

THE LEGISLATIVE ASSEMBLY OF MANITOBA
2:30 o'clock, Monday, April 29th, 1963.

Opening Prayer by Madam Speaker.

MADAM SPEAKER: Presenting Petitions

Reading and Receiving Petitions

Presenting Reports by Standing and Special Committees

MR. B. P. STRICKLAND (Hamiota): Madam Speaker, I'd like to present the report of the Committee on Privileges and Elections.

MR. CLERK: Your Standing Committee on Privileges and Elections beg leave to present the following as their first report. Your committee met for organization and appointed Mr. Strickland as Chairman. Your committee recommend that for the remainder of the Session the quorum of this committee shall consist of seven members. Your committee, after discussion, also recommend that it be reconstituted at the beginning of the next Session of the Legislature to carry out the duties assigned to the committee by the Resolution of Mr. Paulley introduced on March 22, 1963, amended on April 9, 1963, and agreed to in the Legislature on April 23, 1963. Your committee has also agreed that Honourable Mr. Lyon, Messrs. Cowan, Froese, Groves, Johnston and Paulley will meet informally during recess after prorogation to prepare material for the Standing Committee on Privileges and Election when reconstituted. All of which is respectfully submitted.

MR. STRICKLAND: Madam Speaker, I beg to move, seconded by the Honourable Member from Souris-Lansdowne, that the report of the committee be received.

Madam Speaker presented the motion and after a voice vote declared the motion carried.

MADAM SPEAKER: The adjourned debate on the proposed motion of the Honourable the Minister of Education. The Honourable the Member for Elmwood.

MR. S. PETERS (Elmwood): Madam Speaker, I'd like to apologize to the House for being out of the House on Friday. I didn't do it intentionally; it was quite by accident that I wasn't in the House when this item came up. I thought that I should say a few words on this motion, Madam Speaker, as I was one of the members of the committee and we voted with the government on certain issues in this committee, and I think we should state our reasons for doing so.

If you recall, Madam Speaker, not too long ago the Honourable Member from Lakeside and my Leader got into quite a debate on the tender bid system and my Leader thought that it should be looked into and the Honourable Member from Lakeside said that he thought it was a good system, and I think I might agree with him on this occasion. The very first time that we voted in committee with the government against the motion made by the Honourable Member from St. George that we be allowed to look into the books of the contractor -- have their auditors summoned and the income tax papers of the company brought before the committee -- we voted with the government on this occasion because we felt that we would be setting a precedent that would be pretty dangerous because, in my opinion, we were given information that this contract was let. There were five bids on it; the people bidding the lowest bid received the contract. They also made an alternate of a stated fee plus cost; and we felt that under the system that we are living -- because we are living in a democracy and this is the system that we have to live by where the majority rules, and lots of times we feel that if we were the government that maybe perhaps we would have done our own hauling, but that is not the point in question here. The point is this, that this job was put out on tender and the lowest tender got it at \$23.10 a ton and the highest bid, I believe, was somewhere in the neighbourhood of \$35.00 a ton. To me it boiled down to this, that if we were to vote to have the books of the company opened, then in future anybody could get up in this House, make a charge, set up a committee, and then you open up the books of that company to see how much money they made, and I think that would be a very dangerous precedent, Madam Speaker, and the reason that I adjourn the debate is to state our reason why we voted this way. The Honourable Member from St. George made charges. They're very serious charges, and I don't know what basis he laid them on, what information he has that we do not have, but in my opinion and the opinion of people in our group, there wasn't enough evidence submitted to substantiate the charges.

MR. R. O. LISSAMAN (Brandon): Madam Speaker, I would like to add a word to this debate.

(Mr. Lissaman cont'd) I think that no one in this House would disagree with the fact that in 1960 a water haul certainly was necessary and in 1961, because there was no guarantee that the road would be finished. Mr. Guttormson has made certain statements in this House -- pardon me, the Member for St. George -- and I would like to refer to his charges in passing. When he has completed making his challenge he then says, "I propose to prove it to the House as to how it was done." Now, Madam Chairman, I think the first thing that any member of this House should consider is really what is the basic question at issue here, and I believe that the basic question is simply this: Is the tender system the proper prudent method to award government business on, or is there a better alternative? Now it boils down to a question as simple as this. There can be no other answer, because certainly the work -- water haulage -- was let on a tender basis. It's the normally accepted procedure of bodies spending public money and normally it entitles, almost always, that body to freedom from criticism once competitive bids have been received on an equal basis and the contract has been awarded, and it's also recognized as the proper procedure for business and private moneys being spent.

Now in reference to the matter of the tender system, just a few nights ago in this House -- on April 15th, to be exact, Madam Speaker -- we had the Honourable Member from Lakeside defending the system and, if I may do so, I'd like to read from Hansard just what the Honourable Member for Lakeside had to say regarding the tender system and I'll break into his speech; if the Honourable Member thinks I'm taking him out of context why I wish he would object if he so believes: "I remember a case, and it was on the road that's been talked about tonight -- that part between the Junction of No. 1 and 4 in Gladstone, and tenders were called and tenders were accepted in good faith, but it turned out that tenders had been called on the basis of gravel being supplied from a certain pit, which was known in that area, but one of these free enterprise contractors had gone out and scurried the area himself and found an alternative source of supply that was closer." Here he's pointing up the advantage of the tender system in that it puts people on their toes; they try and use their head as well as their knowledge of the affair to give the best price available, because obviously if they don't give the lowest price they don't get the tender. Then later on he says, "Of course if we had somebody with the prescience of my honourable friend and the Transcona people, that always know what is the right thing to do, we wouldn't have any trouble, but we other common mortals" -- and I want you to pay particular attention to this -- "we other common mortals, we sometimes find these complications that even matters of that kind are a bit disturbing, but I can assure my honourable friend that he can find in almost every kind of the tendering business, whether it be grading, or graveling, or blacktopping, or concrete; that he can find some real variations, and that's one of the good things about the tender system -- the open tender system -- that you usually under the free enterprise system get somebody in there who has an idea that he's going to be able to do a more efficient job than the other fellow, and you get a good tender, and provided you've got the inspection service to see that it's done well, in my opinion that's the right way to do it."

Now, Madam Speaker, I wonder if these charges by the Honourable Member for St. George are really felt by this entire group to be honest, sincere charges because here we have an expression of one of the -- certainly one of the most respected members in his group, one of the oldest members in his group, who has had experience for years in the tender system, speaking up for the tender system; and the Honourable Member for St. George criticizing it, because after all this is the only true criticism that could have been made of this particular award. This is the method whereby all public money is spent. Now let's leave that issue for the time being and see why there was a degree of urgency in awarding this contract. And I want to refer here to the necessity of power in this province. Older members in this House will remember when every little local business almost, had its little local steam plant and its steam engine which generated power for the industry. Well those days are gone and we have in Manitoba a central power plant which takes the place of all these little local steam engines, and because this is now looked upon as the power plant of the entire province, the province can at no time run the risk of being short in reserve of power in case industry needs that power, and certainly if we didn't have a reserve power and be planning always for the future we would be discouraging the normal and proper development of this province; and I would like to again refer to some words of the Honourable Member for Lakeside when he was Premier of this province, in February 7th of the 1951 Session, and he said, "It is the view of the government that the most important problems

(Mr. Lissaman cont'd) which are to come before this Session will relate to water power and electrical energy. I would go further and state that, in my opinion, these problems are as important to the future economy of this province as any problems which have confronted this House throughout its entire 80-year history." And then he goes on from the technical, administrative, financial, legal, and political viewpoints, "No Legislature in the history of this province has been called upon to cope with problems which are more complex, intricate, difficult than the power problems which the government will ask the Legislature to consider during this Session."

A little bit further on I think there's another very important passage in his speech when he says -- and I have broken off and I am jumping into another part of his speech: "The introduction of electrical energy in great quantities requires large and costly installations which necessitate enormous capital investment over a considerable time to develop. As an example, I might remind honourable members that well over \$20 million will be invested before Pine Falls project is completed and that approximately four years will have elapsed between the time that engineering designs were commenced and the date upon which this plant will be in full production," And I would like to remind members here -- I'm breaking off his quotation -- I'd like to remind members that this project at Grand Rapids was in the order of \$135 million to \$145 million so you could amplify this statement. Then he goes on: "I should also remind them that unless future developments are put under way in the meantime, our supply position will be worse on the day we finish Pine Falls than it was on the day the project was started."

Now this gives one some idea of the urgency, the continual planning ahead, and when a decision time has been reached and the decision made, then there is definitely that urgency and drive to get on with the job. Now then, the decision had been made, November '59 if I recall correctly from committee; a transaction for power was obtained from the Saskatchewan Government which made if feasible to commence the Grand Rapids job.

Now if there were any truth in the charges of the Honourable Member for St. George -- and one might almost suppose there were because he was quoting transportation costs against transportation in this case plus a lot of other items; for instance this covered hauling, handling, loading, unloading, storage, docks and all facilities -- but in addition to that, Madam Chairman, there was a great deal more entailed in this than just that. I would hazard a guess that the uncertain element in this contract would far outweigh the uncertain element, let us suppose, of building a road, for example, because anyone taking a contract like this would have to consider the natural hazard of losing a barge or two, running aground or being sunk, and let's look at what some of the other bidders who bid on the same general scheme figured that those extra hazards and -- I'll have to be honest here -- their extra profit they anticipated might have been, but certainly they were figuring the extra hazards. Now from the winning award, the Drake-Pearson the lowest tender at \$23.10, the next lowest bidder was MacNamara, and his figure of \$24.65, which meant that for every ton hauled he figured that there was a greater hazard than Drake-Pearson had figured to the extent of another \$1.55 a ton; and we go on up the line -- J.S. Quinn: he figured the extra risk was worth \$3.99 more per ton. We get up to Brown and Rutherford; they figured that the hazard that they couldn't foretell or foresee what those hazards were, were worth in addition to what the lowest bidder got another \$12.88. Well the highest bidder of all, Selkirk Silica, figured that this extra risk was worth \$13.12.

Now I've qualified that before I spoke; extra hazard plus whatever profits they intended to make beyond the lowest bidder. And when you look at it in this light, consider all the natural hazards that they ran -- and we had pointed out to us one small hazard that even the lowest bidder didn't anticipate and that was having the navigation buoys removed at an earlier season, but you see there were many hazards to be calculated and personally I would -- being a conservative type of person it probably wouldn't excite a bit of suspicion if this wouldn't have been one of the lowest bidders considering all the hazards.

But in addition to all this, in going for this water contract, Manitoba Hydro bought more than this, even. It bought the certainty of a method of delivery of these goods, and you heard the officials of Manitoba Hydro say that all things being considered, even having hindsight now, the ability to look back upon this episode as our friend from St. George is viewing in its entirety from a position of looking back and being critical of things that have been done, they would still insist that road alone wasn't enough, wasn't a good enough guarantee to finish this

(Mr. Lissaman cont'd) job in the time that was necessary, and certainly I don't need to explain to this House after it having heard the member for Lakeside's words when he was Premier on the urgency of some of these projects, so there can be no question that, in addition to the road haulage, the water haulage method was necessary as a back-up. Then too, there was a doubt as to when the highway would be finished. We heard the member from St. George say that contractors were told this job must be finished in 100 days, but who is going to say what nature will permit you to do? All the words in the contract under the sun wouldn't have mattered if we'd have run into bad weather last summer. Then it just wouldn't have been built in 100 days. It might have taken 200 days or two years, because you've only got the summer season to build. So I think, Madam Speaker, that almost all intelligent people would agree and realize that the member from St. George has, by picking out certain figures out of the year, has concluded that too much money had been made when after all this isn't an issue at all, but let us assume that there is something to the argument that an unconscionable profit was made, and I don't agree with that concept of the problem at all, but let's just look at that phase of his argument for a moment.

We heard the counsel for Drake-Pearson admit of his own free will of the probable profits of Drake-Pearson, and he said somewhere between \$320,000 and \$350,000.00. Now, here's a very important point to look at right here. He made this admission while the demand that the company's books be tabled -- he made this statement not knowing that five minutes after he'd made it the books might have been demanded by the committee, and do you think people of that calibre are going to make a statement and five minutes later be proved to be telling untruths? I contest, Madam Speaker, that the profit in this instance must lie very close to that given by Mr. Hunter as counsel for Drake-Pearson, and so of the two estimates -- well I won't say estimates; this is a fact; I'm quite willing to accept that a man isn't going to perjure himself or lay himself open to perjury five minutes later -- but between the estimate the Honourable Member for St. George has made and this admission of fact, then I myself am not going to listen to a bunch of poppycock from a man who has no closer approach to the situation than hindsight; I'm going to listen to a counsel who is well-respected, who had something to lose and has made a statement very different from that of the Honourable Member from St. George. This is my belief in the matter, and I think all thinking members when they give this a moment's thought must agree that this is so.

You know, Madam Speaker, this whole situation as I heard more and more of the facts in committee, completely disgusted me, and I would like to give the House a comparison that I think is quite parallel, that if I were to charge some private individual of being a crook and a thief and that he'd been stupid and so I throw him into court, and then when I got him at the court's mercy say now, "Would you provide me with the evidence?" when previously I had said I was going to prove that he was such and such; and this is what's happened in this case, and I think it's rather a bad thing that this House can't reprimand people and measure out some form of punishment to people who bring such flimsy charges, frivolous charges, and after saying they're going to prove them it's found that they can't prove anything, but I know, of course, that this would be wrong too, because this House can't punish people for this sort of thing because in some instances the individual might have a really justifiable case and even though the circumstantial evidence made the House believe that he had nothing, he might still nevertheless be right, because this is not a court of law, and I suppose for that reason, much as I regret it I have to accept the fact that this House cannot reprimand a member, but personally I believe that such should be the case barring the reasons I've given, but there is this comment I must make, that the member may proceed to punish himself because we all know the old fable of the boy who hollered "wolf" continually, and I believe, Madam Speaker, that the Honourable Member for St. George will holler "wolf" so often that the public will begin to realize the kind of statements he makes -- irresponsible, unbacked by fact -- and that day may be very close now, because you can't go on making these kind of claims for ever and be adjudged to be a sensible, sincere representative. And then of course on the other side of the ledger, or at least another item which we should consider in the matter of these frivolous charges as I claim, is what of the cost to this province, to the people that he's supposed to be representing? I daresay the cost of this thing will run into many thousands of dollars, to say nothing of more or less at certain times almost paralyzing Manitoba Hydro with a project of

(Mr. Lissaman cont'd) this nature under construction. Many of these men have to be on call from Grand Rapids for decisions and sitting here in committee is not conducive to getting this contract completed. And then of course there's the other cost, the cost of -- supposing people who do not know the facts as presented to us in committee but think there might be just some little grain of truth in what the Honourable Member from St. George is implying. Then there's a great cost to Manitoba Hydro and to the government -- that hint of suspicion; and I think the whole incident is deplorable. I think the honourable member has made a statement that he has disproved himself. He said that he would prove it and he had nothing to prove the facts and I believe, Madam Speaker, that the Honourable Member for St. George in this case has been nothing but "whistling in the wind."

MR. J. M. FROESE (Rhineland): Madam Speaker, I had hoped that I would probably speak some time later on in the debate, after hearing some other members speak on the report. However, I would like to make my comment at this time in connection with this report. First of all, I listened with a great deal of interest to the Honourable the Member for Selkirk the other day when he spoke on this report and he drew into question the matters of this committee when he stated that the committee had no right, no authority, either to deal with that matter or to set up its own terms of references as it did. I would have liked to wait until some other members had spoken and to have this point clarified to me. However, I will reserve my decision as to whether voting concurrence or non-concurrence on this report until I have satisfied myself on this point.

The member for St. George still maintains that he can prove his charges or allegations provided certain conditions are met. In a way, I feel sorry that conditions weren't met so that there would leave no doubt in anyone's mind as to the situation. To me, this whole thing boils down to a few matters. One, is the matter of risk, the facts of risk; secondly, the matter of government or Crown agencies. I think these are some of the principal points in this report that I have some misgivings on.

First of all, I feel that the officials of Manitoba Hydro acted quite responsible, in a responsible way, since they would naturally protect themselves in matters of this type and big bentures of this type where large amounts of moneys are being spent for capital purposes. I think they only did their duty when they took the various actions as stated in the report on Page 3, and I would just like to state that one paragraph -- 14 -- "Your committee is satisfied that with respect to water haulage Selkirk to Grand Rapids, Manitoba Hydro (a) called for public tenders for the work in accordance with normally accepted practice; (b) received five tenders and four proposals for such work, and (c) accepted the lowest tender submitted after having satisfied itself that the contractor was capable of performing the work and that the said lowest tender was reasonable under all circumstances."

I listened with a great deal of interest during the hearings and also on this very point, whether proper investigation had been made as to the lowest bid, whether it was a reasonable bid. And here again, I come to the point of risk. I think the bids would have been much lower if there hadn't been such a large amount of risk involved. All the matter of risk was insured to the highest possible degree, in my thinking. And this is what adds to the cost of such projects, and that's why the bids are as high as they are. That's why some people, if they bid on it and if luck is with them, they come out on this side and probably make good earnings and, for that matter, large earnings too. So that this whole matter involves around the factor of risk, and I, for one, feel that if this had been a private company, private enterprise, that they would have assumed more risk; and that as a result of that the cost would have been lower, and that savings could have been effected and passed on to the consumer.

Now, to me it seems the whole trouble arises out of the matter that Manitoba Hydro is a government agency, a Crown agency, and because of that, of its very nature, that we have this before us today. Members of this legislative body are entitled to know the score on this matter, and it is their duty and responsibility to find out if matters are gone into question, to know the truth and to know the -- have an accurate statement on such affairs. And I for one do not feel that money is wasted when such committees are called into action. Certainly, I think it was a big eye-opener to many of the members of this House, to get an inside into the operations of Manitoba Hydro and how they perform. However, I in a way object that this had to come about by first having to make charges or allegations in order to get down to some of

(Mr. Froese cont'd) these facts. I hope that some other method can be brought into being so that members of this House will get first-hand information and all that they desire, and not have to go to such measures as this; because I feel that this just creates hard feelings and not too much is gained by it.

Then I also wished to bring one other item to the attention -- and that is the matter of third parties of the contract. I feel in a way that we have to protect third parties in any contract, in any government contracts that they go into, because if we didn't do that we would leave ourselves open to, I think, a lot of trouble. We'd soon find ourselves in a position where we wouldn't receive this; so that we have to exercise some measure of constraint in this way and to protect innocent third parties.

However, I've got to come back to this other point once more, and I feel that this government should not get into so much business, and that we should rather have less government agencies and monopolies than more. During this session we will see the creation of four more agencies, and I think this is wrong. I feel that we should steer away from these government agencies, because we will get into more and more trouble as we go along. I'm sure as these government agencies grow larger and older, that from time to time we will have to make checks. And certainly we do not want to embarrass any people who should not be embarrassed, and we should not be involved. If this had not been a government agency, I still feel that if it had been a private enterprise, that they would have assumed more risk and that as a result, savings would have been effected. I think this matter was also brought to bear in committee by Mr. Tuckwell's statement that he felt that savings could have been effected in the work that they had done that tenders had been called for.

Now, coming to a conclusion, I do not want to blame any Hydro officials. After all, they were just doing their duty and they protected themselves to escape any blame that might result from such a large venture. On the other hand, I wish to reserve my decision on this report until I have heard and satisfied myself on some of the legalities of this committee, and if I do -- will concur -- it will be under protest, because I feel this government should get away from government agencies; and if I do not see my way clear, I naturally will oppose it.

I think that just about covers the points I had to raise, and since I only have one opportunity to speak on this bill, I hope that I covered most of the points.

MR. LAURENT DESJARDINS (St. Boniface): Madam Speaker, I would like to move, seconded by the Honourable Member for Carillon, that the debate be adjourned.

HON. STERLING R. LYON, Q.C. (Attorney-General) (Fort Garry): Madam Speaker, before the question is put, perhaps I might be allowed to make a statement with respect to the motion for the receipt of the report that is presently before the House. I believe it was Sir Winston Churchill who once said: "It's a deplorable thing that when persons are engaged in acute political controversy they sometimes allow their language to be rather the means of giving relief to their feelings than an actual description of the facts." Well, Madam Speaker, having had ample proof of the wisdom of this proposition demonstrated in the speeches from the Liberal benches, I shall attempt not to emulate their example. I propose, Madam Speaker, to deal with the facts surrounding the entering into of the water haulage contract to Grand Rapids in 1960. And I may say, Madam Speaker, that I embark on this task with no misgivings, confident in the knowledge which is now the property of all of us, that we're willing or capable of reading and paying attention to it, that the charges by the Honourable Member for St. George have been incontrovertibly proved false, utterly without foundation, and thereby irresponsible and indeed unworthy of an elected representative of this House.

The weight of evidence against his allegations, Madam Speaker, is staggering, and is insurmountable. Furthermore, he and his own colleagues failed miserably, if indeed they even attempted, to discredit the witnesses from Hydro on any of the material points they documented in their case against the charges of negligence and sheer incompetence in this contract. That's when the hearings neared their conclusions and his case had long since evaporated. My honourable friend took refuge in what for him was a predictable course, the dramatic retreat which was nothing more than a cloak to cover his own humiliation. His remarks last Thursday on the motion to receive the report were little more than a recapitulation of what he had earlier said, without backing of a scintilla of evidence. Of course, he blamed the government for allegedly throttling his evidence and whitewashing the report, a charge that is almost as ludicrous as his

(Mr. Lyon cont'd) own deportment throughout this whole matter. Like the immature and the spoiled child who loses an argument and then screams, "liar! cheat! liar!" the member apparently has convinced at least himself that repetition of a hollow charge somehow lends proof, dignity and importance to it.

Well let us then, Madam Speaker, go back to the member's original charges made on March 6th and as reported in Hansard of that date. I think these should be read into the record again because it is from this foundation that the committee proceeded upon its investigation. He is reported at page 43 of Hansard of that date as saying as follows, "I have a shocking example," and I ask the members of the House particularly to note the adjectives -- well-turned, well-turned legman's adjectives -- "I have a shocking example, not only of the failure to plan its highway construction, but further of failure to have any co-operation, any co-ordination, between the various branches of government. Madam Speaker" -- I'm continuing the quote -- "through sheer incompetence; through complete failure to understand basic business concepts, through negligence in protecting the interests of Manitoba, and by total failure to plan its own affairs ahead, this government has thrown away nearly \$2 million of our own taxpayers' money." And listen to this quote in particular -- "I propose to prove it to the House as to how it was done." And there then follows a series of allegations based upon certain obviously rapid calculations based on, in turn, hearsay or other information which in essence turned out to be largely inaccurate. But he continued on over the page -- page 44 -- and said, and I want this to be back in the record again, "Even the government's own engineers had told them the road would be ready by the end of 1960. Despite this information this government still went ahead negotiating, and signing, in that same year, this four-year contract for water transportation." And at the bottom of the same page -- "This is a direct waste of \$2 million of the money of the taxpayers of the Province of Manitoba, because this government did not plan. In addition to this" -- and listen to this -- "In addition to this," says he, "the truckers of this province lost the opportunity to get the business." In addition to this the truckers of this province lost the opportunity to get this business. A very pregnant statement. "This, Madam Speaker," he continues, "is the story of what happened in the past. One would think that after this shocking performance" and so on, and then he carries on again; he carries on and further on that page he says, "I see no indication that the truckers of this province will be given a fair chance of this work." -- and he was referring to the subsequent negotiations; and he concludes by saying, "I challenge them" -- meaning the government -- "to investigate and make public this whole sorry mess."

Well that, in essence, was the substance of the member's charge on the 6th of March. From it all I suppose we can deduce this, that his case was that a road alone to Grand Rapids was sufficient transport for a project even of the magnitude of \$140 million, and the second arm of his case might well be that the failure to plan was a legitimate charge because the road was not in place when the project began. Well, Madam Speaker, although it may take me a few moments, I propose to show how Manitoba Hydro came to answer these allegations of the honourable member; came to answer him, as I have mentioned, without being disturbed on cross-examination or having any of their acts in any way upset or for that matter even questioned, when they came to lay before this committee of the House the whole question of how the planning had proceeded up to the time of the decision to proceed with Grand Rapids in the late fall and early year of 1959 - 1960 and the decisions taken consequent upon that determination which led in turn to the building of the road, the entering of the water haulage contract and so on.

I would refer honourable members first of all, Madam Speaker, to the evidence of the General Manager of Manitoba Hydro, Mr. W. D. Fallis, on the 2nd of April, which appears on page 18 of the transcript of the proceedings from that day. "The concept of the Grand Rapids Hydro plant" -- starting on page 17 at the bottom, "essentially as it is now being constructed, was detailed as early as 1953. The CNR was approached for an estimate on the cost of building a railway into the site in 1955 and the cost of a highway was estimated at the same time. The economics were substantially in favour of construction of a road, although "back-up" for a road was necessary." That's the first reference.

Turning over again to pages 23 and 24 of the evidence; again Mr. Fallis speaking about the necessity for this water-haulage contract: "In planning the construction of Grand Rapids

(Mr. Lyon cont'd) Manitoba Hydro's opinion, based on experience, and concurred in by a number of major contractors with whom the project was discussed prior to tenders for the general work being called, was that the matter of transportation of materials and equipment required during the time that could be allowed for completion of the work was the major hazard to the rigid schedule that would have to be maintained for first power in November of 1964. The discussions with major contractors also confirmed the expectation that they would consider the cost of transportation by far the greatest contingency involved and to be provided for in estimating on any tender that required firm unit prices, if this type of tender were to be called for. Manitoba Hydro, for its part, wished to avoid having the general contract on a cost-plus basis."

Again on page 24, "In the matter of transportation, the desirability from Manitoba Hydro's standpoint of a highway to Grand Rapids, both while the plant was under construction and after it was in operation, had been apparent from the first consideration of this particular site."

Again on pages 25 and 26, "in addition, Manitoba Hydro was of the firm opinion that it would be completely unrealistic" -- completely unrealistic, and I repeat those words, "to predicate the vital schedule for a project of this size on the assumption that the remaining immense tonnages could be moved over a gravel road yet to be constructed and which would then be open to all of the usual hazards of spring break-up, heavy rains, etc."

Carrying on, at the bottom of page 25, "Before preparing the call for tenders on the movement of freight to Grand Rapids, Manitoba Hydro had made a general survey of the existing transportation and loading facilities on Lake Winnipeg, and had concluded that any successful tenderer for water transport would have to acquire considerable new equipment to meet the requirements." Carrying on, on the same page, "Scheduling the water transportation over four seasons had the further very real advantage, in the judgment of Manitoba Hydro, of providing at the proper time insurance against the hazards of road transport, not only as they might arise on a new highway, but as they can be encountered on any gravel road, particularly in the spring or during periods of heavy rains. The most economical scheduling of the work calls for heavy concrete pouring during the summer months and considerable added cost would be involved if major quantities of the cement required were moved to the job by truck during the winter and storage facilities for it had, in consequence, to be provided."

Carrying on, on page 29, "I further note, Mr. Chairman, that the question arose in the House of the added cost of the Grand Rapids project if the work were delayed for any reason, with the result that power does not become available from that source until, say, November, 1965. Such a contingency would, of course, leave us extremely vulnerable to the possibility of power shortages during the winter of 1964-65 and, in addition, on a basis of our estimates would result in additional capital costs for interest during construction of some \$4.8 million. Added to this there would be other overhead cost increases arising from such matters as the necessity of maintaining construction camps an extra year, providing construction power for the added time, supervisory labour, etcetera."

Then he went on to explain that already on the basis of their estimated cost it was anticipated that savings had been achieved on the over-all project which could amount to as much as \$14 million, and that's to be found on page 29 at the bottom, Madam Speaker, and I won't burden the House with a full reading of the whole paragraph.

Coming to Mr. Fallis' summary about the need for the water haulage contract; No. 1, page 30 of the same date, he said, "We must plan to provide power under the worst conditions that can reasonably be foreseen and provided against." This is the number one requirement that you'll recall was given, and is given, by Manitoba Hydro to all of its executive officers when embarking upon a project of this kind. Again, on page 31, after outlining the problems that they had gone through in the four previous plants that had been built by Manitoba Hydro, all of which, by the way, were brought in on time, by utilizing exactly the same methods that were used, and the same degrees of skill and the same skillful people who were used with respect to the Grand Rapids project, Mr. Fallis went on to say, "These experiences and possibilities were not only known to us, they were equally well known to virtually all major contractors. Furthermore, large tonnages had to be transported to Grand Rapids during 1960 while a road was under construction. This is why in our judgment it was desirable for Manitoba Hydro to accept responsibility for transport to the Grand Rapids project and why some "back-up"

(Mr. Lyon cont'd) transportation facilities were essential for the protection of the construction schedule."

Madam Speaker, if Mr. Fallis' statements were not enough I refer honourable members to the statements of the Chairman of the Manitoba Hydro, Mr. D. M. Stephens; Volume 3 of the evidence taken on April 16th, 1963. If honourable members wish to follow, it's page 64 and 65 first of all, where he refers to this contract, the necessity for it, the necessity for dual transportation facilities going into the project site. He says -- he outlines first of all the experience that they went through at McArthur Falls, at Kelsey and so on and so forth. "Now the point I really want to make," and I'm quoting here, Madam Speaker, "The point I really want to make, Mr. Chairman, is to suggest this to you, that had our dispositions been such, our arrangements been such as to permit us to cope with average conditions, with normal conditions, I am suggesting we would have lost our schedule at Pine Falls; we wouldn't have had that power available when it was needed; we would have lost our schedule at McArthur; we would certainly have lost the schedule at Kelsey, and we would have failed in the functional obligation that the Legislature had cast out to us to provide power for the needs of the Province. Had we failed at Kelsey," continuing the quotation -- "Had we failed at Kelsey we would have interrupted the mammoth schedule of our customers, but we did not fail." And further, on page 65, he says, "When it comes to the security of power supply that is, having the power available, because it takes two or three years to get it, you will make such arrangements as may be necessary to permit you to cope with the worst conditions -- that can possibly be foreseen and provided against."

Again at Page 70 of the transcript of evidence from the same date: "I do not recall," quoting again, "I do not recall anyone ever suggesting that to me in the circumstances of 1960, but I believe I know myself well enough to know how I would have reacted if they had suggested it. I would have asked; Do you know for sure that the road is going to be completed and available for all of 1961? Do you know how you are going to get the five thousand tons up there in 1960? Do you know for sure that we will not encounter, if we have the road, do you know for sure that we will not encounter conditions such as were experienced in 1949, the Fall, and through weeks and weeks of 1950, because we had to provide against the worst conditions that can reasonably be foreseen and provided against, and we encountered those conditions. And if one cannot conceive of this happening again I say they have a short memory. I would have to ask," continues Mr. Stephens, "Do we know for sure that even if the road is available and encounter these conditions that it would stand up under the 1950 conditions when certainly highway 11 didn't stand up? Do we know it will stand up to the mammoth tonnages that are involved in this job? Certainly Rettie," referring to James Rettie, "knowing the Terms of Reference that we placed upon him, never suggested that we rely upon road transport exclusively, but I am quite sure that if he did," and I'll ask honourable members to listen to this from the Chairman of Manitoba Hydro, "I am quite sure that if he did, and knowing the experiences that I had participated in, and if he had recommended that we rely entirely upon road transport, without something to back it up, I would have been the one to have thrown it out as not having been in conformity with my own edict that he be ready to cope with the worst conditions that can be foreseen and provided against.

"Now this facility, Mr. Chairman," he continues, "to be told to cope with the worst conditions that could be foreseen and provided against, this facility does not come cheaply. You don't get it for nothing. It costs money. At Pine Falls it costs us extra money to know that we could cope with a bad flood if we got one. We got the flood; we coped with it. But supposing we had just gone along with average conditions, or supposing we had put those provisions in and incurred average conditions, the hindsighters could certainly have come along and said we spent a lot of money." And that's a very interesting paragraph, Madam Speaker, and so he continues on with his evidence as to the validity of this contract. If I am reading extensively, it is because I think this evidence is important, Madam Speaker, and this evidence should be before all members of the House who weren't privileged to hear it, because it was during this committee hearing that Manitoba Hydro was able to expose and lay bare before the committee all of the planning, all of the thinking, all of the rationale that went into their preparations and their acceptance of the undertaking at Grand Rapids.

I quote this from Mr. Stephens, because he's a very frank person -- the bottom of page 73

(Mr. Lyon cont'd) of that same date he said "I have not been able to work out figures that would come out any more than that, but I would like to put it to you this way, that if in a \$140 million project or thereabouts that was being scheduled, as it was scheduled primarily to meet a power-on date at a particular time, if someone had come to me and said; Stephens will you accept a charge on this of \$1 million or \$1.2 million, whatever it is, to protect your edict to be complied with in order to let us assure against or be ready to cope with the worst conditions that we can reasonably foresee or provide against, if I had been asked that question and having satisfied myself that this \$1 million or \$1.2 million was the most economic means of complying with this edict, I would not only have permitted its inclusion, Mr. Chairman, I would have demanded it. I would put it to you this way, " continues Mr. Stephens, "I would far sooner stand in the position I am standing in today providing I am not accused of wrong-doing or under the table dealings or some of those sort of things, but to justify the concept of this water haulage contract, if that is the sense in which I stand before you today, that this is a thoroughly enjoyable exercise compared to what it would be to stand here in 1965 and try to explain to this committee why Section 3 and those other clauses saying what they did, that I have brought on a power shortage or a power shmozzle in Manitoba to save less than one percent on the cost of this project, in comparison it is a thorough delight to stand before you supporting the basic philosophy and thinking behind this, compared to what it would be if we gambled the power solvency of Manitoba and lost."

Mr. Rettie had evidence along a similar vein, Madam Speaker. I would refer honourable members to the evidence of the afternoon session of April 16th, 1963, at pages 63 to 64, and there they will find the opinion of the Chief Project Executive Officer with respect of Grand Rapids; the man who had brought in these four other plants on time, and who had coped with these situations before and had overcome them; one of that team who is providing to Manitoba the cheapest electricity in Canada and giving to our Hydro utility in Manitoba one of the finest reputations on this continent. Here's what he has to say in response to the allegations of the member for St. George. He was talking about the road; he said at page 63, "We were gratified the road was finished well ahead of schedule," -- as it was. "This did provide us with added security during 1961; however it was my opinion when the new road was in place we could not rely on it as our sole means of transportation if we were to maintain the schedule laid down in view of the very great tonnages to be moved." And then he talked later on about the load limits, the load limits on the road and so on, on page 64 -- and all of these items, Madam Speaker, are important but I don't wish to read them all into the record because they are before us in the evidence, and I'm trying as best I can to pick out only the highlights of this incontrovertible evidence that was presented to the committee.

Page 67 -- again, he said, "As mentioned earlier we were not prepared" -- we were not prepared -- "to predicate our construction schedule on only one means of transportation to the site, and we concluded approximately one-half of the estimated tonnage would move in by each of the road and water transportation routes."

Again, Madam Speaker, in the transcript of evidence, Page 72 of the same date, talking about the price that was tendered on this water haulage contract. "The lowest price tendered, \$23.10 per ton, was not out of line with prices paid by Manitoba Hydro for water transportation between Selkirk and Grand Rapids during previous years, that is from 1953 to 1960. During the investigation work which we had been carrying out we used an established carrier, Selkirk Navigation; we made deals with the fish companies to use their boats on the return haul, bringing fish into Selkirk, and we used them for hauling cement up for test grouting and one thing and another and in that way we did transport quite a lot of materials to Grand Rapids prior to 1960, and this price of \$23.10 was not out of line with the prices we paid at that time."

Again, Madam Speaker, carrying on with the evidence of Mr. Rettie on the same date after 8:00 p.m. page 13 of the transcript: "Mr. Chairman, this concludes my detailed presentation, " I'm quoting -- "but I would like to sum up my remarks by offering the comment that with regard to the very rigorous terms of reference mentioned by Mr. Stephens, which were handed to me, and from the vantage point of 1960 and today, I do not see how we could have accepted responsibility for the handling under the worst foreseeable conditions without such provisions as were made under the water transportation contract."

And finally, Madam Speaker, when he was giving evidence on the 16th of April, Tuesday,

(Mr. Lyon cont'd) at 9:30 in the evening -- later on that same evening -- he made this comment because it's a question that has been raised, and a legitimate question when one gets in and learns the facts of the situation. He was asked "What about a two-year contract? Why did you go for a four-year contract? Why didn't you go for a two-year contract?"

Page 10 of the evidence of 16th of April 9:30 p. m. Question: "Well why was the water contract limited to two years?" Let's see, who was asking that question Mr. Guttermson, the Honourable Member for St. George, "Why wasn't the water contract limited to two years?" says the member for St. George. Answer, "Well, Sir, I can only repeat what I said before, as far as I am personally concerned and I think others that worked with me on this project felt that we could not rely on this highway continuously, nor would we want to think that it was our only means of transportation to that project. I just cannot buy that concept and I could not buy it in 1960, and I am still not prepared to buy it. I think there are conditions that can happen even yet that will knock that road out." That is the evidence of the officials, of the people who have brought in these hydro plants for over the last 13 to 15 years, who have had to come with all of these eventualities. They were giving you the background,giving the committee the background as to why they went into this dual transportation system, and Madam Speaker, it made sense.

Now he says there was a failure to plan the road. The road should have been in place. There was a failure to plan it obviously when the contracts for the road weren't called till the summer of 1960. Well without repeating all of the evidence that was given in the committee, Madam Chairman, all I can say is that the record is replete with statements by Mr. Rettie and others of the co-operation and of the co-ordination between the Department of Public Works and Manitoba Hydro concerning the road in this construction, and in any case the complaint of the Honourable Member for St. George really is not that the road was built too quickly but that -- not that the road was built too slowly, but that it was built too quickly. He attempts to take advantage of Manitoba Hydro because the road, by a combination of good circumstances, was completed or largely completed in 1960 and was able to take winter traffic in the late fall of 1960, even though further graveling and surface work had to be done in 1961 and the bridge wasn't completed until late fall of 1961. But I don't know if that's his charge or not. At one moment it was that there was no planning, the next moment it was that there was too much planning because the road was completed too soon, and therefore you should have got out of the water contract.

Well, Madam Speaker, the road was authorized in the winter of 1959 with 1960, was as I mentioned utilized by trucks in late 1960 even though the final grading and graveling had to be done in the summer of 1961. The bridge across the river was not completed and opened until the late fall of '61. This was a road-building wonder; 112 miles of road built north of Gypsumville through moss and tundra and swamp and gravel and every other condition that you can imaginably conceive; 112 miles and they laid this basic roadbed in the one summer. He makes much of that fact, the honourable member, because the Department of Public Works called for completion in 100 working days. Well, the department knew -- the department places in all road contracts an outer completion date but the term that is interesting is the definition of the term "working days," and I really hesitate to take the time on this matter except that it was raised by the Honourable Member for St. George indicating that he had no conception of how these things go on, and so if the rest of the honourable members will permit me, I think he should be edified, because in these contracts "working day" is defined, " and for the purposes of the contract a working day shall be defined as " and this is the definition from the Specs of the Grand Rapids Highway project. "Any day other than a Sunday, statutory holiday or a day when on the highway work is prohibited by the terms of the contract, on which in the opinion of the engineer atmospheric and/or highway conditions are such that at least 60 percent of the contractor's total earth-moving equipment measured in terms of theoretical capacity is able to work at least seven hours during the construction period between 7 a. m. local time or the time the contractor's operations normally commence, whichever is the earlier, and 6 p. m. local time, theoretical capacity shall be the struck capacity of a scraper, or in the case of a bulldozer, half the number of cubic yards of the average sizedscraper that the tractor, in the opinion of the engineer, is capable of operating." In other words, they lay down a definition of what a working day is. This is in common in all of the contracts. And of course an outer limit

(Mr. Lyon cont'd), is put on the contract, but the fact remains that no firm commitment could be given -- could be given -- as to whether or not that road would be completed in 1960. The engineers in the Department of Public Works are not weather prophets. Any contractor on a road job -- and I shouldn't have to educate the honourable member to this extent -- but any contractor is subject to Acts of God, weather being included in that term, and that is why you have such descriptive terms of working days, because a contractor should not be penalized because he is unable to work because of conditions over which he has no control. It's a very simple proposition. I apologize for taking the time of the House to explain this.

This was one of the best building seasons as it turned out, Madam Speaker, in recent years. The work was done. No one could or did give any assurance in 1959-60 that this would be so. In fact, completely to the contrary of a statement made in this House, and which I have just read for the honourable members, Madam Speaker, on March 6th. I ask them to turn back again to the evidence of Mr. Fallis, given on the 2nd day of April, Page 44. Remember Mr. Guttormson? I think we should refresh our memories on this point, because it's interesting to see how the allegations stack up against the facts. And here's a priceless example. Quoting the Honourable Member for St. George on the 6th of March. Quote: "Even the government's own engineers have told them the road would be ready by the end of 1960. Despite this information, this government still went ahead negotiating and planning in that same year this four-year contract for water transportation." Unequivocal? Quite an open statement and allegation. No question about it at all in the mind of the honourable member. Let's listen to the facts. Turning first of all to the statement of Mr. Fallis -- I'm sorry, page 25 of the transcript of his evidence of April 2nd: "With the decision made in December 1959" -- reading from the bottom of page 24 -- "as a result of the capacity purchase from Saskatchewan becoming available, to proceed with Grand Rapids rather than provide for additional power from Selkirk, plans were laid for the surveying of the highway during the fall and winter of 1959-60 and for the construction of the 117 miles of new road to get under way in the spring of 1960. No guarantee could be given at that time that such a road would be completed in one season, in fact, there was concern as to assurance that the road would be completed in 1961." Those are the words of Mr. Fallis. I don't have to repeat again the words of the Honourable Member for St. George.

Mr. Rettie, in his evidence -- and I refer the honourable members to the transcript on the 16th of April, 1963, Mr. Rettie, in his evidence at pages 10-13, deals with the same point. Answer -- and this is at the bottom of page 11 -- "And the best assurance that were given was that it would be completed by the end of 1961." Question: "Is it not a fact, Mr. Rettie, that in the road contract, there was a penalty clause if the contractor failed to build the road within a certain time limit?" Let us see who is asking these questions. Mr. Guttormson, the Member for St. George. Answer: "I am not aware that there was this clause in the contract, there could have been, but I am not aware of it, I don't have access to the contract, I did not have access to the individual road contract, and I wouldn't know sir. As I say, we were involved in negotiations for the road but this is a matter that was handled by a department of the government and the schedule that was given to us was that the road would be completed by the fall of 1961."

"Can you tell me who gave you that information, that it would be completed in 1961," said the member for St. George. Answer: "The Department of Public Works." Question: "Did you get this information in writing?" Answer: "I am going by memory. I don't think it is in writing, sir. We attempted to get it in writing." "Do you know who told you that? What member of the Department of Public Works advised you or your department that the road wouldn't be constructed until the fall of 1961?" -- said the member for St. George. Answer: "Well, we have contacted both the Deputy Minister and the District Engineer for the area... ", and so on. Well, let me just finish that -- "the District Engineer for the area and this was the indication that was given to us, this was the schedule that was set up. Of course, the bridge again, we knew -- I know this is beside the point in a sense, but it certainly wasn't intended to be finished before the end of 1961" -- he's referring to the bridge -- "and wasn't finished before the end of 1961."

Madam Speaker, I've taken some time on that one point -- the contrast; the statement by the Honourable Member for St. George given in this House, with some of the evidence that was

(Mr. Lyon cont'd) given before this committee by those who know the Manitoba Hydro. In any case, I suggest Madam Speaker, that this whole point, as with a large number of his allegations, becomes academic when the full impact of the Hydro evidence is considered. The absolute necessity for power in the fall of 1964; the contract schedule; the absolute requirement for back-up transportation as a protection against the eventualities that we've all heard of, that were liable to obstruct the reaching anything that was liable to obstruct the reaching of this fall of 1964 goal. I mention these things only to indicate that the sworn facts of the situation in this instance as in others are diametrically opposed to the baseless allegations of the honourable member.

Now, to deal briefly with the committee hearings. There are a few points I think that should be covered before I conclude. First of all.....

MADAM SPEAKER: I would like to warn the honourable member that he has four minutes left of his time.

MR. LYON: Madam Speaker, I'm speaking for the government benches on this occasion. First of all, dealing with the committee hearings, Madam Speaker. The Honourable Member for Selkirk spoke the other day, and I listened, I must say, with a great deal of interest in what he had to say. He is a member who commands the respect of other members of this House and when he speaks, we all listen to what he has to say. I think he raised some interesting points with respect to the committee being properly constituted, terms of reference not being laid out in the House. But I would remind the honourable member that we do have a recent precedent for just the action that was taken. And I refer of course to the Committee on Public Accounts which was called in 1960 or 1961 to hear certain allegations that had been made by the Honourable Member for Lakeside, the details of those allegations which were not made known really to the Committee until such time as we assembled in committee and we then proceeded to dispose of the matters before us. So we do have a recent precedent for that, but I thank him nonetheless for raising the point, because certainly it is one that is worthy of consideration. But, I say that it does not in any way impair or cause detriment to the validity of the hearings that were conducted on this matter before the Standing Committee on Public Utilities and Natural Resources. Had any objection of this nature been raised before the matter was transmitted to the committee, I think it might well have been dealt with in the House. But I believe. Madam Speaker, that having allowed the matter to go to the committee where terms of reference were then laid out, we are, as a lawyer would say "now estopped" in challenging the validity of the hearings before the committee, or challenging the jurisdictional setup under which these hearings took place. As I say, I was interested very much in the remarks of the Honourable Member for Selkirk for this reason, that he dealt with a legitimate point, as he always does. He dealt with a legitimate point of procedure. And it is most interesting to see that he dealt with a procedural point rather than with the substance of argument of what transpired in the committee and the weight of evidence that should be applied, or the weight of evidence that was given in response to the charges made by the Honourable Member for St. George. As I say, I have a great respect for his judgment, and the fact that he did not deal with the substance of these charges by the member for St. George is a matter of some considerable interest.

MR. T. P. HILLHOUSE, Q.C. (Selkirk): interrupt the Honourable Minister, but I wonder if he would permit a question on that particular point that he raised regarding the precedent that had been established last year. My question is, is it not a fact that our rules of procedure were amended recently, whereby we took out the reference to the usage and customs of this House, and substituted the usage and customs of The House of Commons of Canada?

MR. LYON: Maybe so, Madam Speaker, but I believe the committee in question, and I'm subject to correction because I don't have the journals in front of me -- I believe that the committee in question was a Standing Committee of the House, just as is the Committee whose report we are dealing with today, and that precisely the same procedure was adopted there as here. We proceeded to hear charges without having any specific terms of reference outlined to the committee at all.

But I come now to deal with another point that has been raised by the member for St. George -- raised in the committee and raised the other day when he spoke to the House on the motion to receive this report. I'm referring now to the charge of withholding evidence that has

(Mr. Lyon cont'd) been bandied about in the committee and by the honourable member with some gay abandon over the past few weeks. He refers in particular, or did refer in particular the other day to the capital and operating statement that was the alleged hidden document that he was unable to get his hands on. Madam Speaker, without going through all the evidence again, because it is burdensome on the House -- but without going through all of the evidence, I suggest that the transcript is equally clear; that never at any time was an undertaking given that this document would be produced under the Order for Return, because it was simply not producible under that Order. The evidence of Mr. Thompson, the counsel for Manitoba Hydro, is clearly on record in the transcript in that regard.

Now, the second question arose as to whether or not that document, not being producible under the Address for Papers, could be called by the committee. And of course the answer clearly was "yes", if the committee saw fit to do so. But this document fell within the ambit of those other documents and requests that were made to pry into the internal affairs of the Drake-Pearson Company. My honourable friend would like to make much of the fact that he did not see the document. But I suggest with respect, Madam Speaker, that the reason he did not see the document was founded on principle. He did not see the document because the committee dealt in principle with the question as to whether or not the private affairs of this Company, in the absence of some contractual obligation, or in the absence of some statement of impropriety on the part of the Company, should be laid bare to any and all in order to satisfy the demands of the honourable member for some sort of witch hunt. Well, Madam Speaker, the committee decided in its wisdom, and very properly, that this would not be the case, and that's why the document wasn't produced. My honourable friend can take whatever succour he wishes from the headlines that he got out of it but that's all -- that's all that remains to him because the issue was decided as a matter of principle that this company's books would not be opened in the absence, as I have said, of impropriety or some other serious charge.

Do I have to refer, Madam Speaker, the members of the committee to the statement by the counsel for Manitoba Hydro, in his summing up statement with respect to this document? I think all of the members of the committee who were there -- and this took place after Napoleon's last retreat -- all of the members of the committee who were there heard this statement by Mr. Thompson, and I refer honourable members to it, the evidence of Thursday, April 18th, page 22, 23, quoting from the transcript -- "Now there were some procedural matters at that hearing and there was some cross-examination of Mr. Fallis" -- and then he carries on to describe the cross-examination. "And as it turned out that cross-examination of Mr. Fallis," continuing the quotation, "insofar as Mr. Guttormson was concerned, was limited to trying to find something out about a certain document which he alleged had been improperly withheld by Manitoba Hydro or by the Government in this Return from the House, and I tried to establish that this was a document not producible under the Order for Return and was not within the Terms of Reference of this Committee, and at a later stage I said: I would like to lay before the committee the circumstances under which this document came into possession of Manitoba Hydro, the purposes for which it was intended, the confidential nature of it and then if this Committee saw fit to order its production, it would be produced. Mr. Chairman it is here, it is here. "However, he says, "my purpose in referring to this is that of course the moment anyone makes a suggestion that a certain document is being withheld then of course it becomes a hidden document and there are improper connotations attached to the withholding, and I am sure that Mr. Guttormson was fully aware that all of those connotations would be fully picked up by the people whose duty it is to report on these transactions" -- and at this point I pause to say, Amen. "And, Mr. Chairman, this is not any backhanded slap at the Press," continues Mr. Thompson, "it is their function to report, and when an issue becomes an issue about a document that somebody thinks he should have and some people think he should not have, the general interest is: What is the document? So I knew at the time that by saying that the document was not producible that it would arouse a certain amount of public interest and of course so it did. Again I emphasize there is no suggestion on my part of attaching any blame to any news agency that referred to the events of the day in respect to that document. I also say, Mr. Chairman, that the easier thing for us to do, the easier thing for us to do, as the Honourable Mr. Campbell pointed out, the easiest thing for us to do was to say, "Here it is, it may be confidential, it may not be pertinent to the enquiry, it may delve into somebody's

(Mr. Lyon, cont'd).... private affairs but here it is." Those were the words of Mr. Thompson. "It might have been easy," he continued, "It might have been the easy thing to do but it was the wrong thing for Manitoba Hydro to do because we are doing business with many many people and we are going to do business with many many people involving tremendous matters of importance and trust, and if we volunteer confidential information to this Committee or anyone else concerning other people's affairs then we are acting improperly Mr. Chairman, and we chose not to act improperly in that regard." And there he was using the pronoun "we" in reference to the committee; the committee which decided only on the negative votes of the honourable members of the Liberal opposition not to see the document.

In any case, he still talks about this document. Had he had his ear cocked in the committee he would have heard and he can read now in the transcript what the document referred to. Why was there all the fuss over the document? Why did the Hydro want the document in the first place? In order that they could continue their negotiations on the under-runs for 1960 and 1961. What were they trying to determine? They were trying to determine what portion of the under-run could be attributed to capital and what portion to operating and they were trying to arrive at a figure whereby they would pay to the contractor his continuing costs on the under-run and then at the time of the actual delivery of the goods, whether it be that year or later, they would pay him the balance, the operating costs, in order that he would then have the full price of \$23.10 for the goods that he had transported, and in order to do this they asked for an received a confidential document to which they were not entitled. They didn't accept the information that was in the document; it said, you remember, \$17.58 I believe it was for capital and the balance for operating. Hydro finally came to an agreement with them whereby they would pay \$17.00 as the capital factor and the balance of \$6.10 for operating. But what is the purpose of it all? This is the secret, or hidden document my honourable friend still persists in talking about even though he knows what it is; but it seems that if you can drag any red herring across the trail it is sufficient to satisfy the conscience of the honourable member opposite. Well I suggest, Madam Speaker, that is not good enough for this House.

Let us move for a moment to the charge that he makes and repeats and made in the committee and repeated again here in the House that he has been throttled, "not permitted to examine his witness." There is a clarion cry if ever I heard one. In this country under British justice I am not permitted to examine my witnesses. I am not permitted to call those people that I want and to get this evidence out. Trot out all of this nonsense that's been going on behind our backs over at Manitoba Hydro, says he. That's a great way to put it if you're completely able to disregard the facts and are blinded to the logic and to the principle of the situation that was discussed in the committee. Here was a matter of principle. We've discussed it. The Honourable Member for Brandon discussed it; the Honourable Member from Elmwood got up today and explained why his group voted the way they did. A matter of principle was involved. The principle was clear. The principle was clear that in the absence of charges of impropriety or in the absence of a contractual obligation -- and there was no such contractual obligation -- what right did this committee have, merely on the say so of the member opposite, the Member for St. George, to facilitate his witch hunt into every nook and cranny of this water haulage transportation to see if he could find one scintilla of evidence to back up his base charges. There was the principle involved -- the principle of an innocent party on one hand representing all of the people in Manitoba who do business under contract with the government for the lowest tender; and on the other, the rights of one member to conduct a witch hunt. There's the principle. And the committee decided the principle the right way; the committee decided that it wasn't going to fall victim to this type of nonsense; it wasn't going to permit one member to water down its principles; it wasn't going to permit one member to make a laughing stock out of its committee proceedings. It wasn't going to permit one member to prejudice for how long, we don't know all of the business dealings that government and Hydro and all of the other branches of government do with the thousands of contractors across this province and across this country. There was the principle involved. It's not just good enough to say that his evidence was throttled; there was a principle involved here even though the honourable member might not have been aware of it.

Madam Speaker, it was at just about this point that the bulk of the evidence from Manitoba Hydro had been in. It was clear I think to most reasonable members of the committee that

(Mr. Lyon, cont'd).... there was little if any --little if any? -- there was no substance to the allegations that he had made. And so what did he do? He shifted his ground. He started in on this attack on the profits of Drake Pearson. This was to be the next ground of attack on this great witch hunt. He said that he wasn't investigating Hydro in effect; he didn't use these words; he wasn't investigating Hydro but he shifted off them and he said let's get over to these fellows Drake-Pearson; I want to see their books; I want to see their income tax returns; I want to examine their auditors and so on. Was this the purpose for which the committee was called?

Do you remember the member sitting in that committee, Madam Speaker, when objection was taken when he sought subpoenas for the income tax people, the auditors and the chief executive officers. Objection was taken by Mr. Hunter, the counsel, for Drake-Pearson and he got up to state his objection to the committee and I think we should be reminded of his words at that time. This was the evidence of the afternoon session of April 16th. Mr. Hunter started out -- Mr. Chairman asked if the gentlemen were there from Drake-Pearson and I want honourable members of the committee who weren't there -- I want them to listen to this evidence because it is most instructive. Mr. Hunter, page 3 of the evidence - "Both these gentlemen are here. It is not concerning those subpoenas I am addressing my remarks now, it is with regard to the request made by Mr. Bowles for three subpoenas, one for each of the auditors of the companies and one for the Dominion Government. I'm not speaking for the Dominion Government, I can speak so far as my clients are concerned that they are strongly opposed to having their auditors or their income tax returns brought before a public body such as this. Now as I understand it this committee inquiry started as a result of certain allegations, as Mr. Bowles said, about some lost money. There was at no time any suggestion I have seen in the papers or the transcript or sitting here this morning that there was anything improper on the part of either the Pearson Construction or the Drake Construction Company. I don't think there has been any allegation of impropriety or fraud or falsification and I think that should be cleared up and I am sure Mr. Guttormson would admit that he has made no such allegation." And he looked at the Member for St. George and he said, "That is correct?" And the Member for St. George: "Correct." Mr. Hunter then continued on, "Who is on trial and for what? Are the two construction companies on trial and if so for what; after the allegation that was made as I understand it this morning in hearing Mr. Thompson and Mr. Stephens? The allegation that has been made, this was an unwise contract from the point of view of Hydro. You probably paid more for your tonnage than you would have. Now it is not up to my clients to have to defend or explain why the Hydro entered into this contract. My clients were one of several who were invited to tender on this project" and so on. No allegations of impropriety on the part of Drake or Pearson Company and yet my honourable friend wanted his witch hunt to extend that far; to see if he could possibly fish, even one bit of a carcass of evidence out to support the baseless charges that he had made in this House. But the committee wouldn't let him do it; and the committee acted properly and with propriety and with dignity in carrying out its functions and the functions of all of the members as elected representatives in this province.

"I was throttled" he said, "I wasn't allowed to call my witnesses." That all of the discussion that went on in the committee as to the rights of innocent third parties to have their affairs kept private. Wasn't it Mr. Stephens, or was it Mr. Thompson who said that some of the competitive companies would give their eye teeth to see the internal workings of certain companies. I ask my honourable friend, when he goes back to his place of employment with the Winnipeg Free Press, would he like to ask them whether, because they enter into a contract with the government, would they like to have all of their books looked into to see whether or not this is a fit and proper contract -- to see what their profits were in the contract? I ask my honourable friend to ask that question of some of his superiors to see whether or not he would get the same answer that he got in the committee.

Well, there was more discussion. There was a statement made by the Premier of Manitoba. It was one of the finest statements that I have heard on this point of principle and I think it -- part of it at least, should be read to this House, because it explained the position of the government -- no, I'm not going to say it explained the position of the government -- it explained the position of the members who were willing to give this matter a fair and a reasonable hearing and all of the members of the committee with the exception of the Liberal Members were able to do that.

(Mr. Lyon, cont'd)....

Madam Speaker, what did the Premier say? Before the question was put on the question of whether or not subpoenas should be given to compel the auditors, compel the income tax people to come in before this committee and lay bare all of the internal workings of the company. Here's the statement that was made, page 23 of the evidence April 16th, afternoon session. "Mr. Chairman, I think before this question is put I would like to make some observations because I think we're being asked to decide now what is really an important and far-reaching decision. What we decide this afternoon will certainly, I think, break loose from any precedent that we have established in the past in the examination by this legislature or by its committees of matters of concern, and will establish a precedent for the future which I think we must consider carefully, and I would not like this vote to be taken or the matter to be decided by the committee until at least there has been some consideration of the important matters which I think are involved because they go far beyond -- in my opinion they go far beyond whatever temporary advantage might accrue to one side or the other in the discussion of this question that is before us." And then the Premier went on to discuss the relationship of a Crown corporation to the government and pointing out that the government accepts responsibility for the actions of the Crown corporations even though it is not privy to the immediate decisions that are made, even though as in this case it was not a partner or a contracting party to the contract that was entered into. It has to accept the ultimate responsibility for the creatures for its own eminence.

He said on Page 25, "I want to make it quite clear, " Carry on, I'm sorry on Page 25-- "As I begin what I have to say on these points, I want to make it clear we recognize that law or no law, the ultimate responsibility must rest with the executive branch and that is the constitutional doctrine which I think all here would be happy to support.

Now we come to the particular matter which is under investigation and the particular point which is before this committee this afternoon, which I think requires careful consideration. I think it needs to be looked at in the long view. I have always held the view that it is never wise to take easy advantage if one sees one. It often happens events prove that that kind of victory is hollow and one would have eschewed it if experience is any teacher.

Regardless of all that there is a very very important consideration we must decide and I think that briefly put it is the moral right, the moral right in the public interest of a body such as this to investigate innocent third parties. I think that is the nub of the question that is before us today and that is a very very important consideration indeed because while I really do not think that I would care to make an argument against the power of this committee or indeed of the legislature itself to make an examination of the affairs of innocent third parties, I think that before we do so we should fully consider the factors that are involved. I confess that when this matter was raised in the legislature and when I gave the assurance I did give at that time and which I subsequently repeated I had in mind the activities of Government and the Manitoba Hydro Electric Board. Members will recall who were in the House at the time, that I specifically stated I had no knowledge of the activities of the Drake or Pearson people. If anyone asked me I suspected they had made a profit, that is what they were in business for; and secondly the Hydro had protection in matters such as this, the same protection every Government organization has, namely the question of an open tender, a tender in which several or a number of people are invited to bid, and on which tenders are opened in the proper way and the lowest tender accepted, and then as I saw it then and as I see it now, is the protection Crown corporations have in respect to prices they pay for anything they contract to buy." And so he continues on that the public tender was called here and so on.

Now, on Page 28, and I want the Honourable Members to remember this portion of it, of his statement at that time. He said, "Incidentally if your curiosity prompts you to examine whether or not the contractor made an unconscionable profit, you have the statement by a representative here today. I think most of us would be inclined to accept this statement, being the man he is in the community." And there he was making reference to the fact that while Mr. Hunter stood up before the committee and objected to the issuing of the subpoenas which would lay bare the affairs of his client, he nonetheless said that he was authorized by his clients to give a projected estimate of their profit running in the nature of 320 I think it was to \$350,000, as contrast again with the allegations made by the Member for St. George of some

(Mr. Lyon, cont'd.) . . . \$2,000,000.

Here again though is the Premier page 28 dealing with this principle, "As far as the Government is concerned the easy thing for us to do is say, Let's call everybody and see everything". The honourable member for Lakeside with his years of experience -- and the longer I have this particular post the more I appreciate what experience is -- it is something you can never buy, you can only accumulate it by the actual living of life -- and from his experience he this morning put his finger on the nub of the decision which is before us now, and that is, the difficult dilemma in which we find ourselves, particularly as a Government, in saying that we should not look further into the matter when it may be said, it may be said, that the reason why we did not wish to pursue this line of activity is because we are afraid of it or because we think it covers up something we do not want to disclose or we think it is cutting off a proper examination of facts which ought to be opened to the public.

Now, in that situation the easy thing to say would be to produce the documents. That is the easy decision too. If you want a nice easy political decision that is the one to make because no one will criticize you then. But is it the right decision under all the circumstances considering the precedent we will be establishing in investigating the activities of innocent third parties? Go after the Government all you can, tear the Hydro apart, that is the job of the opposition; more power to them, but where should discretion and I think a measure of justice call on us to stop? I have pondered this as you can imagine because it does not require any great perspicacity to see the direction this inquiry might take and the kind of information and discussions that might come, and it has a certain feeling for politics you understand. The opposition might very well -- and I am not being critical in this -- decide to pursue the matter as far as they can in respect to this and the political consequences of suggesting that there should not be any limit to our investigation; and I have pondered what ought to be our moral position because that is what it boils down to in connection with the decision which is before us now. I have come to the conclusion that failing some charge of impropriety of wrongdoing against these third parties that I ought not to support the suggestion that we should call for these subpoenas as put forth. I know that it is not going to look very good in the newspapers and it will probably be made to look rather unsatisfactory in the House, " -- his powers of prognostication were accurate -- 'but weighed up, my judgment is that without attempting to hide behind any technicality -- they go by the board in this decision at this time and this place -- I am not persuaded by the evidence presented so far that we would be justified for calling for the information which has been demanded by subpoenas this afternoon."

The statement continued, "Now sir, I have said it and that is my considered view. If further information is developed which would cause me to revise that opinion I leave myself free to do so, but on the basis of the facts that have been presented to us now I urge upon the members to consider the implications of what they propose at this moment, and if any way can be found with dignity on the part of those concerned to abandon this request I would hope it might be possible." -- It was impossible -- 'but I thought that I should not let this matter go to a vote without saying something of my view of the important decision which this committee is now called upon to make.'

Madam Speaker I commend that statement to the House because I agree with it, because I think it was a good statement, a fine statement of the principle that was involved here. I read it to the committee, to the House this afternoon because I couldn't improve upon it; I doubt if any member in this House could improve upon it as a statement of principle which should guide the actions and the directions of members of the committee in deciding the matter that was then before us.

I've gone to the length to describe this matter and the decision that was made because my honourable friend can still stand up in this House -- as he probably will, his only deterrent being his conscience -- He will still stand up in this House and say he was throttled. Well I say, Madam Speaker that if he was throttled, he was throttled on a ground of principle and if he continues to raise nonsense of the kind that he has before this House principle will down him again and will keep downing him until he begins to learn what it is. Now Madam Speaker, the committee agreed not to pursue this line of questioning with the Drake Pearson Company, for very good reason, for the arguments that were given. This is the throttling the Honourable Member speaks of. This is the whitewash he speaks of -- the decision of the committee

(Mr. Lyon, cont'd.) . . . supported by all members of that committee except he and two of his colleagues, or was it three who were there at the time. The committee said they weren't going to conduct or help the honourable member conduct his witch hunt to look for his evidence into private affairs. I say Madam Speaker, that if the committee had ruled otherwise it would have been a sorry day for principle, for propriety and for the public life of Manitoba -- but in my honourable friends terms this is only a "whitewash" and a "throttling".

The power he sought to serve his own questionable end was rightly not granted, Madam Speaker. How easy it is now to stand up before the Legislature, before the public of Manitoba and scream "throttled, I was throttled; I was whitewashed". If one wishes to disagree and to disregard the deleterious effect that this move might have had upon all people who do public business with the Government of Manitoba or Hydro or any of the other committees -- had the committee agreed to this decision it would be a passport to continued irresponsibility and a blot I suggest on all who participated in that decision. My honourable friend talks about a "gag" Madam Speaker. If the government had wished to gag the honourable member it would never have called the committee in the first place. No committee would have met. Does he have such little faith in the fellow members of the legislature of Manitoba? His fellow members of the New Democratic Party; the fellow members on this side of the House to say that they are all ciphers, that they are going to be voting to cut him off without any reference to the rights and wrongs of the matter? Because that's the implication of the statement that he's made, he was "throttled" -- and because he was "throttled" the rest of us all become ciphers moving at the crack of some invisible whip. That's the way he looks at it. Fortunately there are 56 other members of the House who can see the other point of view, at least I hope there are. Madam Speaker, I regret his lack of faith in the intelligence, and may I say the integrity, of all the other members who are not fortunate enough by his light to share his partisan views. I totally reject the proposition that his party has a monopoly on determining the justice of any situation in this House or outside of it.

Lastly Madam Speaker, concerning the charges. He charges the government with full responsibility for this contract. Again this is an academic point because the evidence shows it was a contract entered into by Hydro in fulfillment of their statutory obligations under the Manitoba Hydro Act, a contract for which the government ultimately bears responsibility -- no question about that at all. We accept responsibility for the acts of all of the boards and commissions of government; we have to, the executive branch have to, even though the executive branch does not participate in, is not close to the actual working decisions that are made.

Madam Speaker, the unfortunate position in which the honourable member finds himself is this: he can keep on crying the government did this, the government did that as long as he wants, but the facts of the situation are that he must prove Hydro wrong before he can get at the government, and that was a pretty tough situation in which he found himself. He would like to be able to say, "oh you fellows in Hydro, you're a good bunch of boys; it's that bad bunch behind you we want to get at." But he couldn't do it. Hydro wouldn't let him do it; common sense wouldn't let him do it. He seemed to have some rational whereby and he did, he stood up in this house the other day repeated the same silly charges all over again, a recapitulation of nothing, all over again; said that the government had done this that and the other thing. Well Madam Speaker, these things don't bother us coming from that source. They really don't.

But all of the other honourable members will realize the significance of the position which he found himself. Hydro had to be proved wrong before the government was wrong. He had to show that Don Stephens was wrong -- the man who has been Chairman of the Hydro-Electric Board since 1951. He had to show that Bill Fallis was wrong -- Bill Fallis who has been the Chairman of The Manitoba Power Commission for I don't know how many years -- and now the General Manager of the amalgamated Manitoba Hydro. He had to show that Jim Rettie was wrong, the man who brought in four plants prior to this, the man who probably in one evening watching a ten-minute television show would forget more about electrical power than my honourable friend ever knew. He had to prove that he was wrong. He had to prove, Madam Speaker, that Mr. Bateman, and all the executive officers of Manitoba Hydro were wrong, and that he was right, before he had a chance to get his grasping hands on the throat of the government. Well, he never got by the first line of attack. He had to prove, Madam Speaker, that the Board of Manitoba Hydro were wrong, were negligent, were surely incompetent, were

(Mr. Lyon, cont'd).... acting without any co-operation or co-ordination with the other branches of government when they entered into this contract. He had to prove that Messrs. Stephens and Fallis and Thompson and Mr. Sprague and Mr. Burns who were on the Board at the time the contract was entered into, were all wrong, that his assessment of the situation -- his and Mr. Tuckwell's, I forgot to mention him -- his and Mr. Tuckwell's assessment of the situation were better than all of these gentlemen who have been in this business all their lives. Well, that was a pretty mean task that he set himself to; and that he stumbled and fell before he really even got underway is completely understandable.

He had to say as well, Madam Speaker, that the present Board of Manitoba Hydro, Mr. Stephens, Mr. T.O. Peterson, Mr. Bill Parker, Mr. Lissaman, the member for Brandon, Mr. Ron Burns, the Deputy Provincial Treasurer of Manitoba -- he had to say that they were wrong too, because these are the ones who are permitting the continuance of this contract, when he says that it shouldn't be going on.

Well, Madam Speaker, he was wrong. He couldn't prove them wrong and the evidence ended up that he was wrong. He was wrong about Hydro. He was wrong in his allegations that a dual transportation system wasn't needed. He was wrong in his allegation that a road alone would have been sufficient to permit the construction of this huge project at Grand Rapids. He was wrong, and so wrong. There wasn't a tittle of evidence in his favour all the way through the piece. We can only wonder, Madam Speaker, what further windmills this local Don Quixote is going to tilt at in the future, his mind embroiled as it is in the mesh of half-truths, rumours and beer parlor gossip which are his stock-in-trade. His irresponsibility, Madam Speaker, has placed a cloud over the operations of one of the finest utilities in the country, a utility that is giving and that is continuing to give the highest standard of service to the people of this province that they could possibly expect from any professional people in this field. No matter how overwhelming the rebuttal has been; no matter how based the charges have been -- and they have been based big -- the reply unfortunately never catches up with the first dramatic headline-grabbing type of charge that is becoming so customary with the Honourable Member opposite. He has placed in jeopardy the professional reputations of these invaluable men on Hydro. I don't know what he has done to the morale of Manitoba Hydro yet because I haven't had the opportunity to assess it; but I know this, he hasn't done them much good. His charges have cost the taxpayers thousands of dollars, but I'm not going to labour that point, because it's the duty of a legislature or the committee of the legislature to look into reasonable and responsible charges that are made by reasonable and responsible members. This matter is really of no account because when there's a real matter at issue the legislature must look into it. But I suggest that there is a tremendous onus on the conscience of all members of the House, and it is fulfilled, with one notable exception, by all members of the House, to ensure that before they cause this machinery of investigation to be put in motion that they have at least a prima-facie case to make. This is an onus of conscience that rests on all of us every day that we sit in this legislature. My honourable friend unfortunately, Madam Speaker, made no such case; he made no such prima-facie case at all. Heaven alone knows whose purpose or interest he was serving in making these charges. It has certainly been demonstrated that he was not serving the public interest in the widest and highest sense of that term when he made these charges.

This matter was first debated in the House, Madam Speaker, in 1961. The Honourable Member for Lakeside, I believe, raised the matter on the estimates of the Department of Public Works, asking questions of the then Minister of Public Utilities, a debate by the way in which the Member for St. George didn't participate at all. The answer that was then given by the Minister of Public Utilities, now the Minister of Welfare, was pretty much on all fours with the answer that I gave the Honourable Member on March 6th, outlining the question of back-up, question of insurance, what Hydro was buying, the necessity of meeting this rigorous schedule, and so on and so forth. The same answer has now been given under sworn evidence before this Committee of the House by the senior executive officers of Manitoba Hydro; been proved in evidence I would suggest with respect, Madam Speaker, beyond any reasonable question. In criminal law we must prove a matter beyond any reasonable doubt. In other words you must -- before you can convict a man you must have an abiding conviction to a moral certainty of his guilt. Well, Madam Speaker, I'd suggest that anyone of us here

(Mr. Lyon, cont'd).... in the House today can have an abiding conviction to a moral certainty of the complete baseless nature of the charges made by the Honourable Member for St. George. Hydro has certainly proved that they are living up to their responsibilities to the public and providing an adequate power supply by the most economic means available to all of the people of Manitoba. Hydro have demonstrated savings of about \$14 millions on this contract by the words of Mr. Fallis himself, over the estimated cost, to say nothing of giving protection by the water contract of interest charges arising from a delay of another potential, 4.8 millions of dollars I think they estimated it at. All of these facts the member and his group conveniently overlooked. It almost seems that if their appetite for headlines can be met the facts and the truths of the situation are of no consequence at all. Let's see what the reaction is in the newspapers; that seems to be the guiding light.

Madam Speaker, I conclude my remarks this afternoon by reiterating, first of all, that this water contract was needed for 1960 and for 1961 to get this great project underway, and it was subsequently needed as back-up to ensure that the rigorous schedule for the building of Grand Rapids could be met. These are not my statements; you don't have to accept them from me. This is the sworn evidence given before this Committee by the chief executive officers of Manitoba Hydro. Madam Speaker, the second point -- that was proved in evidence -- the second point, the water haulage was called for by a public tender and the lowest bidder was accepted. That, Madam Speaker, was proved in evidence. The third point, the contract guarantee transportation for 1960 when none other was available and try to back-up thereafter at a minimal premium for insurance on an undertaking of \$140 million. That, Madam Speaker, was proved. There was no impropriety or fraud alleged or proved on the part of Hydro or any other party. That, Madam Speaker, was proved. It was shown that Hydro acted prudently throughout this whole piece, in the whole transportation negotiations and what followed subsequently. Madam Speaker, I suggest with respect that that was proved. Finally, I suggest Madam Speaker one item that was also proved was that the charges by the Honourable Member from St. George were false and without substantiation in any material particular whatsoever. And that factor, Madam Speaker, was amply proved. Madam Speaker, truth it is said, is generally the best vindication against slander. The Honourable Member for St. George has dealt liberally with the slander. My few words this afternoon on the report which they support I suggest with respect deal with the truth of this situation.

MR. DESJARDINS: Madam Speaker, I would move, seconded by the Honourable Member for Carillon, that the debate be adjourned.

Madam Speaker presented the motion and after a voice vote declared the motion carried.

.....Continued on next page

HON. DUFF ROBLIN (Premier) (Wolseley): Madam Speaker, I beg to move, by leave of the House, and seconded by the Honourable the Minister of Industry and Commerce, that Madam Speaker do now leave the Chair and the House resolve itself into Committee to consider the resolutions standing in my name.

Madam Speaker presented the motion and after a voice vote declared the motion carried and the House resolved itself into a Committee of the Whole with the Honourable Member for St. Matthews in the Chair.

MR. ROBLIN: Mr. Chairman, His Honour the Lieutenant-Governor, having been informed of the subject matter of the proposed resolutions, recommends them to this House.

MR. CHAIRMAN: Resolution No. 1. Resolved that it is expedient to bring in a measure to repeal the existing statute imposing a tax on the users of motive fuel and to substitute therefor new legislative provisions to impose a tax on the purchasers and users of motive fuel, and to provide for the collection thereof.

MR. ROBLIN: Mr. Chairman, the members will recognize that this implements the proposal in the budget with respect to the colouring of motive fuel. The entire Act is being re-written because it is considerably out-of-date with a lot of amendments and what not, and there are a great many detailed provisions in it which are by and large on all fours with the principles on which the Act is now being administered. One big change is of course the provision to colour this motive fuel in respect of those who seek a tax refund.

MR. CHAIRMAN: The Honourable Member for Lakeside.

MR. D. L. CAMPBELL (Lakeside): It's the opinion of the people who would be administering these Acts that the motive fuel one, which I presume is the one that means diesel oil -- is it -- that it needs, not a separate act but a separate resolution.

MR. E. R. SCHREYER (Brokenhead): Mr. Chairman, I don't know if this is the right time to raise the question, but I suppose it would expedite matters. I was wondering if it is intended in the proposed legislation to do away with the rebate system. Now that we're going to have colouring of gas, it would seem obvious that the rebate system is no longer necessary. But, as I say, it only seems implicit. I'd like to hear from the First Minister if that is the fact of the matter; and secondly, I suppose my question is really no different from the question of the Member for Lakeside, just what was the necessity of having two separate resolutions before us in this form?

MR. SAUL CHERNIACK (St. John's): Mr. Chairman, I'd like just an opportunity at this time, and only for a few minutes, to deal with this question of taxation on motive fuel -- diesel fuel -- in relation to its purpose. It seems to me that there are two theories about the use of it and one is that it provides general revenue for the needs of the province; and the other is that it is needed to pay for the highways of the province. I want to point out that I think that this is the opportunity to alleviate the load on the real property taxpayer of Greater Winnipeg insofar as the fuel that is used by the Transit System in this area. If the purpose of the tax is to provide general revenue for the province, then insofar as it is now clearly established that the Transit System is and will continue to be in a deficit position and thus be subsidized by the real property taxpayers of Metropolitan Winnipeg, then in effect there are revenues coming to the province which come indirectly, but come, from the real property taxpayer of Metropolitan Winnipeg. If, on the other hand, it is considered that this revenue is to contribute to the cost of the construction of highways, then I would suggest that it is proper that the province should share this revenue with the Transit System which actually uses highways within the system alone and not the highways of the province.

I think it is clearly established that Transit is an essential part of the life and economy of the Metropolitan area and its need has been recognized in United States much more so than here in terms of Federal Government contribution. I would suggest that it is only proper that it be recognized by this province insofar as the taxation is concerned, in that the province ought not to be deriving revenues from the use of the motive power in the Transit System nor should it be getting it, as I say, indirectly from the real property taxpayer who is now subsidizing Transit.

It is no longer attributable to the users of this fuel in that I think it is pretty well established and recognized that it would be harmful to raise the cost of transportation in the Transit System so as to make it self-supporting. In effect, it would just succeed in keeping people off

(Mr. Cherniack, cont'd) the Transit System rather than making it available to their use. I would suggest that the proper means of recognizing this need and the proper relationship of the coloured fuel and the coloured gasoline, which is now being submitted as being an alleviation of the cost to the farmer and to the users of the various tax-free motive power, should also be given to the people of the Metropolitan area of Winnipeg and of Brandon. I think they too share in this request, so that they too should get the benefit of it.

MR. ALBERT VIELFAURE (La Verendrye): Is it the wish of the government to colour diesel fuel as well or does this apply on gasoline only?

MR. ROBLIN: Mr. Chairman, if I can deal with the points that have been raised, I answer in the affirmative to the Honourable Member for La Verendrye.

To the Member for St. John's, let me say that he has raised a problem which is coming more and more to the fore in the last few years and it is one that bears examination. I have been asked before now by the Metropolitan Council to relieve them of this tax on gasoline, and as things stand at the present time we have not acceded to that request. However, I would be the last one to try and ignore the problem because it exists and perhaps it may have to be dealt with further. I think this is a matter which I trust the Royal Commission on Local Government Organization and Finance will consider, because when you relieve any particular body of a tax, even though I'll admit that we do it in many instances, it does raise with it a whole host of problems of incidence of taxation and of other matters that go along with that, that I think have to be considered rather carefully. So I have said, I think in my latest reply to the Metropolitan Corporation, that this is a matter I would suggest they raise with the Royal Commission and have it reviewed from that angle when preconceived notions such as the ones I might have would be ruled out of the picture and they could take an objective view of the question. So I don't ignore his suggestion; I simply say that I don't think it's appropriate for me to deal with it at the present time.

Speaking in reply to the Honourable Member for Brokenhead, by and large the rebate system is abandoned by both these resolutions. I will point out, however, when the details of the Bill are down that there are some peculiar kinds of rebate in question where some form of documentation will be necessary in order to qualify. They are inconsequential but there are some and I should mention it but by and large it's done away with.

Speaking to the question about the dual resolutions raised by the Honourable Member for Lakeside, I can say that at the present time this matter is regulated by two separate statutes. It is considered by the legal people that we should have two statutes and consequently you need two resolutions.

MR. CHAIRMAN: Resolution be adopted? -- Passed. Resolution No. 2. Resolved that it is expedient to bring in a measure to repeal the existing statute imposing a tax on purchasers of gasoline and to substitute therefor new legislative provisions to impose a tax on purchasers of gasoline, and to provide for the collection thereof.

MR. ROBLIN: Mr. Chairman, the same remarks I made on the first occasion really apply to this one as well.

MR. RUSSELL PAULLEY (Leader of the New Democratic Party) (Radisson): There is just one question I would like to direct to the First Minister in connection with the remarks that he did make. If I heard him correctly, he mentioned that he would suggest that Metro raise the question of tax exemption for their Transit Board with the Royal Commission investigating Metro at the present time. Did my honourable friend infer from his statement that if the Commission does recommend that they be relieved of the necessity of taxation on the gasoline and fuel oil that they use that it will automatically be granted by your government?

MR. ROBLIN: Mr. Chairman, I'm afraid I'll have to say that it must be considered within the context of the whole financial problem.

MR. GILDAS MOLGAT (Leader of the Opposition) (Ste. Rose): Mr. Chairman, I'm sorry I wasn't here at the introduction of the first resolution so I didn't get the opening comments of the Minister. Could he tell us when this will take effect and what will be the method of control that he intends to use to see to it insofar as the colouring and so on.

MR. FROESE: Just one question and that is, will the dealers be reimbursed for the collection of these taxes? Is there going to be any change in that regard?

MR. CAMPBELL: Mr. Chairman, my question I think is contained in the one that the

(Mr. Campbell, cont'd) Honourable Leader of this Party asked, but I would be interested to hear particularly with regard to the question of checking through people on the highway. I recall that this matter had been looked at on several occasions in the past and this always seemed to me to be the ground that would offer a lot of difficulty and would entail, from the information that we had at that time, approximately as much expense as would be saved by the other method. I presume that that has been checked and I'd like to hear the results.

MR. ROBLIN: Mr. Chairman, dealing with these points. The Act will be invoked insofar as the colour is concerned at the time when we have been able to complete all the arrangements with the people who sell gasoline to put this into effect. Actually, the machinery is rather simple because what happens is that the government supplies a supply of colouring matter with an identifying agent, which has nothing to do with colour, so that if the colour is lost you can still identify whether or not this is allegedly this tax-free gas. This colouring matter is supplied to those who are in the gasoline distribution system at the point where the bulk dealer comes into operation and he is supplied this material and he is responsible, if my memory is correct -- there are a great many details in this Bill and we'll come to them in due course -- but he is responsible for its proper use. Now this system is susceptible of a very close audit because it is known how much colour is required for how many gallons of gasoline, and that can be checked against the number of coloured gallons that are alleged to be sold by the person concerned. This is the system that is in use in the Province of British Columbia and it has proved itself, I think, reasonably effective as a system of doing this and has involved the least capital expense or inconvenience to the trade or the public in respect to the matter, and that is the plan which we intend to use. So with respect to the matter of control of the colouring agent, that is how that is handled, in very rough terms.

I cannot say exactly when this will come in because we have to have discussions with the trade and find out exactly when they can co-operate with us in this respect. I should say it will be some little time -- it's very hard to be more precise. I know that doesn't really say very much, but we just have to do the best we can to get it into effect relatively soon. The collectors will continue to receive the reimbursement they do now. There's no change in that situation, although the fact that they don't charge for the tax reduces the amount of money available, because it's on a percentage basis with respect to the gasoline that is coloured.

Now with respect to enforcement in the hands of the general public, this is done by highway checks as a rule and it has been demonstrated to our satisfaction that in the three other provinces where this is in effect, that it is not too onerous on the public or too expensive a task to keep a reasonable check on this kind of thing. Now we have a lot to learn no doubt, but our information is that this can be done with reasonable efficiency.

MR. VIELFAURE: the First Minister right that the colouring will not be done at the refinery but on the agent's premises or in the truck at the time of delivery?

MR. ROBLIN: My honourable friend will have to allow me to be a little uncertain about this because I'll have to check the Act and, as I say, it's got a lot of clauses in it. My recollection is that it's done by the bulk dealer at the bulk station.

MR. J. P. TANCHAK (Emerson): Mr. Chairman, I presume that the government needs more money and that's why this resolution is brought in mainly, or chiefly, and the Premier had said previously in his Budget he expects to collect more money, a certain amount more, just by the fact of colouring this gasoline.

Now I'm going to speak on behalf of some of the farmers, or most of the farmers. I'm one, as a side-line, a farmer too, and I resent this when somebody comes up and says that we should be able to collect a little more money, because to me this implies that our farmers are more or less cheats. I will not accuse the Minister of saying that, but I simply state that that's what it implies. I think we should accept the fact that our farmers are not cheats, and if that is not the case why this Bill is brought in, because the farmers are all honest, therefore, I would suggest that this colouring was not necessary at all -- (Interjection) -- Then why colour it?

I wonder is it possible that the present government is simply acting because certain companies have asked for it, certain organizations -- I can mention a few, the ATA have asked for it, and I'm not accusing it for the certain oil companies -- or on its own initiative. I would say that this Bill creates, when it becomes a Bill -- an Act -- will create a certain amount of

(Mr. Tanchak, cont'd) hardship on the farmers because most of the farmers would like to have gasoline right on their farm for the use of their trucks and for the use of their tractors or trucks -- for the use of their trucks and tractors before it goes on the highways. Now if they use the tractor on the farm, they would have to use coloured gasoline. If they want to use gasoline in the truck, for which they are excluded or they took so many gallons off in the past, they would have to have another tank -- two tanks -- one coloured and one not coloured, because they would have to use gas, not coloured in the trucks, especially if they get out on the highway they have to. So that's where it will create a hardship because it would necessitate the purchase of two tanks -- extra additional expense -- (Interjection) -- No, the farmers are more progressive now. They don't use drums anymore, too much spillage, and they hardly ever use drums. They would rather have -- drums are only forty gallons -- so I would say that this would create more expense to the farmer.

MR. CAMPBELL: Mr. Chairman, I was going to ask if the government, in checking this matter with the Province of Saskatchewan, had formed any estimate of just how many people they have doing this checking job. My recollection is, and I didn't get an opportunity to check it in any way, but my recollection of the information that we had when we were looking at this some years back was that they had actually 25 uniformed men with cars on the highway doing this checking job. I must confess that apart from the cost that I could see would be entailed in the salary of 25 men, the 25 cars and the running expenses of the same, that the inconvenience and chagrin of the public would be a pretty important factor.

Now it may be that there is some system that they have evolved in the meantime that is not as onerous as it was then, but I would, apart from the point that the Honourable Member for Emerson has mentioned and I too don't like the fact that the farmers are accused widely of not playing fairly with this gasoline tax rebate -- and I believe that like a lot of other rumors that there is very little to substantiate that story -- my experience, and I can speak as one who at one time was in the gasoline business, my experience was that what with the amount that the farmers lost through failing to keep their records or failing to send in the records that they had kept, that they probably ended up at least no better or worse, as the case may be according to which side of this argument that you're on, than they should have been.

I have always felt that the system that has evolved over the years of asking the farmers to specify the equipment that they have, being able to check one farmer's usage against another one and all that information that has piled up over the years, was something that made the rebate system equally good. However, the government has decided to introduce this and our duty is simply to try and find out what we can about it. So my question is, has the government checked with the Province of Saskatchewan, which happens to be so close to us, and what do they think will be the requirement in the way of enforcement officers? Secondly, I notice that the First Minister mentioned the method which was used in British Columbia. Does it differ from Saskatchewan?

MR. FROESE: Mr. Chairman, I think I would have to support the views of the Member for Emerson in that I resent, and I think most farmers in the province will resent this Bill coming forward and being passed. It will mean an outlay of thousands of dollars for the Manitoba farmers in supply tanks. Where they now have one tank, they will be required to have two tanks, so that this will be an additional outlay that the farmers will have to make. Then I would be interested in knowing -- I know that from some other western provinces that farmers who own and operate trucks are allowed to operate them, I think within a certain radius of their home place so that they wouldn't run into trouble because of coloured gasoline in this respect, and whether there is any provision going to be made in this respect in Manitoba?

MR. ROBLIN: Mr. Chairman, if I could deal with those questions. I'm not aware of this provision that my honourable friend mentioned in the Province of Saskatchewan, although I see some members nod their head. I'm not aware of it, and as far as I can recall there's no provision for it in this Bill.

Going back to the question as to whether this is a wise move or not, the members of course are entitled to their views. I want to assure the Honourable Member for Emerson that we have not brought this in at the behest of any particular interest group. That is wrong and I want to assure him that that has not been done. I also want to make it clear, as I already said in the budget speech and I say it again, that I believe too that the majority and a very large

(Mr. Roblin, cont'd) majority of people who are entitled to rebates on gasoline operate in an honest way, and my own opinion is that no honest man is really going to object too much to this particular piece of legislation. The unfortunate part is that there are some, and I don't say they are farmers, there may be other in different trades -- it's been suggested to me that there are others in different callings who get into possession of this gasoline who might be queried in this matter -- there are some, however, who don't live up to the obligations that they should in connection with these claims for rebate. Our study of the matter indicates that it is quite substantial because if you're losing half a million dollars worth of revenue, that's not to be sneezed at, not because the government is so pressed for money that this has to be done, although I never turn up my nose at a sum of that size, but it simply isn't fair that people who are honest and pay their tax should stand by while people who are not paying their tax should get away with it.

This is just something in the whole of the tax system. Most taxpayers in this country, whether it be income tax or gas tax or any kind of tax you want to think of, I think most of them are basically honest and are willing to accept their tax obligation, but there are always some who aren't, and the difficulty is that you have to make the tax system fit really the people who are trying to avoid the tax rather than the people who are not trying to avoid it and are trying to do their part. I don't look upon this piece of legislation as any slur on any group of honest taxpayers, I don't think so, but it is a device which we think is required, in view of what we know at the present time, to make sure that those who owe the tax properly ought to be made to pay it.

Now regarding the question of how many people it will take to administer this Act, I must tell my honourable friend that that is not something that is entirely clear at the moment. Our feeling is that it should not take many more than we already have administering the rebate system, because after all they will be switched to other duties and a good deal of the enforcement, and perhaps all of it, will be left to the ordinary enforcement officers of the Crown who carry out the administration of most of the Act in the province, so I say that I'm not exactly positive as to how many people will be required to bring this legislation into effect. We'll have to see how we get along, but my feeling is that it will not be excessive.

There is a different system of colouring gasoline in use in all three provinces, if my memory is correct, depending at what stage in the manufacturing or distribution system they insert the colour. Some do so at the refinery; some do so at the bulk dealer stage. We have decided to try the bulk dealer stage. We think that is the most convenient and the least awkward for those who are concerned.

MR. CAMPBELL: Mr. Chairman, the First Minister indicates that only a few of the farmers or other classes of people are not honest and that the honest ones won't worry about this at all. I agree, but wouldn't he be prepared to agree that the ones who aren't honest will find some way of avoiding this system too? Isn't it a fact that we won't likely change the morals of the people by any legislation that we put through here, and that no matter what scheme you devise, those people who really want to defeat it, they'll find at least some way.

My honourable friend says that most of the people are honest about their taxes. The last Sunday in April has traditionally been my day for putting in my income tax, and I must confess that I had some qualms of conscience when I got to that 22 percent imposed by the Government of Manitoba. I kind of had the feeling that, although generally regarded as a fairly honest fellow, that if there was any way that he could just -- well just figure a little bit -- it's quite a temptation. And being in such recent memory as far as I'm concerned, I have the feeling that someone who is really dishonest, he'll find some way, so I must confess it's rather difficult with the income tax.

MR. SCHREYER: Mr. Chairman, I wonder if I could be permitted the observation that while one can't legislate for morals, different legislation allows people to act with greater adherence to morality than other types of legislation.

MR. MOLGAT: Mr. Chairman, I just may have missed the Premier's reply to the question regarding trucks. I think that the rule at the moment, if I understand it correctly, that a farm truck being operated strictly on the farm itself is legitimately exempt, but once used upon the highway, it's subject to taxation. Now so far that hasn't been too much of a difficulty because the man could keep record of his trips or whatever way he wished to do it.

(Mr. Molgat, cont'd) What is going to be the situation now with the colouring, because quite obviously he can't be emptying the tank when he decides to go out on the highway or vice versa. Now what provision is going to be made? Will it not mean, in effect, that the farm trucks will actually be completely taxed?

MR. ROBLIN: Yes, I think it will. If he uses that truck for highway purposed then the gasoline in it is taxable.

MR. MOLGAT: That will mean that they will also be taxable for whatever extent it's used on the farm. Now what about the high-speed tractors? If I remember correctly, there as well if the tractor is used to haul a trailer of grain say to the elevator, for that portion that it's on the highway it's subject to tax. Now here's a case where obviously the main use of the tractor must of necessity be on the farm, yet you can't expect the farmer to come along and empty the tank when he uses it from one purpose to the other. What is the rule?

MR. ROBLIN: Well, sort of turn and turn about is fair play, so the high-speed tractor used as, for example, to haul grain to the elevator, may use the coloured gasoline without violating the law on the public highway.

HON. GEORGE HUTTON (Minister of Agriculture) (Rockwood-Iberville): a word in here. I would have been very happy if somebody had interpreted the existing law for me some years ago. They could have saved me an awful lot of money because I was not aware of the fact that if you used a truck on the farm, that portion of the gasoline which was expended on the farm was exempt from taxation. This was not the case. Any gasoline that you used in a farm truck, either on the farm or on the highway, was subject to taxation. Now there may have been those who interpreted it otherwise, but it never occurred to me to do so and on that basis I must be out quite a bit of money.

MR. MOLGAT: Not owning a farm truck or farm tractor, I'm quite safe in having my interpretation and I won't be accused of having misfiled. I understood that if the farm truck was used exclusively on the farm that it was exempt the same way as a tractor was. Now if that's not the case, then I misunderstood the regulations. In any case, now high-speed tractors will be completely exempt. Is that correct? Now insofar as the checking, did I understand the Minister correctly that this will be done by provincial people, or has he the intention of using the RCMP for this purpose?

MR. CHERNIACK: Mr. Chairman, I'm bound to make an observation here and that is that, like the Honourable Leader for the Liberal Party, I do not operate the type of vehicle which seems to have exemptions given to it. I would like to think that before my first session in this Legislature ends that someone will explain to me the justification for the exemption altogether. I never have really understood it. I said earlier this afternoon that I didn't yet know clearly whether the people who propose this type of taxation believe that it is for the purpose of providing general revenue or whether it is for the purpose of paying for the highways, and until I know just what the purpose behind this tax is, the justification for it, then I might understand the justification for the exemption. As the Honourable the First Minister said, when you have an exemption there are all kinds of ramifications that come with it, and I hope that before this debate ends that I, for one, will be enlightened in this respect.

MR. ROBLIN: Mr. Chairman, are there any further points before I attempt to wind it up?

MR. SCHREYER: Mr. Chairman, I realize it's been already dealt with but I suppose the First Minister could perhaps say just a little more about it, and that has to do with the possibility of allowing for the use of the tax exempt gas in farm trucks, not just -- you see I'm somewhat confused because the First Minister said that, yes, it could be used in farm trucks if used for farm purposes; but on the other hand, if the trucks were using the public highway a good deal it couldn't use the tax exempt gas. I believe that in one or two other jurisdictions to the west of us they have some provision to the effect that within a radius of 75 miles of the site of farming operation that the truck may use tax exempt gas without violation. Now I really don't expect the First Minister perhaps to have a definitive answer at this time, but I think we should have some indication some time before we adjourn the session as to whether or not this kind of provision will be written into the statute here.

MR. CAMPBELL: Mr. Chairman, may I suggest that inasmuch as the honourable member who has just spoken is endeavouring to enlarge the exemption and his colleague just

(Mr. Campbell, cont'd) back of him doesn't know why there should be such an exemption at all, that maybe they could get together.

MR. SCHREYER: Mr. Chairman, I intend to have a talk with my colleague.

MR. ROBLIN: both honourable gentlemen because they both have got points of substance here that I'd like to deal with. First of all, I must confess that my off-hand reply to the Honourable Leader of the Opposition about farm trucks was inaccurate. The purchasers of gasoline who look for exemptions must be used solely for the operation of agricultural machinery other than motor vehicles when carrying out agricultural work on the farm. There are some exemptions, but with respect with farmers that is the clause. We're getting into the details of the Bill rather than the main subject of the resolution and I don't think we should pursue this matter until we see the Bill itself, but to set the record straight, the purchaser of gasoline used solely for the operation of agricultural machinery other than motor vehicles, and motor vehicles are defined in the Act, so that it makes it quite clear that a truck is a motor vehicle and therefore is subject to the full tax regardless of where it is used. A high-speed tractor is not. So that deals with those two points that have been raised and it deals with the question of the area of operation, because a motor truck has to pay the tax regardless of where it works.

Now with respect to enforcement, in the first instance we expect enforcement to be carried out by the regular law officers of the Crown. If we find that doesn't work we'll have to do something else, but that is our intention at the beginning and we hope that that will prove to be satisfactory.

The purpose of taxation, with almost no exception -- there are a few -- is for general revenue. Taxes, whether they're for cars or income taxes or what have you, as a general rule, although there are some exceptions, are all placed in the Consolidated Fund for general revenue purposes and not ear-marked for any particular operation of government, and that is the case with this particular tax. If that helps my honourable friend from St. John's in trying to understand the purpose of the tax, I say it is for the general revenue and it's for the purpose of raising revenue.

MR. CHERNIACK: Perhaps the First Minister will also be able to explain the exemption.

MR. ROBLIN: Well one has to be frank about it and say that the exemption in the case of a number of different operations here is completely empirical. In other words, it's pragmatic. You decide whether you think a particular user should have an exemption, taking into consideration all the circumstances surrounding his case. Now we feel here in this House, and I'm sure I'm speaking for many more than myself, that in view of the cost of production and other aspects of the farming operation that it would be wise not to impose this tax on the actual operation of the farmer himself. That is the basis of the exemption and it's just as simple as that. Other exemptions, of course, are for fire-fighting apparatus that a municipal corporation may operate, or operation of an outboard motor on a canoe for trapping or prospecting, or the operation of a boat for commercial fishing. Those different exemptions which are all listed in the Act that will be placed before the House give the specific exemptions, and I think almost speak for themselves if you ask the reason why that exemption is offered. But I think that's about the best I can do in connection with that at short notice.

MR. CAMPBELL: Mr. Chairman, there would be the additional reason that when this tax was first put on, whether it was in one province or another, it generally arose and was considered as a road tax, and because it was considered as a road tax there was a conscious effort, apart from the reasons that the First Minister has already given of exempting so far as possible primary production, the feeling that the gasoline-using engines that did not use the road were entitled to an exemption.

MR. NELSON SHOEMAKER (Gladstone): Mr. Chairman, the Honourable the First Minister read from the Act the definition of a motor vehicle, but wouldn't it be fair to assume that a vehicle becomes a motor vehicle once you put a licence plate on it, that is, the high-speed tractor becomes a motor vehicle by reason of the fact that it is a high-speed tractor. Now it is becoming pretty common in the country now for a farmer to have two or more trucks, and he may licence two and not licence the other one because he only uses it in harvest time to transport grain from the combine to his granary. Therefore, if he did not purchase a licence for this particular one, and it wouldn't be necessary if he didn't use it on the road,

(Mr. Shoemaker, cont'd) then I suppose that it wouldn't be a motor vehicle by reason of the fact that it wasn't licensed and he could use coloured gas in it. Then too, Mr. Chairman, it is not very likely that the inspectors would go over to them and examine the gasoline in a tank that was on a vehicle that was not licensed.

MR. CHAIRMAN: Resolution be adopted? -- passed. Resolution No. 3. Resolved that it is expedient to bring in a measure to provide for the making of a loan from and out of the Consolidated Fund to San Antonio Gold Mines Limited, for the purpose of permitting that company to continue its operations at the community commonly known as Bissett, in Manitoba, and thereby continuing the employment of residents in the community and the provision of local services in the community.

MR. ROBLIN: Mr. Chairman, I have a lengthy statement to make on this matter which I propose to read to the committee with its consent, and I want to give to the Honourable Leader of the Opposition and the Honourable Leader of the New Democratic Party a copy of my statement together with copies of the correspondence that has taken place between the San Antonio Gold Mines and the government so that they may have information in their hands as to this matter, because I think they will want to consider it with more facility than they can simply by listening to a statement that I make here this afternoon. So I pass these out and ask them to be kind enough to look them over.

MR. PAULLEY: Mr. Chairman, in view of the First Minister giving us these documents at the present time, and I presume that he would go ahead with his statement, I am wondering whether the suggestion which I might make to my honourable friend in view of the closeness of the normal adjournment hour, that rather than proceeding at this particular time that he might be agreeable to call it 5:30 and then we might have an opportunity over the supper recess of looking over this statement. We'll only be losing 15 minutes if this is done, but I'm sure that the Honourable Leader of the Opposition and myself would appreciate this being done rather than proceed at the present time.

MR. ROBLIN: I have no strong feelings, Mr. Chairman, but it will probably take me about 15 minutes or so. It's not a lengthy statement and then all the members of the House will have it in their possession. I don't wish to rush things, but if I read it now then they'll all have it and we'll go ahead. All right, I hope I can get through in 15 minutes.

The statement is as follows: On April 19th a formal communication was received from the Directors of the San Antonio Gold Mines Limited informing the government of the following resolution: "In view of the critical financial position of the company, the mining operations at Bissett will be closed and placed on a retainer basis unless financial assistance is forthcoming immediately." I shall try to give a background of the events which have led to this decision to close the San Antonio Gold Mines Limited, and thus bring to an end the life of a community of some 1,100 people at Bissett, Manitoba.

The San Antonio mine began to produce gold some 31 years ago. In the course of that time they have mined \$42 million of that mineral and have provided the sole means of livelihood for a community of 1,100 people at Bissett. In recent years this mine has made but small profits and in fact since 1955, no dividends have been paid to the shareholders. Gold mining has been considered an important national asset in this nation. For some time it has laboured under the handicap of selling gold for a fixed price of \$35.00 United States dollars per ounce, although, as in other industries, its costs have been rising. Since 1948, the Federal Government has been assisting the gold mining industry by means of The Emergency Gold Mining Act under which subsidies are given to mines under certain circumstances. At present 41 mines in Canada receive as an outright grant, subsidies of around \$10 million. San Antonio is eligible today for this federal grant in the amount of 300 to \$350 thousand.

During the past few years this mine has been carrying on at an even pace but in a rather unspectacular fashion because, as I have stated, the small profit did not allow for dividends. They were, however, finding enough new ore to keep the mine going. It is a fact, however, that working capital had been gradually declining but there was no indication that the mine would not continue operation in the future.

On May 7th, 1962, an event took place which is unconnected with the mining operation itself but which did seriously affect the financial position of the company. A Mr. Max Isaacs of Montreal obtained control of the San Antonio Gold Mines Limited by buying up blocks of

(Mr. Roblin, cont'd) shares on margin. That is by means of a down payment, he secured the ownership of sufficient shares in this mine to control the company. The balance of the money was due to a number of Toronto and Montreal stockbrokers. With this control, Mr. Isaacs installed his friends as directors, who then used the surplus cash in the company to buy stocks as investment in other unrelated companies. These purchases have since proved to be serious losses for the San Antonio treasury. It is also true that the action of the management at that time was subsequently approved by a meeting of the shareholders. No grounds for criminal action have been found as yet against those responsible at that time, although the Attorney-General is considering his investigation of the matter in consultation with the Ontario Securities Commission. Most of these actions incidentally took place in Ontario.

In any case, soon after these events Mr. Isaacs failed to meet the payment to the brokers for the balance owing on the stock that he'd bought on margin. He has now disappeared and cannot be found. I understand that some of the brokers are taking legal action against him in respect of his default on the margin payment. The upshot of these activities is that it is now obvious that the management under Mr. Isaacs dissipated some \$165,000 or more of the cash of the San Antonio Gold Mine which should have been used for expanding the development and exploration of the mine.

As a result of his disappearance, ten or twelve stockbrokers have now become involuntarily the owners of the stock which at the present time gives them control of the company. This new management, headed by the firm of Bache and Company, hired a firm of reputable geologists, namely Ringsleben and Burns, to make a full examination of the condition of the mine. These consultants have reported that there's an immediate need for the expansion of the development and exploration for ore. If this is done, there appears to be a reasonable prospect that sufficient new ore is available to prolong the life of the mine and therefore the life of the community.

Incidentally, Mr. Burns of this firm is now in charge of the operations of the mine itself. We are informed that in 1962 the operations of the mine and its subsidiaries in rough terms "broke even." The first quarter of 1963 showed a substantial but diminishing loss because at present the mine is not generating sufficient money to pay for the exploration and development of the new ore that is required. A large part of the losses realized so far in 1963 are due to the investing of more money in new exploration than the operations of the mine could pay for.

However, we are advised that the successful development of new ore reserves over the past three months, where more has been found than has been used up in the operations of the mine, indicates that new capital could be usefully employed.

Recently, the company gave options to sell treasury stock to raise more money to invest in the mine. This operation is under way but it is not likely to produce sufficient funds. The company has also tried to sell the mine to mining concerns and others but no offer considered reasonable by the company has been received. The Company decided in view of these developments that they should at once, that is on May 1st next, shut down the mine and discharge the staff, pending some future or unknown developments unless substantial capital for new exploration and development can be found.

The situation in a nutshell then is as follows: 1. San Antonio is a marginal gold mine working on the fixed price of \$35 U.S. per ounce for gold. 2. There is an immediate need for cash for exploration and development to continue the life of the mine and the community. 3. A large amount of cash of the company has been dissipated by the previous management. 4. Efforts of the new management to raise the additional capital required have not succeeded in time to prevent the shutdown. 5. A mine, which otherwise has a reasonable chance for a considerably longer life, is doomed to close.

One may very well observe, "So what?" Gold mines have closed before. North America has many ghost mining towns. Indeed every mine must close when the ore runs out. Other industries also fail. That is part of the working of our economic system and it is rare for the government to interfere in these natural deaths.

San Antonio is in trouble, not because the ore has run out but because the previous principal shareholders dissipated the cash of the company for purposes foreign to gold mining at Bissett. The money was in fact badly needed for exploration and development to ensure the

(Mr. Roblin, cont'd.) . . . life of that community. Because these principal shareholders defaulted on their payments to the stockbrokers from whom they bought their shares, these brokers now find themselves, involuntarily, in control of the San Antonio Gold Mine with a large loss on their books. No doubt they are genuine in wishing to restore San Antonio to sound operation and in time to recoup their losses.

A first natural reaction would be to say, "Let them stew in their own juice," and I must admit that that was my first reaction. It can be argued that the new management should raise the money they need through the normal channels without recourse to public funds. It can be argued that if the mine and the community do fold up, other operators may come along some day and re-open Bissett.

If the company and its shareholders were the only consideration the argument could stop right here, but there are much more important interests at stake. There are the people at Bissett. Accordingly, we have made an effort to cast up the profit and loss position as it were -- first of all to the provincial economy as a whole, and secondly to the provincial treasurer and taxpayer - that would result from the abandonment of this community. An effort has been made to assess the dollars and cents effects on the provincial economy as well as on the provincial treasury and to assess what special circumstances, if any, distinguish the San Antonio situation.

The payroll at Bissett will be approximately \$900,000 a year for some 225 employees. Bissett, with a population of 1,000, is totally dependent on the mine. A number of Indian and Metis families are provided for in this operation as well. Other expenditures of the mine, mostly in Manitoba, amount to about half a million dollars annually. If you add this to the wage bill and calculate the multiplier effect of an industry of this size, the conventional assessment would be that this industry generates some \$5 or \$6 million of wages, services and supplies. The fact of a reasonable prospect of finding enough commercial ore to keep the mine going into the future cannot be assessed, but it indicates a loss to the body economics if this ore should not be recovered and added to the country's useful output. The 300 to \$350 thousand Emergency Gold Mining Act subsidy would cease.

These calculations refer to the province in general. If the community is abandoned, there is also a direct and immediate costs to the provincial treasury and taxpayer. Unlike other mining communities there is no local tax base in Bissett. The municipal services are supplied and paid for by the company itself. If the company ceases operations no doubt these costs would have to be assumed by the province. They include the \$25,000 education bill now paid by the company; an estimated \$50,000 for general services; and an estimated \$300,000 for welfare and some part of the \$48,000 potential tax equalization payment loss if the people moved across the border into Ontario for example. There are the gasoline and other taxes on the \$5 or \$6 million dollars worth of business generated by this community. These figures constitute only a general estimate and no doubt could be queried in detail. It is true they would diminish as the unemployed families move away from Bissett though they may add to unemployment costs someplace else. It is, however, clear that the abandonment of the community and the mine will mean a real and important loss to society as well as to the taxpayer. Bissett is a one-industry town based on a mine that has a future potential, but if once closed it may possibly not re-open.

Weighing up the two sides of this problem we have concluded, albeit with the greatest of reluctance, and I stress this, and in spite of the previous financial mismanagement of the company, that the interests of 1,100 people in Bissett come first and that the government should act.

Our consideration of this problem has been influenced by the fact that the difficulty is basically one of finance although we recognize that no one can guarantee the supply of ore in the mine. In our considerations we took into account the record of financial assistance that Manitoba had previously extended to industry, and I mention as examples: The Manitoba Beet Sugar Plant, the Manitoba Wheat Pool and their extensive losses, Manitoba Honey Co-operative, the Vegetable Oil Co-operative, the Winkler Canning Plant, the Canadian Co-operative Implements, to say nothing of the operations of the Manitoba Development Fund and the extensive loans now being made to individual farm operators. Indeed I recall undertaking to assist Brandon Packers financially if no other support had been forthcoming. This in fact is a substantial

(Mr. Roblin, cont'd.) . . . record of our willingness as a province to give financial support in order to get jobs and production.

At Bissett there are certain factors which make for a unique situation. The product being produced is assured of an established market. A potential ore body still exists for competent geologists have estimated that at least two years ore is now in the mine, and that there is reasonable ground to expect to find further commercial ore reserves. The Federal Government is providing an Emergency Gold Mining Act grant of some 300 to \$350 thousand a year. The new management, which has a good reputation, has been doing its best to keep the mine open and indeed to increase the rate of output. The current problem seems to be basically a financial one rather than a physical one. Every year of life that we can buy for Bissett is worth \$1.4 million directly to the provincial economy, to say nothing of the human values involved. Finally, it is better for the government to give this assistance in a form that will lead to the creation and maintenance of employment rather than to sink perhaps even more into relief bills.

The proposal now being placed before the House endeavours to deal with the situation as follows: In view of the municipal services that the company now provides at its own expense, and in view of their undertaking to invest an amount at least equal to our help in exploration and development of the mine, we suggest a loan of \$240,000 to be paid over a two-year period beginning May 1st, 1963, as the Minister of Mines and Natural Resources may direct. There will be a lump sum to begin with and then a monthly payment thereafter. This loan is to be at six percent floating first charge on all the assets of the company as defined in the Bill. It will be due in 1968 and will also be repayable to the extent of 75 percent of the profit earned in any one year.

Mr. Chairman, may I continue, I have two pages left.

MR. CHAIRMAN: Is it agreed that the First Minister complete the statement? -- Agreed.

MR. ROBLIN: In addition, certain special conditions have been attached. 1. No dividends will be paid to stockholders while the loan is outstanding. 2. No directors will be paid while the loan is outstanding. 3. No new stock beyond that already authorized by the shareholders will be issued on option or otherwise without the consent of the Minister of Mines and Natural Resources. 4. No change will be made in the control or management of the Company without the consent of the Minister of Mines and Natural Resources or else the loan becomes immediately due and payable. 5. The management shares will be placed in escrow during the period of government assistance. 6. Shareholders are to be fully advised of all arrangements. 7. If the Company decides to close down anyway before repayment of the loan, the loan immediately falls due and the government will be empowered to make an agreement with the Company to take over the mine at that time if deemed desirable. 8. The government is to have full access at all times to the books, records and operations of the Company to ensure that the conditions of the assistance are being complied with.

Let us be clear about the disadvantages of adopting these proposals. It should be recognized that although there are special circumstances which makes this loan a special situation, Adam Smith would certainly turn it down. It is also possible that the rescue operation may prove unavailing and the mine may close anyway. It is also possible that the loan may not be repaid as arranged, although the assets of the Company ought to provide the government with reasonable protection in any eventuality with a paid-up capital and surplus of more than \$4 million. It is also true that when trading is resumed in the shares of this Company, no one can say what direction the market will take. I point out that as our contribution will be a secured loan for a limited amount, we will have no direct interest in this aspect of the matter, but we are making sure that the Toronto Stock Exchange and the Winnipeg Stock Exchange, who oversee normal trading in these shares, are fully informed.

I submit, however, that the advantages outweigh the disadvantages. It is better in this special case to invest \$240,000 to keep a community alive and working than to spend the same amount of money or probably more in welfare and relief. It will certainly be a great advantage to the overall provincial economy for an industry generating 225 jobs and an annual expenditure of \$1.4 million to continue to operate. And lastly, but most important, the extension of the life of this community would make all the difference to the prospects of the 1,100 or more people who are dependent upon it.

(Mr. Roblin, cont'd.)

I believe that the Legislature, Mr. Chairman, is therefore faced with two choices: (1) To do nothing and let the "chips fall where they may"; or (2) To authorize the relief measures outlined in this proposal. After weighing the merits and the demerits of the case to the best of our ability, we are recommending the proposal of the Bill that is based on it to the members of the House.

One or two other things completes my statement. Copies of the letters of the Company to us of April 19th and of April 25th will be tabled. Any members who have any shares in the San Antonio Gold Mines Limited should declare their interest and take no part in the proceedings and discussions in the House or in the Committee. If this Bill that will be shortly proposed receives a second reading, I propose that representatives of the Management Control, the geologists and the accountants should be present at the Committee to answer any questions that may be put to them by members at that time.

I would hope, Mr. Chairman, that the Committee would proceed with a consideration of this when we resume at eight o'clock and that if possible, although I've no wish to hurry this unduly, if possible, we should have second reading tomorrow afternoon. If it secures passage, although I do not intend to oppose any adjournment that should be sought but if it secures passage we would have Committee meeting Tuesday night with the representatives of the Company there to say what they have to say about this matter. I suggest that program, but I would want to repeat that we will be glad to take all the time that any member thinks we should take for a proper, thorough, careful examination of this situation.

MR. CHAIRMAN: I call it 5:30 and . . .

MR. MOLGAT: Before the Committee rises, could the Minister indicate what correspondence was to be attached? I seem to have double copies.

MR. ROBLIN: One of the copies is for my honourable friend the Leader of the NDP.

MR. MOLGAT: Two letters -- two letters, are there?

MR. ROBLIN: Yes. One dated the 19th of April, I think, and one dated the 25th.

MR. MOLGAT: Fine. I've got two of each.

MR. CHAIRMAN: I call it 5:30 and leave the Chair until 8:00 o'clock.