

ECONOMIC DEVELOPMENT COMMITTEE

10:00 a. m. , Thursday, May 9, 1974

Chairman: Mr. Shafransky.

MR. CHAIRMAN: This morning we are continuing with the report from the Chairman of the Manitoba Development Corporation. Last day we finished No. 8 on your financial statements, Phoenix Data Limited. We are continuing today on Tantalum Mining Corporation of Canada Limited. Item 9 on the list of statements. Mr. Green?

MR. GREEN: Mr. Chairman, if Mr. Minaker did have some questions perhaps on reports that we have already gone through, I think Saunders . . .

MR. CHAIRMAN: I have no one on the list.

MR. GREEN: No, these questions were raised in the House, Mr. Chairman, and I told the honourable member that I thought he could get the answers when Mr. Parsons was here. We haven't been through Saunders.

MR. PARSONS: May I interject? I've gone through the last minutes of the standing committee, picked up the questions that were asked immediately referring to this meeting, and I will give the answers to those first before we start into the Tantalum Mining Corporation, if that's all right, Mr. Chairman.

MR. CHAIRMAN: Fine. Proceed, Mr. Parsons.

MR. PARSONS: There was a question on Alphametrics Limited by Mr. Minaker. He asked what the projected sales figures for the coming year were, and whether they were on budget. Alphametrics--is this mike off? Alphametrics - No, it went off.

MR. CHAIRMAN: No. 13. It's on. It's okay.

MR. PARSONS: Alphametrics projecting sales of 150,000 this year.

MR. GREEN: He's picking it up so that is quite all right.

MR. PARSONS: It's on now.

Alphametrics, their budgeted sales for this year \$150,000. They are budgeted this year for roughly a \$6,000 loss after all expenses.

Now, also on that same question, Mr. Minaker asked me about the Board of Directors. We have a new package that we would like to hand out now. What we've done, we've listed all our companies and give you all of the Board of Directors in one copy so you'll have them all together. There has been some question throughout the meeting on this so we've put them all together for you in a package so that if there's anybody interested in the other companies they'll all be together.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Mr. Chairman, Mr. Parsons indicated that I had raised the question if they were on target with their projected sales, and I don't know whether you answered.

MR. PARSONS: Yes they are, for 1974.

MR. MINAKER: They're meeting their projection now? It looks like they will achieve the projected sales?

MR. PARSONS: Yes. Yes, I think they will probably be exceeded from what they say, but right now they're on target.

The next questions were on William Clare. Mr. Minaker's question was, are we presently paying for office space in Vancouver as well as office space in Toronto for this company, and did they not also have an apartment as well as an office in Toronto? In answer to that, in 1973 the company paid rent for office space in Vancouver at an annual rate of \$1,152. There was office space in Toronto only for a part of the year. There was an office in Winnipeg which was closed out in January of '74, and there was an apartment in Winnipeg which was terminated in November of 1973.

Macey Foods. There was a question by Mr. Marion. He has asked me about the auditor's statements. We have those in your package today and we will review those in order.

Misawa Homes. Mr. Minaker questioned on the sales of 1973, how many homes were sold to either the government corporation or the government departments in the Province of Manitoba. Of the 55 homes that are reported sold in 1973, 20 were sold to the government department or agencies; the other 35 were sold privately or under some other program.

Again, Mr. Minaker. What was the present monthly overhead expense at the reduced operation rate. The total present monthly overhead costs are approximately \$51,000, of which \$30,000 is for salaries and \$21,000 for other expenses. At the end of March there were 29 employees on staff and that doesn't include our on-site construction staff. Broken down, at the

(MR. PARSONS cont'd) Gimli Plant there were 4; in Finance and Administration 8; Research and Design 9; Marketing 2; Construction Management and Others, 6. I think that covered that question. Projected sales of 1974 was also requested and also the number of houses for government projects. The projected sales for 1974, approximately \$7 million. Of those, 232 units are projected for government departments or agencies, which would be about a million and three quarters in dollars.

Mr. Marion asked me if there'd been a market study done for Misawa. Actually, the market study wasn't really specifically done for Misawa Homes. It was completed in 1971. It was on the Prefab Housing industry. The statistics in that report indicated annual starts, after deducting or deleting apartments, was approximately 3,500 units, and it was felt that Misawa could obtain a sufficient share of these in order for it to become viable.

Mr. Minaker asked what the predicted house sales last year were for 1973. The original budget was for \$2.8 million, but the actual sales were \$1,155,000; basically because we didn't get the Gimli plant started up. We were three or four months late in our start-up last year and missed a good section of the construction period.

The question was also asked by Mr. Minaker about the franchising agreement between Misawa (Japan) and Misawa (Canada), specifically as to the termination clause, and also what was expected by Misawa (Japan) in that agreement regarding the number of homes to be produced and sold each year. The agreement was examined - it's a very simple agreement. It gives Misawa (Canada) the exclusive rights to the Misawa system for the whole of Canada. There are no provisions in it as to sales projections and there is no termination agreement.

Mr. Minaker again, on Morden Fine Foods, inquires as to our percentage and breakdown of sales in Manitoba and outside the province. For the last period - now we took the last three years, Mr. Minaker - the sales outside of Manitoba during the past three years, 1971-72 was 52.28 percent; 1972-73 was 53.16; 1973-74, which we have just finished, 42.69 - are the sales outside. It's primarily - well, there's a pretty good reason why we have decreased in 1973-74. Really all our advertising and promotion for the products have been in Manitoba, and also as our product sales in Manitoba increase, we haven't lost the sales outside but our percentage has decreased because of the increase of product being moved in Manitoba.

Gentlemen, I think that completes the questions from the last session. Unless somebody has anything else then we'll . . .

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: The one question I had pertained to W. E. Clare and that was in regards to there was no indication in the records of an apartment being paid for for several months in the Toronto area.

MR. PARSONS: No we didn't. We just had a small office. It wasn't a very large amount; it was about a hundred and something a month.

MR. CHAIRMAN: Mr. McGill.

MR. MCGILL: Mr. Chairman, I would like to ask Mr. Parsons about Misawa Homes of Canada Limited. Are all directors' meetings and annual meetings of this corporation held in Manitoba?

MR. PARSONS: They have been, although under the provisions of the agreement the Japanese can request one meeting a year in Japan. But that hasn't been so. They have come here each time for their directors' meetings.

MR. MCGILL: How many such meetings have been held to date?

MR. PARSONS: They hold pretty close to one a month. I would say over the last year probably eight or nine. They might have missed the odd month but they're fairly regular.

MR. MCGILL: Are the travelling expenses of the three directors representing Misawa (Japan) a responsibility of Misawa (Canada) Limited? And does this occur monthly?

MR. PARSONS: No. The Japanese do not come here monthly. Dr. Briant represents them. The Japanese have been here for about three meetings. His expenses are paid - he's living in Montreal. The Japanese normally come over at their own expense.

MR. MCGILL: So that the travelling expenses for directors from Japan to attend meetings in Manitoba are not paid by Misawa (Canada).

MR. PARSONS: No, they haven't been.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: I have a question relating to Misawa Homes. In the most recent Manitoba Gazette it indicates that for the first quarter of this year there has been some, I believe \$400,000 loaned to Misawa Homes. Does that make MDC's total commitment to date,

(MR. MINAKER cont'd) whether it be equity or loans, somewhere in the order of about \$1,750,000? Why I'm putting the question forward, Mr. Chairman, is it's somewhat confusing when you compare the data that we had on the one sheet covering Misawa Homes that was given to us several weeks ago, I believe was to February, 1974, and we have a comparison now of a report saying a commitment to March 31st of this year, and I was just trying to find out the actual total commitment, whether it be equity or loans, that MDC presently has in Misawa Homes.

MR. PARSONS: Yes, it's roughly \$1.5 million at the point you're talking about, I think. There has been a new agreement going through too. We will be putting in further funds this year. What date were you looking at?

MR. MINAKER: The Manitoba Gazette, April 27th, shows a commitment . . .

MR. PARSONS: Of 400,000?

MR. MINAKER: . . . of a total of 400,000.

MR. PARSONS: Yes. Half of that was guaranteed by the Misawa (Japan) so that's why I say a million and a half. It would be a \$1.7 million if you add the total \$400,000 on.

MR. MINAKER: Yes.

MR. PARSONS: Since then that has been reversed by a new agreement with the Japanese.

MR. MINAKER: Because I know in the February 1974 report we had, Mr. Chairman, I think there was an indication of a loan of \$190,000.

MR. PARSONS: That's correct.

MR. MINAKER: And I was wondering if this was an additional \$210,000 now that has been put forward.

MR. PARSONS: It would be an additional 200,000 as far as we were concerned, although we put up the \$400,000, but the Japanese Misawa guaranteed half of it. It shows in the Gazette as a \$400,000 loan because that's actually what we put up at that point.

MR. MINAKER: Thank you.

MR. CHAIRMAN: Mr. McGill. Oh, sorry. Okay, we can proceed then with Tantalum Mining Corporation of Canada Limited. I believe you have the Equity--yes, you have the Equity Investment Account Information Report ending March, 1974.

MR. PARSONS: Yes. In your new package today there is the latest statement. When I originally tabled the Tantalum Mining Corporation we only had the 31st of December. In the package this morning you now have the 31st of December, 1973 statement for Tantalum.

MR. CHAIRMAN: Mr. McGill.

MR. MCGILL: Mr. Chairman, on a point of order. It was suggested in some of Mr. Green's earlier remarks that we had dealt with Saunders Aircraft Corporation and I believe that's not the case; was Mr. Parsons intending to deal with that this morning?

MR. PARSONS: Yes I am. We tabled the information sheets and statements for Saunders at the end of the last meeting. We didn't get down to discussing it. The order I have them this morning is Tantalum, Venture, Electro-Knit, which completed off your first sheets. Then we go Saunders and the new group we have this morning.

MR. MCGILL: Thank you.

MR. PARSONS: The Tantalum Mining Corporation is 25 percent owned by the Manitoba Development Corporation. Your information sheet shows the total investment in the mine of \$8,555,000. Basically the mine has gone through a period of probably an over supply of tantalum in the market up until last year. Therefore it has shown a fair amount of loss, which is partly new development in the lithium ore body. But the employment was being kept up at Bernic Lake. The total right now is 74 employees. We didn't have any lay-off; we kept producing and stockpiling the tantalum, and it has now turned around that we have sold off pretty well all of our stockpile and the production for 1974 is all committed at a good selling figure. The surplus, world surplus of tantalum is pretty well used up and I think within the next month we'll probably be announcing that all 1975 tantalum is sold out. Our basic price was \$7.00 while the market was depressed. This is not a profitable figure to be selling at for the mine. Our latest contracts are \$10.00 and \$12.00, which do make it profitable. We've also just recently announced this week that Chemalloy has sold 24.9 percent of the Tantalum Mining Corporation to Kawecki Berylco of New York. They are probably one of the largest sellers of tantalum in the world. They are coming into Chemalloy with the idea of building a new lithium mill in Lac du Bonnet area, probably about a \$10 million investment by them. We think that this tie-up with them of course assures marketing, and they're a very large, strong corporation, so we feel that that can just be a plus as far as Chemalloy is concerned.

(MR. PARSONS cont'd)

Are there any questions on Tantalum Mining Corporation?

MR. CHAIRMAN: No questions? We can proceed then with--Mr. Green?

MR. GREEN: Mr. Chairman, possibly just to clear up maybe an inaccuracy on my part, I was asked in the House about the sale to Kaweckí and I said that it was announced some time ago, and you've indicated it's been announced this week. I believe that what was announced some time ago was they had the option to do this.

MR. PARSONS: That's correct. They had the option last December but they exercised their option--they announced this week that, well they'd take up their option.

MR. GREEN: It was just an inaccuracy on my part. When I said that the announcement was made, I was referring to the announcement that was made some time ago vis-a-vis their option.

MR. CHAIRMAN: Mr. Bostrom.

MR. BOSTROM: Mr. Chairman, through you to Mr. Parsons. You did mention there would be a secondary refining capacity constructed at Lac du Bonnet?

MR. PARSONS: Yes. I didn't say definitely Lac du Bonnet but . . .

MR. BOSTROM: Do you have an estimated time of completion for this facility?

MR. PARSONS: No, they're in the feasibility study stage right now. From all indications they are going to go ahead with it. In their announcement that I read in the Globe and Mail they said it would be set for production in 1976.

MR. BOSTROM: Second question. What would be the estimated amount of employees employed at such a facility?

MR. PARSONS: I couldn't answer that.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Chairman, what will our equity position be vis-a-vis the new situation, or is that strictly on the part of Kowecki?

MR. PARSONS: It's strictly on the part of . . . They will be buying the lithium and processing it. That is the way it is indicated at the present time.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Mr. Chairman, a question to Mr. Parsons relating to the same subject. Is there any indication on the part of MDC requesting a chance to share in the equity of this new refinery or mill?

MR. PARSONS: We could possibly do that. We haven't got down to that stage yet. Until the feasibility study and everything is completed then we won't be entering any financing arrangements. We will have that opportunity, though, to discuss this with

MR. CHAIRMAN: Mr. Axworthy. Mr. Minaker, proceed.

MR. MINAKER: Sorry. Mr. Chairman, a supplementary to that question. Mr. Parsons indicated that the MDC would have the opportunity. Is that because of the 25 percent equity . . . we have in Tantalum, that we could go up to 25 percent of the new mill?

MR. PARSONS: Yes. They have indicated that they're quite happy with us being partners and they would be quite willing to discuss some type of arrangement.

MR. CHAIRMAN: Dr. Axworthy.

MR. AXWORTHY: Mr. Chairman, I just want to clarify some issues. In the Note 3 (b) on your statement ending December 31, 1973, there's reference made to the fact that you haven't claimed any deduction against taxable income up until 1972, I believe is what it says. Could you explain what is the tax position of the corporation at this point, and its projected one for the forthcoming year?

MR. PARSONS: You're referring to Tantalum?

MR. AXWORTHY: Yes.

MR. PARSONS: Well they've been operating at a loss so they've got loss carry forward.

MR. AXWORTHY: With this increased production and profit you're talking about, do you expect that to change?

MR. PARSONS: I don't think it will change for the year ending 1974.

MR. AXWORTHY: What about years following that?

MR. PARSONS: The years following it they will be taxable, yes.

MR. AXWORTHY: Well that's the point I'm trying to get at. You've indicated that you saw both increased production, I believe, as well as selling price for the ore. Have you been able to calculate on the basis of that what the sort of profit position might be, say over a three to five-year period, that we could project?

MR. PARSONS: No, we haven't gone into the five-year program. No, we haven't looked at the tax position but they will be paying taxes. I don't know what the tax position is. We expect the mine to be quite profitable this year but we do have quite a carry forward. Whether there's enough carry forward to offset the 1975-76 position, I couldn't tell you right offhand.

MR. AXWORTHY: Do you see, again with this more profitable situation in the terms of markets, requirement for any more capital for Tantalum in the next three years?

MR. PARSONS: Well there's going to be a requirement for this new mill but that is going to be built by Kawecki Berylco. Whether we become involved in it is a matter that Mr. Minaker was asking. That hasn't been established at this point.

MR. AXWORTHY: Have negotiations been undertaken on this and has there been any proposal to you for any loans or advancement of capital?

MR. PARSONS: No. No. As I say, it's just in the feasibility study stage. They don't have any projected costs. In their announcement they said it would be in the area of \$10 million but there have been no negotiations. It's just this week that they've actually exercised their option.

MR. AXWORTHY: So at this stage you can't see the requirement for any further advancement of equity to Tantalum Mining Corporation from the Corporation.

MR. PARSONS: No. But that could change.

MR. AXWORTHY: That could change.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Chairman, we've discussed Tantalum, and with the energy situation being what it is, does the Chairman have any observations to make about the possibilities of the cesium position of this mine vis-a-vis the rest of the world, and the potential, vague as it may be, vis-a-vis cesium.

MR. AXWORTHY: (Unintelligible - not on mike)

MR. GREEN: Well the honourable member has asked me a question that is scientific. The MHD--I'll let Mr. Parsons go ahead.

MR. PARSONS: Do you know what MHD is? It's Magna Hydra-Dynamic process for producing power. It's going back to the old system of burning coal for your generation. What your cesium does, the smoke etc. from the coal goes through a cleaning process which basically looks like--well it's a chamber. It goes through and mixes. They are using 85 percent potassium and 15 percent cesium. It's spun through there and not only takes all the dirt - I guess is the best way to say it - all the dirt out of it, it also increases the energy capacity of the coal. You can pretty well--in the MHD plants in their experimental stages that they are using, they're getting absolutely no pollutants coming through the stack because of this process. But really it just moves through--the cesium is one of the agents that takes all the dust and soot and contaminants out of the burning process.

Now, if this comes about of course, there's an abundance of coal and this will create quite a demand for cesium, and right now in the world supply we probably have 75 or 80 percent of the known world supply right here in this mine. So there would be quite a good demand for it. It could be quite an exciting thing for the mine. Right now we're selling, oh, maybe somewhere \$50,000 to \$100,000 worth a year in the experimental, both to the United States, to England, parts of Europe, and to Russia. They're all buying it for experimental purposes. But if it does work out, and it looks like it could be a very good source of energy, there could be quite a good demand from this mine for cesium.

MR. CHAIRMAN: Dr. Axworthy.

MR. AXWORTHY: I was just going to ask Mr. Parsons what stage this experimental or pilot work is at. Is it an advanced sort of--Is there any projection as to when some determination will be made as to its application?

MR. PARSONS: Well they've got pilot plants working now. They've spent several millions of dollars in the United States.

MR. AXWORTHY: This is in the United States.

MR. PARSONS: Yes.

MR. AXWORTHY: Are we doing any research at all in Canada or in Manitoba?

MR. PARSONS: No.

MR. AXWORTHY: We're not doing anything at all.

MR. PARSONS: Not that I know of.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Just for information, Mr. Chairman, because the honourable member has asked a question, we have been in touch with the Canadian Government through the Minister of Energy, Mr. Macdonald. There have been discussions which have led to the continuance of grants to a person who is involved in the field, I believe a Mr. Townsend in Ontario, and the Minister indicated that there would be an attempt to have some more formal type of Canadian Government involvement in the cesium research, either as it's continuing now with the United States and the Soviet Union, or as a more distinctly Canadian activity.--(Interjection)--The amount of cesium now being sold is relatively small.

MR. PARSONS: Yes.

MR. GREEN: So that if cesium does become something, it would dramatically change what is going on in the mine, I take it, because it would be a resource which is there in abundance but which right now is being very minimal utilization.

MR. PARSONS: Yes. They're just taking out enough to fill the experimental orders.

MR. CHAIRMAN: Mr. McGill.

MR. MCGILL: Yes. Mr. Chairman, I think this point was mentioned, but just to refresh my memory if you will, Mr. Parsons. We have a 25 percent equity position in Tantalum Mining Corporation?

MR. PARSONS: Yes.

MR. MCGILL: And the principal products are tantalum, cesium and lithium?

MR. PARSONS: Yes.

MR. MCGILL: And are the markets for those three products somewhat erratic, have you found? Does it only apply to tantalum that we have a sort of an up and down situation?

MR. PARSONS: No, there is a good demand. There was an over production some time back, and then in the last year the United States Government has been releasing its stockpiles. It had stockpiled tantalum and this of course--there's a world need of about 1.3 million, 1.4 million pounds of tantalum a year. We can produce roughly 400,000 pounds in our plant here. The other world - the other mines are in Rhodesia, Malaysia; they're not as dependable as our mine here to supply that source but there was a build-up that has now been used up and, as I say, the demand has come back and the price has gone up to where you can make a dollar on it.

MR. MCGILL: Mr. Parsons, as a director of Tantalum Mining Corporation, have you approached the Provincial Government to determine what your position will be relative to the mineral taxes which the government is intending to impose on the mining industry generally?

MR. PARSONS: I asked the question. We will be treated the same as any other mine.

MR. MCGILL: I see. In connection with any 100 percent Crown-owned corporations there would be no tax, I understand.

MR. PARSONS: There would be no income taxes.

MR. MCGILL: No. No mining taxes? No taxes.

MR. PARSONS: I haven't heard that. I think that question could be better answered by you because the question was, if we were 100 percent owned by the government, would we have to pay a mining royalty tax?

MR. GREEN: Well, the mining royalty tax goes to the Provincial Government so it would really be bookkeeping, I take it, if we were 100 percent owned. But there would be no federal income taxes payable. This is apparently an incentive that the Federal Government gives to people going into public enterprise.

MR. MCGILL: Mr. Chairman, I point out to Mr. Parsons that we have a 25 percent, the Province of Manitoba has a 25 percent equity. Now the question is: what is that position of the Tantalum Mining Corporation in respect to provincial mining tax?

MR. GREEN: They have to pay the provincial rate.

MR. MCGILL: They pay the whole shot. So it isn't just a bookkeeping entry.

MR. GREEN: I'm sorry. I then misunderstood the question, Mr. McGill. I thought he said if it was 100 percent owned by the Provincial Government, would there be a mining royalty tax, and I said that would make it a bookkeeping entry. Because if you took it, it would be from your own sort of cash position to another cash position. On the 25 percent it is a royalty tax which is payable by the mine to the government. However, our royalties are presently calculated on the basis of profits, and therefore I doubt whether there is any royalties payable by this company, because any company, just as other companies in Manitoba even sometimes showing a profit on their own books, if the way we calculate our royalty works out that they're not making a profit, they pay no royalty taxes. Our royalties are based on profit with regard to the mineral.

MR. MCGILL: So that if this company hopefully becomes profitable, then the Province of Manitoba will be faced with the necessity of acquiring 100 percent equity in it in order to avoid its own mineral taxes.

MR. PARSONS: No, that isn't quite . . .

MR. GREEN: We're quite happy to have them pay mineral taxes. You say we are forced to do it. We would not do it for that reason.

MR. MCGILL: Fine. My point, I was just concerned about the question of a partial equity position in respect of this company and whether or not there was any partial exemption . . .

MR. PARSONS: No, there's no . . .

MR. MCGILL: . . . in that respect.

MR. PARSONS: But, you know, you're talking about taxes on our wholly-owned companies such as Flyer, we still pay the provincial sales tax, so that could be considered a bookkeeping entry too. It's almost the same type of . . .

MR. GREEN: So does Hydro, Telephone, everything.

MR. PARSONS: If there's no further questions on Tantalum then, can we move on to . . .

MR. CHAIRMAN: Venture Manitoba Tours Limited.

MR. PARSONS: Venture Manitoba Tours Limited is our company that operates the motor ship, Lord Selkirk. We acquired that through bankruptcy, as you know. We own the company 100 percent and we have been operating it on Lake Winnipeg now for three years. This last year, as you see, each year we've improved our operations, been able to improve the usage of the ship. This year we are showing a loss of \$41,750.00. That's after all expenses, including interest on loans. We were unfortunate this year; we were hoping to come out better than that but we had an unfortunate accident. We couldn't get our ship in the dry dock. We lost a full ten days of operations, which makes a difference of about \$25,000 in revenue. We would have been right on our budget - we budgetted for a small loss this last year, 15 to 20 thousand dollars - I think we'd have been right on target had we not lost the ten days.

A comment on this year. We've sold deposits, roughly 75 to 80 percent of the capacity of the ship for this season. We are running our educational cruises this year. They cost the company money to do this really. We don't get paid in full for this project. It does two things. It starts up the ship so that we can get the crew on and operating, and the educational cruise has been very well received by the schools and we feel this is a worthwhile project even though it probably costs a little bit more money than a normal running of the operation would.

Other than that, all I can say on this is that it's adding quite a bit to tourism; it's tying in with tourist packages; it's being well received. We get a great number of compliments on the way the ship is being operated. About 50 percent of the people that go on the ship on the five-day cruises are from out of province. Are there any questions on the . . . ?

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Yes. Mr. Chairman, to Mr. Parsons. There is an indication in 1973 of \$67,500 worth of shares, and I was just wondering, have you purchased additional shares since then in the company? Because the Manitoba Gazette lists a similar figure of \$67,500 for the first quarter of this year.

MR. PARSONS: That is the amount that we put in for capital expenditures and we took it up as equity.

MR. MINAKER: So that you've got another additional \$67,500 shares in the company.

MR. PARSONS: That's correct. Yes. That was to cover the operating loss plus extra capital expenditure we had to make on the ship.

MR. CHAIRMAN: Mr. Green. Mr. Minaker.

MR. MINAKER: Mr. Chairman, is there also still plans to extend the ship, cut it in half?

MR. PARSONS: We had a study done, a feasibility study done on this. We looked at it; it looks like it should be done. If we spent a million dollars to lengthen the ship it would make it much more feasible. The operating costs wouldn't go up nearly as much as our expected revenue because of the extra cabins. As I say, the feasibility study looks very good. We've postponed it for a year.

MR. MINAKER: Mr. Chairman, my last question. Would the increased usage of the ship and presumably the increased revenue amount to more than \$100,000 a year?

MR. PARSONS: Yes.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Chairman, I believe that - and I'm going to go back a bit and rely on

(MR. GREEN cont'd) memory - I believe that when the ship was first financed it was financed to the extent of some, roughly \$700,000, with maybe \$300,000 in private capital; that it was a private venture with a loan from the MDC.

MR. PARSONS: Yes, there was more--there was 700,000 by the MDC and I think there was a little bit more than that from outside sources.

MR. GREEN: And this was an advance that was made prior to 1969.

MR. PARSONS: Yes.

MR. GREEN: Now the private people who operated the thing did not succeed.

MR. PARSONS: No. That's correct. They ran out of--Well, their costs were quite a bit higher. They had a high overrun in the building of the ship originally. Then their operations, no they weren't successful, that's

MR. GREEN: The Corporation's involvement therefore came as a result of realizing its assets, the security of its loan.

MR. PARSONS: That's correct.

MR. GREEN: I believe at the time that the Corporation had to foreclose on its debentures, there was approximately \$700,000 owing.

MR. PARSONS: That's right.

MR. GREEN: And the Corporation, I again understand, offered the ship for sale, that it would have been quite--well, by law it would have been required to sell it.

MR. PARSONS: Yes it was advertised, yes.

MR. GREEN: Advertised for sale. And I believe that the highest offer came in at a figure - and again I'm--of approximately \$250,000.

MR. PARSONS: Yes. It was somewhat less; it was 220,000 I think.

MR. GREEN: Two hundred and twenty. I believe that what the Corporation then did is to write off its loan down to approximately the figure of the highest offer.

MR. PARSONS: Yes.

MR. GREEN: And take ownership of the ship, and then proceeded to operate under the basis of it having an asset which was valued at \$250,000.

MR. PARSONS: Yes.

MR. GREEN: And all its calculations are now based on that particular operation, on that particular accounting. In other words, \$250,000 invested in capital and the other figures flow from there.

MR. PARSONS: Yes.

MR. GREEN: Now, Mr. Asper in the House said that no chartered accountant would agree that that is an acceptable procedure; that no chartered accountant would permit that kind of activity. Though I'm not a chartered accountant, but what seems to have been done is sensible. They could have sold it for \$250,000 and then operated with that 250, in which 550 would have been written off, or they could have chosen to operate it on the basis of the figure which they would have realized. To me, it sounds logical but in view of the fact that Mr. Asper said that this is an accounting procedure which is totally unacceptable, I ask you, is there something illogical or unacceptable about it?

MR. PARSONS: No, I don't think so.

MR. GREEN: Wouldn't it be unusual to show it on the books at \$700,000 if the Receiver tried to sell it and could only get 250?

MR. PARSONS: Well I'll put it this way. If you're a private enterprise and you bought something for 220,000 there's no way that I'm going to let you capitalize it at three-quarters of a million.

MR. GREEN: On a point of order, yes.

MR. CHAIRMAN: Mr. Axworthy on a point of order.

MR. AXWORTHY: Yes, Mr. Chairman. My point of order is that I think that the line of questioning that Mr. Green is pursuing is not in order, because he is translating the remarks made by a gentleman who is not here to determine whether in fact those remarks are accurate or whether they follow his own line; therefore I think he would be pursuing a sense of argument which is not proper.

MR. GREEN: On the point of order, Mr. Chairman.

MR. CHAIRMAN: Mr. Green on a point of order.

MR. GREEN: Yes. On the point of order, Mr. Speaker. You know, it's not my fault that he is not here. He raises this thing in the House, knowing that the Chairman will be here and then could ask him about it and get accurate information, chooses to deal with inaccurate

(MR. GREEN cont'd). . . . information, and he then says that the Committee are unable to ask for accurate information because he is not here. And I think that that is not done by accident; that is done by design. And now points of order are raised.

MR. AXWORTHY: Point of Order, Mr. Chairman.

MR. GREEN: Mr. Chairman, I am on the point of order.

MR. CHAIRMAN: Mr. Green is on the point of order.

MR. GREEN: I am on the point of order. If I have misinterpreted the Honourable Member for Wolseley's remarks, I will apologize to the Honourable Member for Wolseley. He made these remarks in the House; they are recorded in Hansard; he offered to give me the name of the President of the Chartered Accountants Association of Canada so that he could be written to show that this is an unacceptable accounting procedure, and that is what he said in the House.

MR. CHAIRMAN: Mr. Axworthy on the same point of order.

MR. AXWORTHY: Well an additional one. Again I think Mr. Green has trespassed in terms of the conduct of the Committee again in imputing motives, which I don't think is proper. Secondly, I would remind the Minister that I am the member of the committee for this group and that Mr. Asper's membership is only that of an ad hoc nature, as every other member is, and I would intend, if we are allowed, to pursue certain lines of questioning that may follow in those questions.

MR. CHAIRMAN: Well it is a line of questioning that is in order. Questions have been asked in the House. The questions have also been indicated to be asked directly to the Chairman of the Manitoba Development Corporation.

MR. AXWORTHY: Excuse me, Mr. Chairman. I do not think it is in anywhere, under the rules of this committee of the House, that words can be put in the mouth of another member by someone acting as his . . . because I'm not so sure that we can trust the source.

MR. CHAIRMAN: That is not a point of order. He is not saying any words, he is merely repeating . . .

MR. GREEN: Well, Mr. Chairman, the fact is that--on a point of privilege. The honourable member says that he cannot trust the source. The source which has proved to be untrustworthy on numerous occasions, relative to no security being taken, relative to St. Jean Sportswear not being listed in the book when it was listed in the book, relative to Rand-McNally having said that their arrangement with us will not succeed and we now have information from Rand-McNally saying that no such statements were made by any of their people to the Leader of the Opposition, the proven untrustworthy source is not here. I would like the honourable member to indicate when my source of information has proved to be untrustworthy.

MR. CHAIRMAN: Mr. Minaker on the same point of order.

MR. MINAKER: On the point of order. I would like the Minister to correct. He said that statements made by the Leader of the Opposition . . .

MR. GREEN: Excuse me. The Leader of the Liberal Party.

MR. CHAIRMAN: Mr. Parsons, you may proceed. Mr. Green, are you finished?

MR. GREEN: I'm through.

MR. PARSONS: If there's no further questions on Venture could we move on to our next report?

MR. CHAIRMAN: Mr. Axworthy.

MR. AXWORTHY: Yes, I have certain questions before we pass on too quickly. Could you tell me, Mr. Parsons, in terms of the operation of Venture Tours as a wholly-owned Crown corporation, when this boat or ship, or whatever it is, is used by public agencies or departments or organizations, do they pay the full rental fee that every other sort of user does?

MR. PARSONS: Yes.

MR. AXWORTHY: There's no subsidy attached to that question.

MR. PARSONS: No. They would get a group rate, if it was a group rate. If it was an individual, they would pay the same rate.

MR. AXWORTHY: Fine. Could you also tell me as a matter of interest, how, or if you have any reports, as to how the operation of this company would be affected by the present flooding situation on Lake Winnipeg?

MR. PARSONS: The present flooding?

MR. AXWORTHY: The fact that the Minister, who's still with us, announced a few days ago that in fact the lake levels on Lake Winnipeg will be at exorbitantly high rates this year, I think 717-plus feet, which is by past experience almost close to a flooding level, will that in

(MR. AXWORTHY cont'd) any way affect the operation of these tours and so on, during this forthcoming year?

MR. PARSONS: No.

MR. AXWORTHY: You still go when it floods, is that correct?

MR. PARSONS: Well, that 717 wouldn't be flooding the docks; that would be the only area that it would affect us; we're more affected by low water than we are with the high with the ship. The docks are sufficiently higher; they wouldn't be flooded. That would be the only problem, if they were.

MR. AXWORTHY: So you do not at this stage feel that it's going to be in any way affected by the high waters this year?

MR. PARSONS: No.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Mr. Chairman . . .

MR. CHAIRMAN: Would you speak into the mike, please.

MR. MINAKER: Excuse me. One last question to Mr. Parsons on the Venture Manitoba Tours Limited. I wonder if Mr. Parsons could sort of evaluate what the present market value of the ship is at this time.

MR. PARSONS: No, I couldn't. There's only a market value when you have people who are willing to buy it, and when they advertised it there wasn't a great demand. There has been indications from private sources they might be looking at it, but we have not tried to sell it in the last two years and there hasn't been any approach to us from anyone to buy it.

MR. MINAKER: Mr. Chairman, the reason I placed the question was, not being an accountant or an expert in accounting, with the procedure of providing an additional 67,500 shares on the market at a nominal value of \$1.00 to cover losses and capital costs, and I was just trying to evaluate how it was done; and I could see it if the unit was worth more than, say, \$642,000, then obviously the share values are worth more than a dollar, so that I could see more shares being issued at that rate.

MR. PARSONS: Well, that's a good point. We put it in that way. We've also applied for a grant to cover it which we hope will offset it. But of course any money that we make will come back to us in the form of a debit anyway, so whether we put it in as a loan or a share position at this point is really academic. The boat cost 1.3 million to build, so there's dollars there, but if you can't sell it then . . .

MR. CHAIRMAN: Mr. Bostrom.

MR. BOSTROM: Mr. Chairman, through you to Mr. Parsons. There has been some discussion or speculation that the ship may be able to travel as far as Norway House in the future if in fact the lake levels are maintained at a higher level, or perhaps if there is some dredging done to the channel, which will allow the ship to go to Norway House. Are there any plans for this?

MR. PARSONS: No. The best we could do is go to Warren's Landing. Even that is a little tough for the ship to navigate in there. There would have to be an extensive dredging of the lake there to get into Norway House. I don't think there's any plans that I know of for anyone dredging it so that we could go in there. We certainly do not have it in our plans to change our route structure now.

MR. MINAKER: I see. Thank you.

MR. CHAIRMAN: Okay. Any further questions on this Venture Tours? Mr. Osland.

MR. OSLAND: Oslandivitch. Mr. Chairman, to Mr. Parsons through you. You mentioned that if they were to cut the ship and extend it, it would run around a million dollars. In the feasibility study, was there anything investigated as far as buying, like another ship, a separate unit?

MR. PARSONS: No. The reason being, if you extend the size we only had to increase the crew by six or eight people, from 42 to roughly 50, to accommodate a good number of extra passengers in the area of 100. Actually the feasibility studies . . . a very quick return on the extra million dollars.

MR. CHAIRMAN: We can proceed to Electro-Knit Fabrics Canada Limited.

MR. PARSONS: Yes. This showed as an equity investment. Actually we do not hold any shares in it at this time. The shares were given to us as a bonus by Mr. Luther at the time of our granting of the additional loan. The company is in Selkirk, Manitoba, employing in the area of 200 people. The wages paid in the Selkirk area were over a million dollars. In all there's been \$4.2 million spent for capital improvements. The capital expansion is pretty well

(MR. PARSONS cont'd)... completed now and the plant is in full operation. Our loans are all up-to-date and always have been; they're current; and really, as I say, we did have an equity position in this. When we got the 10,000 common shares as a bonus we sold them on the open market. We do not hold any equity position in this company at this time. Are there any questions regarding the operation? It's a good profitable company doing well and expanding. Good. If not, we'll carry on to the next . . .

MR. CHAIRMAN: Fine. Dawn Plastics Limited.

MR. PARSONS: Pardon me, I'll have to correct that. The Treasurer tells me we still own 10,000 shares. Mr. Luther gave us another 10,000. I didn't know that.

MR. CHAIRMAN: Order please. Let's proceed with Dawn Plastics Limited.

MR. PARSONS: Dawn Plastics is a company that was originally a part of Lighting Materials Limited and is owned by them. When that company went bankrupt we took over the equipment and, it really was a subsidiary, called Dawn Plastics Limited, and we are operating it as a - it's a blow-molding operation actually. It makes bottles. The company is operating pretty well. We have invested \$100,000 in to capitalize it. The loans are up-to-date and they are operating--well, this last year which is May 1973, showed a small operating profit. Operating profit, that's the same as a negative loss. Maybe I shouldn't mention profit, Mr. Green's--he doesn't like that too well. The company has done fairly well. It's suffering from a shortage of material such as most of the ones are in the tetro-chemical industry now, but they are marketing all the product they can produce at the present time and it is moving right along. It's a small operation; employs 14, 15 people. It has an annual payroll of about \$100,000 and is progressing.

MR. CHAIRMAN: Mr. McBryde.

MR. MCBRYDE: (Not on mike).

MR. PARSONS: It makes--it's a blow-molding operation. It makes plastic bottles.

MR. CHAIRMAN: Next one, Flyer Industries.

MR. PARSONS: I presume there were no questions on that?

MR. CHAIRMAN: No questions. Flyer Industries. Do you have a question on the last one? Mr. Minaker?

MR. MINAKER: My apologies. Whereabouts is Dawn Plastics located?

MR. PARSONS: It's out on Seal Avenue in Fort Garry. It's in the old Lighting Material Limited building.

MR. CHAIRMAN: Flyer Industries.

MR. PARSONS: Flyer Industries is now a 100 percent-owned company of Manitoba Development Corporation. You have an information report which shows you an up-to-date report as of February 28, 1974. They have an investment of \$12 million. Of that, there's about \$800,000 on short term loans; \$6,700,000 on equity, and there's 4 1/2 million in loans.

We put in a growth pattern here to show you what's happened with the company. As you know, we've expanded; built a new plant in Transcona. It's costing in the area of 4 million. The employees now amount to 491 as of the end of 1973; they're in that area now - around 500. We are producing buses for the American market under a contract with American Motors General. At the present time, the Transcona plant is in operation. We are producing what we class as shells for A.M. General; that's the basic bus shells. There are no drive components in that. They are shipped down to the United States to be completed. We have delivered 119 shells to date as of May; the balance of that particular contract will be completed by the end of this month.

We are also producing diesel buses and trolley buses out in that plant, and on our start-up program we've produced 16 complete Canadian buses.

At the present time, to bring you up-to-date, as orders on hand we have a further 32 shells for American Motors General to produce. We have 162 diesel buses and 87 trolley buses on line for this year. There are also, of course, indications that there'll be more shells for us to produce. That is an ongoing thing; as A.M. General get contracts for buses, we automatically get an order for shells.

As the present time we have quotations out and we're low tender on trolley buses in the United States, which is a new market for us. We bid on San Francisco on 343 buses; we are the low bidder, also the low bidder in Boston on 50. It's approximately \$25 million worth of business. Our sales budget for 1974 is roughly 17 million; that

(MR. PARSONS cont'd) brought us around to a break-even position on our new — Taking into consideration all our start-up operations we're slightly ahead of the budget right now. We are having some problems in obtaining adequate labour but we are working on these problems. There is a shortage of skilled labour available. Are there any questions on Flyer?

MR. CHAIRMAN: Are there any questions? Mr. Minaker.

MR. MINAKER: I'm sorry, I missed that last figure, Mr. Chairman, with regards to what the sales figure to break even this year was that was proposed

MR. PARSONS: Seventeen million was our budgetted . . .

MR. MINAKER: Seventeen million or seventy?

MR. PARSONS: Seventeen.

MR. MINAKER: Seventeen. Mr. Chairman, I wonder if Mr. Parsons might know how many shell units have been produced in the new Transcona plant.

MR. PARSONS: 119.

MR. MINAKER: . . . since it opened up.

MR. PARSONS: 119.

MR. MINAKER: And when did it open up? For production, not officially.

MR. PARSONS: I guess we started — yes, we started in December. I think the first delivery was in December.

MR. MINAKER: I wonder -- Mr. Chairman, there was one other question. It shows the total commitment for this year, or at least the first quarter, was somewhere in the order of, it looked like it totalled to about \$2.5 million. Is this additional loans that would be committed than that that's shown here for 12 million? It shows the transaction to change the equity position, I think, of \$5 million, then it shows a term loan for two million and a 12 percent on demand \$550,000, and a debenture for another three million.

MR. PARSONS: That two million, I think, was the short term while they established their bank Incidentally that's being done now, and taken off this, and the 550 is the one that you see in the short term loans. You see, the . . .

MR. MINAKER: The simplest question would be, what is the total . . . ?

MR. PARSONS: The total involvement at the 28th of February is added on this information.

MR. MINAKER: But what would be the total involvement as of March 31st? Because this is what we're working with in the Gazette.

MR. PARSONS: It'll be another two million.

MR. MINAKER: That's what I was getting at. It'll be another two and a half or two million.

MR. PARSONS: Another two.

MR. MINAKER: Two million, eh?

MR. PARSONS: Yes. That is short term also.

MR. MINAKER: The other question relates to, really — I don't know whether it's a competitor or what — would be Sheller Globe; are they a competitor of Flyer Industries?

MR. PARSONS: No. Sheller-Globe are not. Sheller-Globe produce school buses, Flyer Industries does not.

MR. MINAKER: There's no plans for Flyer Industries to get involved in the school bus productions.

MR. PARSONS: No, not at all. No, the Morris plant is run by Sheller-Globe and that is strictly school buses. They're basically — just to give you the competition, General Motors is the largest one in Canada and Flexible-Rohr in the United States, there's basically three bid on the buses.

MR. CHAIRMAN: Mr. Axworthy.

MR. AXWORTHY: Yes, Mr. Chairman, I have two sets of questions. One deals with the operation of the company itself, and I notice with some interest that you received a grant, I believe from the Federal Government, to undertake some R & D work in the development of the mini-bus program, is that correct?

MR. PARSONS: Yes, yes, that's correct.

MR. AXWORTHY: Could you describe a little bit what programs of research and development into urban transportation systems are being conducted by Flyer, both in terms of its own resources, any arrangements it may have, say, with other organizations doing similar research? Do you have any connection with the Ontario government, for example, its new urban transportation corporation and so on? Could you describe this in a little bit more detail

(MR. AXWORTHY cont'd) than what is present in our report, where your planning is going in this area?

MR. PARSONS: Well, this particular grant that you're referring to was for the mini-bus program, which is probably a Dial-a-Bus, carries 18 to 25 people. We put in a proposal to the Federal Government that we wanted to research this. They gave us the grant on that basis. We do have communication with the other . . .

MR. AXWORTHY: What kind of research are you now doing in this area?

MR. PARSONS: We're actually building a prototype. We've done the engineering and are building a prototype.

MR. AXWORTHY: Will this be used in Winnipeg? Tested in the Winnipeg area?

MR. PARSONS: Yes. We hope it will be.

MR. AXWORTHY: Do you have plans for that right now?

MR. PARSONS: Yes.

MR. AXWORTHY: Could you describe them?

MR. PARSONS: Well, there is a proposal for a mini-bus program or a Dial-a-Bus program for Winnipeg this fall, that the Metro Transit will be running, and we hope to be able to supply them by this fall with probably four prototypes - in that area.

MR. AXWORTHY: Are there any other groups submitting proposals for prototypes for this mini-bus program in Winnipeg, or are you the only supplier?

MR. PARSONS: I couldn't tell you that. I assume there would be others. There are other types of small mini-buses out now. Basically, though, the mini-bus that we are looking at right now is built like a bus; the other ones are really converted bodies on truck chassis. They do not have the same capabilities as a bus chassis. So this will be a proper bus, not a conversion of a truck with a bus body on it. There'll probably be other people propose if Winnipeg tender on it.

MR. AXWORTHY: Have you undertaken any work on other forms of, say, higher speed, public, urban transit systems, say that would be adaptable to the proposals being talked about for high speed systems in the City of Winnipeg, say connecting Fort Richmond and downtown Winnipeg? Is this part of your work?

MR. PARSONS: We have done some work; we've started on some of the studies but we haven't actually spent any time on this type of thing. We've been spending all our time on getting the new bus going and on the mini-bus program. We haven't . . .

MR. AXWORTHY: Have you done any work on the LRT systems at all that Edmonton and Calgary are now looking at?

MR. PARSONS: No. We know about them. We've sat in, we've been watching their development, but we have not spent any money at this point.

MR. AXWORTHY: I see. Is there any plans for further developing this capacity of Western Flyer Coach?

MR. PARSONS: I would think that we would always be watching this, yes, and once we get one program out of the way we'll be watching the developments and, as I say, we do have representation on those councils.

MR. AXWORTHY: Now, Mr. Parsons, the next line of questioning is one where I'm really using the example, the Flyer Industries, to see if there's a more general principle being applied. I notice that during this last year the company, because of the equity position held by MDC, became in effect considered as a Crown corporation under the Income Tax Act, and therefore it was released from any obligations to pay income taxes and so on.

MR. PARSONS: Yes.

MR. AXWORTHY: And it was released in previous years because it wasn't making any money.

MR. PARSONS: That's correct.

MR. AXWORTHY: Which is a somewhat different situation - well it's a different name for the same thing. I'm just wondering, in terms of looking at the sort of financial formulas that are applied to MDC investments, is this a basic strategy that underlies the operation of the Corporation to eventually acquire a sufficient equity position to translate most of your loan agents into Crown corporations because of the preferable position that we're told would be achieved because of its Crown corporation status?

MR. PARSONS: No, we haven't used that as a philosophy at all. It came about, we needed, we wanted to expand this and the opportunity was there. It was only a small holding by an outside group anyway, so we felt that for the company it was the best thing to purchase the

(MR. PARSONS cont'd) shares, so we did. But we haven't got a general philosophy in taking over the companies that we have invested in.

MR. AXWORTHY: I see.

MR. PARSONS: If the opportunity is there and it looks profitable, then I would think it would be a good move, but we certainly don't have any guidelines that we do this, and it's not a policy.

MR. AXWORTHY: Okay. If it's not a philosophy or a guideline, have you in this case and in other cases sat down and worked out, kind of on a cost balance sheet, the end result or the end cost to the public in terms of one form of equity position or a loan position, or the translation of that agent into a Crown corporation? And by this I mean adding up all the different costs that occur because of the payments on loans that are held by the government, it has to acquire capital and make transfers to you which you transfer to companies, and at the same time if you eliminate one of these agents from the market in effect so it's not returning sort of out the other end in the taxed revenue, have you ever worked these formulas out to determine on that kind of sheet what the comparative positions may be or the comparative advantages, really, of one form of organization versus the other?

MR. PARSONS: Yes. You're getting into a pretty broad area. We take each company and take a look at what it'll do to it, yes. We haven't done that very much. This is probably the only one where there was outside shareholders in a small minority position that we have done this with. There's a minority position in Saunders Aircraft. We have a minority position in several companies, as you've seen. So I think you have to look at each one individually and work it out. We do work out, what you say, we work out the projections, we work out the budgets and see what advantages there are before we would make a move, and we did on this one, and it was definitely to our advantage to own 100 percent rather than own 81 percent.

MR. AXWORTHY: I see. So just to clarify that last statement. You say when you worked these figures out; do you take into full account sort of all the costs incurred, not just the ones that are sort of immediate operational loan costs but over a certain period of time, and then you work out the comparatives?

MR. PARSONS: Yes.

MR. AXWORTHY: Is that kind of information ever made available, or is it considered to be privileged information, or is it the kind of information by this committee?

MR. PARSONS: Well, I think you're getting into a lot of detail if you wanted to table that, because there's an awful lot of paper work goes into a study like that. Well, I wouldn't have any objection to sitting down, but to table a study like that is quite extensive and quite costly if we were going to put them into a form where we tabled it.

MR. AXWORTHY: Well, the purpose in asking is this; that obviously there's a number of questions about the question of public investment into industrial production and so on, and what is the best form and the most effective way of carrying this out. And I gather from your answer, you say you do it on an individual basis . . .

MR. PARSONS: We do.

MR. AXWORTHY: . . . and it depends on each case. But I think that as a committee of the Legislature which has some stewardship over, not just trying to review the way the funds are spent but also the basic strategy that it's employed in this respect, there is some confusion about the most effective way of pursuing this investment of policy, and I'm not necessarily asking for the full kind of every accounting sheet, but I'm wondering if there is at any point you've articulated or able to articulate sort of the relative advantages or pros and cons of one position over another.

MR. PARSONS: With Flyer Industries it's quite simple, that as I say, the equity position that we brought up was relatively minor and it gave us, where we get into a tax position, it would be a major tax saving to have it--We have to own 100 percent in order to become a Crown corporation. To have 18 or 19 percent out for a very small dollar figure wouldn't make any sense. So I mean that particular one was very easy to look at. We had a big dollar invested here compared to what the other people had. Theirs was less than \$100,000, so one year that you are in a taxable position you have to pay full taxes. Under the old arrangement it would certainly pay us to pick up the small amount of shares that were out.

MR. AXWORTHY: So you are saying then that rather than receiving the public purse in a sense rather than receiving its return on its investment through a tax position, if a company ultimately became profitable like, you're saying that it is receiving its return from a dividend arrangement plus the shares it holds.

MR. PARSONS: Much better for the province, because the federal income tax that we would be paying doesn't come back to the province per se 100 percent, whereas a dividend would.

MR. AXWORTHY: So you're saying that in this case it's an advantage to the province but not necessarily to the common weal of Canada.

MR. PARSONS: I'm just interested in the Province of Manitoba at this point. Over and above that, because we're producing a bus here in Canada and we are producing it cheaper than importing the ones from General Motors, that we are doing over-all good for Canadian properties, but for our profit position in our company, then the money would remain here in Manitoba rather than be spread out - if that's what you were looking at. And there's two points that . . .

MR. CHAIRMAN: Mr. McGill.

MR. MCGILL: Mr. Chairman, I just have a few questions for Mr. Parsons on the capability of the plant in terms of production capacity. How many shells can you produce a month in the plant?

MR. PARSONS: Your answer should relate to shells, diesel buses and trolley buses. Well, we'll answer one at a time. The shells we have produced up to ten a week. At the present I think the last two weeks we've been around seven shells.

MR. MCGILL: And you'll complete the order for shells by the end of the month you think? There are 32 shells to go, eh?

MR. PARSONS: Yes, we will. Actually the plant will have a capacity, when we get it built right up, to produce six shells a day. Are you talking about present production, what the plant will . . .

MR. MCGILL: Capability, I'm talking about.

MR. PARSONS: Well, the capability is six shells a day when we get the lines all going, but remember, we're only in a start-up position; we only have three lines working. It has a capability of producing six lines.

MR. MCGILL: So you have a shell line, a diesel bus line and a trolley bus line; are those the three lines?

MR. PARSONS: The diesel and the trolley would be the same.

MR. MCGILL: The same, eh? And while you're producing ten shells a week, how many diesel buses and trolley buses can you produce?

MR. PARSONS: The plant will have the capacity for two a day. Right now we're at about three or four a week. We're less than one a day at this present time.

MR. MCGILL: And what is projected capacity?

MR. PARSONS: We can produce two diesel or trolley buses per day and six shells a day, yes.

MR. MCGILL: I see.

MR. PARSONS: That's when it's right up to full capacity.

MR. MCGILL: And you have orders now, incompleting orders for 32 shells, 162 diesel buses and 72 trolley buses?

MR. PARSONS: Well, 87 trolley buses.

MR. MCGILL: 87.

MR. PARSONS: I'm sorry, I didn't hear you. There's 32 shells to complete, there's 162 diesels, 87 trolleys.

MR. MCGILL: Have you any other orders for shells?

MR. PARSONS: No. As A.M. General bid, we have the option, under our contract, to accept three shells per day, but at the present time we have 32. They have asked us to take on some more - which we will next month. So right now we're . . .

MR. MCGILL: The orders are on a monthly basis and rather than on a contract . . . ?

MR. PARSONS: No, they're both ways. When we were starting up they were asking us to take more than we could meet, so we had to say that we'll only take 150 of the first 550 buses because that's all we could produce in the time limits. There's time limits on delivery. Of the next order we took 30, I think it was. Now there's other orders coming up they've been asking us to take, so I think our shell capacity will be used providing they keep getting orders.

MR. MCGILL: So really you're projecting production from month to month rather than on an annual basis?

MR. PARSONS: No, we have a projective on annual basis. There's 310 shells projected for this year and 298 buses, to give you a total of 600, which produces your 17 million.

MR. MCGILL: Would you mind just repeating now your current employment totals in terms of personnel?

MR. PARSONS: There's approximately 500 in total.

MR. MCGILL: Then for maximum production in the plant, how many would you need?

MR. PARSONS: There'd be another 200, I guess, to complete a second shift. You see, we're only running one shift right now. Probably another 200 to run another shift in the assembly.

MR. MCGILL: You're having difficulty getting skilled tradesmen?

MR. PARSONS: Yes.

MR. MCGILL: Do you have to go out of the province to recruit tradesmen?

MR. PARSONS: Well Manpower advertises for us right across the country, but they've had a shortage of welders, sheet metal workers. They have been trying to get them right across the country for us.

MR. MCGILL: Are you running any training programs?

MR. PARSONS: Not in Flyer, no. Mind you, there's always a certain amount of on-the-floor training, yes, which is a part of our learning . . . starting up, which costs us money, but it's not an established school thus far.

MR. MCGILL: It was suggested at one time that there were some labour problems at Flyer Industries. Could you comment on that, the present situation?

MR. PARSONS: Labour problems, are you asking about unrest within the labour force or the labour problems we have in obtaining it?

MR. MCGILL: Unrest within the labour force.

MR. PARSONS: There was some, because of the move from Morris. They were worried about job security and so on. That hasn't proven up. We had some come down to Transcona; as the capability in Morris became necessary some of them moved back. I think there's only about four or five that came down and stayed here. As soon as they'd get jobs back there, then they did. So there was more talk really about the unrest than there was unrest, I think.

MR. MCGILL: In your view, then, there is no problem, particular problem, at the moment between management and hourly rated employees?

MR. PARSONS: There's always the odd grievance but basically I would say not.

MR. MCGILL: Is there a union shop?

MR. PARSONS: Yes, a full union shop.

MR. MCGILL: Thank you.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Thank you, Mr. Chairman. Concerning the questioning that Mr. McGill was following, you indicated, Mr. Parsons indicated there was an order for 32 shells, 162 diesels and 87 trolley buses, I believe, that the company has for this year, and I think I missed a figure. Does that represent \$25 million in sales?

MR. PARSONS: No, seventeen.

MR. MINAKER: That represents \$17 million. My understanding is that that is a figure you need if you projected your cost, production cost, correctly for this year, and the profit on such, that you should break even - all of Flyer Industries?

MR. PARSONS: We need 310 shells. I think the figures that I gave you so far added up to about 150 shells, but our total sales projected for this year is 17 million. In order to get to that we need 293 Canadian, 310 shells. That is our projections for this year. We pretty well have that lined up right now. As you can see, out of 298 we have 162 plus your 87, and there's other orders coming in on those.

MR. MINAKER: With regards to the loans and equities, Mr. Chairman, I wonder, there's an indication that there was \$5 million equity replaces the interim MDC financing. I would surmise that that is for the purchase of the outstanding shares that were held by employees, or former employees.

MR. PARSONS: No. The outstanding shares that we picked up were very minimal. As I said, there was less than \$100,000.

MR. MINAKER: And that was for the 15 percent or . . .

MR. PARSONS: It was almost 19 percent. The equity that was put in was very minimal.

MR. MINAKER: I wonder if, Mr. Chairman, Mr. Parsons can advise how many people were involved in the ownership of those shares prior to MDC purchasing.

MR. PARSONS: Four.

MR. MINAKER: There were four.

MR. PARSONS: And there's still one shareholder, other than ourselves, for 320 shares. He's an old employee, goes back years, and he will not sell it. He likes to come to our meetings once a year. He's a very nice chap. But he won't--he just hangs on to the shares.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Well, Mr. Chairman, I want to follow up a little on Mr. Axworthy's questions which sort of mooted the possibility that the equity is taken in order to avoid, or in order to be in a better tax position, so that we get the dividends rather than pay taxes. You know, I'm really wishing that that was so, but it has not happened to date that we have had a position whereby we save taxes by being in an equity position. Or if it's happened, I'll be very pleased to know it, but I don't know if it's happened anywhere.

MR. PARSONS: No, it hasn't happened yet.

MR. GREEN: Is not the most of the equity situations that we have, have they not arisen either by virtue of us having foreclosed previous private loans such as Venture Tours, such as Dawn Plastics, and I can give other examples, or where we have gone into something where the risk has been so high and the other investments so low, that it would not be fair except for the corporation to take the equity position.

MR. PARSONS: Yes, that's basically correct. Mordean Cannery's an exception, where we went out and bought up, actually went back into business. Canadian Canneries had closed up, it had been closed for a year. That's where we actually went out and bought a facility and went back into production with it. We had no loan previously in that establishment, so there is one where we went out and actually bought a facility and started the operation. Phoenix Data, a computer centre, was another one. We didn't have any prior interest in that.

MR. GREEN: That's a firm that went belly up in Winnipeg and . . . ?

MR. PARSONS: Both the firms went out of business in Manitoba.

MR. GREEN: Right.

MR. PARSONS: But we didn't have any investment in them. We went out because we thought it would be a good thing to have it back in the community.

MR. GREEN: So that our equity positions--for instance with Flyer, if the firm was making money and the people that had the small investment were prepared to put up the kind of money that the Corporation put up, if the firm was profitable they wouldn't have been interested in having us as an equity partner.

MR. PARSONS: That's right.

MR. GREEN: So the equity has come about by force of circumstances rather than by design of the Corporation as a deliberate policy.

MR. PARSONS: Well partly, except that with Flyer Industries, of course, we did a planning study on the expansion and this involved a lot of dollars to be invested into a program to make it a viable company.

MR. GREEN: Yes, but would that not be . . . ? I mean, if any private investor . . .

MR. PARSONS: Well, a private investor would do the same thing if he had the dollars, I suppose.

MR. GREEN: So it's not really been a tax decision, it's been a business decision.

MR. PARSONS: That's correct. The tax benefits that Mr. Axworthy is talking about was an extra benefit that we get by being 100 percent.

MR. GREEN: Now unfortunately we haven't got it yet. In any of the areas, I don't know that we have--I mean I wish it were the case, but I do not know any areas to this point - and I'd like you to correct me if I'm wrong - where we have benefitted by non-payment of Federal income tax, not that I wouldn't like it to happen, but has it happened yet?

MR. PARSONS: No. No. We made a profit in Dawn Plastics, but even if that had been private there were losses to pick up from prior years, so this next year we will have that benefit in that particular company.

MR. GREEN: Again, that was not a deliberate policy. Dawn Plastics was a private firm that's had a loan from the MDC that went into receivership.

MR. PARSONS: Yes.

MR. GREEN: Now, Mr. Chairman, I'm putting the questions to you, not because I see something unholy about doing it, as a matter of fact I see something very desirable about doing it. My complaint is, or my question as I pointed out, that it just hasn't been done. Not that it's not a good thing or a bad thing, it has not happened as yet.

MR. PARSONS: An expensive way of avoiding taxes, though.

MR. CHAIRMAN: Mr. Bostrom.

MR. BOSTROM: My question's been answered.

MR. CHAIRMAN: Mr. Axworthy.

MR. AXWORTHY: I just want to solicit a slightly bit more information based upon Mr. Green's line of questioning. I gather from the definitions that he set out in your answers, that you are saying that the only reason that we haven't benefitted so far is because we've been, all the equity control that we had have been in companies or in organizations that haven't really been in a profit position to provide that, and that's been more by bad accident than by design, I would hope.

The other line of questioning, though, is that when we come back to this question of the relative value of different forms of investment, and different forms of public investment particularly, we hear a great deal these days about the difficulty with incentives given to large corporate organizations. I think some people in this country went around saying it's a form of rip-off. Is this also perhaps even a more extravagant form of rip-off to Crown corporations in effect? We hear that there's all kinds of incentives being given to private groups and corporations and now we are hearing it. In fact, if the Government of Ontario wanted to take over Inco or something, or Stelco in Hamilton, and make it into a Crown corporation responsible to the Government of Ontario, we would lose all the tax benefits and it would not have to pay taxes even though it is now a profit-making operation. So would you say that that would require some changes in our tax laws to close the loopholes related to the operation of Crown corporations?

MR. GREEN: Aren't we entitled to the rip-off for a change?

MR. AXWORTHY: Well, I'm saying that the rip-off is now there. I'm just saying we now have a rip-off except we don't know how to make use of it because we invest in bad risks. Is that right?

MR. CHAIRMAN: Mr. Axworthy, you're asking for an opinion.

MR. AXWORTHY: Well, Mr. Parsons is in the business of operating this kind of investment procedure and he is a source of information and opinion for us. That's how we have to come by it.

MR. PARSONS: Well, as I said before, this is not the reason that we do this; it's an extra benefit that accrues to us because a Crown corporation isn't taxable. I mean, you have the same thing with co-ops, I suppose. You can pick up a lot of areas like that. You asked me if it was a benefit and I said yes. It's an extra benefit that accrues to us but that is not the reason we do it.

MR. AXWORTHY: Yes. It's a benefit to the investment agency; it may not be a benefit to the government as a whole which relies for its sustenance on taxes.

MR. PARSONS: Well, basically it should be, because the return comes back indirectly to the government. More so. But, as I say, by having it by the way of dividend rather than a shared tax arrangement with the Federal Government, the Province of Manitoba is far better off to have it that way.

MR. AXWORTHY: But we don't have to pay any federal corporate taxes as a result.

MR. PARSONS: That's correct.

MR. AXWORTHY: The Federal Government is offering very generous on the rip-off, then, to Crown corporations. Is that right?

MR. OSLAND: Crown corporations is the people.

MR. AXWORTHY: Bull shit.

MR. CHAIRMAN: Watch your language.

MR. AXWORTHY: Pardon me, gentlemen.

MR. CHAIRMAN: Mr. Jorgenson.

MR. JORGENSEN: Mr. Parsons, in response to a question from Mr. McGill concerning labour-management problems at Flyer Coach Industries, you indicated that that was a result of the transfer of the operations from Morris to Transcona. I suggest to you, Sir, that it isn't. That transfer took place last fall.

MR. PARSONS: Well, I don't know what unrest he was talking about. The last time I was here we were talking about the unrest and I assume that that was following up that.

MR. JORGENSEN: Well, Mr. Parsons, then let me read to you or bring you up-to-date on what has transpired. Two letters, one on April 15th addressed to the Premier, and another one on April 18th addressed to the Premier, and in these letters I will just briefly summarize some of the contents of those letters. It will give you some indication of the kind of unrest and

(MR. JORGENSEN cont'd) perhaps the reason why it's difficult to get employees to work at that plant. I would suggest to you, Sir, that there may be a reasonably good case here for some investigation of management.

The first letter goes on to say, "In recent months the management of Flyer Industries Limited seems to have launched a concerted campaign to break the union in the plant and this has been particularly serious in the Fort Garry operation." The Fort Garry operation, Sir, never had anything to do with the transfer of the plant from Morris to Transcona. Such statements as, "Management refused to listen to the union", such statements as, "incompetent management" appear in the text of this letter, and then they draw to the Premier's attention four points that seem to indicate that some of the problems that are experienced at Flyer are due to management. First of all, an absenteeism rate that we estimate to be close to ten percent. Secondly, a high rate of industrial accidents, a lot of people on compensation and a lot more who go to the hospital but who don't end up missing work beyond that; a high turnover rate. At the Fort Garry plant, we think it might be as high as 25 percent since January 1st, 1974, and my experience with the management of Flyer Coach Industries in Morris leads me to believe that this is not too far out. And I might say "deliberate" on the part of management. An unbelievably high rate of waste. Then we go on to . . .

MR. PARSONS: Who is that letter signed by?

MR. JORGENSEN: This particular letter was signed by a group of concerned workers at the Fort Garry plant.

MR. PARSONS: All right.

MR. JORGENSEN: The second one was signed by, and this is under the letterhead of the Canadian Association of Industrial, Mechanical and Allied Workers and under the signature of Patrick McEvoy who is the regional vice president of the Canadian Association of Industrial, Mechanical and Allied Workers. Some of the comments that appear in this letter go as follows: "The employees have alleged at many meetings the waste of materials." And I personally have had some experience of that in the Morris plant. "Mismanagement. Undue harassment by supervisors and frustration of proper grievance procedures. Although the union is in the plant they have been frustrated at every level of legal grievance procedure. The general working conditions are deplorable." It goes on to say, "We have seldom encountered such hostility and lack of consideration for the employees in private enterprise." And then further on, "We can only assume that they are giving implicit approval to the regressive management." And that's referring to the government who owns the plant.

The final paragraph in the letter goes on to say, "Contrary to Mr. Paulley's statement" - and the statement he's referring to is the statement that was made by Mr. Paulley in the House when I first drew this matter to his attention after I received a copy of this letter on April 15th. It goes on to say, "Contrary to Mr. Paulley's statement that he does not interfere in a plant where a union is formed, he is ignoring the situation in which the government itself is the employer and perhaps it is in his own interest to ignore the plight of its employees."

Mr. Parsons, I suggest that the transfer of the employees from Morris to Transcona is not the problem today, it's an entirely different one, because there are very few workers left from Morris.

MR. PARSONS: That's right. Yes.

MR. JORGENSEN: Workers in Morris, they tell me, would not stand to work in such a plant under such management and so they are leaving one by one as soon as they can find employment elsewhere. I suggest to you, Sir, that the problem at the Flyer Coach Industries is much more serious than you have given the Committee the right to believe that it is.

MR. PARSONS: Well, we have tried to trace some of that back or as I said basically trace back to one or two people. Generally, I don't think, I think that's exaggerated but we have been looking into this. As I say, we did uncover two or three instances we have corrected, but we couldn't find that letter that's written you know by a group of concerned employees, we couldn't trace down. If they won't sign the letter, it's very difficult to deal with them. The one with the union of course we can with Mr. McEvoy.

MR. JORGENSEN: Well since one was written three days after the other, the one that was signed was written three days after the first one, there must be some substance to the first one if in the final analysis the union representative did write a letter which is . . .

MR. PARSONS: Yes, we talked to him about it and if they don't table their grievances - I mean they have a grievance committee - if they don't table them, then we can't deal with them.

MR. JORGENSEN: Yes, but there's a paragraph in that letter that says although the union is in the plant they have been frustrated at every level of legal grievance procedure. Now, I wonder just how the management of that plant can frustrate legal grievance procedures by the union.

MR. PARSONS: They can't. If there's a legal grievance, it's taken up. And they have been.

MR. JORGENSEN: Well, what action has been taken on the part of management then to correct some . . .

MR. PARSONS: You're talking about legal grievances. Every time there's a legal grievance and I checked into this, it's been taken up and solved. The only way they can do it is legally. If they have a grievance and don't submit it, there's nothing I can do about it. I don't know what grievance he's talking about there that legally haven't been looked after.

MR. JORGENSEN: Well if it's impossible to submit legal grievances to management . . .

MR. PARSONS: It's not impossible, you don't have to . . .

MR. JORGENSEN: Then who can they go to?

MR. PARSONS: There's a grievance procedure in every union contract and they're going to have to - if they have a grievance they don't have to worry about going to management with it. They file it and management has to deal with it.

MR. JORGENSEN: And is it being dealt with?

MR. PARSONS: Yes. I mean this is what I'm saying. That particular procedure is laid out and they are being dealt with.

MR. JORGENSEN: Have you investigated the charges of waste?

MR. PARSONS: Yes.

MR. JORGENSEN: Which is a charge that came to me long before the letter was filed in this House on April 18th. I heard that in Morris . . .

MR. PARSONS: Yes, we heard it in Morris too. Yes.

MR. JORGENSEN: . . . with the operation there.

MR. PARSONS: Yes, well there was some - probably some area for that being stated. We investigated it.

MR. JORGENSEN: And has that been corrected?

MR. PARSONS: We think it has been.

MR. JORGENSEN: That's all, Mr. Chairman.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Yes, Mr. Chairman. I would like to follow up these questions despite the fact that I . . .

MR. CHAIRMAN: Well, Mr. Green, I have you on the list. Mr. Minaker.

MR. GREEN: I'm sorry. It's on this area.

MR. MINAKER: I hope that we do get to Saunders.

MR. PARSONS: It's next on the list.

MR. CHAIRMAN: It's on the list.

MR. MINAKER: I did have a question relating to Flyer but because we're on this particular subject I don't want to break in.

MR. CHAIRMAN: Yes. Mr. Osland.

MR. MINAKER: I'll pass to Mr. Green. But I still want to be heard too, Mr. Chairman.

MR. CHAIRMAN: Fine. Mr. Green.

MR. GREEN: Well, Mr. Chairman, is it uncommon in the realm of industry for employees or anybody else and I'm not criticizing them for this, for this being critical of management? To your knowledge . . .

MR. PARSONS: I'm sorry.

MR. GREEN: . . . is it uncommon for employees or sometimes the union to be critical of management?

MR. PARSONS: I think employee criticism of management occurs every day.

MR. GREEN: Does the contract between the company and the union provide for grievance procedures which under the law has to be taken up in accordance with the law?

MR. PARSONS: Yes; yes.

MR. GREEN: And is it helpful in labour-management relations for the union to appeal to the government to assist it in its case or for the government or for a company to appeal to the government to help it in its position against the union to your knowledge?

MR. PARSONS: No, I don't think it's a proper procedure. How could the company manage if there's--as I say, we have investigated it to make sure that it is the company's management responsibility to deal with this. I would not get in between the company management and the union. I'd investigate the charges as they are laid out there and make sure that our company management are looking into these. But as far as us taking an active role or as you say if the union comes to the government and the government deal with the union, then we're going to eliminate management's effective role in these companies.

MR. GREEN: Has the government in any way through the Minister responsible to whom the fund reports or through any other Minister asked the company to somehow deal unfairly or to ignore the complaints of the union?

MR. PARSONS: No. No, there's been, to my knowledge there's been no contact with the Minister as far as labour is concerned.

MR. GREEN: In the unsigned letter by the four employees, is there not a statement as you recollect it? I don't know if you've seen the letter, the concerned employees' letter.

MR. PARSONS: Yes, when they read it out, I had seen that one.

MR. GREEN: Is there not a statement that the employees approached the company and the company said that it would talk to their union, that it would not deal directly with the employees unless they presented a grievance through the union?

MR. PARSONS: I don't know that the contents--maybe . . .

MR. GREEN: May I see the letter, Mr. Chairman?

MR. PARSONS: We couldn't trace down the letter and management couldn't either. We asked the union about it as a matter of fact and they said they didn't know where it came from. If they had knowledge then they didn't tell us.

MR. GREEN: They elected two people to represent their case to management and when these people told management that they were not representing the union but rather the workers on the floor, management refused to listen to them. Now in your knowledge of industrial relations, if management dealt directly with people who say they were not representing the union but representing themselves, would that not be going over the heads of the union?

MR. PARSONS: That's right. That's specifically laid out, that we don't deal with them unless it does come through the union.

MR. GREEN: Wouldn't dealing with a group which was not dealing with the union be the worst form of labour-management relations?

MR. PARSONS: Well, we'd certainly get in a lot of trouble if we did that with any of the companies.

MR. GREEN: In the letter from Mr. McEvoy, he says, "We have seldom encountered such hostility and lack of consideration for employees in private enterprise." He also makes the statement - I beg your indulgence for a minute - "The company has embarked on a course of hiring supervisory personnel from a related industry where the track record of industrial relations has been extremely poor." They have hired supervisory personnel from a related industry where the track record of industrial relations has been extremely poor. Is he not saying that some other private industry has had extremely poor labour relations and that we are hiring them from these people? I mean is that not what he is saying, that there is a private industry that has extremely poor labour-management relations and we are hiring them from them? And is that not a contradiction with saying that we have seldom encountered such hostility and lack of consideration for employees in private enterprise?

Now, Mr. Chairman, I ask these questions because I ask of the chairman, does he think that there would be better labour-management relations if the union proceeded to deal with government or if the company came to government asking them to help them with their employees by enacting some labour laws which would make them in a position not to deal directly with the union?

MR. PARSONS: Well you have to take a look at the company and we have to keep things in relative line, order, and if we're going to have management and company and we're going to have a union and company and the peoples that should deal together, we should not have government on either side of them. It would be class interference in my opinion.

MR. GREEN: Would you imagine, Mr. Chairman, any labour-management situation employer-employee situation where there were no problems arising as between the employees and the employer forgetting for the moment who is at fault?

MR. PARSONS: Well, there's always grievances come up and they're dealt with.

MR. GREEN: What is the best - and I put it to you - that the best means of achieving good industrial relations is to have these things done through the union and management in accordance with the provisions of The Labour Relations Act.

MR. PARSONS: Well, certainly that's why you have a contract.

MR. CHAIRMAN: Mr. Jorgenson.

MR. JORGENSEN: Just one question, Mr. Chairman. Does it not strike you, Mr. Parsons, the fact that these people saw their way or felt that it was necessary to write to the Premier, indicate that there is a far greater problem or serious problem at that plant than in normal worker-management relations?

MR. PARSONS: You're assuming that there's a group of concerned employees, more than one or two or three people.

MR. JORGENSEN: I am speaking particularly of the letter signed by the union representative, Mr. McEvoy.

MR. PARSONS: Well, we've talked to the union and I don't know that there's a large problem. I do not interfere. I've checked with the management to see what has happened with this. They are dealing with the problem; I'm not going to get in between the union and management. I don't think we should at any point. But we make sure that they really sit down. He's talking about not accepting grievances. There is no way management cannot accept a grievance.

MR. GREEN: Mr. Chairman, one further question. Do you think that as a matter of general industrial relations that when a union or when employees are having trouble or have grievances relative to their employer, public or private, that the government should climb in to that employer, public or private, and try to make management deal with those grievances in a particular way?

MR. PARSONS: Definitely not. You'd destroy both union relationship and management if you did that.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: I wonder, Mr. Chairman, can we start to deal with Saunders?

MR. PARSONS: I've asked--that's next on the agenda. If we're through the questions then we can get right into Saunders.

MR. CHAIRMAN: Any more questions on this? Mr. Osland.

MR. MINAKER: I have one basic question if I can get a short answer.

MR. CHAIRMAN: Well, you ask the question.

MR. MINAKER: It dealt with the terms that the NDP uses in getting equity in a company and my understanding in the explanation was that they either negotiate at the time a loan is made, there is agreement between the two parties that they will get ten percent equity for so much loan and so forth or at the time of receivership to save the funds that have been expended by MDC to pick up an equity in the company. I'm wondering, has the MDC at any time written into an agreement on a loan that if the payment isn't made by a certain point or upon demand of the loan that the MDC is guaranteed of a certain equity in the company?

MR. PARSONS: We have taken shares as part of our security. In other words, if a company goes bankrupt we may be holding the shares of those individuals as part of the security.

MR. MINAKER: Would you write into an agreement that the demand payment was made by MDC that the company would have to provide so many shares to MDC?

MR. PARSONS: No, the only way there would be a demand made is if the company was in default of its payments, and then we would probably hold the shares as equity anyway, so we wouldn't have to do that. But often shares are pledged as security, I think which is normal course. And if the company goes in default we would automatically receive those as part of that.

MR. MINAKER: Mr. Chairman, dealing with Saunders, I wonder if Mr. Parsons could advise us if the new model that they are producing . . .

MR. CHAIRMAN: Order please, we haven't come to that point. There's another question. Mr. Osland.

MR. OSLAND: Mr. Chairman, through you to Mr. Parsons, I was wondering if--we kind of got into a philosophical debate and I lost track of where we were going here. I'd like to ask if we could have the terms of reference as laid down to you, Mr. Parsons, and why you take financial positions in companies, what your eventual goals are; and I think the terms of reference may eliminate a lot of . . .

MR. PARSONS: Well, of course, they've all been tabled. We work under the Manitoba Development Corporation Act, together with Minister Green tabled our guidelines, and those

(MR. PARSONS cont'd) are the only rules that we have. We don't have any other hard and fast rules that we follow. We have to follow the Act; it is fairly broad. We have developed guidelines, which were tabled, on what we're doing. And that is all the . . .

MR. OSLAND: I was just wondering, another point . . .

MR. CHAIRMAN: Mr. Osland, there is an Act by which the MDC operates.

MR. OSLAND: Right. And this is what I would like to have at our next meeting, is to have Mr. Parsons present this before we start the thing so that everybody knows where the heck the government stand, what the policy is, and then maybe we can keep out of this--oh, I don't know what you'd call it, but it's . . .

MR. CHAIRMAN: Mr. Dillen.

MR. DILLEN: I have one question, and it may require another. How many cases have, to your knowledge, gone to arbitration in the past year? How many grievances, that is, have gone to arbitration in the past year?

MR. PARSONS: You mean, in all of our companies, or . . .

MR. DILLEN: No, just this one, with respect to the letters that have been received.

MR. PARSONS: I can't answer that. I don't know of any, myself. We've had--I'll have to get that answer for you. I don't know of any grievances that have actually gone as far as arbitration. We've had grievances but basically they, to my knowledge, I don't think any of them have gone as far as . . .

MR. DILLEN: So really they have been either settled satisfactory to the grievor, or the union felt that they didn't have a grievance that would stand . . .

MR. PARSONS: Basically they've been settled without going to arbitration.

MR. DILLEN: If, for some reason, the government were to become involved in the collective bargaining process and the grievance procedure as part of the collective agreement, if the government were to become involved and intervene in that agreement, wouldn't that be contrary to the collective agreement itself?

MR. PARSONS: Oh, yes.

MR. DILLEN: There are no provisions for government intervention.

MR. PARSONS: No. Never at any time, any agreement.

MR. CHAIRMAN: Mr. McBryde. No questions. I thought you had some time ago and I neglected to put your name down.

MR. McBRYDE: That was last week. (laughter)

MR. CHAIRMAN: Mr. Axworthy.

MR. AXWORTHY: Yes. Just one other short question to Mr. Parsons. It seems you have now described that the Corporation is now transferring itself from being basically a lending agency and increasingly getting to become a holding corporation.

MR. PARSONS: No, that's not correct.

MR. AXWORTHY: Well, de facto it's becoming that way. It may not be in terms of reference but in fact that is what you are becoming, a holding corporation, the holder of equity share capital in these various operations.

MR. PARSONS: Yes. We lend more money than we have in equity.

MR. AXWORTHY: That may be, but the fact is that that is increasingly becoming a trend. It appears that you're increasingly taking more equity and more control and therefore becoming, in part, a holding company.

MR. PARSONS: In part.

MR. AXWORTHY: Okay. Has there ever been any discussion by the board of directors of MDC or board of directors and its government sponsors, about offering or setting up a subsidiary corporation which would offer direct shares to the Manitoba public so that they could determine through their casting of that share ballot whether they in fact approve or disapprove of the investments being made, and if there ever was a profit that they would gain directly in the dividends of that?

MR. PARSONS: We haven't really got to that stage yet. I don't think it's beyond the realm of possibility to do this. You don't go to the market with companies that you're just bringing on stream. You either go before that, or once you start to turn around and show a profit so that you can market your shares, then that would be the point to consider it. We haven't really considered it but it's certainly not out of the realm of possibilities.

MR. AXWORTHY: Therefore that is a potential development for MDC, is it, to in fact begin offering direct shares on the market?

MR. PARSONS: That's right, yes.

MR. AXWORTHY: For those operations that it is a holding company for.

MR. PARSONS: Yes.

MR. CHAIRMAN: Next one, I think we can deal with Macey Foods Limited, and then go on to Saunders. We'll finish Macey first--Saunders is the last one on the list?

MR. PARSONS: Yes.

MR. CHAIRMAN: Okay. Mr. Parsons.

MR. PARSONS: Saunders, I ran through the investment account and the equity account information last time. I think we just didn't have time to get to the question period. If . . .

MR. CHAIRMAN: Right.

MR. PARSONS: If you would--I don't really think I need to run through that sheet. You have it there. We can go straight into the questions, if you like. It'll save a little time.

MR. CHAIRMAN: Mr. McGill.

MR. MCGILL: Mr. Chairman, then the total involvement in Saunders at the moment would be about \$18 million? Is that correct?

MR. PARSONS: Yes, that's correct.

MR. MCGILL: And what have the sales been to date, Mr. Parsons? Can you report and bring us up-to-date?

MR. PARSONS: Yes, we've sold, we've delivered five aircraft. We have orders for--some of these are still subject to getting financed. Well, we have indicated orders of well over 20, and they are in various stages of negotiations because each one of these we have to negotiate financing for. We're working with EDC, Ottawa. They've been co-operating and working quite hard with us.

MR. MCGILL: By indicated orders, do you mean firm orders with deposits or notices of intent?

MR. PARSONS: I've got Notices of Intent - with offers of deposit with it, though. When we can firm up the financing then the deposit is there. Some of these countries it takes quite a while to get them through EDC and through the guarantee situation.

MR. MCGILL: The five aircraft that Saunders have sold, have they been involved in the financing of the purchase of those aircraft in all cases?

MR. PARSONS: In all cases, yes.

MR. MCGILL: So three aircraft, or four, have been sold in South America?

MR. PARSONS: Three.

MR. MCGILL: And two in Canada?

MR. PARSONS: Yes.

MR. MCGILL: And of the two in Canada, is MDC involved in the guarantee of loans in connection with the purchase price?

MR. PARSONS: Yes. We're financing one as another company - the one in Manitoba. The one in Alberta we feel will be picked up by the Alberta--it's just being delivered. We'll work with the Alberta government now that they've indicated that they will pick up that. Their corporate financing body will do the financing for them.

MR. MCGILL: The one in Manitoba. Is it on a lease-purchase arrangement?

MR. PARSONS: Hire purchase, for tax purposes. It's a hire purchase.

MR. MCGILL: On a monthly repayment basis, is it?

MR. PARSONS: Yes. And it's right up-to-date. They're operating very successfully.

MR. MCGILL: Of the 20 orders which you have for aircraft, how many are for the S27 and how many are for the proposed S27B?

MR. PARSONS: The ST27, which is your remanufacture, we will only produce 13, of which 12 we will be able to sell. When we sorted out, actually we have more orders for 27's than we're going to produce. The rest of the orders are for 27B's, which will be available about next February or March.

MR. MCGILL: I think that was my question. How many of these 20 orders are for ST27 and how many for . . . ?

MR. PARSONS: Yes. Well we can only produce seven more, which will take us up to August, so there will only be a total of 12 ST27's produced out of that plant. The 27B program, we will start delivering those in January, February 1975.

MR. MCGILL: So the orders that you have now, you anticipate you will be able to convert to the 27B if you are unable to fill with 27's.

MR. PARSONS: Yes. Most of them have indicated that they would take either.

MR. MCGILL: Could you bring me up-to-date on the progress of the 27B? I think the last time I asked this question you expected to be in the flight test stage in December of 1973, and to have the application for U. S. Certificate of Airworthiness well advanced by January of 1974. Now, could you tell me what is happening?

MR. PARSONS: Yes. We slipped about four or five months in that program. The flight test now, well, the plane is pretty well completed. Flight test program starts in June. After that, our certification will probably take through to November or December. In the meantime, of course, we're starting production, and I have a detailed schedule of what the certification program is. I'll try to introduce it if you'd like--I know Mr. McGill would understand it but it's a fairly complicated long process. Everything is dated right through and MOT in Ottawa have agreed with our program. They don't see any problem in having it through by this fall.

MR. MCGILL: You indicated that the airplane would be in the flight test stage in June. That's next month. Is that a firm . . . ?

MR. PARSONS: Yes. The plane is pretty well completed.

MR. MCGILL: How long would you estimate it will take to get a U. S. C of A certification after the airplane begins its flight testing?

MR. PARSONS: Well as I said, it'll be November or December when it's completed. And that will be MOT and FA approved at the same time. We are working to the FAA program.

MR. MCGILL: Have you experienced any delays in the prototype development due to parts delivery, the ability of your administration to keep all components coming in at a reasonable rate?

MR. PARSONS: No, not really from that point of view. Our basis hold-up, the reason we lost four or five months, was our basic engineering drawings and so on coming back from Ottawa. That, as I say, has been solved. They've been working very hard with us the last year.

MR. MCGILL: Has there been delay due to inexperienced personnel, lack of qualified people to fabricate?

MR. PARSONS: Yes.

MR. MCGILL: Were you able to overcome this difficulty by recruiting in the U. K. ?

MR. PARSONS: No. The U. K. recruiting has helped us in our training programs but, as you know and as I reported before, we are running a full training school up there. It's very difficult to get middle-management, qualified journeymen up there. We have brought in some labour force from the U. K. They are helping in the training program, but it has taken us a lot longer and cost us more money than we expected to train in the Interlake area, but the labour force has grown and we have been able to train a goodly number of people that were unskilled before. And they are working out quite well. But it does lengthen your program; this is the problem that we've run into. Our schedules are behind because of this.

MR. MCGILL: But you feel that even with these difficulties, that the flight testing will begin in June and that you will be certified by the end of the year and that you'll be in production. What will your production rate be, for the 27B?

MR. PARSONS: For the 27B, we are looking for one a month coming off the line, starting about February, for the first six months. Then we'll be going to two. We'll eventually go to three, and this is per month, three per month, but this depends on labour force build-up. We've had a tough time up there. Getting labour force is one thing; we didn't have any place for them to live up there. Now the Evergreen Apartments, after being closed for over three years, is finally opening up. That is owned by the Federal Government, had been built and they have been closed. We just haven't had accommodation. We've brought people in and they can't find living quarters and they have left. So we hope that this opening of the apartments now will help stabilize part of our force.

MR. MCGILL: Mr. Parsons, some time during the past 12 months there was a press report that you had demonstrated an aircraft in the Fort Frances area.

MR. PARSONS: That's correct, yes.

MR. MCGILL: How did that work out on the run? I understood it to be intended to run a Sched. Service between Fort Frances and the Lakehead.

MR. MCGILL: Yes. That was for Mr. Mallory. That's correct.

MR. MCGILL: How did that work out?

MR. PARSONS: It didn't really, because the Ontario Government are offering a program with the Twin Otter that we couldn't match, to give the operator the plane basically free, to

(MR. PARSONS cont'd) operate those, instead of road subsidies and so on, they've put this aircraft subsidy in and we can't compete with their program.

MR. MCGILL: It was not a question of the aircraft not being able to compete with the Twin Otter?

MR. PARSONS: Oh, no. We had good performance checks on their runs. As a matter of fact we have since been approved by the Ontario Government for our plane to go into their runs.

MR. MCGILL: I don't quite understand the competitive situation between MDC and the Ontario Development Corporation in this.

MR. PARSONS: They're giving grants. We're not. The Ontario Government program, which has nothing to do with their development, are giving grants to these operators to operate these lines. We can't do that.

MR. MCGILL: And the grant includes the provision of equipment . . .

MR. PARSONS: That is correct. Under the program he showed us, he can fly a Twin Otter for five years for nothing and buy it for a dollar at the end of the year, on their program, and we can't match it.

MR. MCGILL: Mr. Parsons, the aircraft was originally intended to sell for \$600,000, more or less, depending upon electronics and other extra equipment?

MR. PARSONS: You're talking about the 27B? Yes, it's going to be higher than that.

MR. MCGILL: How much higher? \$100,000?

MR. PARSONS: Basic with the electronics and so on, will probably be \$800,000.

MR. MCGILL: \$800,000?

MR. PARSONS: Between \$800,000 and \$900,000, yes, depending on the electronics.

MR. MCGILL: \$900,000?

MR. PARSONS: Well, between eight and nine, depending on the electronics.

MR. MCGILL: I see.

MR. PARSONS: It's a little bit higher than the Twin Otter, but of course we're larger up in the air than the Twin Otter.

MR. MCGILL: Are you publishing and are your sales people able to give firm prices on 27B's?

MR. PARSONS: Yes.

MR. MCGILL: And delivery dates?

MR. PARSONS: Yes.

MR. MCGILL: And are they making an aggressive attempt to cover the markets? Have you someone or some group or people that are regularly covering the possible sales prospects?

MR. PARSONS: Yes. Our marketing manager is doing that.

MR. MCGILL: Have you had any enquiries for purchases of the aircraft from California?

MR. PARSONS: Yes, we have an order for four, from Swift Air, if that's who you are referring to.

MR. MCGILL: From Swift Air.

MR. PARSONS: Yes, we have an order for those. There's an order for four and an option for two from them.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Most of my questions have been answered, Mr. Chairman. I would like to go further on the marketing of the aircraft. In looking in your report for the year-end of September 30, 1973, it would appear you just had one marketing man at that time. Is that correct? I am wondering, how many people do you have out marketing the aircraft at this time?

MR. PARSONS: Yes, we have three on our marketing team.

MR. MINAKER: Three.

MR. PARSONS: Yes. Our new Marketing Manager is Mr. Grandage. He's our Vice President - Marketing. He was Marketing Manager for Hawker Siddeley for 20 years.

MR. MINAKER: The other question we have is: how many of the new model units would you have to sell before you'd get your investments production costs back and it would start to show for the losses or the investment that's gone into the development and research and so on of this new market?

MR. PARSONS: In our projections, we can recover all our equity, all our investment equities, all our loans, all the interest on the loans.

MR. MINAKER: The 18-1/2 million.

MR. PARSONS: Yes. We will recover all that on the 130th aircraft.

MR. MINAKER: 130th aircraft?

MR. PARSONS: Yes.

MR. MINAKER: I wonder how many Twin Otters they sold.

MR. PARSONS: Twin Otters? They're into 300 or something.

A MEMBER: How are their sales going?

MR. PARSONS: Their sales are going good. Actually when we started this program, Twin Otter were going out, but the commuter market has come back in quite strongly. They're up to six a month, I think, and their sales are good. The demand has increased and it's going to increase more with this energy shortage. More people, more demand for the commuter aircraft. We're finding that inquiries are flowing in now for this size of aircraft, the 20-seat size.

MR. CHAIRMAN: Is Mr. Minaker through with question? Mr. Banman.

MR. BANMAN: Thank you, Mr. Chairman.

MR. CHAIRMAN: Would you speak into the mike, please?

MR. BANMAN: Mr. Parsons, under the orders - you mentioned that you had several orders - when people are placing orders, do you take deposits on these? Do most of them depend on financing?

MR. PARSONS: They put up . . . dollars. We have to work with the Canadian Government or with other financial agencies to get them financed.

MR. BANMAN: These aircraft sold to the Colombian Government, how is the repayment coming on those?

MR. PARSONS: Good. They're right up to date.

MR. BANMAN: Is financing one of the biggest problems in the selling of this . . . ?

MR. PARSONS: Yes, I think that's probably a fair statement. Each one--you're selling to commuter operators; there's very few of them that have cash of that magnitude, so you're involved in each one in a financing deal. Some of them are easier to finance than others. With the foreign governments, of course, we can work through EDC, but it is a process in the normal course that takes two or three months to work through.

MR. BANMAN: How much risk is involved in, let's say, financing to Saunders and underwriting a loan to, I'd say, for the Colombian Plain or . . . ?

MR. PARSONS: Well, of course, if there's a bankruptcy, then the planes would be probably picked up for resale. Now you're asking me whether we could resell for what's left outstanding . . . I think that's the same as any business. If you repossess something, you have to take a look at what you can resell it for, and hopefully you can come out of it all right. But there's a risk involved if they have to go on the paper. Now with EDC, once they accept it and the sale is made, there is no risk to us because we pay insurance to cover that risk, which is included in the financing charge that they make to the customer. So basically, once it's financed by EDC, there would be no risk to Saunders on foreign sales.

MR. BANMAN: My basic question is, or statement, I should say, is that you can sell almost anything if you finance it properly, and I'm in that particular business and I know the day of reckoning comes.

MR. PARSONS: That's correct.

MR. BANMAN: You know, you can sell and sell and sell, and then all of a sudden, bango, it can all come back to you.

MR. PARSONS: That's right.

MR. GREEN: It's easier to give it away like the Ontario Government.

MR. PARSONS: You don't have to worry about collecting for it that way.

MR. CHAIRMAN: Mr. Bostrom.

MR. BOSTROM: Yes, Mr. Chairman, through you to Mr. Parsons. I understand you to say that the kind of competition you're facing in Ontario is that the Ontario Government grant to airlines is conditional upon those airlines using Twin Otters, or purchasing Twin Otters?

MR. PARSONS: That was the case when we were dealing with the question that Mr. McGill asked. They suggested that he use a Twin Otter. Since then, we've had acceptance from them and they say that they will accept the Saunders in that program. We haven't sold anything in that . . .

MR. BOSTROM: I see.

MR. PARSONS: They will subsidize either one now, which they wouldn't do at the time we were dealing with Mr. Mallory. Incidentally I don't think he went ahead with his program.

MR. BOSTROM: Do you have any knowledge of grants available to these airlines, or in fact to the company producing the Twin Otter, from the Canadian Government? Are they supplying any grants to these companies?

MR. PARSONS: They're supplying a considerable amount of money. I don't know of any grants particularly, although to have them would be eligible for a paid grant for the development; they're getting a lot of money for that type of development in the DHC-7 program. There's somewhere in the area of 70, 80 million dollars in there.

MR. BOSTROM: Does this put the Saunders Aircraft in an unfavourable position vis-a-vis the Twin Otter in terms of competition?

MR. PARSONS: No. It helps the company, of course, but we are eligible for federal grants too and we are working with them right now. I think we will probably get additional assistance from the Federal Government.

MR. BOSTROM: But at the present time, Saunders is not getting this assistance and DeHavilland is. Is that correct?

MR. PARSONS: I'd rather not compare with DeHavilland, if you don't mind. I don't know what they're getting. Saunders were eligible and did have granted to them \$996,000 on a DREE grant. We have received \$240,000 of that at this present time and the government officials, the Federal Government people, are working with us and we're getting excellent co-operation from them now working on a PAIT program for the development, and we hope that that will go through, which will give the company quite a boost. We think we will get--we are working with them to increase our DREE grant. There's amendments being proposed, and we think we will get additional help.

MR. BOSTROM: But you have not to this point . . . ?

MR. PARSONS: No, we have received \$240,000.

MR. BOSTROM: I see.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Well, Mr. Chairman, Mr. Parsons has said that there's 136 aircraft which would require to pay out all obligations including recovery of the equity invested, and then you would have an aircraft plant at the end of that.

MR. PARSONS: Oh yes. It would be fully paid for. Anything over and above that, of course, would be a good return and we're not projecting we stop producing at the end of 130. The question was, and I may have not caught the question correctly, but I think the question was, at what point do we receive all our investment, all our equity dollars invested in there back? On our projection, now we've projected for more than 130 planes, but at that point is when we receive the equity and so on, totally back.

MR. GREEN: That sounds rather optimistic to me and I realize that projections can be wrong. But there was one suggestion, and I will admit by not a very trustworthy source, that it would take 2,000 airplanes to put you in this position. Now I realize your projections can be wrong, but can they be that far out as between 136 planes and 2,000 planes - 130 and 2,000? I mean, I put it to you because it has been suggested, and of course it sort of shocked me when I heard it, and I would like you to examine that to see whether . . .

MR. PARSONS: Well, we've been over our figures and we think that they're pretty conservative as far as our costs and so on. We have pretty well allowed, you know, we had good allowances in there for cost increases and so on. I don't know where you're getting the information from but we would never think of projecting 2,000 airplanes. We wouldn't sell that many. But really, you know, in our total capacity, the plan is if we reach our projections in 1976, we'll be producing three a month which is 36 years, so we'd have to be around a hell of a long time to produce 2,000. You know, our projections are 130, and I think that is a very conservative projection and I think it's saleable beyond that. The market study is increasing every day as for the type of plane. But to answer the question, it was, 130 is where our break, total return is.

MR. CHAIRMAN: Mr. Axworthy.

MR. AXWORTHY: Thank you, Mr. Chairman.

MR. CHAIRMAN: I'm sorry, I missed, crossed out the wrong name.

MR. AXWORTHY: Well that's quite all right, I'm used to that.

MR. CHAIRMAN: I did not do it intentionally.

MR. AXWORTHY: No. I'd like to come back to some of those questions of a capitalization. You indicated that by 1978 that you'd be able to recover your full development production costs, and at the same time you have indicated you have applied for substantial assistance from the

(MR. AXWORTHY cont'd) Federal Government in this respect. I think the figure here is \$1.7 million from an Industry, Trade and Commerce grant.

MR. PARSONS: That's a PAIT grant, yes. That simply is revised to a higher figure than that . . .

MR. AXWORTHY: What is that figure now?

MR. PARSONS: It would be pretty close to 2 million.

MR. AXWORTHY: So you're now asking for a two million dollar outright grant?

MR. PARSONS: Yes, the PAIT is an outright grant.

MR. AXWORTHY: Added to the other quarter of a million dollars that you've already received from the Federal Government. Is that correct?

MR. PARSONS: That's correct.

MR. AXWORTHY: So do you expect that with the . . .

MR. PARSONS: One is a DREE loan and we have \$993,000 under our DREE program, of which we've received 240. The PAIT is a separate program.

MR. AXWORTHY: Okay. Where do you expect to finance or gain the capital for the additional equipment and facilities and infrastructure required to reach your production quota? I believe you said three aircraft a month some time in 1975, 1976. That would be self-generated or . . . ?

MR. PARSONS: A part of it would be self-generated. We see that we'll have to put more money in ourselves before we reach that point.

MR. AXWORTHY: The Development Corporation itself have to put more money in? Is that correct?

MR. PARSONS: Yes.

MR. AXWORTHY: Can you estimate what that extra additional capital will be?

MR. PARSONS: Yes, we see that we will probably have to get to 25 million. Now, part of that will be the four that we're talking about so we could have another two or three ourselves.

MR. AXWORTHY: I see. So that's about 25 million of which the Federal Government will contribute close to 4 million. Is that the figure?

MR. PARSONS: Well that's what we're looking at.

MR. AXWORTHY: That's what you're looking at. And that 4 million, that wouldn't be capitalized under your normal arrangements because a large part of it is a grant structure and, in effect, free.

MR. PARSONS: Yes.

MR. AXWORTHY: It doesn't cost you any money at all. Okay.

MR. CHAIRMAN: Mr. McGill. Order please.

MR. AXWORTHY: Mr. Chairman, I wasn't quite finished.

MR. CHAIRMAN: Oh, I'm sorry. Order please. It is now 12:30. Possibly the committee will be disposed to--I believe we're coming to the end and we can have the report concluded, if that is the wish of the committee.

MR. GREEN: Mr. Chairman, on an unrelated point, how many people does this aircraft seat?

MR. PARSONS: Twenty-three.

MR. GREEN: I wonder whether the committee - it's just a 15 or 20 minute flight to Gimli and back. I wonder whether the committee would want to get into a Saunders Aircraft and fly up . . .

A MEMBER: When's it being certified?

MR. PARSONS: No, the 27 is certified now.

MR. GREEN: The plane that he would fly is certified. I have flown it and . . .

MR. AXWORTHY: That's all right for you.

MR. GREEN: I wonder--well if it's a bad suggestion, it's about a 20 minute trip back. I wonder whether the Chairman, whether Saunders would . . .

MR. PARSONS: We'd be glad to take the committee up . . .

MR. GREEN: If the committee went up and . . .

MR. PARSONS: Actually I think it would be to the committee's advantage to see what is being done in Gimli in the last couple of years in our two plants, and to see where . . .

MR. GREEN: What about next Saturday morning, maybe?

MR. PARSONS: I don't work Saturdays.

MR. AXWORTHY: I only suggest, Mr. Chairman, that considering the present context of electoral politics that's been carried out, it might not be too propitious to see, sort of, you

(MR. AXWORTHY cont'd) know, 15 politicians getting off a Saunders Aircraft. We ran into some problem like that I believe in June 1973. I'm not quite sure that we'd want to share the . . .

MR. PARSONS: We have shown several people through it.

MR. CHAIRMAN: There has been a suggestion made that possibly arrangements should be made for the members of the committee to have a firsthand experience in viewing and flying in the aircraft. What is the will and pleasure of the committee? How many would like to go on such a . . . ? Well, we should work out a date, suitable date. How many members would be disposed on a day other than a Saturday or Sunday?

MR. PARSONS: Well, the reason I don't think you should go on a Saturday is because the plant isn't in production. I was being facetious when I said that, but you really should go up . . .

MR. CHAIRMAN: Monday morning?

MR. GREEN: Monday morning.

MR. AXWORTHY: And we don't come down till we pass the report, is that the idea?

MR. CHAIRMAN: Well, let us have a show of hands. Order please. Could we have a show of hands how many people would be interested?

MR. GREEN: Monday morning?

MR. CHAIRMAN: If we can arrange something for Monday morning or another suitable date, other than a Saturday or Sunday.

MR. GREEN: Well I'll try, Mr. Chairman, to canvass the committee members with alternative dates, and then I'll try and arrange it with Mr. Parsons.

MR. CHAIRMAN: Fine. Is that agreeable? Okay. Mr. McGill, you have a question? Order please. We are not yet adjourned.

MR. MCGILL: Well, Mr. Chairman, I had a few questions that I still wished to put to Mr. Parsons. I'm wondering if we will have another opportunity.

MR. CHAIRMAN: Yes, we will. We have not concluded the report. The committee will meet at the call of the House Leader. Committee rise.