of reports. I do not believe this is always entirely government's fault. Sometimes the opposition asks more questions than can be answered in the time available, but it does seem to me that the public expects that financial reports, government reports that have to go to committee, should do so in a timely way. I wonder whether the minister is able to make a commitment that we will have a meeting, at least of this committee, in the fall or summer of 1998 to receive and discuss the annual reports of the corporation so that we do not get so far behind where we are dealing with three years in one committee meeting, which I do not think is appropriate, and I am sure the minister does not think is appropriate.

His government made a commitment to intersessional committee meetings, but virtually none were held until suddenly we are three weeks from session, and there is a flurry of committee meetings. This one was called, as the minister probably knows, on extremely short notice. I got a call on this one on Friday, asking if I was available for this morning. I am sure the minister probably got a call on Friday or Monday as well. I do not think that is an appropriate way to consider important reports of government, and I am wondering if the minister has any comments on that.

Mr. Chairperson: If I could just say, before the minister responds, the rules are actually set up that the

committee meetings have to be called by the government House leader and not by the minister responsible and that a motion for this consideration is probably the right direction to go if we are to suggest to the House leader that we want to meet on a yearly basis.

Mr. Downey: I appreciate your comments, Mr. Chairman. You took the words right out of my mouth. It is, in fact, as he knows and his own caucus, that it is the House leaders that work to try and accomplish this. This was a commitment that we believed was important to get the intersessional committee work done. We are doing it.

The member also knows that there are other opportunities to ask questions in Estimates as it relates to some of the specifics that he may not get answers to or satisfied with at this particular juncture. I do want to thank, and I will thank him, for his co-operation in accommodating this meeting this morning, but also I understand there were others that were unable to be here. I think it is a piece of work that has to be done. It is important to do it, and we will leave it to him to recommend through his House leader and/or, as the member has said, the chairman has said, by resolution to do it.

I certainly have not got any problem with keeping current the reports that I am responsible for, and I will put that on the record.

Mr. Sale: I would like to put a motion to test the will of the committee that the members of the Economic— it called Economic Development committee?

An Honourable Member: You bet.

Mr. Sale: —Development committee request the House leaders to ensure that a meeting of this committee is held prior to the end of 1998 to consider the 1997-98 annual report of this corporation.

Mr. Chairperson: Okay, we have a motion, and it is on the motion of Mr. Sale, that the members of the Economic Development recommend the House leaders to ensure that a meeting of the committee is held prior to the end of 1998 to consider the '97-98 annual report of the MDC.

I have reviewed the motion and found the motion to be in order, and I would ask for any debate on the motion to proceed.

Mr. Sale: Mr. Chairperson, if we could just remove the word "to" because it was with reference to my word "request," and so it recommend—I think there is just some grammatical—

Mr. Chairperson: Right, we will change—we will eliminate the word "to" where it says the Economic Development recommend the House leaders assure—

Mr. Sale: Ensure.

Mr. Chairperson: —ensure. So we will eliminate the word "to." Debate?

* (1140)

Mr. Downey: I understand what the member is trying to accomplish here, although I cannot support his motion. I think he has carefully, clearly put on the record what his desire is. I said I personally would follow the direction of the House leader. The Chair has put on the record how the committees are set.

Again, it is a matter of using the process that has been traditionally here, and I do not think this motion is necessary. Any member of the committee is quite clear and quite free to put on the record how they feel these committees should be called, but to do it by motion I do not think is necessary. Therefore I would call for the question, and we will be voting against it.

Mr. Sale: I will be very brief as well. I regret the minister's stance on this. Here is another one of those situations which we encountered in Public Accounts where a duly constituted committee has a concern about the timeliness of its activities and has no power to effect that because under our rules the polite fiction at least is that the House leaders call the committees and the minister knows very well it is a polite fiction. They only meet when the ministers agree and when the government wishes them to meet because that is the way the power works in government.

Here is a committee of people concerned about accountability to Manitobans that is simply making a recommendation which the House leaders can, in their wisdom, turn down, and the government in its wisdom

can frustrate. But at least the members of the committee, the backbenchers from the Conservative Party and the members of the opposition, will have expressed their concern about accountability and about timeliness.

So it puzzles me that the government would wish to go on record as opposing accountability and timeliness, which is the intent of this motion. It is simply to ensure that there will be a meeting sometime in the fall to consider reports that have traditionally come in sometime in June. That is lots of time, and nothing whatsoever that I can see is lost by the committee expressing its desire to have a meeting in the fall, which, of course, the government is free to not fulfill and the House leaders are free to not facilitate. This is a recommendation, although I am puzzled by the minister's stance.

Mr. Downey: He may try as he may to try and say the government is trying to hide something. By statute, these reports have to be tabled before the public in the Legislature or circulated at a certain period of time. It is not a matter of anything being kept secret or away from the public. This information, in documented form, is tabled by law in the province of Manitoba. The speaking to it and the questioning of it, yes, are called by the House leader, as it has traditionally been done. His party sat in government for how many years?

An Honourable Member: Oh, a long time.

Mr. Downey: I will not make any editorial comments, Mr. Chairman, but the bottom line is the information is available to the public. It has worked relatively well. I have said on the record that I would have no trouble with it and will be discussing this with my House leader as it has traditionally been done.

Mr. Chairperson: We have the motion before the committee as follows: That the members of the Economic Development recommend the House leaders ensure that a meeting of—

An Honourable Member: Dispense.

Voice Vote

Mr. Chairperson: Shall the motion pass?

Some Honourable Members: Yes.

Some Honourable Members: No.

Mr. Chairperson: It is the Chair's opinion that the motion has been defeated.

Formal Vote

Mr. Sale: Mr. Chairperson, could we have a recorded vote, please?

A COUNT-OUT VOTE was taken, the result being as follows: Yeas 2, Nays 6.

Mr. Chairperson: I declare that the motion has been defeated.

* * *

Mr. Sale: I do not have a lot of questions on this report, Mr. Chairperson. I hope we can get through it reasonably quickly.

If I could go straight to the cash flow statement which is about the fourth page in, I believe, under Changes in operating asset and liability: Provision for divestiture, what is the provision, and it is the divestiture of what?

Mr. Downey: That was because we had a liability fund reserve in place in case we had to pay on behalf of—for the warranty on New Flyer buses, and that is no longer the case. There is not a warranty requirement that has to be in place by the province.

Mr. Chairman, further to that, I am told by staff that it has been reduced to \$50,000.

Mr. Sale: I think it would have been helpful if there had been a reference to note 7.(b) in this regard if that is the Flyer industry contingent liability note. In effect, this is the difference between \$206,121 and the disclosed \$156,121.

Mr. Downey: That is correct.

Mr. Sale: Mr. Chairperson, could we just request that when that happens, if there is a reference to it, we get a reference to the appropriate footnotes and we know where this was going?

Mr. Downey: I will ask the staff to consider the request by the member.

Mr. Sale: The payment of the dividend, presumably this is, in effect, a payment back to the government from MDC for some of the capital that has been advanced by government to MDC. Am I reading this correctly?

Mr. Downey: This money came in under Part I, and it was sitting in a cash position which has been returned back to the province.

Mr. Sale: Mr. Chairperson, could the minister tell us whether that was then shown by the province as general revenue, or did it reduce a trust balance or a trust liability?

Mr. Downey: We will have to find that information out from Finance, or if the member wants to do it for himself. Please indicate if he would like us to do it or if he is able to do it himself.

Mr. Sale: Mr. Chairperson, I would appreciate it if the minister could provide us with the information as to whether that changed the trust statement for MDC or whether it was shown as general revenue as a dividend might be if it were a normal dividend. So I would appreciate information on that.

Mr. Downey: The thought, at this particular time, from staff is that we believe it did go into general revenue, but we will double-check that.

Mr. Sale: Mr. Chairperson, if we could move on to page—again, the pages are not numbered—to note 5, Crocus Foods. Could the minister indicate the status of the discussions in regard to the selling back into the private sector of this company that is currently being or temporarily being held by MDC?

Mr. Downey: There is an agreement in place where the management can, in fact, earn back the shares through a performance clause.

* (1150)

Mr. Sale: Could the minister provide a little more information? Are we talking about earning back? In

other words, earning back with no equity on their part, or are we talking about conditional transfer of equity here? What is the nature of this agreement?

Mr. Downey: Mr. Chairman, again, I think it is a matter of trying to make sure the company is operational and viable in creating jobs. The agreement of which has been struck between the department and the management is to accommodate that. I will further check with the department as it relates to information that can be provided that would be helpful to the member, and if that is the case, we will do what we can.

Mr. Sale: Mr. Chairperson, is this essentially like a MIOP at this point that, in effect, the \$410,000 is set up as a forgivable loan, as an equity that can be forgiven? What is the status of this?

Mr. Downey: Mr. Chairman, I am told that it is a fully repayable loan, and it is current.

Mr. Sale: Mr. Chairperson, I have a general policy concern that relates to Crocus, Woodstone, Gilbert International, probably not to Waskada, but certainly to those first three.

The statement on the next page, Investment in Crocus Funds (1996) Limited, indicates an investment of \$410,000. In fact, the province has already written off \$600,000 in Grow Bonds, and those monies have been disbursed. I am puzzled.

First of all, I am puzzled from an accounting perspective as to why the equity on the part of the province is not shown as roughly \$1 million, because, in effect, we have paid out through another department \$600,000, and this department through MDC has taken on liability of \$410,000. So the province really has a million bucks in this company at this point in the form of either forgiven Grow Bonds or an equity investment. So I am puzzled why there is not even at least a note disclosing that. I have asked the Auditor to respond to this question as well as to whether it would be proper to show the province's liability here as only \$410,000. Given the nature of The Grow Bond Act and the requirement to protect the equity that the province has that is expressed in that act, how do we get by with only disclosing the \$410,000 here?

Mr. Downey: What our responsibility is for the purposes of this report is to declare what the Manitoba Development Corporation has as it relates to the Crocus Fund, and it is a \$410,000 loan that is repayable and is current. The report of which he is asking for as to the status of the government and the Grow Bonds Program would come under Rural Development, as he is fully aware.

It is a matter of, No. 1, carrying out a responsibility on behalf of the people of Manitoba to recoup, to maintain a company, to maintain jobs and to keep a company viable and be paid for that work. As it relates to the \$600,000, he would have to find that—or that information would be made available through Rural Development. There is certainly no problem in disclosing it at this point, but again for the purposes of this accounting document, we have no direct involvement in the Grow Bonds other than we have lent \$410,000.

Mr. Sale: I completely understand that and I am not suggesting that there is anything improper in the \$410,000. I was not inside that decision, but I am sure the minister and his staff tried to make the best decision in regard to the employees, the jobs, the company. I am not in a position to question that except I think there has been some concern expressed that the previous management perhaps lacked a number of things that one would want from management.

I will not comment on all the things that have been alleged about what that management lacked, but I do want to know whether the previous management that founded this company has any continuing interest or stake in the company.

Mr. Downey: The answer would be no.

Mr. Sale: Mr. Chairperson, have any steps been taken to recover amounts from the directors or owners, the previous company, in terms of the situation in which they left this company?

Mr. Downey: That question would be more appropriately asked of Rural Development, but I will give them notice that the question has been asked at this committee.

Mr. Sale: Could I ask the minister and his staff to discuss with the Auditor whether it would be appropriate to disclose the complete investment or the complete government stake in one place? The difficulty we have here is that there is no place where there is one statement about the situation with Crocus. We have a write-off of \$600,000 in Grow Bonds, and we have a loan here of \$410,000, but there is no place where it comes together.

Neither department makes a note about the other's involvement, and the Auditor does not audit these statements, so it seems to me that sometimes it is quite appropriate for government to step in and provide a funder-of-last-resort function—hopefully short term, and I hope this will be short term—but the public should have, and the members of the Legislature should have, information about the full reality of that company.

We are going to run into the same thing, I am sure, with Gilbert International, although it may not come through MDC. It may come through some other mechanism, who knows, but there should, as a matter of principle, I believe, be a note or a place in which the full disclosure of the stake, even though the statement is materially correct, it is not full disclosure, in my view.

If the minister has a comment, fine. I am simply asking that this issue be canvassed.

Mr. Downey: His comment is noted.

Mr. Sale: Could we go now to Schedule 1? First of all, I just note that there is quite a difference between Schedule 1 this year and Schedule 1 last year. Under Schedule 1 last year we had MIRI and MADAP and MIOP, and under this Schedule 1, we seem, unless I am missing a page, to have only MIOP.

Mr. Downey: This is all there is to report, Mr. Chairman. The MIRI is now a part of the MIOP program as reported as part of that. The Manufacturing Adaptation Program is only in a collection position. There are no further loans being advanced under that program, as is the same with the—and there were not any loan guarantees performed under this Manitoba Development Corporation as per this report.

Mr. Sale: I understand the minister's comment but, I mean, I understand what he said, but it does not entirely yet make sense to me. For example, on last year's statement we had four MADAP loans disclosed. On this year's statement they have disappeared. Have they all been paid back? Are they gone? Where are they?

We had last year, MIOP, a Winnipeg Football Club loan guarantee. We have now a Winnipeg Football Club income debenture for \$1.2 million, but, again, unless I am missing it, the Jockey Club has disappeared. We had an AT&T conditionally forgivable. I do not see it on here at all. Superior Teleservices, now Midwest, has shown up, but AT&T is gone.

Mr. Downey: I will try and be helpful to the member. What we are reporting here are loans that are made in the current year—approved, I am sorry, approved in the current year—not a continual reporting of those loans as it relates to each report. It is the activity that took place under these programs in this year.

* (1200)

Mr. Sale: I do not want to go back to the old statement and reopen old questions, but is the minister then saying that the Jockey Club loan was made during '95-'96 and not prior to that? And is he saying that the Elmer's, EPT, Hunter and Sonic were all made in that year and that they are the only activity?

Mr. Downey: I am told by the department that that is the year in which they were approved. They may have been disbursed at a later time, but that is the year in which they were approved.

Mr. Sale: I certainly do not question the minister's word. It was my impression that the Jockey Club arrangement was much older than that and went back quite a long time. Is this a renewal of that then?

Mr. Downey: It may have been. It may have been a conclusion of one commitment, a previous commitment made and a new one entered into, but that would be in the previous reports if, in fact, that was the case. I am not saying there has not been other monies provided, but this is the year in which this commitment was made to the Jockey Club, as it is reported. It is a current

year's picture as to the commitments made to the organizations.

Mr. Sale: The same question, the AT&T call centre was open for some time before March 1996. Is he saying that the AT&T loan was only approved during the '95-96 year?

Mr. Downey: I am told by the department, that is the case.

Mr. Sale: Could we then have, a request for a follow-up, could we have, as we I think have had in previous years, a complete list of the loans that have been made through the various funds over the period of time? That has been provided in the past and that will help me get a sense of the dates which I obviously have not gotten a sense of so far. I would appreciate that.

Mr. Downey: I just want to be clear on what it is he is really asking for. The funds that are approved for different organizations?

Mr. Sale: All outstanding loans under MIOP, MIRI, MADAP, where there have been some changes to the programs, I accept, that have been made that are still current, they are still outstanding, there is still a balance owing, whatever, indicating the basic information about when they were made, what has been advanced, and whether they are current or in arrears.

Mr. Downey: I think we will be able to provide that for the member.

Mr. Sale: Okay, a couple of concluding questions on some specifics. I have had no luck whatsoever, Mr. Chairperson, in finding out who Call Centre Support Associates Inc. are. There is no company by that name in the Companies branch. The call centre people do not seem to know who they are. I have asked this question, for example, of Lee Crawford of the Manitoba Call Centre Association. I have asked some contacts.

Could the minister tell us who this company is and what it is they are doing for a \$750,000 approved principal and interest forgivable loan?

Mr. Downey: Two comments. We will find out specifically who they are. Number two, it is my understanding that it has not been disbursed at this point.

Mr. Sale: I thank the minister for that. I am glad to know it has not been disbursed if the minister does not know who they are. That is comforting. I would be very interested to know a little more about them. I have really worked hard to try and find this company with absolutely no success whatsoever.

The difficulty I have with this is that when you say "Inc.," it should be in the Companies branch. It should be at least a federal company or a Manitoba company, but it cannot be Inc. if it is not Inc. When I searched the branch six ways from Sunday, I do not find this company. Now, maybe it has been registered in the last little while, but if the minister could comment on that, I would be interested.

Mr. Downey: I have to apologize. I do not have the same memory that some other members have around here. We have had a lot of business going on in the province of Manitoba, hundreds of new jobs and hundreds of new companies coming to the province of Manitoba. It is hard to keep them all in line. I will have to get a better registry in my mind to do that, but I will make sure that we fully know exactly what the status of this company is before any funds are disbursed.

Mr. Sale: Unless other members have any other questions, I have no further questions.

Mr. Chairperson: Shall the Financial Statements of the Manitoba Development Corporation for the year ending March 31, 1997, pass?

Some Honourable Members: Pass.

Mr. Chairperson: It is accordingly passed. This completes the business before the committee today.

The time now being 12:05, committee rise.

COMMITTEE ROSE AT: 12:05 p.m.