



# Legislative Assembly of Manitoba

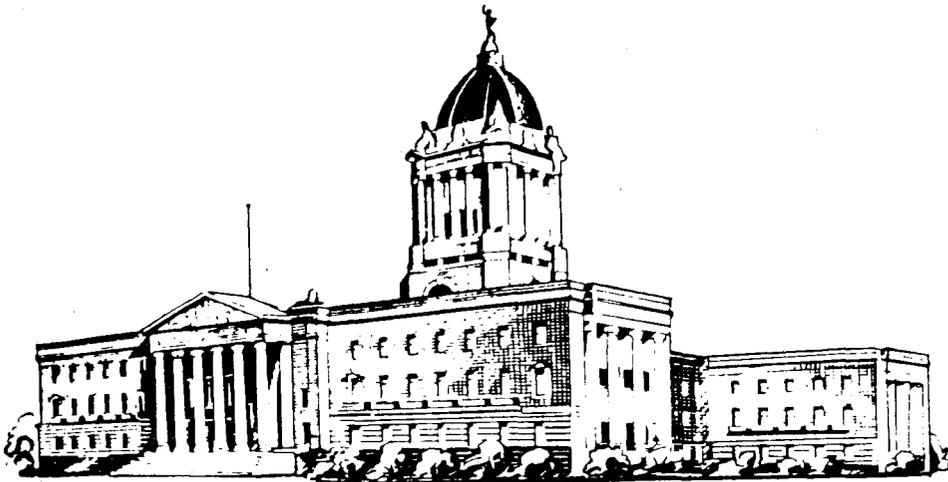
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HEARINGS OF THE STANDING COMMITTEE

ON

ECONOMIC DEVELOPMENT

Chairman  
Harry Shafransky, M.L.A.  
Constituency of Radisson



10:00 a.m., Thursday, May 8, 1975.

## ECONOMIC DEVELOPMENT COMMITTEE

10:00 a.m., Thursday, May 8, 1975

CHAIRMAN: Mr. H. Shafransky

MR. CHAIRMAN: Good morning. We have a quorum, we can proceed. I believe we were not finished with the Flyer Industries Ltd. We can proceed on that this morning. Mr. Parsons has some -- there were some questions that were asked and he has the answers. Mr. Parsons.

MR. PARSONS: Thank you, Mr. Chairman, gentlemen. I want to reply to some of the questions that I took as notice last meeting and I'll run through all those before we go back into Flyer.

Mr. Minaker asked what were the markets for the Alphametrics products? I'll give you this answer in a geographical sales breakdown for the year 1974. Ontario there was 40 percent of our market; Manitoba 25 percent; other provinces 10 percent; United States 17 percent; Europe 8 percent. The product is mainly sold to Universities and electrical precision tool manufacturers. I think that answers your question.

There were questions on William Clare also by Mr. Minaker. How many of the \$1,424,599 were spent in Manitoba? Of this amount \$190,000 was used to pay interest on the MDC loans and the remainder of \$1,235,000, approximately \$175,000 was spent in Manitoba.

Mr. Minaker: Who bought the filmstrip inventory? Answer: The filmstrip inventory was sold to Scholar's Choice Ltd. of Toronto and they were not involved in any of the filmstrip programs previously.

Mr. Minaker and Mr. Spivak both asked this next question: How much was the life insurance premium on William Clare? The annual premium is \$1,674 on the life insurance of \$600,000. This is term insurance. It reduces \$100,000 a year until the year 1979.

Mr. Minaker: What was the total staff salary at the present time? This again is on William Clare. Mr. Clare is the only full time employee. I gave you his salary last session. The company also has one part-time girl that looks after the accounting and office matters.

Mr. Minaker asked what the Professional Fees covered. The professional fees of \$14,036 in 1973 comprised of \$8,762 for accounting and audit services; and \$5,274 for legal services.

Mr. Minaker asked was all the printing done in Winnipeg respecting \$135,000 printing costs? My reply at that time was the majority of the work was done here. I wasn't correct. Analysis showed that there was \$22,300 paid to Winnipeg firms and \$113,300 to a Toronto company.

Mr. Spivak asked were the insurance premiums on Mr. Clare's life paid by the company? The answer is that the premiums were paid by the company. The terms and conditions of the option under which William Clare can repurchase the 56 common shares. The answer: The option provides for repurchase of the shares over six years at the greater of a specified price or a percentage of the earnings. I think that completes all the questions on William Clare.

I'll move on. The next questions were on the Sandilands Forest Products. Mr. Spivak asked me if there were any abnormal conditions in the agreement with Sandilands Forest Products. The only conditions in the contract that are special to this agreement that might not normally be found in a sale agreement or financing contracts are as follows: The purchaser is committed to recommence operations at the mill site as soon as is reasonably practical but no later than six months from date of closing and in fact they're getting under way right now. Also the purchaser will use his best efforts to continue operations at the plant for a period of not less than three years. That is really a statement more than an enforceable clause.

At the last committee meeting Mr. Banman asked me what the interest rate was on the Sandilands Forest Products. I stated at that time it was 11 percent. The correct rate is 11 3/4. That looks like the end of that.

There were several questions on Flyer Industries. Mr. Minaker questioned the delivery schedule for the Winnipeg order of buses. Production on these units is now commencing and it is expected that delivery will take place through May and June to be completed by July.

There was a question on the sales for 1974 in the amount of \$5,330,000. In these units were included 51 diesel buses, 150 shells and 48 special knock-down kits.

MR. SPIVAK: That was the sales for the year 1974.

MR. PARSONS: That is correct.

MR. SPIVAK: \$5,300,000.00

MR. PARSONS: Yes. The payment terms on the San Francisco contract were raised by Mr. Spivak out of a report that he had. There was a question regarding the payment terms on the San Francisco contract, the terms for the basic portion of the contract consisting of 208 units. Payment is 30 days after acceptance of the unit except for a 10 percent holdback after 90 percent of the contract has been paid. For the remaining 135 coaches payment is 60 percent at the frame join-up point in production, 30 percent on completion of the units and the remaining 10 percent on acceptance. So in fact we will be - on the last 135 we get progress payments. There is no extra financing required other than for the normal production and accounts receivable financing on this order.

MR. CHAIRMAN: Do you have more questions to ask on this matter?

MR. SPIVAK: After he's finished.

MR. PARSONS: I will finish off the balance of the Flyer and then I'll go back.

MR. SPIVAK: Yes

MR. PARSONS: On the San Francisco delivery. In accordance with the terms of the contract the San Francisco units are to be delivered from December, 1975 through January, 1977 to avoid any late delivery penalties. The company's schedule at the present time will meet this. The amount of the San Francisco contract amounts to \$25,633,000.

The Boston trolley bus contract. The company has an order for 50 trolley buses for the City of Boston for a total value of approximately \$4 million. The delivery schedule required is from February through June of 1976. Payment terms provided under this contract is 30 days.

The Dayton Ohio contract - I wasn't asked this but I'll cover it anyway because I probably will be. The company has just recently been awarded a contract to produce 64 electric trolley coaches for Dayton, Ohio. The contract value is \$6,700,000 and the delivery is to commence in late 1976.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Is this the new order?

MR. PARSONS: Yes.

MR. SPIVAK: This is the new order - six point what?

MR. PARSONS: 6.717.

At the last meeting Mr. Spivak stated that the 1973 statement for Flyer Industries received in April were not tabled. Our records and the committee records show that this was tabled on May 9th together with an updated report.

There was a question on the Flyer loan approvals during 1974 and how they were paid out. At the time of my report, the last Standing Committee in 1973, I reported in February there was \$2 million and there was one million coming up in June. Further to that, there was \$4 million advanced in October of 1974 at the time that the strike took place. Since that time, in January there was \$6 million advanced, two million was to pay out our bank loan. Our bank loan was called by - in January we had to pay that out. There was a one million dollar letter of credit that had to be taken out for one of our suppliers, out of that six million. Those are all advances to date.

Now questions on Flyer?

MR. CHAIRMAN: Any more questions on Flyer Industries Ltd? Mr. Spivak.

MR. SPIVAK: Well, Mr. Parsons, I'll get back to the San Francisco contract in a few moments, but I wonder just with respect to the Dayton Ohio which I gather is the new contract of 6.1, is that right?

MR. PARSONS: Yes.

MR. SPIVAK: I wonder if I can refer you back to your testimony of April 7th - well not

MR. SPIVAK (cont'd) . . . testimony, to the information supplied of April 17th, 1975. In that, on Page 68, you essentially say, "we have not been quoting or taking any more orders and we will not until we know exactly what our production can reach."

MR. PARSONS: That is correct. This one was quoted quite some time ago. We haven't been quoting since the beginning of the year.

MR. SPIVAK: So this is an order that was basically tendered or a tender given prior to your statement in the Committee. Is that correct?

MR. PARSONS: Yes. It's the only one that was outstanding.

MR. SPIVAK: Can you tell me when that was tendered?

MR. PARSONS: It was in October-November. It was in the fall of 1974.

MR. SPIVAK: While the strike was on?

MR. PARSONS: Yes, I believe it was. The schedule was far enough down as you can see that we don't foresee any problem in delivery.

MR. SPIVAK: But I want to come back to something fairly basic. At the time that you tendered on this contract the plant was in the course of a strike?

MR. PARSONS: Yes:

MR. SPIVAK: How did you cost out the pricing on the buses?

MR. PARSONS: We did it by actual - all the material costs are done at actual costs and accelerated on the ones that we can't get firm prices on.

MR. SPIVAK: Are you suggesting that you really knew what your costs were when you were tendering on other buses?

MR. PARSONS: We know what our costs should be.

MR. SPIVAK: Well it's not a question of what the costs should be but what the costs really were. Did you really know what your costs were at the time you were tendering on other buses.

MR. PARSONS: No, our costing records weren't that accurate.

MR. SPIVAK: Well at the time that you tendered on the Dayton contract had you lost substantial numbers of your management staff?

MR. PARSONS: We had replaced -- yes. At the time we had a lot of new staff in the company at that point.

MR. SPIVAK: Were the new staff seized of sufficient information to be able to advise you as to what your costs really were at the time you tendered on this contract.

MR. PARSONS: We felt they were.

MR. SPIVAK: What I find strange at this point is an attempt to try and tender when it was obvious to you and must have been obvious to others, both on the Board and on the MDC, that your costing procedures as a result of management problems and overall problems was such that there was a question as to really what your pricing should be to take into consideration actual cost plus profit or even zero profit, and it seems to me very strange that you could basically tender at that time realistically . . .

MR. PARSONS: Well the basic problem, your manufactured component parts and your buy-out parts could be established. The part that you're talking about that is in doubt is the number of hours that it takes to build a bus. Now we know what it should take; we know that we weren't meeting that before but it's not an insurmountable problem.

MR. SPIVAK: But on the other hand, you gave your statement in April that you would not quote and take any more orders . . .

MR. PARSONS: No. We can't because the orders that are coming out now are for delivery during 1975 and basically the ones that I was talking about were in the diesel market. Now we can't put any more through our plant this year or we don't see that we will probably be able to, at this point, in early of 1976. So therefore we can't quote on any of the properties that require them in that time.

MR. SPIVAK: Do you know what your optimum production level will be?

MR. PARSONS: Our optimum?

MR. SPIVAK: Yes.

MR. PARSONS: Yes, we're looking at two a day.

MR. SPIVAK: Two buses a day or two shells a day?

MR. PARSONS: Two buses. Two buses a day.

MR. SPIVAK: You've indicated that two buses - a bus would be the equivalent of two shells. Is that correct?

MR. PARSONS: No, I didn't say that.

MR. SPIVAK: I believe that you stated a complete bus would take twice as long as a shell.

MR. PARSONS: Oh, yes. All right.

MR. SPIVAK: So therefore, in effect, what you're saying is that from a production point of view - and I know this is a very crude way of putting it but I'll come back to it and be more specific - you're basically saying a bus is equivalent to two shells. So therefore, in effect, when you say two buses you're talking the equivalent of four shells; in a five-day week you're talking about 20 shells a week as being sort of optimum production.

MR. PARSONS: Well, we're not producing any shells. Our aim is to produce two diesel buses per day.

MR. SPIVAK: Can I ask, in your statement on April 17th, you stated in the beginning of January and February over a three or four week period, we were producing five shells and five buses.

MR. PARSONS: That was in 1974, yes.

MR. SPIVAK: Well, Mr. Parsons, I want you to consider that statement again and consider its accuracy. You're stating that in January and February over a three or four week period, we were producing five shells and five buses.

MR. PARSONS: Yes.

MR. SPIVAK: Isn't it a fact that you did not complete any buses really until June of 1974?

MR. PARSONS: Until June of 1974.

MR. SPIVAK: Wouldn't it have been more accurate to have stated that you produced 12 to 14 shells a week during a four to six week period in February and March of 1974.

MR. PARSONS: I don't really . . .

MR. GREEN: Mr. Chairman, we had this problem at the last session with Mr. Spivak making statements about what is supposed to have happened and I gather Mr. Parsons, hearing a member of the Legislature state something, has to wonder whether or not it's correct. Now it turns out that two of those statements have been outright wrong. And they were made, Mr. Parsons appeared to be embarrassed in front of the public and in front of the media because he couldn't answer what was a patently wrong statement and then is put on the spot. If, Mr. Spivak feels that it isn't accurate he could give the information to Mr. Parsons and Mr. Parsons could take it up.

Mr. Spivak stated at the last session of this committee that Mr. Parsons did not file a report on May 9th. The report was filed on May 9th which he now acknowledges. Mr. Spivak said that we have to sell and deliver all the buses to San Francisco before we get anything paid on that order, that 90 percent of the moneys are held back. That is not correct. Again that was put on as if Mr. Parsons was making a misstatement.

So I would suggest that if Mr. Spivak wants information on some subject he should ask it and Mr. Parsons will attempt to bring the information. Mr. Parsons is here trying to answer questions many of which, Mr. Chairman, I believe go to the internal operations of the company and are none of Mr. Spivak's concern. But if Mr. Parsons is to give the information and if it's to be based on specific detail then he can't expect an answer to be tripped up two weeks later because it turned out that Mr. Spivak was wrong.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Mr. Chairman, I indicated, and I will deal with the San Francisco references, and I simply indicate that I quoted a consultant's report forwarded to Mr. Parsons.

MR. GREEN: Which was patently wrong.

MR. SPIVAK: Well, then I think that you should take that up with the consultants.

MR. GREEN: Well, I am taking it up with you. Mr. Chairman, on the point of order. The honorable member quoted a consultants' report. The consultants' report was classified information. Some industrial sabotage was used to get Mr. Spivak the report. Mr. Spivak is prepared to use industrial sabotage and when he uses it, he has to accept responsibility for it. It was patently wrong. Mr. Spivak would have called it a lie. He would have said that the person who produced it was giving false testimony and should be arrested for perjury. That is his style of dealing with these questions.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Mr. Parsons, can you tell me how much Flyer Industries or the Manitoba Development Corporation have paid Stevenson-Kellogg? What would their account be? How many hundreds of thousands of dollars?

MR. GREEN: Mr. Chairman, I am going to, as a member of a Committee, say that I believe that that information is internal to Flyer Coach Industries Ltd. I am going to suggest to Mr. Parsons that that is the case.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Mr. Chairman, I think it's pretty germane . . .

MR. GREEN: And I am going to suggest that it's internal to Flyer Coach Industries Ltd.

MR. SPIVAK: Well, Mr. Chairman, I assume that Mr. Green will be able to say what he wants to say and I'll be given the same opportunity of expressing my opinion and then a decision can be made.

Mr. Chairman, just on that matter, the information came from a report forwarded to Mr. Parsons by Stevenson-Kellog. Obviously if the information is incorrect and the Chairman has indicated that it's incorrect, someone has made an error. The error has been made.

MR. GREEN: You have made an error. You must accept the responsibility for what you say before this Committee. If you are coming before this committee on the basis of incorrect, false information, you accept the responsibility for what you do.

MR. SPIVAK: Mr. Chairman, you know I would hope that you would allow me the opportunity of making my statement and Mr. Green then can make whatever statement he wants to.

MR. GREEN: Mr. Chairman, on a point of order.

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

MR. GREEN: I am dealing with, Mr. Chairman, as a representative of the people of Manitoba, with responsibility for trying to maintain viable some 15 Crown corporations in which the public has money. Mr. Spivak is using industrial sabotage to hurt those companies. He has to accept full responsibility for what he does. I am suggesting to Mr. Parsons that as a member of the Legislature, that is internal information to Flyer Coach Industries. Mr. Spivak says that he has read from a report. He knows that report was wrongfully obtained; he does not know what the follow-up or other information relative to that report is; he brings it before the public and before the people of the Legislature to show some degree of incompetence. I suggest to you that that is industrial sabotage and he has to accept responsibility for it.

MR. CHAIRMAN: The point is well taken.

MR. SPIVAK: Mr. Chairman, well I'm not sure that the point is really well taken.

I must tell you that I think that the purpose of this Committee, as I understand it, is to obtain information from the Chairman of the Manitoba Development Corporation dealing with a number of Crown corporations and the activities of the Manitoba Development Corporation. I think the purpose is to obtain accurate information. I suggest to you that there is sufficient evidence now to indicate that there is a substantial amount of information that has been both misleading and inaccurate. I am quite prepared to deal with this in detail in the House, I think I have already and I intend to do this with some greater detail. But at the same time the forum that we have here is one of obtaining information. I am concerned and I think we have to be that public money is being invested into a series of projects in which the projections, the estimations, the forecasts have all, you know, appeared to be fairly inaccurate. Now there is, you know, there is a style to what is happening that is very very, I think, discouraging to the proper workings of our parliamentary system and to this legislative committee. I may not have, you know, I relied on a report forwarded to the government which the . . .

MR. GREEN: Not forwarded to the government, Mr. Chairman.

MR. SPIVAK: Well forwarded . . .

MR. GREEN: I have never seen . . .

MR. SPIVAK: Well, Mr. Chairman, I mean, Mr. Chairman, look.

MR. GREEN: On a point of order.

MR. SPIVAK: I am on a point of order.

MR. GREEN: No, you're not.

MR. SPIVAK: Well, Mr. Chairman, once and for all, either you control Mr. Green or this becomes . . .

MR. CHAIRMAN: Well, Mr. Spivak . . .

MR. GREEN: I say that Mr. Spivak needs to be controlled.

MR. CHAIRMAN: Order please. Order please. Mr. Spivak, you are stating a mis-statement.

MR. SPIVAK: They do have in Russia."

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

MR. GREEN: Yes, Mr. Chairman, on a point of order. The member has said that information was supplied to the government. No information was supplied to the government. The information that Mr. Spivak was referring to was purported to be supplied to Flyer Coach Industries Ltd. Mr. Spivak has said that misleading and inaccurate statements were made. On the point of order I say that that is a correct statement but it leaves the impression that the inaccurate and misleading statements were made by other than Mr. Spivak which is not correct. The inaccurate and misleading statements that were made referring to a report not being filed, referring to pay-outs on a contract were made by Mr. Spivak. And these inaccurate and misleading statements are being made to the detriment of the companies operated by the people of Manitoba. If they were made with respect to private companies operating in the same field they would be slanderous; the person making them would be sued. Mr. Spivak is using his position of parliamentary privilege to slander Crown corporations trying to do a job for the people of Manitoba knowing that he is immune from any suit in this connection and knowing that he is pandering to the interests of people who do not wish these corporations to succeed.

MR. CHAIRMAN: Mr. Spivak, on a point of order.

MR. SPIVAK: Mr. Chairman, well I would . . . you know, Mr. Chairman, Mr. Green's paranoia with respect to Crown corporations . . .

MR. CHAIRMAN: Mr. Spivak, do you rise on a point of order or what is your . . .

MR. SPIVAK: Well because, Mr. Chairman, either I . . .

MR. GREEN: Mr. Chairman, on a point of privilege.

MR. CHAIRMAN: Mr. Green, on a point of privilege.

MR. GREEN: Mr. Chairman, I speak now on a point of privilege. Mr. Spivak has referred to my paranoia. I suggest that that is a reflection of my ability to sit here which I trust to the people of my constituency. I am going to refer to Mr. Spivak's schizophrenia, maniac depression and hysterical behaviour. I do not ask him to withdraw nor will I withdraw.

MR. SPIVAK: Mr. Chairman, on the point of order.

MR. CHAIRMAN: Mr. Spivak, on a point of order.

MR. SPIVAK: On the point of order. The government has the authority and has written cheques on the bank accounts of the people of this province without any accountability whatsoever. The purpose of this committee is to protect the public interest. The purpose of this committee is to determine accurately what forecast of public moneys will be required to be used, what probabilities of success can be forecast and to determine on behalf of the people the degree of protection that has to be offered to them so that they can accurately assess whether they really want the government to continue into the developments and the expenses and the constant use of public money. And the problem I have is that many of the questions - and I said this at the earlier stage - I do not in any way take away from the enthusiasm and the general desire on the part of the chairman or the members of the board in their attempt to try and make something viable. But I must say, Mr. Chairman, that it is essential that we have some information which will be in a position to give us a judgment which we then can express outside of this committee and in the House and to the people as to whether this is or is not viable.

Now our problem at this point - and I'll come back to the San Francisco matter in a few moments - I was talking about the question of production and the statement that Mr. Parsons made. He indicated that they had produced, I believe, and I've already quoted that, I just have to find this again - I believe it was five . . . "In the beginning of the year, January, February, over a three or four week period, we were producing five shells and five buses." Now again I'm in this position. I don't expect Mr. Parsons to know every detail of Flyer. I'm accepting that. But I'm now asking him to review that to see how accurate that statement really was. Because the information I have is that no completed buses were produced until June of 1974 and in fact that only between 12 and 14 shells a week were produced during the four to six week period in February and March of 1974.

MR. GREEN: Well, Mr. Chairman, I have absolutely no objection to that type of question being put. That is not the way the Leader of the Opposition is putting the question. He is putting the question as follows: "You said four or five buses were produced. I have information that in fact this number of buses were produced," and is suggesting and has suggested publicly and in this committee, has suggested publicly that Mr. Parsons is deliberately misleading this committee. And that is a suggestion that I do not accept because I know that the one who is deliberately misleading is Mr. Spivak. So if he feels that that answer should be checked and information brought back, I think he can put it that way. But that is not what he is doing, and is not what he has done consistently through these last two meetings.

MR. CHAIRMAN: Can we proceed? I believe that the points raised are really . . .

MR. GREEN: I think we should proceed with the questions.

MR. CHAIRMAN: What we are trying to accomplish here and that is to ask questions of the Chairman of the Manitoba Development Corporation as to the operations of the various Crown industries. May we proceed.

MR. GREEN: Mr. Chairman, I want to further indicate that it is my position that I will certainly support the Chairman in not asking questions which have to do with the internal day-to-day management of these corporations as they may affect the operations of those companies. And Mr. Spivak is not on the board of directors of the company nor are the members of the committee; it is not for the members of the committee to run this company, and if what Mr. Spivak is seeking is to show that there are weaknesses in the company which he wishes to exploit in public debate, then I tell Mr. Parsons that as far as I'm concerned he need not answer those questions.

MR. SPIVAK: Mr. Chairman, we have \$30 million of public money invested in a company and I must say this through you to Mr. Green. It's our responsibility to see whether there is any purpose whatsoever in investing more money in this project.

MR. GREEN: That will be up to us.

MR. SPIVAK: No, it's not up to you.

MR. GREEN: Yes.

MR. SPIVAK: You're the government but it's going to be up to us to make that . . .

MR. GREEN: You can vote against it on Capital Supply.

MR. SPIVAK: Well, we can vote against it but we have to have accurate information to be able to determine that and I can tell you this: that the statements by Mr. Green as to what is right and what is wrong I'm not prepared to accept, and I don't think most people in Manitoba are prepared to accept.

MR. GREEN: Well, Mr. Speaker, the people of Manitoba will be much more prepared to accept my statements than Mr. Spivak's statements that the \$150 million that was invested was . . . when he was responsible for the Manitoba Development Corporation neither we nor he had the right to ask what was happening to it. That was the position of Mr. Spivak and the Conservative administration when they were in charge of the Manitoba Development Corporation. Neither he, the government, nor the members of the Legislature nor anybody else was entitled to ask. We have indicated that the Chairman will be here; that he will say what is happening with those moneys but he will not be required to deal with the day-to-day operations of the company as they affect the company's viability.

MR. SPIVAK: Well I don't think the questions . . .

MR. GREEN: And I am prepared to go to the people of Manitoba on those two positions.

MR. SPIVAK: Mr. Chairman, I think the questions that were asked of Mr. Parsons do not deal with the day-to-day operation. I think that they are questions that can be answered. If he has the information fine, if he hasn't . . .

MR. CHAIRMAN: Would you proceed with your questions.

MR. PARSONS: All right. Your question was on Stevenson-Kellogg and I don't know . . .

MR. SPIVAK: No, I'll come back to Stevenson-Kellogg. My question was with respect to . . .

MR. CHAIRMAN: You did ask a question with that regard.

MR. SPIVAK: If you haven't the answer then I appreciate you are going to have to . . .

MR. PARSONS: I don't have the . . . you're asking me on Stevenson-Kellogg the amount we paid them, I don't have that.

MR. SPIVAK: All right. Well I assume that you can get that for the next meeting.

With respect to the production, the accuracy of the statements at this point I guess you're not in a position to confirm.

MR. PARSONS: No, I'm not.

MR. SPIVAK: Could you tell me the optimum production level, labour productivity per shell? Do you have any figures as to how many man-hours it actually took to complete a shell?

MR. PARSONS: No.

MR. SPIVAK: If I was to suggest to you that it was probably about 2,000 man-hours per shell, that was your best optimum production level, would you believe that that would be a correct figure?

MR. PARSONS: No, I would think that's high for a shell.

MR. SPIVAK: Well what would the industry standard be? Do you know what the industry standard should be?

MR. PARSONS: For a shell?

MR. SPIVAK: Yes.

MR. PARSONS: No, I don't.

MR. SPIVAK: If I suggest to you that 700 man-hours is probably the industry standard, would that appear to be correct?

MR. PARSONS: I would think that that's a little high for a shell. But I'll accept what . . .

MR. SPIVAK: What would be the man-hours for a completed bus?

MR. PARSONS: The industry standard is something below 1,000 hours. That is what they shoot for, that is not what they necessarily get.

MR. SPIVAK: Yes, between 950 and 1,000 then would probably be the industry standard, I think that's correct.

MR. PARSONS: It's in that area although neither Flexible or GM are making that right now. That's what they use for a standard.

MR. CHAIRMAN: Mr. Spivak, we did go over these questions last time.

MR. SPIVAK: No, Mr. Chairman, we did not.

MR. CHAIRMAN: Unless you are leading to some particular point and wish to review the . . .

MR. SPIVAK: No, as a matter of fact we did not cover this in the same way as I'm covering it.

MR. CHAIRMAN: Yes.

MR. SPIVAK: Partially, but not in the same way that I'm covering it, and I'm leading up, Mr. Chairman, and I hope I would be allowed to . . .

MR. CHAIRMAN: Proceed.

MR. SPIVAK: . . . to try and determine the productivity and the level that can be reached with Flyer. You indicated that approximately one bus was equivalent to two shells. But in effect if 700 man-hours, more or less, is the completion of a shell and 950 is the completion of a bus, then really one bus is equivalent to about one . . .

MR. GREEN: Mr. Chairman, on a point of order. On a point of order. You see this is where we get to. What I heard Mr. Parsons say was that 700 may be a little high for a shell. He didn't say how much it would be for a shell. Mr. Spivak's next question is on the assumption that Mr. Parsons said that 700 hours is needed to complete a shell, 1,000 to complete a bus and therefore two shells is not equal to one bus. Well that assumption did not come from Mr. Parsons and therefore I don't know why Mr. Spivak introduces it as an indication that Mr. Parsons has somehow got his calculations mixed up.

MR. SPIVAK: Well, all right. Mr. Chairman . . .

MR. GREEN: He did not say what Mr. Spivak has attributed to him.

MR. SPIVAK: As a matter of fact, I think he basically said it was less.

MR. GREEN: He said that he thought it would be less. That's right. So why are you using it as if its gospel.

MR. SPIVAK: I'm suggesting that 700 is correct and I'm suggesting 1.36 (?) percent is the right factor. I'll leave that at this point now. And I want to now come back to Mr. Parsons and ask, if less than 700 hours is more or less the requirement or the industry standard for a shell, how close at best has Flyer come in man-hours?

MR. GREEN: Well, Mr. Chairman, I am going to suggest that in my opinion that question and how close they are to receiving what they need in the production scale - and I don't know the answer - but I am suggesting that no other company would unclassify that information and that the Flyer Coach Industries need not unclassify it.

MR. SPIVAK: Well, Mr. Chairman, I'm suggesting that there is absolutely no justification for more money to be put in Flyer . . .

MR. GREEN: That's up to you. Go ahead.

MR. SPIVAK: . . . until someone somewhere understands the productive capacity of Flyer in the past and its likely productive capacity against the necessary standards to be able to determine whether there will or will not be a profit. I must say, Mr. Chairman . . .

MR. GREEN: They understand it.

MR. SPIVAK: Well they understand it? Mr. Parsons, do you understand it? You don't have that information now but do you understand it?

MR. PARSONS: Do I understand what you're saying?

MR. SPIVAK: Yes. Do you understand the basic production man-hours that are required by Flyer to be able to turn it around. Do you know what you have to reach as a goal?

MR. PARSONS: Yes.

MR. SPIVAK: Would you mind telling me that.

MR. GREEN: No. Mr. Chairman, that is the information which I say that any company would retain as classified. Now I don't know what Mr. Parsons intends to do but I say to you that I consider that to be something which no other company would be required to give.

MR. SPIVAK: Well, Mr. Chairman, I would suggest that if Mr. Parsons produced the information it would - before this committee - it would indicate that we are so far away from reaching any kind of standard that the probability of profit in the next period of time is remote and that the government should be reassessing and should have been reassessing their position with respect to the continual funding of the operation.

MR. GREEN: Mr. Chairman, this is exactly the point of order that I was making. Now Mr. Spivak is giving testimony to this committee which the previous testimony he gave we have found to be false and that this should be considered as equally unreliable, that it is not the kind of testimony that is expected to be given by people who are running commercial institutions, is being given by Mr. Spivak for the purpose and with the intention of undermining the viability or the - any move towards viability on a Crown corporation owned by the people of this province.

MR. SPIVAK: Mr. Parsons have you had an opportunity of reviewing the Stevenson-Kellog Report?

MR. PARSONS: Which one?

MR. SPIVAK: The report that I made reference to and I guess that was the interim report that you received.

MR. PARSONS: Yes, I have a letter from them. That report that you received - I don't know how you got it, it was a confidential report between ourselves and Stevenson-Kellog. It wasn't for their publication and the fact that you got it is very embarrassing to them. And I will give you a letter from their Vice President saying so. It was a preliminary report; they had not done any in-depth look at the plant at the time that this was done.

MR. SPIVAK: Well, Mr. Green, is continually saying what was wrong. What was wrong, Mr. Parsons?

MR. GREEN: The suggestion that we have to wait for the whole order to be sold before we get . . .

MR. SPIVAK: That suggestion with respect to the San Francisco order was wrong. What else was wrong in that report?

MR. PARSONS: They have no - in that brief report there was . . .

MR. GREEN: . . . testimony that you gave about that report.

MR. PARSONS: There were two reports that you used.

MR. GREEN: 100 percent of what you gave was wrong.

MR. SPIVAK: Mr. Chairman, I am asking Mr. Parsons.

MR. CHAIRMAN: Mr. Parsons is attempting to answer but you keep on . . .

MR. GREEN: I am interrupting, I admit, Mr. Chairman. But Mr. Spivak's line of questions has exasperated me and caused me to lose my temper.

MR. SPIVAK: Mr. Chairman, on a point of order. I don't think it's my line of questioning. I think the realism that Mr. Green has that a great deal of the information that he and the members have given has in fact been false.

MR. GREEN: Mr. Chairman, on a point of order. I did not give any information . . .

MR. SPIVAK: Well we're going to deal with it in a few moments . . .

MR. GREEN: . . . 100 percent of the information that Mr. Spivak has given has been false, presumed to be false.

MR. CHAIRMAN: Mr. Evans, on the -- you're speaking on what? I have Mr. Minaker.

MR. EVANS: On the point of order. On a point of procedure and order. The fact is, Mr. Chairman, when we passed the legislation requiring the Chairman of the MDC to come before the Committee to answer . . .

MR. GREEN: There is no legislation, that is strictly voluntary.

MR. CHAIRMAN: Just the report.

MR. GREEN: The reports in the Gazette. No legislation requiring . . .

MR. CHAIRMAN: Order please. Let's proceed. Mr. Spivak.

MR. EVANS: Mr. Chairman, on the point of order. I would like to suggest that it's in the legislation. But the point is . . .

MR. GREEN: The honourable member may be correct.

MR. EVANS: The point is that the intent of the legislation was to require the Chairman to come and discuss, to lay before the committee the financial documents of the company of the latest fiscal year available . . .

MR. CHAIRMAN: That is correct.

MR. EVANS: . . . and to discuss those reports as shareholders of a company may wish to discuss the activities of the company in that fiscal year. Now, Mr. Chairman, we're getting beyond that; we're getting into a discussion of the current day-to-day administration and operating problems that are facing the company. And while Mr. Spivak and others may wish to speculate and question the day-to-day operations of the company and make conclusions, and draw conclusions therefrom, I would suggest, Mr. Chairman, that the people of Manitoba, the taxpayers that he's so worried about, are being done a disservice by the Opposition in their attempts to put questions, to elicit answers that may affect the competitive ability and position of this company in the industry which is truly a North American industry. And I suggest, Mr. Chairman, that it is completely out of order for the Chairman of the MDC to have to answer questions dealing with operations and day-to-day administration that surely no group of shareholders have, in the history of limited companies, have had the opportunity or expect to receive the answers thereto. I suggest, Mr. Chairman, that Mr. Spivak is doing a disservice to the people of Manitoba, to the taxpayers in Manitoba. He's doing a disservice to the employees of Flyer Industries Limited who he seems to be so concerned about - particularly a few months ago when there was a strike - the fact is that he is doing them a disservice and these questions could commercially endanger the viability, could endanger the commercial viability of this company and they are clearly out of order and they're not - these types of questions were not intended to be answered as the legislation is spelled out and in our discussion of that legislation.

MR. CHAIRMAN: We do have the financial statement and my understanding was that we deal with the Annual Report and the Chairman of the Manitoba Development Corporation has updated reports. The one that we have here is up to March 1975, dealing specifically with the 1973-74 report which we have received except for the questions that were handed out or rather the list of firms with the updated financial statements. And I think if we could put our questions to those levels, beside those questions that have been asked and the answers have been given at the last meeting, I think we can proceed. Mr. McGill.

MR. MCGILL: Do we have the financial report for Flyer Coach?

MR. CHAIRMAN: Yes, it had been tabled. 1973.

MR. MCGILL: At the last meeting Mr. Parsons said it would be ready about the middle of next month which is this month and we're not yet at the middle but I thought he might have had it for today's meeting.

MR. PARSONS: No, it's not ready.

MR. MCGILL: It's not ready yet?

MR. PARSONS: No.

MR. MCGILL: Have you any forecast on when that statement will be available?

MR. PARSONS: The auditors aren't sure but it will probably be maybe another three weeks, three or four weeks. The problem is in inventory taken.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: I wonder, Mr. Parsons, if you can indicate to me . . .

MR. GREEN: Point of order.

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

MR. GREEN: Mr. Chairman, there was some suggestion that the chairman appearing before committee was a legislative requirement. Honourable Mr. Evans seemed to think so, I didn't think so. It is not in the legislation to my knowledge and has been done because we felt that it was going to be a useful procedure for the Legislature. If it is not a useful procedure, it will not be done.

MR. SPIVAK: Mr. Parsons, I wonder if you can indicate - you stated at the last meeting that there were 360 employees with 200 in production. Is it your intention to increase the number of employment at the . . .

MR. PARSONS: In the production level, yes.

MR. SPIVAK: To what level?

MR. PARSONS: It will probably go up to 300.

MR. SPIVAK: So you would then have, at that point, about 100 salaried workers to about 300 production workers, is that right?

MR. PARSONS: Well, it would be slightly more than that.

MR. SPIVAK: 160 to about 300. You now have about 330 of which 130 are salaried.

MR. PARSONS: Right.

MR. SPIVAK: And 200 - so that would be 150 salaried people to 200 production now which would go up from 150 to 300 in production. Is that correct?

MR. PARSONS: Yes.

MR. SPIVAK: Is that ratio of salaried employees to production employees, is that ratio sufficient for productivity?

MR. PARSONS: Yes. It depends on where your salaried leave off. Some of those salaried people work on the floor in a supervisory capacity. So it's pretty - I can't tell you whether that's normally . . .

MR. SPIVAK: Mr. Parsons, there is a new generation bus that is being developed by the major bus manufacturers both in the United States and Europe. It will be produced probably I guess within the year. Is Flyer in anticipation of this development . . . ?

MR. PARSONS: What type of bus are you talking about?

MR. SPIVAK: Well I gather from . . .

MR. PARSONS: There are several prototypes out.

MR. SPIVAK: Well I gather though that the generation bus basically lasts for 20 years and we're at the end of a 20-year cycle. And that, in effect, the nature of competition would be that the new bus will be in operation probably within a year or two years which will reduce the man-hours of 950 to 1,000 down to about 600 man-hours for its production. I just wonder whether you can indicate whether Flyer has attempted or is in any way organizing itself in anticipation of this new development and the competition that will exist.

MR. PARSONS: I'd like to know what bus you're talking about because there's an articulated bus coming out, we have looked at it and we will not be producing it because we don't think it will fit in the North American market. There's several types of buses on the market; now I don't know which one you're talking about but we have been looking at them.

MR. SPIVAK: Well my point is that if your competitors at this point are in the process of developing a new bus and I am asking at this point whether Flyer in anticipation of the new development has in any way organized itself to be able to meet what would be competition simply because the man-hours required for the building of that bus will be substantially less than the present man-hours required.

MR. PARSONS: Well I don't know what bus you're talking about that's going to take less man-hours. The UMTA bus takes more and that's the new one that Flexible and GM are working on under contract. It is a much higher cost bus. So really, I can't answer your question.

MR. SPIVAK: I wonder, Mr. Chairman, if I may be able to get . . . Well I would suggest it would be the one to be introduced by General Motors, that should be introduced by late 1976.

MR. PARSONS: Is that the one with the very low floor?

MR. SPIVAK: That's the one dealing with the method of using rivets on various types of panels which will be replaced, on snap-on molding systems and other advanced techniques which will basically reduce the man-hour production and thus the basic cost and become more competitive in the market. My point being that is Flyer now organizing itself in anticipation of this new development and its ability to be able to compete for orders a year from today or a year and a half from today.

MR. PARSONS: No, we're not looking at that right now.

MR. SPIVAK: Okay. I'd like to now, if I can, go back to the question that was mentioned last meeting with respect to the Mercantile Bank. I wonder if you can indicate at what point the company arranged its line of credit with Mercantile? Do you know how long ago that was?

MR. PARSONS: No, I don't.

MR. SPIVAK: Was it several years ago?

MR. PARSONS: I don't know how long ago that was. I don't think it's that far back.

MR. SPIVAK: Can I ask, did the bank ask Flyer or the MDC for a government guarantee of the loan?

MR. PARSONS: At what point?

MR. SPIVAK: Well I just wonder at what . . .

MR. PARSONS: I didn't negotiate it so I don't know that.

MR. SPIVAK: Well I have to refer, if I can, back to Page 69 and I'd like to just read what was said from the Hansard and then if I can direct a question to you.

MR. GREEN: Mr. Parsons, of the \$23 million that has been advanced to the corporation, my understanding is that two million of that was advanced, which was formerly a line of credit that was given to you by a bank. MR. PARSONS: That is correct. MR. GREEN: And did the bank cut off its line of credit during the strike? MR. PARSONS: Yes. MR. GREEN: That was the line of credit of \$2 million? MR. PARSONS: Yes. MR. GREEN: You are aware of the commercial world in other areas. Do you know of a bank's cutting off lines of credit during a strike? MR. PARSONS: No, and we felt it was most unusual. Normally in the commercial world when you're on strike you would expect your bank to support you more, not call your loan. MR. GREEN: Which bank was this? MR. PARSONS: It's the Mercantile. MR. GREEN: Thank you. Are you going to continue to do business with that bank?" And then it goes on.

Now I'd like to know at what point the Mercantile Bank requested of Flyer or through the MDC that the government guarantee its loan?

MR. GREEN: Mr. Chairman, on a point of order. Yes, I could give that information and I did not -- (Interjection) -- Yes, you did. You did say that I gave false information.

MR. SPIVAK: Not on this.

MR. GREEN: Well you have said that I did and now you are reading it. Mr. Chairman, my information is that the Mercantile Bank asked the Government of Manitoba or the MDC or either to guarantee their line of credit to Flyer Coach Industries. That is my information. If we were to guarantee their loan and they were to make the interest, why do we need them at all? They have given a line of credit to Flyer Coach Industries and they cut it off during a strike. That is the only information I have. But they also asked the government to guarantee their line of credit so that they wouldn't cut it off, in which case they would have the credit of the Government of Manitoba rather than Flyer Coach Industries.

MR. SPIVAK: But how much earlier than the strike did the Mercantile Bank ask for the guarantee of government?

MR. PARSONS: I don't know the dating on it.

MR. SPIVAK: Well I wonder if you can confirm and, you know, I think you will have to again obtain information, I find it sort of unusual at this point because I think the financial arrangements would be something that would be, you know, within the knowledge of the MDC at least . . .

MR. PARSONS: Well you're asking me for specific dates.

MR. SPIVAK: Well I wonder if you can confirm that for some time the bank has been asking and requesting the government to guarantee the loan?

MR. PARSONS: Before the strike you mean?

MR. SPIVAK: Yes.

MR. PARSONS: If they were, I don't have knowledge of that. They had pretty adequate security.

MR. SPIVAK: Did the bank indicate that they were concerned about the account, that they were concerned about its financial viability, that they understood there were problem areas and that they wanted the security of the guarantee of the government. In other words did they not treat you at that stage like any other normal institution to which they had been loaning money?

MR. PARSONS: Not before the strike to my knowledge.

MR. SPIVAK: Was the bank aware that there was some difficulties in management?

MR. PARSONS: Yes.

MR. SPIVAK: And they didn't at any time concern themselves or question or ask that there be additional security provided over and above whatever security had been provided by Flyer?

MR. PARSONS: If they did it wasn't passed on to me.

MR. SPIVAK: It wasn't passed on to you? And you're saying that the only request, according to Mr. Green, that came through was a request during the strike for the guarantee of the government and the guarantee not coming they then called the loan. Is that what you're suggesting?

MR. CHAIRMAN: Mr. Parsons did not suggest . . .

MR. SPIVAK: But Mr. Green did . . .

MR. CHAIRMAN: Mr. Spivak, Mr. Green indicated that and I don't see the reasoning why you want it to be confirmed on the answers that were provided.

MR. SPIVAK: Well then I have to say to Mr. Parsons, is Mr. Green's statement then accurate as to what really happened. And I'm not suggesting that he is necessarily misleading but he may not have been seized of all the facts.

MR. PARSONS: As far as I know it was.

MR. SPIVAK: So the only request was during the strike itself and they pulled the loan at that point?

MR. PARSONS: Yes. You're asking me questions that normally the men in charge of the finance of the company deal with. If they have a problem, and they might well run into a problem, then they would bring it back to the board of directors providing they can settle it or handle it, they would look after it.

MR. SPIVAK: Are you suggesting that the bank asked that the loan be called because of the strike or it was just called during the strike.

MR. PARSONS: It was because of the strike. And they also stated that when the strike was over and we commenced production that they would reinstate the loan.

MR. SPIVAK: So you're saying that the bank called the loan because of the strike?

MR. PARSONS: Yes.

MR. SPIVAK: Can you give us the date that they called the loan? Is there anything in writing that indicates it's because of the strike that we're calling the loan?

MR. PARSONS: I will check the correspondence.

MR. SPIVAK: And will you also, Mr. Parsons, try to determine whether in fact there had been a request by the bank prior to the strike for a guarantee of the government, several requests.

MR. PARSONS: Yes, I will inquire.

MR. SPIVAK: And would you then also determine or present the committee with the response of Flyer at that time - or the response of the government - to the request for a guarantee.

MR. CHAIRMAN: It will be up to the Minister.

MR. SPIVAK: Well, Mr. Chairman, my concern at this point is that there has been a representation with respect to one banking institution, the information of which I think is something that should accurately be placed in this committee and documented before we deal with it further.

MR. GREEN: I notice that Mr. Spivak is very solicitous as to what is said about a banking institution and that everything has to be documented and presented before the committee. He is far less solicitous as to what is said about the institutions which he and the rest of the public are owners of, that is the Flyer Coach. He has presented undocumented and false information about these companies. I have indicated only the following: that the Mercantile Bank cut off the credit of the company during a strike, and that I asked Mr. Parsons whether this is usual in commercial operations. He said he thought it was very unusual, that they usually support people during a strike.

MR. SPIVAK: Mr. Chairman, on a point of order. On a point of order, Mr. Chairman, so that we will be accurate.

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

MR. GREEN: I don't wish to be inaccurate, go ahead.

MR. SPIVAK: Mr. Green just suggested that his understanding was that it was because of the strike.

MR. GREEN: Yes.

MR. SPIVAK: Not during the strike . . .

MR. GREEN: No.

MR. SPIVAK: . . . but because of the strike.

MR. GREEN: Because of . . . My question was "during". I think it was Mr. Parsons who said that it was "because of", and I respect his answer in that connection. They certainly would loan us any money we want on the credit of the Government of Manitoba. No bank has to be a great hero to do that. What I was indicating was that they cut off the line of credit during the strike and that we had to replace it ourselves. And as to whether that is or is not correct, let the Mercantile Bank speak for themselves. We're not here to protect the Mercantile Bank

(MR. GREEN cont'd) . . . . and if Mr. Spivak is, let him get the information and give it to the public.

MR. SPIVAK: Mr. Chairman, my information is the opposite to what Mr. Green has said.

MR. CHAIRMAN: But, Mr. Spivak, I do not see the relevance of this question right now.

MR. SPIVAK: Mr. Chairman, may I just on the point of order indicate the relevance is the question of the accuracy of the information that's given. And I think this goes to the heart of the whole purpose of this committee. Now we're dealing in a controversial and a complex subject with respect to this particular industry and the difficulty we have and we've had it this year, and I can go back to the Hansards of last year and the year before, is to, you know, at what point do we have to simply say we accept everything. At what point have we a responsibility to investigate to determine the accuracy of it, and at what point have we a responsibility to bring forward the questions that are relevant to determine the judgments that are made with respect to the continual spending of public money. Now again in this, the Mercantile Bank is a side issue but their name was brought in as a result of the questioning that took place and in order to try and determine the accuracy of it as we have attempted to try and do it, and I may say, Mr. Chairman, and I say this to Mr. Green because he may himself want to determine it, the accuracy, but the information supplied to me is not the information that's been supplied to this committee.

MR. GREEN: So Mr. Parsons has supplied information to the committee, you have your own - you can take what you like.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Mr. Chairman, through you to Mr. Parsons. My apologies for not noticing the date of the Dayton Ohio order. When did you receive that?

MR. PARSONS: I don't know, I'll have to get the actual date.

MR. MINAKER: Mr. Chairman, I wonder if Mr. Parsons can advise when the bid for the order was placed. In other words, what month or what date last year did the . . . ?

MR. PARSONS: I will get that information, I don't have it at hand.

MR. MINAKER: Well, Mr. Chairman, I would . . .

MR. CHAIRMAN: Were you asking for the bid or the tenders?

MR. MINAKER: The tender. Well the tender or the bid is the same thing. What date or time of the year was it? I wonder if it would be fair to suggest, Mr. Parsons, that it might have been somewhere around October 30th last year?

MR. PARSONS: Yes, I said before it was either October or November but I don't know the exact date.

MR. MINAKER: I'm wondering, Mr. Chairman, if I understand Mr. Parsons' answers that he gave at our last meeting on April 17th relating to operating costs or cost accounting, and I particularly refer to, I think, it was Page 68 of the minutes that Mr. Parsons indicated to questions raised by myself with regards to cost accounting problems, when it had been raised with the MDC board and if I understood him correctly, he said it came somewhere in the order of June or late spring of last year. Is that correct? When you were made aware of the fact there were cost accounting problems at Flyer?

MR. PARSONS: Yes, it was in the spring.

MR. MINAKER: Further to that I understood him - he answered a question that said with relation to outstanding accounts or committed orders that the company had. I asked, I said: "So that we're committed to certain contracts where we know we will obviously not be covered. Is that correct?" - referring to the fact that we will not cover the costs that are incurred to produce the vehicles. And Mr. Parsons' answer: "That's right." I'm wondering if the Dayton, Ohio, order is one of those particular contracts.

MR. PARSONS: No, we don't believe so.

MR. MINAKER: Mr. Chairman, I wonder if Mr. Parsons can recall last fall when the management were resigning right and left, I'm wondering if the bid was placed on October 30th or in thereabouts, who was providing the policy and guidance for Flyer at that time?

MR. PARSONS: Mr. Wright and the Flyer board.

MR. MINAKER: And the Flyer board. Because I am wondering, Mr. Chairman, through you to Mr. Parsons, why the company would take on a potential new contract at a time when they were out on strike. It's our understanding that they were having difficulty in arriving at cost accounting and bidding on equipment or buses, why the company would step out and bid on another contract at that time?

MR. PARSONS: We felt that our process of making up the bid was correct and that we can meet that profitably.

MR. MINAKER: I'm wondering, Mr. Chairman, through you to Mr. Parsons, our understanding is that the Canadian Indemnity provided the bid bond. Is that correct?

MR. PARSONS: Yes, with the Province of Manitoba guarantee.

MR. MINAKER: Did they request the Province of Manitoba guarantee?

MR. PARSONS: Yes.

MR. MINAKER: It might be a naive question to ask for that but why did they request that?

MR. PARSONS: Because Flyer doesn't have a position they felt was strong enough to stand on its own. Same thing with the Boston order and partially on the San Francisco order.

MR. MINAKER: At that time the company it was in management problems. (It would appear to be from the outside looking in) were on strike and with the answers that we now have received that they were having problems with cost accounting, even with all of these problems facing them, they felt it was important and in the best interests of the company to proceed and try and get this order?

MR. CHAIRMAN: Mr. Green.

MR. GREEN: I just want to be on the list.

MR. PARSONS: Yes, as an ongoing concern we had to look at this.

MR. MINAKER: And what was your backlog of orders at that time in terms of buses? Was it not somewhere in the order of about 714 vehicles?

MR. PARSONS: Yes. But this is for 1976-77 delivery. It's well down the line. We think we have a good bid with the number of hours we put in, the escalation clauses and the price we were able to obtain.

MR. MINAKER: Mr. Parsons, when you were giving answers with regard to delivery of City of Winnipeg buses is that the complete two orders that you were saying would be completed or is that the order that was back ordered I think in 1973? Is that both orders that the City of Winnipeg have placed with Flyer that will be . . . ?

MR. PARSONS: I don't know. That was the answer I got. I didn't check if it was both orders. I'll have to check that.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Parsons, other than being the Chairman of the Manitoba Development Corporation, I gather that you were the chief executive officer of your own corporation, Parsons Equipment?

MR. PARSONS: It's not Parsons Equipment, it's Huggard Equipment.

MR. GREEN: Huggard Equipment, excuse me.

MR. PARSONS: If we're going to advertise, we better get the name right.

MR. GREEN: You also have a certain knowledge of business administration that you have acquired through both your business experience and your professional status as an accountant?

MR. PARSONS: Yes.

MR. GREEN: And that there would exist on the board of directors people also who are executive officers of their own corporations and have had business experience?

MR. PARSONS: Yes.

MR. GREEN: Do you know in the commercial world whether a company that is having financial problems and may be in the process of a strike would stop bidding on orders two years hence because of those features?

MR. PARSONS: That's difficult to answer, but I would think that the directors would have to look at their position and assess as to whether they're going to be ongoing. If you pass up an order like we have just bid on, there is no way of going back.

MR. GREEN: Is a strike a reason to stop bidding on contracts two years hence?

MR. PARSONS: No. Certainly not.

MR. GREEN: Is a cost accounting problem a reason to stop bidding on . . . well I gather that your accounting is still not . . .

MR. PARSONS: No that's right. We didn't have - as I said there was a breakdown in the cost accounting process. It's not an impossible problem, it's a matter of time to rectify it. That doesn't mean that we don't know what the standard should be and if you know what the standards are and add a percentage for variance on to that, you can arrive at a fairly accurate cost.

MR. GREEN: I gather Motor Coach Industries was on strike a year ago.

MR. PARSONS: Yes.

MR. GREEN: Are you of the opinion that they stopped seeking orders because they had a labour problem which I assume they expected would go away?

MR. PARSONS: No, I wouldn't think they would, no.

MR. CHAIRMAN: Mr. Banman.

MR. MINAKER: Well I wonder if I could finish, Mr. Speaker.

MR. CHAIRMAN: I thought you were . . .

MR. MINAKER: Well he hopped in.

MR. CHAIRMAN: No, you were finished. I'll put you on the list. Mr. Banman.

MR. GREEN: Well if Mr. Minaker would get approval from Mr. Banman, I'm sure . . . but it is not the case that I interrupted him; he did indicate that he was finished. If he wants to speak again, I'm sure we will all let him. But not on a false pretence.

MR. MINAKER: I wonder if I might, Mr. Chairman, with the permission of Mr. Banman just ask a few questions prior to Mr. Banman asking.

MR. CHAIRMAN: Mr. Banman do you agree?

MR. BANMAN: He's got the floor.

MR. MINAKER: Mr. Chairman, I wonder through you to Mr. Parsons, could I ask a question. If Flyer Industries had not got the guarantee of the government to guarantee the \$675,000 bid bond, would you have received the bid bond from Canadian Indemnity?

MR. PARSONS: No, I doubt it.

MR. MINAKER: Well, Mr. Chairman, through you to Mr. Parsons. Is it not a fact that if a private company is operating and wished to bid on a particular project and they are unable to get a bid bond because they cannot get the banks or any other financial means to guarantee them, that they would not qualify. Is this correct?

MR. PARSONS: That's correct, yes.

MR. MINAKER: Well would it not also be an indication that if it was a private operating company that it was in a very unhealthy state and probably incapable of proceeding with such a project?

MR. PARSONS: That could be the reason.

MR. MINAKER: I would suggest, Mr. Chairman, that it would be the main reason. That through analysis by business that this company was in dire straits and in the opinion of the business community had not shown or had indicated that it was capable of committing and following through a contract that it was proposing to take on, and I suggest, Mr. Chairman, that the fact that the government was willing to guarantee this bid bond that it qualified your bid. And I would suggest that if the government which is staking its - I won't say reputation but it has a stake in it like we all have - stepped out and made this decision so you could qualify and I suggest, Mr. Parsons, that if this was a normal operating business type of operation that you would not have bid on that particular project because of the circumstances surrounding - nothing to do with the strike necessarily, it had obviously some commitment to it - but I would suggest it also had, also involved in there was the fact that the management problem was existing or it appeared to exist.

MR. PARSONS: Yes.

MR. MINAKER: And I would think if it was a normal operating company that it would not have bid on that one. But the fact that it was able to get the guarantee from the government and it would appear that . . .

MR. PARSONS: That was the only reason we were able to bid.

MR. MINAKER: . . . the MDC would have gone outwards to other insurance indemnity besides the indemnity company to try and get this bid bond and I presume that they had failed, so as a last resort they went to the government and the government saw fit to utilize the funds in the particular loan, I believe it's for a special municipal loan and general emergency funds. So I would suggest that if it had been a normal private enterprise common business sense in the community would have said, no don't take on the bid at this time. But for some reason your particular corporation board decided to, and this is what I have difficulty in understanding, Mr. Chairman.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: I don't know if that is a question or a debating point. The honourable member has indicated that in the business community they did not regard this as being a good venture to invest money in and Canadian Indemnity would not do so. I would suggest to you, Mr. Chairman, if the public of Manitoba had to depend on the business community to guarantee any

(MR. GREEN cont'd) . . . . of its operations that we would not be able to exist. I agree with that.

A MEMBER: Why?

MR. GREEN: Because the business community does not want the public to be competing with it.

MR. SPIVAK: Maybe he doesn't want the public to lose money.

MR. GREEN: Well, no. The business community does not want the public to cause it to lose money.

MR. SPIVAK: No, no.

MR. GREEN: That is its problem. Now we are debating the question, now we are debating the question, Mr. Speaker. I suggest to you that very shortly, Mr. Speaker, there will be underwriting, public underwriting companies who will underwrite this type of business.

MR. CHAIRMAN: Mr. Banman.

MR. BANMAN: Thank you, Mr. Chairman. I'd like to ask Mr. Parsons several questions with regards to Flyer and being in business myself - I'm not running a multi-million dollar business like Flyer is but running a million dollar business, I have a bit of an idea of and a bit of business sense and I would question several things as somebody that knows business.

Number One: We had an inventory problem. That's why we haven't got the statement for 1974 if I understand that correctly.

MR. PARSONS: Yes.

MR. BANMAN: We have production problems. We had tendering and costing problems. We've got tendering guarantee problems. We had a labour strike. We had management resigning all over the place and I would just like to ask Mr. Parsons: actually this company as it sits right now has to be totally rebuilt. Would he agree with me?

MR. PARSONS: Not totally rebuilt. We've rebuilt a lot of it.

MR. BANMAN: Well basically all you've got there is a physical facility.

MR. PARSONS: We have quite a few people. We have a full complement of management staff right now.

MR. BANMAN: But there's a lot of new people involved, right?

MR. PARSONS: Yes.

MR. BANMAN: So that you are sort of undertaking a complete rebuilding program really.

MR. PARSONS: We did, yes.

MR. BANMAN: With regards to the costing and tendering of contracts, was there sort of an understanding that because GM of course I would imagine is your main competitor with regards to buses? In diesel units?

MR. PARSONS: Diesel units. These were not diesels we were bidding on, they were trolley.

MR. BANMAN: What would you say your average contract that you got, how much lower were you per bus than your competitors?

MR. PARSONS: In the trolley, there isn't any other.

MR. BANMAN: No, no, on the diesel.

MR. PARSONS: Well, we haven't tendered on the diesels for quite some time but we were, oh, within five percent.

MR. BANMAN: What would that be? About \$2,000?

MR. PARSONS: Yes, on the Toronto one. It was \$1,500 on the Toronto one, the difference between ourselves and GM. I believe.

MR. CHAIRMAN: Okay. Now that concludes the questions on . . . No, there are more questions? Mr. Spivak.

MR. SPIVAK: Mr. Parsons, last year your projections for the fiscal year which was the calendar year and the fiscal year for sales was estimated at \$17 million. That's what you projected or felt you could reach. From the information you've given us you've reached \$5.3 million, but the strike took place in October so that, in effect, the sales actually achieved - or the production achieved was really, in a nine-month period, was 5.3 million. Is that correct?

MR. PARSONS: Yes, production.

MR. SPIVAK: I'm sorry, not sales, production. Production. What estimates of production do you have for this year?

MR. PARSONS: I'll take that as notice.

MR. SPIVAK: Mr. Chairman, again the chairman indicates he's going to take it as notice.

(MR. SPIVAK cont'd) . . . . I would consider that to be a question that could affect the commercial viability of a company but the chairman will take it as notice and I suppose he'll consider it.

MR. PARSONS: Actually some of these questions that you're asking, I think Mr. Green is right. If we indicated that we were totally filled up and unable to bid, such as these questions you're asking, it affects the other people that are bidding.

MR. SPIVAK: Well you've already indicated that you are unable to . . . them until you know your optimum . . .

MR. PARSONS: That's right. Until we know. That's right.

MR. SPIVAK: Bidding and production are two different things. My point being that you have indicated . . .

MR. PARSONS: As I've told you, we're shooting for two buses a day. Now we're getting rolling. We've put out three or four a week the last three weeks. We get up to one a day and then we'll go on the second line to introduce that, that's when we have to get more people. But we are building it up gradually.

MR. SPIVAK: When do you expect that you will be at two buses a day?

MR. PARSONS: Our schedule shows in July.

MR. SPIVAK: In July you should be at two buses a day.

MR. GREEN: Because our schedule shows in July.

MR. PARSONS: This is what we're shooting for. If we can't get another 100 employees, we're not going to get to that either.

MR. SPIVAK: Are you advertising for employees outside the province?

MR. PARSONS: Not to my knowledge unless Manpower are doing it.

MR. SPIVAK: Flyer is not soliciting or trying to solicit . . .

MR. PARSONS: No.

MR. SPIVAK: . . . basically from the auto industry area. Are you not attempting to try and get people in this way?

MR. PARSONS: We haven't until this point because we'd still be on a call back of our employees. Until we get through our full call back of the old employees and find that they are not coming back, then we don't go outside that group.

MR. SPIVAK: You indicated at the last meeting that the likely request from the government will be for about another million dollars for this fiscal year.

MR. PARSONS: One million to two million, yes.

MR. SPIVAK: A million to two million.

MR. PARSONS: You asked me roughly. I said probably another million to two million.

MR. SPIVAK: All Right. You've now made arrangements with another bank. You're obviously not with the Mercantile now.

MR. PARSONS: I didn't say that, no.

MR. SPIVAK: Oh, do you have arrangements with another bank?

MR. PARSONS: No.

MR. GREEN: Manitoba Development Corporation.

MR. SPIVAK: So the Development Corporation is essentially financing . . .

MR. GREEN: The friendly bank.

MR. SPIVAK: . . . is acting as a bank for the Flyer.

MR. PARSONS: No, it isn't. At the present time our account, our current account is still with the Mercantile.

MR. SPIVAK: Your current account is still with the Mercantile. Then can I ask, will there be any additional financing required over and about the one million, two million for the financing of any receivables that Flyer may have as a result of delivery of some of the buses to your customers?

MR. PARSONS: As I said before there could be if we can't get normal banking financing. Now that should be a normal industrial financial arrangement without any government guarantee or anything else. On the basis of a receivable.

MR. SPIVAK: And you'll be financing them with a bank at that time?

MR. PARSONS: Yes.

MR. SPIVAK: Are you going to be financing with a bank that you now have your account in?

MR. PARSONS: Does that really affect the company business?

MR. SPIVAK: No, it doesn't affect the company business. I question that the . . .

MR. PARSONS: I don't expect that we will be.

MR. SPIVAK: All right. Well then the problem area that we have is the ability to be able to determine, you know, how much money will really be required now in terms of the estimates that have been made of a million or two million. Here again . . .

MR. PARSONS: You were asking me about input of extra working capital I believe at the time, and I said it could be a million to two million depending on your build-up of your inventories and depending on your production. Once we start rolling them out these inventories should reduce and we shouldn't need more financing. But we might have to.

MR. SPIVAK: Can I ask, the order of shells that have been delivered to AMG, have you been paid for them yet?

MR. PARSONS: Not in total.

MR. SPIVAK: What percentage of the account have you been paid?

MR. PARSONS: I don't know what the percentage is but there's roughly \$300,000 still outstanding.

MR. SPIVAK: Has there been problems with difficulties in the shells, with parts that have not held up or portions of the buses that have had to be repaired?

MR. PARSONS: They have had problems but they haven't indicated back to us that they are specifically on what we have built.

MR. SPIVAK: Can I ask, when will your contract or your arrangements with AMG terminate?

MR. PARSONS: They're still in force.

MR. SPIVAK: Yes, but when does it terminate? You have a contractual arrangement with them.

MR. PARSONS: It was a five-year contract; it was started in 1973 so it would be 1978.

MR. SPIVAK: It's not 1976 that it will terminate?

MR. PARSONS: I'll take that as notice and check the actual dates. It was a five-year contract.

MR. SPIVAK: I wonder if you can indicate what the consequences of the termination of that contract will mean as far as Flyer and its projections and its operations.

MR. PARSONS: You mean as . . .

MR. SPIVAK: What are the implications of the termination of that contract if it is terminated?

MR. PARSONS: If AMG cancel the contract or the contract . . . ?

MR. SPIVAK: Just terminated.

MR. PARSONS: I don't think it would affect Flyer at this point.

MR. SPIVAK: Either in competition or in its . . .

MR. PARSONS: We're not in competition to AMG because the only buses that we are selling in the United States are trolley buses and the only buses they build are diesel and they don't compete in the diesel market in Canada.

MR. SPIVAK: I wonder if you can indicate, although I know you haven't the statement, you probably have some general idea of what the inventory position was at the end of December 31, 1974.

MR. PARSONS: No I don't. This is what the auditors are still working on.

MR. SPIVAK: You still don't know what that inventory was?

MR. PARSONS: No.

MR. SPIVAK: But you would believe it to be substantial.

MR. PARSONS: Yes, we know it's substantial.

MR. SPIVAK: I wonder if you can indicate what has been done to organize the engineering department, personnel department to provide that the company will be put on a more solid basis.

MR. CHAIRMAN: Mr. Evans, on a point of order.

MR. EVANS: Mr. Chairman, on a point of order. These types of questions are out of order. They are dealing with the day-to-day current administration of the company. Surely we have to be concerned with whether or not the company makes a profit or loss at the end of this period and the legislation does refer to the discussion, the discussion of the latest audited annual statement of the company and we've gone away beyond that and again I say these questions, while they may be of interest to the honourable members, we must be concerned with the overall general interest and that is the fact that we've got to maintain a company which has to

(MR. EVANS cont'd) . . . . compete with other manufacturers in North America and we should not put the Chairman of the Corporation in a position of having to pass out information which will be gleefully used by its competitors.

MR. SPIVAK: Well, Mr. Chairman, one of the problems, I think it's acknowledged and I don't think that there is any secret and it's been acknowledged not only in this committee but elsewhere, that there have been problems at Flyer and there have been problems with management and there's been problems on production -- (Interjection) -- there are problems like in Chrysler Corporation but unfortunately . . .

MR. EVANS: All the lay-offs.

MR. SPIVAK: Well I think probably fortunately Mr. Evans and Mr. Green are not running Chrysler.

MR. EVANS: But we don't have 40 percent unemployed.

MR. SPIVAK: Mr. Chairman, my concern would be to determine - and again reference has been made to the Stevenson-Kellogg Report - one of the, I think, serious concerns . . .

MR. CHAIRMAN: Reference was made . . .

MR. SPIVAK: By me . . .

MR. CHAIRMAN: Right.

MR. SPIVAK: . . . to the Stevenson-Kellogg Report. One of the serious observations was that the policy-making function of the board of directors needed clarification. The board tends to be drawn into discussions of details and the staffing operations that it should not have to face.

MR. GREEN: Ho, ho, ho.

MR. SPIVAK: Now, Mr. Chairman . . .

MR. GREEN: The board is discussing details. What about the legislative committee? What does Stevenson-Kellogg say about the legislative committee?

MR. SPIVAK: Well I don't think we paid them to give a report, and the interesting thing would be to determine what we paid to find out that the board was involved in the details. My point at this stage is because there have been problems of production, there have been problems in engineering, there have been problems in personnel, there have been problems in marketing; there have been problems in pricing . . .

MR. CHAIRMAN: Mr. Spivak, we've gone over these questions and would you proceed with the questions.

MR. SPIVAK: No, but, Mr. Chairman, very straightforwardly to the Chairman we have gone over all of these problem areas. I want to know at this stage whether he is satisfied that his engineering department is adequate to meet the requirements now; whether he's satisfied that the production - he's indicated that there is a need for additional people in production and I accept that - he has indicated at this point that they haven't achieved optimum production. But I want to understand whether his costing is correct, whether he knows what the likely loss will be, whether he has any idea of what will take place in the next six or seven month period assuming he reaches the two buses per day that he hopefully suggests will be projected and will be reached. I want to have some understanding at this point that he, as Chairman, to the members of the Legislature and the people of Manitoba is saying that he is now satisfied that all of these problems are going to be settled in a way that the public will not be called upon to continually finance what obviously was a very difficult, complex and apparently mismanaged position with respect to the company.

MR. GREEN: Well, Mr. Chairman, you see it's the tenor of the questions that bothers me. If Mr. Parsons answers that I am satisfied that all of these things are now looked after, Mr. Spivak will accuse him of lying when some problem arises. If he answers that I'm not satisfied, then Mr. Spivak will say you're obviously running an inefficient operation. All that the members of the Legislature can hope to do is to understand that the Corporation is making themselves apprised of the questions and are working towards dealing with them. As to the state of where they are now that is a question which any commercial corporation would regard as classified and that is why I object to the questions. The honourable member says we want to know that these problems have been rectified. If Mr. Parsons says they have been, then Mr. Spivak will pull out a document which says that last week a guy spent 30 minutes on his coffee time when he should have spent 15 minutes and therefore they have not been rectified. If Mr. Parsons says they have not been rectified, then Mr. Spivak will say why are you selling buses? I think that all that the chairman can do and as Mr. Spivak well knows, is to indicate

((MR. GREEN cont'd) . . . . that they are trying to find out what their problems are and they are working towards their solution and that they are making their best effort. And as to just what state they are in that is something which any commercial institution would be wanting to regard as their internal problems.

MR. SPIVAK: Well, Mr. Chairman, my problem at this point with Mr. Green is that essentially what he is saying is that Mr. Parsons should come here and make his presentation and we then should accept it, listen to it and ask a few questions, go away. Next year he comes, makes another presentation and there's no point at which we can say to Mr. Parsons, you know maybe your first presentation to us was pretty inaccurate and why? Now, as an example, if I go back to the Hansards of May 10th, 1973, the projections made by Mr. McDonald in answer to certain questions was that there would be a million dollars profit in Flyer in 1974. Now obviously we didn't achieve that. We don't know what our loss is at this point but we obviously didn't achieve it and there obviously were problems in 1974. There were serious problems that warranted a consultant being hired to try and suggest to the company changes that should take place.

MR. CHAIRMAN: Mr. Spivak, I do not believe that the line of questioning that you're raising . . .

MR. SPIVAK: Mr. Chairman, I'm on the point of order. There's no line of questioning at this point, I'm now trying to deal with what Mr. Green has dealt with and I think I'm entitled to do that. I am simply saying to you, you know, we have to seriously examine the whole purpose of this committee. If the purpose of the committee is, as Mr. Green suggests, for Mr. Parsons to come here and for him to simply offer to the best of his ability at that time particular questions, particular statements and we then have no authority to examine, to cross-examine, to ask for detail, to become concerned with respect to a commitment or to at least - not to a commitment, to a projection - then there is no point in this committee at all. Because then we must simply say that it would be just as well for Mr. Green to present a statement from Mr. Parsons, this is what we intend to do; whether we achieve it or not doesn't really make any difference because next year we're going to tell you what we're going to do; then next year we're going to tell you what we're going to do and then all the committee has to do is listen to that. Now that's not the purpose as I understand it of this committee. And I think that at this stage with the kinds of investment that are being made with really I think the confusion that has taken place between the expectation of what will happen because of information that's been supplied and the reality of what's happening, both in Flyer and a number of others' activities, commercial activities in which the government is involved, that you know we'd better get it straight as to how we're going to operate here.

Mr. Green has been concerned about industrial sabotage. I may say to Mr. Green that the report that I have comes from people who are seriously concerned and I say this, seriously concerned at the attempt on the part of the government and the Manitoba Development Corporation to mislead the public and to allow them to continue with incompetence and mismanagement and to drain the public purse. And that is the reason, Mr. Chairman.

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

MR. GREEN: Mr. Chairman, I am on a point of privilege. Mr. Chairman, there has been no indication that anybody has given false, misleading information to this committee except that given by Mr. Spivak.

MR. SPIVAK: Mr. Chairman, on a point of privilege. On the point of privilege.

MR. GREEN: I am now on a point of privilege. I am now on a point of privilege.

MR. CHAIRMAN: Mr. Green, is on a point of privilege.

MR. GREEN: I am now on a point of privilege. The honourable member says that the government and the chairman have been giving misleading information to this committee. I suggest to you that the only person who has given misleading false information to the Committee is the Member for River Heights. That a projection last year that one will make a million dollars is not misleading information unless one produces a projection to the Fund which shows that that was not their projection. Mr. Parsons has come here and given his best information. I do not say. . . I say on my own part, Mr. Speaker, that I have not given false information, I have given the information which I knew to be the case, believed to be the case. The suggestion that Mr. Spivak makes that the Committee is useless if he cannot cross-examine and examine, I would say that that is correct. Nobody is suggesting that he cannot cross-examine and examine. He can get the information that last year this company projected a profit of a million dollars,

(MR. GREEN (cont'd) . . . . this year it's showing a loss of three million dollars and therefore show that the projections were not correct. He can continue to elicit what the Development Corporation is doing, the loans that they are making, whether these are wise or unwise. He can then use that in debate to show the public that in his opinion we are not doing the right things. But when he gets down to the detailed information of the company and how it is operating today and what are its production quotas for next week then I say he is dealing with commercial information which in any organization would be regarded as classified. The people that he got that information from who he says are sincere people are saboteurs and he knows it.

MR. SPIVAK: Mr. Chairman, on a point of privilege.

MR. CHAIRMAN: Mr. Spivak, on the point of privilege.

MR. SPIVAK: Mr. Green has given false and misleading information with respect to Mercantile Bank. He has given false and misleading information with respect to the calling of the loan that is completely inaccurate and the information he has given has been false. The information furnished by . . .

MR. GREEN: That is not true. That is not true. Where has that information shown to be false? Where has the information shown to be false?

MR. SPIVAK: Mr. Chairman, I'm on the point of privilege.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Mr. Chairman, all one has to do is check with the Mercantile Bank and they will find that the information that Mr. Green has given is false and misleading. The information that I furnished was furnished from a Stevenson-Kellogg Report commissioned by the government, forwarded to Mr. Parsons. If that's inaccurate then I suggest that the matter of inaccuracy is something that should be questioned with the consultants and that's why I've questioned Mr. Parsons to determine how much money has been paid to the consultants who provided information to them which was inaccurate. But there's much more to the Stevenson-Kellogg Report, much more than just that one particular item. While Mr. Green may want to focus on the one item, I say to Mr. . . .

MR. GREEN: It's you who focused on the . . .

MR. SPIVAK: . . . I say to Mr. Parsons and I say to him again: how much of the information that Stevenson-Kellogg has furnished to him is accurate? And if it is accurate how does the government or how does the board of MDC reorganize itself to be able to deal with the problem areas.

MR. GREEN: That is internal.

MR. CHAIRMAN: Mr. Parsons.

MR. PARSONS: I'd like to answer this question on Stevenson-Kellogg as Mr. Spivak has accused . . .

MR. GREEN: Mr. Chairman, on a point of privilege . . .

MR. CHAIRMAN: Order please.

MR. GREEN: Mr. Spivak has accused me of giving false and misleading information. The information that I had regarding Mercantile Bank was information that was given to me by Mr. Parsons. That information was confirmed by Mr. Parsons. The Mercantile Bank has since sent a letter to the Premier indicating that they were prepared to back the government - and I don't remember the exact letter - back the Fund if the government guaranteed their loan which means that they took no risk at all. I indicated that the loan was called during a strike and that it was my understanding that that is not usually done. I want to know how that is false information. That is the only information I gave.

MR. SPIVAK: Mr. Chairman, Mr. Green admitted before that it was because of the strike.

MR. GREEN: No. I never ever said "because of the strike". You will not find that anywhere in my remarks. It was Mr. Parsons who said "because of the strike". I believe him and I would believe him more than the Mercantile Bank. But it was not my information that it was "because of the strike".

MR. SPIVAK: Mr. Chairman, on the point of order. I believe the Stevenson-Kellogg Report.

MR. CHAIRMAN: Well, Mr. Spivak, the Stevenson-Kellogg Report has been bandied about. I think Mr. Parsons has a letter from the firm and I feel that we should have some clarification on the matter. Would Mr. Parsons please read the letter to the committee.

MR. PARSONS: All right. Just on a matter of clarification on the Stevenson-Kellogg Report. This letter is written by Mr. Ian G. King who is the Vice President of Stevenson-Kellogg and he was present at the time that this report was made to us. This letter is to me.

"Dear Mr. Parsons: We understand that a statement regarding Flyer Industries' San Francisco contract contained in an interim report we presented to you a year ago is causing some question and difficulty. We further understand that subsequent events showed the statement as it was presented to be inaccurate. We would like to establish on record the background and intent of this statement and other comments made by us in our interim report.

"Our interim report was just that, an interim report. It was not intended to present any in-depth conclusions or recommendations. Rather it contained frank statements between consultant and client designed to provoke question, discussion and action. It was presented in person at a meeting in Winnipeg attended by the consulting group and the company officers. Your instructions to us called for frankness and in a report of this type we would not go to great pains to check the accuracy of an item of record that could be readily corrected during our meeting if this were required.

"The specific item concerning the San Francisco contract was apparently interpreted as a 90 percent holdback rather than full payment for buses accepted up to a 90 percent completion of the order. It was a statement we received from some source in Flyer and was included in the report for verification, discussion or denial as necessary."

MR. GREEN: Same sources he's got.

MR. PARSONS: "It was designed to show our concern with the problem of cash flow that Flyer would face. However the persons to whom the report was presented were in the best position to know the actual terms of the contract and while the statement may have been corrected at the meeting, under the circumstances a corrected version was neither prepared nor required.

"In a final report or one in any way intended for third party presentation or review, a statement such as this would have been checked in draft with the Flyer officials before being placed on the record. We trust these comments may help you to show our position and we apologize for any embarrassment which we may have caused you. Sincerely, Ian G. King, Vice President."

The report that you have was not for publication. It was an interim report that they made up in discussion with Flyer and they had not checked any of the accuracies of the statements in it. They hadn't been on the job very long. We had asked them to go in and do a cursory examination.

MR. SPIVAK: Is it not a fact that they had been on the job for at least a period of a month to six weeks?

MR. PARSONS: I don't know, I'll have to . . .

MR. GREEN: Mr. Chairman, on the point of order, Mr. Chairman. Whether they had been on the job for ten years, the statement that you read was inaccurate. They have admitted that it was inaccurate. They have also tried to rationalize the inaccuracy but it is inaccurate. There is no doubt about that and they say so.

MR. SPIVAK: Mr. Parsons, the statements with reference to the penalty clauses in the San Francisco contract, are they inaccurate.

MR. PARSONS: I don't think they made any statements on the penalty clause.

MR. SPIVAK: Yes they did. Unfortunately I haven't them in front of me.

MR. GREEN: Well you'd have to check that then.

MR. PARSONS: We'll have to check with the report then because I checked the statement that you made last time.

MR. SPIVAK: Can you indicate what the penalty clauses are with respect to the San Francisco . . . ?

MR. PARSONS: They're \$20.00 a day per bus.

MR. GREEN: He indicated that at last meeting. Mr. Chairman, again a report and an analysis and an assistant to management which is prepared for the internal operation of a company would have exactly that opposite effect if it is a publicly discussed report. That is the rule that Mr. Spivak would apply to the operations of the International Inn. That is the rule that would apply to the operation of any commercial institution . . .

MR. SPIVAK: Including Schreyer Equipment.

MR. GREEN: . . . and Schreyer Equipment. That is right. That is the rule that would apply to any of these firms. I don't know why - well I guess I do know why - he is attempting to not have it apply to a corporation which we, the public, want to succeed but which he wants to fail.

MR. SPIVAK: Mr. Chairman, you know there's a constant reference, and I do this on a point of privilege, by Mr. Green as to the question that we want the enterprise to fail.

MR. GREEN: You sure do.

MR. SPIVAK: Mr. Chairman, one of the problems that we've wanted right from the very beginning from the government was to deal with a degree of accuracy on the whole range of public enterprise that they were prepared to undertake. Whether, Mr. Chairman, we talk about King Choy or whether we talk about Saunders, whether we talk about Flyer, we are constantly met in a court room setting by the attempts on the part of Mr. Green really to minimize the amount of public information that will be given so that judgments could be made on how and in what way the government has handled themselves. We have tremendous sums of money in a number of enterprises, and this one which is far greater than anything that was ever projected within this committee, far greater than anything ever forecast by the Chairman and by the others who have appeared here which would indicate at all the kind of commitment that has been undertaken and the possibilities of greater commitments of money. We now have commitments with penalty clauses and with the government financing and funding the bonding of the various commitments and there are contingencies and obligations which in fact effect the public purse. And you know we have a responsibility to try and determine the information.

Now the difficulty that we have is that we do not have the information available to us. We have to rely on the information presented and we have either one of two alternatives. We either accept what is said and that's all or we try to obtain information to try to determine what took place. You know the course of conduct of the government and of the Fund with respect to the locking out of the workers in October, with the realization of the management problems and the production problems that occurred, you know, puts into question very seriously the whole maneuvering that took place during that period of time and the actions of the government and the real fairness of the negotiations that took place with the workers. That's another issue and it's not for this committee but it's for the House. But we have to determine in order to understand what has taken place, you know, information with some degree of accuracy.

Now Stevenson-Kellogg made a mistake and it's their mistake, not my mistake. If they made a mistake, you know, then I guess the whole question of the accuracy of their report comes into question. If on the other hand the management was of the opinion that that mistake having been made and corrected as a result of the meetings that took place, they still proceeded with Stevenson-Kellogg and I believe they have, I think they are still continuing on with the government, with the MDC and with Flyer, if that's the case then the question of the other areas that they covered become very important.

And then we come back to the same basic question. How are we to obtain accurately the kinds of forecasts which will give us the proper indication of how much public money is going to be invested so that we can make the determination that we, in the interests of the public, we say to the government, you know, that there's no point in continuing. Now if in the course of questioning, trying to obtain information, interviewing people which is what the opposition has to do, we obtain information which provides us with facts and data and suggestions that part of what is being represented is not accurate, then we have an obligation to try in this committee to obtain the accurate information or to at least determine to our own satisfaction the information that's being suggested is not correct. Because if we do not do that then there is absolutely no protection for the public of the continual writing of the cheques on their account by the government because the position then that Mr. Green is saying is that every four years the public will have a right to vote but during that period of time the government will have a right to simply put more and more and more money in without any accountability.

And I'm saying to you - and I've said this before - that there is a necessity for a management audit to be presented on Crown enterprises for consideration by this committee; I do not believe that the Chairman should be put into the position that he's had to be put in. But on the other hand one has to look at the track record of Saunders and Flyer to recognize that

(MR. SPIVAK cont'd) . . . . unless we maintain the kind of vigilance that we have, and unless we do the things that are required and unless we basically bring to the public attention the information that's given, we are not going to be in a position to make any kind of assessment because all we're getting is expectations of optimism, and expectations of optimism are not the way in which to judge public enterprises nor are they a way to judge the basis on whether the government should continue spending public money or not. Now to that extent that's all we can do . . .

MR. CHAIRMAN: Mr. Spivak, you were speaking on a point of privilege.

MR. SPIVAK: Yes, I am speaking on a point of privilege. I'm speaking on the point of privilege. So that the fact is that in all that has happened we have tried to furnish as much information as we can and we've tried to get and elicit as much information as we can from the chairman, and I think there is an obligation on his part and on the government's part to present as accurately as he can the information. But at the same time, I have to say that there has been too much of optimism in the expectations that have been presented which have not been justified by the results and warrant, I believe, a very serious consideration, serious consideration by this committee and by the Legislature as to the continuation . . .

MR. CHAIRMAN: Mr. Spivak . . .

MR. GREEN: Mr. Chairman, how long are we going to let . . .

MR. CHAIRMAN: I don't know. You're speaking on privilege and you're speaking on an opinion. So it was very difficult to determine where you were talking on privilege and I don't know what privilege you were trying to bring out but you are expressing a point of view, an opinion, a personal opinion. Mr. Green.

MR. GREEN: Mr. Chairman, I believe that I have answered what has been said on four or five occasions but I would like the committee to continue with its work. I'd like questions to be asked, those that can be answered, answered; those that are not answered, not answered. And I will go to the people, and the Member for River Heights will go to the people and see whether they have decided that the government has done the right thing vis-a-vis the Development Corporation or not. He is entitled to ask questions and the chairman is entitled to regard them as acceptable or not acceptable.

MR. CHAIRMAN: Let us proceed. Questions on Flyer Industries. Are there any more questions on Flyer Industries Ltd? Specific questions. Mr. Spivak.

MR. SPIVAK: Mr. Chairman, I wonder, Mr. Parsons, if you can indicate whether there is any projections being made at this time of an expectation that the penalty clause will operate with respect to the San Francisco order?

MR. PARSONS: No, our projections right now show that we will meet the delivery dates.

MR. SPIVAK: Is there a provision in the contract that allows an extension of the period of time for the delivery as a result of the strike?

MR. PARSONS: Yes we have that, 142 days.

MR. SPIVAK: The provision in the contract provides for 142 days?

MR. PARSONS: That was the length of our strike and we already have that confirmed by San Francisco to us.

MR. SPIVAK: They have confirmed that? But was there any provision initially in the contract itself?

MR. PARSONS: Yes, there was a . . . clause.

MR. SPIVAK: And they have now accepted a delivery date of 142 days late?

MR. PARSONS: Delay. Right.

MR. SPIVAK: Is that from the beginning of the delivery or is that for the completion of the delivery?

MR. PARSONS: Well either way you take it, it's 142 days longer.

MR. SPIVAK: Well I know but I think it makes a difference to your financing with respect to what you're saying. Is it a question of 142 days from the point of view of the first delivery or 142 days from the . . . ?

MR. PARSONS: We can take it whichever way. If we can deliver on time, that's fine, we don't have to . . . But we do have that 142 days before a penalty clause would come in.

MR. SPIVAK: Mr. Minaker indicated - and I only missed part of the question - indicated that the government had to guarantee I guess Canadian Indemnity with respect to the contract. Is that right?

MR. PARSONS: The San Francisco?

MR. SPIVAK: Yes.

MR. PARSONS: Partly. It was a 25 percent guarantee on the San Francisco.

MR. GREEN: . . . 75 percent, they think we're terrific.

MR. SPIVAK: No, no. I understand the bonding company is liable for the 100 percent. The bonding is only for 25 percent which the government has guaranteed, some seven or eight million dollars, if I'm correct. Is that right?

MR. PARSONS: On the San Francisco order, yes.

MR. SPIVAK: Have Canadian Indemnity taken the full contract or has it been taken as well by an American insurance firm?

MR. PARSONS: Well, Canadian Indemnity as far as we're concerned . . .

MR. SPIVAK: They're the prime bond holders . . .

MR. PARSONS: Yes. They wouldn't hold it all themselves, I wouldn't imagine, but that is up to them.

MR. SPIVAK: Okay. When is it likely that you'll have the auditors' report. I know Mr. . .

MR. CHAIRMAN: Well, it's already been answered, in about three weeks, approximately.

MR. PARSONS: They won't even give us a firm date. It's depending on the inventory. But they hope three or four weeks.

MR. SPIVAK: May I ask then, how have you been satisfied then on your cash flow if you haven't the auditors' report that you're going to be in a position to maintain the situation with respect to a million or two million dollars?

MR. PARSONS: We have our cash flow projected. That has nothing to do with the auditors.

MR. SPIVAK: But it certainly must be based on an inventory.

MR. PARSONS: Well, we know what's coming in, yes, and our output . . .

MR. SPIVAK: My understanding of the information that you presented was that the inventory was at a fairly high level.

MR. PARSONS: Yes.

MR. SPIVAK: And that was indicated in the Stevenson-Kellogg Report. And that in turn you're going to be winding down the inventory and utilizing it in your manufacturing and therefore your cash flow is projected on your labour plus your requirements for inventory?

MR. PARSONS: Yes.

MR. SPIVAK: I am suggesting to you that if you know what your cash flow requirements are going to be, you would now have to know, have a pretty good idea of what your inventory is over all.

MR. PARSONS: Overall we do. The auditors are going through and checking all the costing and there's thousands of items for them to check.

MR. SPIVAK: Well would you say that your inventory is double what it was at the end of 1973? -- (Interjection) -- Well, Mr. Chairman, I can almost anticipate Mr. Green. I am not trying to do anything which will cause embarrassment to the company. What I am trying to do is to determine the likely cash flow requirements and the requirements of public money.

MR. GREEN: Mr. Chairman, that's not my problem. My problem is that Mr. Spivak has in the past used the answers solicited on this kind of question to show that there has been a lie told or a suggested lie. Mr. Parsons has indicated he doesn't know and if he will bring back specific information then Mr. Spivak will not have in Hansard an answer which says, on May 7th you gave testimony that there was double the amount of inventory, now you are telling us that there was two-thirds. You were so far out. Mr. Parsons has indicated that he will look into that. I'm not sure that he is required to give the information but he has indicated he will look into it.

MR. SPIVAK: But I am suggesting, Mr. Chairman, that Mr. Parsons has to have some idea in a general way . . .

MR. GREEN: Yes, but he doesn't want to give it to you.

MR. SPIVAK: And I'm saying at this point that the great concern I think that we have on this side is the requirements for public moneys to both finance and to be placed as capital investment in the project. My concern at this point is that the only way in which it appears that you can avoid the additional capital investment would be that the inventory is an extremely high figure and that it will be utilized in the manufacturing of the buses to be completed and fabricated. And so therefore I'm again saying to Mr. Parsons, I think it's relevant to know whether we're talking about an inventory double or whether it's just one and a half times what it was.

MR. CHAIRMAN: Mr. Parsons did indicate that he will endeavour to find out. Mr. McGill.

MR. MCGILL: Mr. Chairman, the receipt of the Annual Statement for Flyer Industries will not be possible for two or three weeks. I wonder . . .

MR. CHAIRMAN: Three, four weeks approximately.

MR. MCGILL: I wonder if we should perhaps leave this item open so that we can return to it when the statement has been received.

MR. GREEN: It will come in next year. We may not meet after three or four weeks.

MR. MCGILL: Well assuming that the committee meets again . . .

MR. PARSONS: If the committee meets again, we'll bring it in as soon as possible.

MR. MCGILL: I would anticipate that the committee will be meeting again this year.

MR. GREEN: Oh, yes, again but after three or four weeks?

MR. CHAIRMAN: Well what we're dealing with is the fiscal year ending - Equity Investment Account Information Report - 1974.

MR. PARSONS: We don't have the December 31st, 1974 statement.

MR. MCGILL: That's right.

MR. PARSONS: If we have it before the next meeting, then I will table it.

MR. MCGILL: Fine.

MR. PARSONS: I don't know whether I will have it. The auditors say it will probably be three or four weeks. That's the best I can give you.

MR. MCGILL: I presume that the committee agrees that we can return to the statement when the report is received.

MR. PARSONS: We did this before with other ones.

MR. CHAIRMAN: Agreed? (Agreed) Okay, then we can proceed to the next one. Leaf Rapids Development Corporation.

MR. GREEN: I believe, Mr. Chairman, I am not certain but I believe that I had the Chairman of Leaf Rapids.

MR. PARSONS: Yes, I was just going to state that.

MR. GREEN: I will bring the Chairman.

MR. PARSONS: The Leaf Rapids Development Corporation is under Part II of the Act. Last year we had . . .

MR. GREEN: I will bring the Chairman of Leaf Rapids to deal with it.

MR. CHAIRMAN: Okay. So we can go on to the next one. Macey Foods Ltd.

MR. PARSONS: Yes. We have the up-to-date statement on Macey Foods to the 31st of January, 1975. MDC owns 51 percent of the shares of Macey Foods. I don't think I need to run through the information sheet that we gave you with it. It outlines our share position in the operations. I could say that the company is operating well. It's in Brandon as you may know. We do employ 50 to 60 native people in the plant and they are working very well. This operation I think is being well run and it's profitable. Macey Foods, incidentally, is in the duck processing industry and in the peak of our season we process about 7,000 ducks a week. Right now we're down to about 5,000 because of market conditions. We don't anticipate any great expansion of that during this next year although during 1976 we will probably increase the production by about 20 percent. Are there any questions on Macey?

MR. CHAIRMAN: Any questions? Mr. McGill.

MR. MCGILL: Mr. Chairman, Macey Foods is one of the operations which has proceeded from its inception without too many problems. Are they anticipating any problems with the market for their product now? Is it maintaining its levels in the past year?

MR. PARSONS: Yes. This year has been good. It's dropped down slightly now because of some - well there's some over-production in the poultry area but the frozen duck market has held up fairly well. We don't anticipate too much of a drop and we should meet at least last year's production through to January, 1976.

MR. MCGILL: So the company is not contemplating any expansion but you expect that it will maintain its current levels of production?

MR. PARSONS: That's correct, yes. The management are fairly confident that they can meet during 1975 the same as they did in 1974, so there won't be any basic cutback. So it's slightly lower now.

MR. CHAIRMAN: That completes Macey Foods Ltd. Misawa Homes of Canada Ltd.

MR. PARSONS: I don't have any report on Misawa.

MR. CHAIRMAN: You don't have any report at this stage? Morden Fine Foods.

MR. SPIVAK: Well then I assume we're going to get back to Misawa.

MR. PARSONS: If we have a report ready, yes.

MR. CHAIRMAN: If the report is ready, we will be coming back to Misawa.

MR. MCGILL: I was just wondering if Mr. Parsons could bring us up-to-date on Misawa and give us a general overview of the progress or otherwise of the company since the last meeting in anticipation of at the next meeting having their financial statements.

MR. CHAIRMAN: Well I think we might as well leave it until the next time when he has the report.

MR. GREEN: Let me indicate that there are uncompleted matters as between Misawa (Japan) Ltd. and the Manitoba Development Corporation which Misawa (Japan) Ltd. does not wish to have discussed until these things are completed. The amount of money that has been advanced - those things are on the record but there are uncompleted matters as between the two agencies that were involved and that in particular we have been requested and it was - they were entitled to make the request and we - these things have to be completed before the new situation as it is being envisioned, will be reported on.

MR. CHAIRMAN: Mr. McGill.

MR. MCGILL: Have there been any changes in the Board of Directors of Misawa Homes since our last review of this operation, in the executive officers or board of directors?

MR. PARSONS: Yes, there has been some changes.

MR. CHAIRMAN: I think we can leave this and have it when it comes back at the next meeting when the reports are available. It would be more meaningful to discuss it at that time rather than have . . .

MR. GREEN: Mr. Chairman, I don't want to either withhold information that should be given or give information that should not be given. I am telling you that on behalf of the government that the board of the MDC has not entirely finalized an arrangement with Misawa Homes Ltd. which Misawa has particularly requested not be discussed until it is finalized. But the amount of money that has been advanced is on the record between the last meeting and this meeting. The security position has been indicated so that that information is available to the public. I think that we have some \$2,500,000 approximately in Misawa Homes Ltd. That's sort of off memory. I might not be exactly right.

MR. CHAIRMAN: Can we proceed to Morden Fine Foods Ltd. Mr. McGill.

MR. MCGILL: Mr. Chairman, I assume there's no point really in proceeding with Misawa Homes unless we are able to discuss matters that Mr. Green considers are at the moment somewhat sensitive. So if we can be assured that the opportunity will be given to the committee within the meetings of the current session then we'd be prepared to . . .

MR. GREEN: Well, Mr. Chairman, when anything is finalized we will then also be somewhat limited by the fact that Misawa Homes will be discussed in light of its position at that time. At that time the position may be different than it is at this moment.

MR. CHAIRMAN: We can proceed to Morden Fine Foods Ltd.

MR. PARSONS: Morden Fine Foods. Well the most recent statement we have is the 31st of March, 1974. We have completed another year-end and we have tried to bring - I will discuss our last year's operations. Well this company is 100 percent owned by the Manitoba Development Corporation. The statement that you have before you now is really our second full year of - or third full year of operations. You can see the sales have increased. We had projected roughly 1.5 million, we made 1.434 million. We did have a loss in the operations but that was after full allowance for amortization and organizational write-off \$30,000 and depreciation of about \$35,000. So actually even for our year ended the 31st of March, 1974, our cash flow maintained the operation.

To bring you up-to-date, our sales are slightly larger for the 31st of March, 1975. It looks before the audit is completed - so don't hold me to this figure - that we will probably make a profit of around \$60,000.

MR. CHAIRMAN: Mr. McGill.

MR. MCGILL: Mr. Chairman, this is one of the 100 percent-owned Crown corporations that the audit function is provided by the Provincial Auditor. There is no charge to the company for that service?

MR. PARSONS: Yes, there is. Quite a large charge.

MR. MCGILL: Does it appear on the statement?

MR. PARSONS: That will be under audit fee.

MR. MCGILL: Is that under professional services?

MR. PARSONS: I would assume so. That's about the amount of the audit fee, but I'll take that as notice, Mr. McGill.

MR. MCGILL: And the same would apply to other Crown corporations?

MR. PARSONS: Yes. We get charged by the Provincial Auditor.

MR. MCGILL: Fine.

MR. CHAIRMAN: Mr. Brown.

MR. BROWN: Mr. Chairman, I have some questions that I would like to ask. I understand that the government is planning on expanding the plant at Morden and this brings to mind some questions.

MR. CHAIRMAN: It would not be the government, it must be Morden Fine Foods Ltd. or the MDC.

MR. GREEN: Manitoba Development Corporation.

MR. BROWN: Yes, the Manitoba Development Corporation.

MR. PARSONS: Well I would like to correct that too. The board of Morden Fine Foods are the ones that have been considering the expansion. When that is completed, if they need funding, then they would come back to the MDC or to whomever they want to get the funding from.

MR. GREEN: Should we give it to them, George?

MR. BROWN: Well this raises some questions, Mr. Chairman.

MR. GREEN: I want it on the record that Mr. Henderson wants us to give the money to Morden Fine Foods when they ask for expansion.

MR. CHAIRMAN: Mr. Henderson. Mr. Brown has a question put. Did you want to answer it?

MR. HENDERSON: On a point of order, could I speak a minute?

MR. BROWN: Yes.

MR. HENDERSON: I'm not against Morden getting help because they took over an old cannery to get a cannery going in that area that's going to do the area an awful lot of good. But I think eventually the government should be negotiating a sale and get out of it because . . .

MR. GREEN: They made \$60,000 last year.

MR. HENDERSON: Yes, I know you did.

MR. GREEN: So why should we get out of it?

MR. HENDERSON: I don't believe in the government being in business and I think eventually . . .

MR. GREEN: You believe we should give them the money, that's all?

MR. HENDERSON: No, you have a manager there now which is from - when Canadian Cannery was there - a very efficient man and management is the key thing . . .

MR. GREEN: He works for the government, he works for the public.

MR. HENDERSON: Yes and he's just about to the age where he'll be retiring and when you put in somebody else you're going to have trouble and Morden will be getting in trouble. So I think build her up and sell her to somebody else. Sell it to somebody else, we aren't happy with the government running it.

MR. CHAIRMAN: Order please. Mr. Brown you have more questions?

MR. PARSONS: Well, Canadian Cannery might like to buy it back and close it down again, so we don't compete with them.

MR. CHAIRMAN: Order please. Order. Mr. Brown.

MR. BROWN: Mr. Chairman, if I may, I would like to ask some questions and I don't know if I should go through all the questions first of all so that the Chairman would know in which directions my questions were leading and then come back to them one by one. I think maybe that possibly would be the best procedure.

Now I would like to say first of all that I am a contract holder with with Morden Fine Foods. I have been growing crops for canneries for many years, for Winkler before that and I was involved with growing cannery crops when Canada Packers was still in the canning industry, so I have been involved with this type of thing for quite a number of years and I still certainly do not expect or consider myself to be an expert in the field.

First of all, I would like to pose some questions and they are: Does Morden have an adequate water supply? Do they have adequate sewage treatment that would be required for an expansion of the size that you are considering? Will the government spend another \$4 million to construct a dam to ensure adequate water supply? Will the Morden residents be penalized through increase in taxes to facilitate sewage problems of the cannery? Will the government's

(MR. BROWN cont'd) . . . . entry into the food processing industry deter private food processors from coming into Manitoba? Would the money spent - and if we are going to ensure an adequate supply of water then we should be talking in terms of \$8 million. Now would that money go a long way towards servicing most of southern Manitoba with an adequate supply of water through construction of the Pembalier and Pembina Dams? Now an adequate supply of water at reasonable cost would attract private industry to establish in many towns in southern Manitoba, not just the one small plant in one town.

MR. CHAIRMAN: Mr. Brown, you are asking questions which are not relevant to the report. You are asking a lot of hypothetical questions which is not . . .

MR. GREEN: Mr. Chairman, on a point of order. The Manitoba Development Corporation has nothing to do with water supply in Morden or the Pembalier Dam and the Chairman cannot report on same, and furthermore the Manitoba Development Corporation has not decided to expand Morden Fine Foods. And all of these questions are based on a decision to expand, and I wish to make it clear that there has been no decision to expand. Given the fact that many people on the opposition side say that more money should not be going into these type of enterprises if it doesn't expand it will be done against what has been said by the minority of members on this committee.

MR. CHAIRMAN: Mr. Brown, I was going to state that those questions are not the type of questions that you would expect the Chairman of MDC to be answering. Those are questions which are not based on the actual fact that there is going to be a plan to expand. There has, to my understanding, been some request that this be considered but it has not been by the people in the Morden or the Morden Fine Foods Ltd. but has not to my knowledge reached any stage where there is a decision to proceed. Mr. Spivak, on a point of order.

MR. SPIVAK: Well I think, Mr. Chairman, on a point of order. Questions can be asked whether any specific study has been undertaken, what the cost if such a study has been made, whether any architects have been hired or any engineers have been hired. Surely those questions . . .

MR. PARSONS: I will answer the question. We did have a study done by a Mr. Demerit who has a good background in the freezer industry.

As far as the water supply is concerned that was naturally looked into. The water supply is of course an important thing, the town assured us that there was enough water supply to supply our needs. As far as the disposal, we have to meet the environmental standards so they will have to be met. That area has not been completed in the study. But all those factors that you're talking about naturally will be covered before any movement to go ahead with the project would be put forth. So we have done a study; we know what the costs are; we are applying to the Federal Government for a DREE grant. We have to get these questions that you're asking settled before that will ever go through. Once that has gone through, we know if they will participate, then we can judge whether we will go forward from there.

MR. BROWN: Mr. Chairman, I would like to say that these questions that I have asked over here are questions which are being asked of us continuously in that area.

MR. PARSONS: Well, I don't know anything about building the dams. The only assurance that I can say is that we get assurance from Town Council and the Mayor . . .

MR. GREEN: Mr. Chairman, may I tell the . . . The honourable member is asking a question. There has absolutely been no affirmative consideration that there will be a dam built in southern Manitoba for the purpose of supplying Morden Fine Foods water.

MR. BROWN: Well, Mr. Chairman, these were the questions which I was going to . . . These are the questions that I wanted to pose and that I wanted to be considered. Now if they're doing a study on this which is something that nobody around there was aware of, I would hope that the government would . . .

MR. PARSONS: Well, I beg your pardon. The people that work in the plant were certainly aware of it, the management, because they participated in the study.

The first stage of the study is completed. There is some areas, as I indicated, that haven't been completed and that's on the environmental conditions on the disposal has not been completed. The town have assured us the water supply is adequate.

MR. BROWN: Has the MDC applied for a DREE grant for an expansion of the . . .

MR. PARSONS: The MDC has not applied for a DREE grant. Morden Fine Foods has applied for a DREE grant.

MR. BROWN: Would a copy be available of the report, the first stage of the report. Would this be available to me?

MR. PARSONS: Well there's a lot of confidential information in that that might be an advantage to anybody else going into the canning business. I would say no. That report is made to the Morden Fine Foods and paid for by them.

MR. GREEN: Mr. Chairman, I wonder if the honourable member can get me the internal study of the Manitoba Sugar Company as to whether they should expand their -- I am a member of the Cabinet of the Province of Manitoba and this is of great interest to me, and I would like to have their study as to whether they should expand the facilities of the Manitoba Sugar Company. I wonder if you could use your good offices with the Manitoba Sugar Company to get me that report.

MR. BROWN: Well, Mr. Chairman, the Minister of Industry and Commerce is now asking a question of . . .

MR. CHAIRMAN: The Minister of Mines and Resources.

MR. GREEN: Yes.

MR. BROWN: Okay. Asking a question on a private company, one that is not owned by the people, whereas the one in Morden is owned by the people.

MR. CHAIRMAN: It's owned by Morden Fine Foods Ltd.

MR. GREEN: They have the report.

MR. BROWN: But I wouldn't be at all surprised if I wouldn't be able to get a copy of a report through the Honourable Minister.

MR. GREEN: . . . could get it for me.

MR. CHAIRMAN: Are there any further questions on Morden Fine Foods? Mr. Spivak.

MR. SPIVAK: Mr. Parsons I wonder if you can indicate - the study dealt with an expansion which would allow the company to go into the frozen food market. Is that correct?

MR. PARSONS: Yes.

MR. SPIVAK: Was that the only phase of the study or were there other commercial aspects other than frozen food?

MR. PARSONS: Basically. we were looking at the frozen food market for - and using the present cannery at the same time. I would say no to your question.

MR. SPIVAK: But is it concerned with vegetables or would it be concerned with potatoes as well?

MR. PARSONS: Potatoes are a vegetable.

MR. SPIVAK: Vegetables that they are now canning, I'm sorry. I meant vegetables that they are now canning or does it include potatoes as well?

MR. PARSONS: We were including potatoes, to give us a year-round operation. Peas, beans and corn are a very limited period. In order to pay for a facility, we were looking for a more all year-round operation and we would do chipping.

MR. SPIVAK: You would do chipping. Would this be in competition with the plant at Carberry, in competition in the sense that it would be manufacturing the same or a similar product.

MR. PARSONS: What do they make at Carberry?

MR. SPIVAK: Well. I don't know.

MR. PARSONS: I don't know either.

MR. SPIVAK: Simplot, Carnation? It's the Carnation Simplot . . .

MR. PARSONS: Yes, I know but they are a granulating plant, aren't they?

MR. SPIVAK: No, I believe that they are . . .

MR. PARSONS: Potato chip? I'm sorry, I don't know what they make at Carberry so I can't answer that question.

MR. SPIVAK: Do you know whether the study considered whatever impact there would be with respect to this operation on the present operation in Manitoba? Was there any consideration . . .

MR. PARSONS: Yes. It's a very small -- the potato chip facility was about 15 million pounds which is considered very small. It might replace some of McCain's coming in, for instance, but it's not that big a part of the market.

MR. SPIVAK: May I ask. You have indicated that there is an application for a DREE grant. Is the extension or the proposed expansion dependent or contingent on the obtaining of a DREE grant?

MR. PARSONS: Yes.

MR. SPIVAK: In other words if the Federal Government does not come through with a DREE grant then you're not committed or you will unlikely proceed?

MR. PARSONS: That is correct.

MR. GREEN: Mr. Chairman, let me remind the honourable member that unless that is the case, you cannot apply for a DREE grant. It is one of the requirements for an application for a DREE grant that the project not be proceedable unless you get the DREE grant.

MR. EVANS: If it's viable without a DREE grant, you're not eligible.

MR. SPIVAK: So let me understand something. The viability of the expansion is dependent on the Federal Government putting in some money?

MR. PARSONS: Yes.

MR. GREEN: Otherwise you can't apply for a DREE grant.

MR. SPIVAK: Can I ask, would there not be viability if the Provincial Government put the money in?

MR. GREEN: If it was given as a grant, you take it as grant money. But not only are we giving loans to Morden - you know what is there about Morden that we should give them loans and grants.

MR. SPIVAK: Mr. Chairman, it's interesting. You know, Mr. Green is not being the one that is cross-examined and I would like to, if I may, deal with the Chairman. There is an application . . .

MR. GREEN: Maybe we should put Flyer in Morden.

MR. SPIVAK: There is an application . . .

MR. GREEN: Shall we put Flyer Coach Industries in Morden or how about in Altona.

MR. CHAIRMAN: Order please.

MR. SPIVAK: Mr. Chairman, one has to, at this point, make some assessment about the judgments that are made by the Chairman and the board of MDC with respect to the use of public money, the likely prospects for industrial development that occur and the rationalization of the actions that have taken place. I think that my question is appropriate even though there seems to be some humour attached to it which at least I think maybe . . .

MR. PARSONS: Well if we have a million and a half grant, I don't really care where you get it for me from.

MR. SPIVAK: How much is the grant?

MR. PARSONS: About a million and a half.

MR. SPIVAK: A million and a half. What percentage of that . . .

MR. CHAIRMAN: The indication was not "how much is" but "if" we get the million and a half grant.

MR. SPIVAK: The million and a half grant for the expansion - what would the total expansion then be estimated to be?

MR. PARSONS: \$3.5 to 4 million.

MR. SPIVAK: I see. So approximately a third of that would be on a DREE grant. So the Federal Government is prepared . . . Can I ask how many new jobs would be created as a result of it?

MR. PARSONS: Well, they look at man-year jobs. I think it's about 50. You see it surges during . . . it peaks but overall - I would have to take that as notice. We do have that in the DREE grant but I don't remember the exact figure now. You would have to figure out man-year and average it for jobs.

MR. GREEN: Mr. Spivak sort of started on a sentence and then stopped. I'd like to have it clarified. He said the Federal Government "is" prepared.

MR. SPIVAK: No, obviously is not prepared.

MR. GREEN: No, the Federal Government has not given us a DREE grant.

MR. PARSONS: No, it's still in the application processing stage.

MR. GREEN: Nor has it indicated that it's prepared.

MR. SPIVAK: When you're talking in terms of the 50, that's one aspect of it and I guess that would be the only consideration with respect to the DREE application but there must be additional farmers who would be contracting which would be another benefit. Is that considered by DREE?

MR. PARSONS: Not by DREE. Well I shouldn't say that because I don't know.

MR. SPIVAK: Can I ask how many additional farmers would be expected to be contracting with the operation as a result of this?

MR. PARSONS: I can't tell you the number of farmers. Let's talk in acres. Right now we contract for about 1,700 acres. When the plant is in full production as envisioned, we will

(MR. PARSONS cont'd) . . . . go up about 7,000 acres. Mr. Brown probably knows that better than I do.

MR. CHAIRMAN: That's based on the basis "if" the DREE grant . . .  
mr. parsons; If the expansion goes forward yes.

MR. CHAIRMAN: Mr. Henderson.

MR. HENDERSON: Mr. Parsons, is this the same type of potato that would be used in the canning as what they have at Carman, they process themselves for table food or is it a different type of potato?

MR. PARSONS: It's a special potato they use for chipping. I don't know what they're using for canning. We're not going to can potatoes.

MR. HENDERSON: Well, I meant for chipping. And it's a special type of potato.

MR. PARSONS: To the best of my knowledge it is, yes. You can use . . .

MR. HENDERSON: I mean it's not a type of potato like, you know, at Carman where they grow an awful lot of potatoes and have a lot of potato storage.

MR. PARSONS: I don't really know.

MR. HENDERSON: Is this the type to be used at Morden?

MR. PARSONS: I don't know. I don't know the difference between potatoes. I know the people that are buying them in the chipping industry and Mr. Brown could probably tell you better than I can. There is a special potato grown for the chip industry.

MR. HENDERSON: It's probably different then.

MR. CHAIRMAN: Mr. Spivak. Mr. Brown, you have some comments.

MR. BROWN: Yes, I was just wondering whether the Chairman was sure that what he was saying with respect to potatoes was the way in which they were going, that was into chipping potatoes, not canning. The way I understand it you were going to go into canning but not into chipping.

MR. PARSONS: No, we're going into chipping.

MR. BROWN: You're going into chipping? Then you probably will be going into both I would then presume.

MR. PARSONS: You're presuming that we're going into both.

MR. BROWN: Well I would think that you would.

MR. PARSONS: I don't know whether . . . the basic operation in the potato end of the business was in the chipping. Now if we can see that we can go into canning - into the small potatoes - we looked at it before, we might be able to do that too. But the major input in the potato end of it was in the chipping.

MR. BROWN: I would like to have one thing understood over here and maybe the members of the committee are getting the wrong impression over here. We would like to see many more canneries up in that area. It's not that we are opposed to canneries, it's just that we would like . . .

MR. GREEN: Get the Mercantile Bank to build them.

MR. BROWN: . . . like to have this done in such a fashion that we consider would be the way in which you should be proceeding with this and that is to assuring yourselves of an adequate water supply.

MR. PARSONS: Well we have. We have it in writing that there's an adequate water supply.

MR. BROWN: Okay. Thank you, Mr. Chairman.

MR. CHAIRMAN: Can we conclude on the . . . Mr. Spivak.

MR. SPIVAK: I just want to establish a couple of things. With respect to the expansion, is it anticipated that you will be producing whatever you are going to be producing in terms of the expansion under your own firm name and style or will you be doing contract work for other corporations? At the present time . . .

MR. PARSONS: That is the way we are doing it now and that's the way I would anticipate we would do it.

MR. SPIVAK: So your anticipation of the expansion would be on the basis of production under your name and production, as well, for others.

MR. PARSONS: Basically we're looking only at the institutional market. Our present production is pretty well sold to the householders. In the freezing operation we're looking at the industrial market. It would be sold through brokers.

MR. SPIVAK: But in your own name.

MR. PARSONS: Yes.

MR. SPIVAK: Your own trade name. Not really packaging or . . . for others?

MR. PARSONS: No, we would . . .

MR. SPIVAK: Well I think you may be able to. I am not questioning that. My point . . .

MR. PARSONS: Basically the study - we looked at the institutional market here in Winnipeg.

MR. SPIVAK: All right. But my point being: It's expected and anticipated that your sales in general will be under your own trade name as opposed to contracts?

MR. PARSONS: In institutional selling yes. It doesn't make that much difference, I don't think, in institutional . . .

MR. SPIVAK: Well if it was going to be . . .

MR. PARSONS: We're selling through a broker.

MR. SPIVAK: Now again if you were going to be, as you are, manufacturing under other trade names for different people then I assume that there must be some acknowledgement to you of a potential market or some tentative agreements that there would be production . . .

MR. PARSONS: No, we have no tentative agreement although we have been approached by two or three people that would like us to do this but that hasn't been carried any further.

MR. CHAIRMAN: Agreed to finish with the report on Morden Fine Foods?

MR. HENDERSON: . . . process of doing juices there now too?

MR. PARSONS: Yes, we are.

MR. CHAIRMAN: Okay, can we finish the report on Morden Fine Foods? Is that considered to be completed? (Agreed)

Next, we'll proceed with the remainder of the list at the next meeting. Committee rise.