



Legislative Assembly of Manitoba

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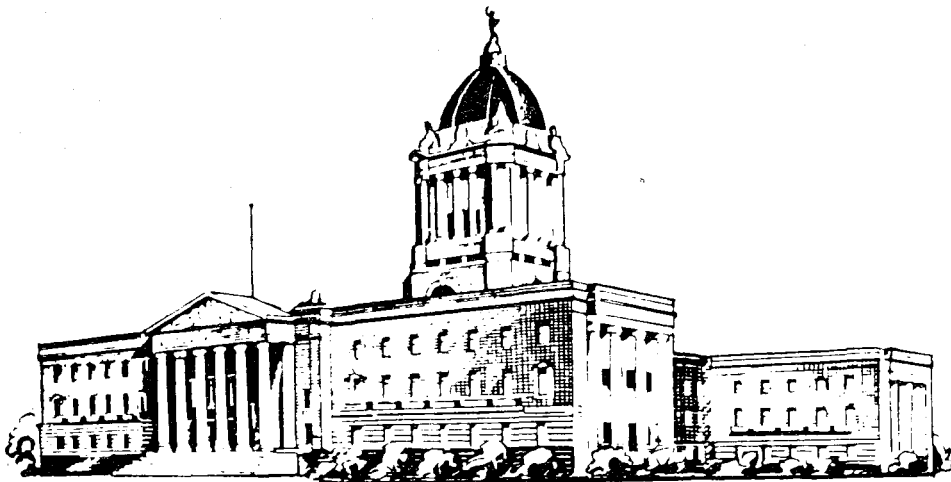
HEARINGS OF THE STANDING COMMITTEE

ON

ECONOMIC DEVELOPMENT

Chairman

Harry Shafrensky, M.L.A.  
Constituency of Radisson



8:00 p.m., Tuesday, June 3, 1975.

## ECONOMIC DEVELOPMENT COMMITTEE

8:00 p. m. , Tuesday, June 3, 1975

CHAIRMAN: Mr. H. Shafransky.

MR. CHAIRMAN: Order please. We will proceed with the meeting to hear from the Chairman of the Manitoba Development Corporation, Mr. Parsons. Before we start with any questions, I believe he has a number of questions that he had taken as notice at the last meeting. I will call upon Mr. Parsons to give those answers. Mr. McGill.

MR. MCGILL: Mr. Chairman, just before Mr. Parsons begins, I wonder if he has any of the statements now that were not available at the last meeting?

MR. PARSONS: No, I have no further statements.

MR. MCGILL: Does that mean that we . . .

MR. CHAIRMAN: What statements were you referring to?

MR. MCGILL: Well, one for Saunders Aircraft, another one for Misawa and Sheller-Globe, Venture Manitoba Tours.

MR. CHAIRMAN: You have the financial statement, Mr. McGill, for Saunders Aircraft Corporation Ltd., Financial Statement September 30th, 1974. All of those statements have been tabled.

MR. MCGILL: Yes, I'm sorry. Yes, it was Misawa that we were interested in particularly. We do have Saunders.

MR. CHAIRMAN: Misawa is not ready. It was indicated Flyer Industries was not finished at the time. Leaf Rapids Development Corporation, the chairman will appear before this committee. So we are now ready to proceed with the answers to the questions that were asked at the last meeting. Mr. Parsons.

MR. PARSONS: Thank you, Mr. Chairman. Ladies and Gentlemen: Mr. Spivak presented a question re Flyer Industries Ltd. His question was: "What date did the Mercantile Bank call the loan and is there anything in writing that indicates that it was because of the strike that the loan was called?" My answer: The company was advised on the 7th of November in 1974, by the Mercantile Bank, that due to reporting of operating losses and discontinuing operations due to the strike, the bank could no longer continue to provide the operating line of credit that had been agreed upon earlier in the year. The strike commenced on October 2nd.

Another question from Mr. Spivak: "Was there a request or several requests by the bank prior to the strike for a guarantee of the government?" The answer: A line of credit had been negotiated with the Mercantile Bank earlier in 1974 without an MDC guarantee being required. In the letter from the bank, dated November 22nd, 1974, the bank advised it was prepared to continue the operating line with an unlimited and unconditional guarantee from MDC. This was the only formal indication from the bank whereby our guarantee would enable continuation of the credit line. And that took place on November 22nd and the strike had started on October 2nd. In January of 1975, the MDC Board elected to pay off the existing bank loan in the amount of \$2 million instead of providing a guarantee.

Mr. Minaker asked me when the Dayton, Ohio, order was received. Flyer Industries was advised on the 27th of January, 1975, that it had been awarded the Dayton order. The formal execution of the documentation took place on the 14th of May.

Mr. Minaker again: "When was the tender received for the Dayton order?" The company submitted its tender to Dayton on the 1st of November, 1974.

Mr. Spivak again asked me when the contract with A. M. General terminates. The answer: The agreement is a ten-year term to expire the 30th of September, 1981, except that either party may terminate the agreement as of the 30th of September, 1976, upon payment one to the other of \$100,000. I was in error. I stated last time it was a five-year contract but it is actually a ten-year contract.

Going on to the questions on the next company, there's Morden Fine Foods. Mr. McGill: "What was the amount of the audit fee for Morden Fine Foods?" Answer: The audit fee for the fiscal year ended 31st of March, 1974, including travelling expenses for the audit staff, was \$4,600. The audit for the fiscal year ended 31st March, 1975, is not yet completed.

Mr. Spivak on Morden Fine Foods: "How many new jobs will the anticipated expansion at Morden Fine Foods create?" The anticipated expansion at Morden is expected to provide 40 to 45 additional full time jobs. In addition, there will be the usual seasonal part-time employment which should remain at the same level or slightly above.

(MR. PARSONS cont'd)

Those were all the questions that I took as notice at the last session of the committee.

MR. CHAIRMAN: I know it's some time since we had the last meeting of the committee dealing with the MDC Annual Report. However I did have a number of people who had intended to ask questions and if those members would like to proceed. I have Mr. Johnston, then Mr. Minaker and Mr. Spivak. Mr. Johnston, do you wish to proceed in that order as we had here the last time? It was on the MDC, all of the corporations that have been listed on the sheet that you have been provided with. At that time we were dealing with -- (Interjection) -- Pardon?

MR. PARSONS: We were dealing with Morden.

MR. CHAIRMAN: The last one was Morden Fine Foods Ltd.

MR. GORDON JOHNSTON: Mr. Chairman, you must have me misplaced with someone else because I wasn't here for that discussion.

MR. CHAIRMAN: I have the same list that I used.

MR. G. JOHNSTON: I have no questions on Morden Fine Foods.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: May I ask, Mr. Chairman, are you sure it isn't the list from the meeting before?

MR. CHAIRMAN: No. I date these lists. Well, Mr. Spivak.

MR. SPIVAK: Mr. Chairman, my question isn't from before, my question is now and it's only in relation to what Mr. Parsons has just given us. I just want to ask with respect to Flyer, you have indicated that there was a formal indication of the bank requesting a guarantee by the government. Can you not confirm now that there was in fact informal requests by the bank to Flyer for additional security by way of a guarantee from the government prior to the strike?

MR. PARSONS: No, I had no indications that there was.

MR. SPIVAK: Nor any of your officials.

MR. PARSONS: No. We asked and the only letter we could find on the file that indicated

MR. SPIVAK: But just again, you know, the confirmation by letter is one thing and I accept that that's a formal indication. But dealing with banks, and I think you're as familiar as the next person, much of what happens, happens on an informal basis by way of discussions with the bank who provide the line of credit and who have to deal with the daily problems with respect to financing. And, again, I put it to you: can you not confirm to this committee that prior to the strike, informally there had been requests by the bank for a guarantee to be provided by the government?

MR. PARSONS: No, I can't confirm that. The treasurer who was there previously, I haven't talked to him. He's no longer with the company.

The next company that we have on our list is the Phoenix Data Ltd.

MR. CHAIRMAN: Right. Mr. Minaker.

MR. MINAKER: Mr. Chairman, are we leaving Morden Fine Foods?

MR. CHAIRMAN: Well, if you have any questions on it, I had you on the list at that time when we adjourned.

MR. MINAKER: Mr. Chairman, if I could, just to maybe review quickly our discussion in the prior meeting when we were dealing with MDC companies. There is, I believe, a proposal for an addition to Morden Fine Foods.

MR. PARSONS: That is correct.

MR. MINAKER: Is that in the coming year or the next year?

MR. PARSONS: We have an application in to DREE. It depends on when we get that application through and we hope to continue if that is successful; and that we do receive a DREE grant and if we can solve all our environmental problems, then we would proceed.

MR. MINAKER: Mr. Chairman, with regards to the environmental problems, it's my understanding that there may be some capital commitments required for waste disposal and supply of water services, etc. Would the Morden Fine Foods be paying for a portion of this capital expense that would probably be required for the townsite to pick up and look after this problem?

MR. PARSONS: No. The townsite said that they would provide that.

MR. MINAKER: That the additional burden that will be placed on the townsite will be carried by the town?

MR. PARSONS: Yes.

MR. MINAKER: And will the company be charged a local improvement charge? Morden Fine Foods?

MR. PARSONS: Well, at the time that we discussed this with the town, they thought their lagoon system was sufficient. We don't know whether it is or not. If they had to enlarge that, then maybe we'd have to negotiate but at the present time we have not got that in our costing figures.

MR. MINAKER: Thank you.

MR. CHAIRMAN: That concludes the Morden Fine Foods Ltd. We'll proceed with Phoenix Data Ltd. Are there any questions? Mr. Banman.

MR. BANMAN: Thank you, Mr. Chairman. I wonder if Mr. Parsons could give us a breakdown as to who was billed for the computer time and the associated charges to the Province of Manitoba and the Crown agencies this last fiscal year?

MR. PARSONS: I don't have that breakdown. I will provide it for you. We have that breakdown, but I haven't it with me. I will get it.

MR. BANMAN: Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Yes. Thank you, Mr. Chairman. Through you to Mr. Parsons. With regards to Phoenix Data, will it be one of the companies that will be consolidated into the central computer facility that is presently being planned and considered by the Manitoba Telephone System?

MR. PARSONS: No.

MR. MINAKER: Mr. Chairman, through you. Will this particular company continue to operate on its own as a separate entity then?

MR. PARSONS: Yes.

MR. MINAKER: There is no intention of closing down this particular company at this time.

MR. PARSONS: No, not at this time.

MR. MINAKER: Then, if I understand correctly, Phoenix Data Ltd. will be in competition with the Manitoba Telephone System entity?

MR. PARSONS: No.

MR. MINAKER: Has anybody from the Telephone System communicated with you or with Phoenix Data System with regards to the present plans they have for central computer facilities?

MR. PARSONS: Yes, yes. We have been with them.

MR. MINAKER: They will be providing or Phoenix Data will be providing a different type of system than what is proposed for the Telephone System Computer Centre?

MR. PARSONS: Well, it's a different type of computer. We will still carry on doing the scientific work possibly for the Hydro. We are doing some now that they can't do on their old computers. We will still carry on doing that. We have the educational system set up in our computers. It would be quite costly to change that over so we are proposing to continue that. We are also doing the Student Aid Program which would stay on plus 35 percent of our revenues from outside of the government sector and that is increasing.

MR. MINAKER: Mr. Chairman, through you to Mr. Parsons. I've been out of touch with the University Computer Centre in the past few years but does the University Computer Centre provide a similar service to what you are presently providing from the scientific end?

MR. PARSONS: I don't know. They could have if they have the programs set up. I'm not familiar with their system either. We have not done any work for them or vice versa have any of these people that we are now working for, had their work done at the University.

MR. MINAKER: I wonder, would it create a problem for Phoenix Data if you were to disclose the type of customers you presently are providing services for?

MR. PARSONS: Yes. I think that would be confidential information and I wouldn't be prepared to disclose who we have on there. But I can tell you that 35 percent of our revenue is in the commercial sector, outside of government work. And that is increasing.

MR. MINAKER: Fine. Thank you.

MR. CHAIRMAN: Mr. Banman.

MR. BANMAN: Mr. Parsons, the 35 percent, you just attained that mark this last year?

MR. PARSONS: Just last year, yes.

MR. BANMAN: Because I notice in the 1974 statement, you know, it relates to about 15 to 18 percent.

MR. PARSONS: That's right. We're up to 35 percent now.

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

MR. CHAIRMAN: Mr. McGill.

MR. MCGILL: Mr. Chairman, Mr. Parsons, I see your deficit at the end of the year for which we have a statement was \$584,000. What's the outlook for Phoenix Data for the coming year?

MR. PARSONS: We've done much better. Since the beginning of the year, we've had three profitable months. It's on the increase. We are making a profit. Actually we had a positive cash flow even with that if you take a look at the amount of the write-downs and so on. But we are over and above the write-downs and depreciation and so on. -- (Interjection) -- No, as a matter of fact we are putting money in the bank with it and we are making a profit now.

MR. MCGILL: Do you anticipate, do your projections indicate that for the next year, March 31st, 1975, this company will show a net profit?

MR. PARSONS: It will be very close. I haven't got the figures, the auditor's figures aren't finalized.

MR. MCGILL: The year March 31st, 1974, was just slightly less favourable than the previous year, is that correct?

MR. PARSONS: Yes. We have a small loss this year even after all the depreciation write-down at the 31st of March, 1975.

MR. MCGILL: I see. You have a preliminary figure for that now.

MR. PARSONS: Yes. It's unaudited so I don't want to disclose it. It's very close to a break-even.

MR. MCGILL: Does the business appear to be on the upswing?

MR. PARSONS: Yes. We've been out more actively and had much more contact with the various corporations, other than the government, who have been coming to us for scientific work and that has been increasing.

MR. MCGILL: What percentage of your business, just offhand, is government business as compared to . . . ?

MR. PARSONS: About 65 percent.

MR. MCGILL: Is government business?

MR. PARSONS: At the present time.

MR. MCGILL: I think you indicated to Mr. Minaker that you would not suffer any loss of that government business if MTS proceeds in the . . . ?

MR. PARSONS: No, I didn't say that. I said I didn't think that MTS would be competing with them. We have two systems on our computer, the Student Aid Program and the Educational Program, that naturally if we lost that business it would take us some time to make it up. But I don't think that that would be the intent, to take those systems off our CDC 6500 and try to convert them to their 158s. It would be very costly and . . . for them to work up a program and there would be no advantage to them to do it. There would be no saving to the Department of Education.

MR. MCGILL: So I interpret your remarks to indicate that you don't anticipate any reduction of your government accounts?

MR. PARSONS: On those two systems, no.

MR. MCGILL: Well, are there any other systems?

MR. PARSONS: Well there's some from the Hydro and when they got their new computer last year, we were running between 15,000 and 20,000 a month for the Hydro. We are probably running now seven. But as they do more scientific work they will use us, but that's all they're using us for now.

MR. MCGILL: What percentage of your total capacity on that computer are you utilizing at present?

MR. PARSONS: Probably about 20 percent in the actual computer at the most. That's not what takes the time.

MR. MCGILL: So that you have the capability . . .

MR. PARSONS: Oh, yes.

MR. MCGILL: . . . of handling a much greater workload.

MR. PARSONS: Yes. It's a matter of getting the systems on. It's producing the software

(MR. PARSONS cont'd) . . . . and getting the systems on that takes the time. The computer itself physically is capable of a lot more than it's doing.

MR. MCGILL: During the past year, there were a number of delays, many many delays in the Student Aid Program and most of the time when we enquired, your Phoenix Data Company - at least I now know that it was on that computer that the program was scheduled - was getting most of the credit for the delays that were occurring. Every time someone didn't get a student loan through on time, they said the computer had broken down. Were there really that many breakdowns in the computer?

MR. PARSONS: No.

MR. ENNS: So it was just a cop-out on the part of the Minister who was answering the questions.

MR. MCGILL: Well certainly there was . . .

MR. PARSONS: There were delays in there but it's basically not due to the computer. It's the setting up of the systems.

MR. MCGILL: But the delays, in the last year, it appeared to me, were much greater than had been the case previously when the whole program was handled without the benefit and the aid of a computer system.

MR. PARSONS: It may have been, I don't know. But it was not because the computer was breaking down.

MR. MCGILL: The computer was simply failing to deliver the proper material at the proper time. No breakdown, it just wasn't delivering.

MR. PARSONS: It wasn't programmed properly.

MR. MINAKER: As far as a computer is concerned, if you put garbage in you get garbage out.

MR. PARSONS: That's right.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Mr. Chairman, through you to Mr. Parsons. Mr. Parsons. What percentage of the 35 percent of your business is done with MDC or companies that are either MDC owned or have loan commitments with?

MR. PARSONS: None.

MR. MINAKER: Thank you.

MR. PARSONS: I had to stop and think about it but they are doing some work for A. E. McKenzie but that is not an MDC company.

MR. CHAIRMAN: Mr. Adam.

MR. ADAM: Thank you, Mr. Chairman. It's more on a point of privilege of the House. The questions that the Honourable Member for Brandon West was making in reference to the delays in the processing of the student STEP Program, I think it was?

A MEMBER: Student aid.

MR. ADAM: Student aid, yes. I think the Minister made it quite clear in the House that the majority of the delays was because of the applications that were submitted by students were not properly filled out or that much of the information was lacking and I think that was very well cleared in the House. So I don't think that we should pass any reflections on the computer as such.

MR. CHAIRMAN: Mr. Enns.

MR. ENNS: Mr. Chairman, on the same point of order. I am pleased to accept the fact that the Member for Ste. Rose now accepts the official position of being an apologist for both the computer and the Minister in the House.

MR. CHAIRMAN: Are there any more questions on Phoenix Data? Mr. Spivak.

MR. SPIVAK: Mr. Parsons, I wonder if you can tell me whether any marketing organizations use the Phoenix Data computer?

MR. PARSONS: No. I can't tell you that.

MR. SPIVAK: Could you tell me whether there are any polling organizations use the data.

MR. PARSONS: No.

MR. SPIVAK: Do you know whether any political party uses the data?

MR. PARSONS: No.

MR. SPIVAK: Well I would like to . . . you know, I think these are . . .

MR. CHAIRMAN: Order please.

MR. PARSONS: I'm not going to disclose who our customers are.

MR. SPIVAK: I think we have a problem here because I think that this would be in a reasonably delicate area if in fact the information was correct and I'm not suggesting it is. I'm asking it as a direct question to you to determine whether any marketing agency, polling for a political party, is now using the services offered by a government Crown corporation. And that's the question. I'd like to be able to have that information furnished. As to whether it's correct or not, that's a matter we'll discuss if the information is correct. If it's not, it's obviously not a matter for discussion. But I wonder if that information could be obtained for this committee.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Chairman, I am first of all unaware of any such thing to start off with. But what if a marketing agency is using data or using the computer as a commercial customer and paying commercial rates? Would it be fair to the company to be talking about who their clients are and using the machine. I'm not aware of that but I wonder whether it is a pertinent question and if it is - if I'm unable to see the pertinence of it - maybe the Leader of the Opposition can help me. All I can tell him is that I know of no such thing, I know of no such arrangement and I know of no such arrangement with the Conservative Party, with the Liberal Party or with the New Democratic Party. But I am unable to say that a marketing concern which they hire uses Phoenix Data, I don't know.

MR. SPIVAK: Well I think the problem area, and I have to say this to the Minister of Mines and Natural Resources. is more a problem area not for the political parties in opposition as much as it would be for the government who if this is the case - and I'm not suggesting it is - I want to make that very clear. -- (Interjection) -- No, I'm not suggesting it but I think we're entitled to obtain information and I think if the information is given that it is not so then we'll accept it. If the -- (Interjection) --

MR. CHAIRMAN: Order please.

MR. SPIVAK: Well that would be an interesting thing because you know if that was happening then you can . . .

MR. PARSONS: I know of no polling group that is using it but I will inquire and if it . . .

MR. GREEN: Then we'll have to decide how the Corporation wants to deal with it. I don't know.

MR. PARSONS: Our computer basically isn't set up to do that but I don't know whether there is.

MR. CHAIRMAN: Well that concludes the questions - Mr. Minaker.

MR. MINAKER: Mr. Chairman, through you to Mr. Parsons. Is there a different . . .

MR. CHAIRMAN: Order please.

MR. GREEN: . . . because I'm rather puzzled. If the Chairman of the Corporation was to determine that a polling group - a marketing agency that works for the Conservative Party was using Phoenix Data as a computer house - would that be disclosable, relevant information to give?

MR. SPIVAK: Well I think, Mr. Chairman, that it would be more relevant if the government party was using it.

MR. GREEN: I want to know whether there are preferred rates. I want to know . . .

MR. SPIVAK: Those are the questions, those are the question . . .

MR. CHAIRMAN: Order please. Order please.

MR. GREEN: . . . we have telephones, we have hydro electricity. Mr. Chairman, I want to make full disclosure that the New Democratic Party buys stationery, they buy it from houses, some - I don't know - maybe we have financed some stationery house; we buy electricity which is from a Hydro corporation, we buy telephone systems, we buy many other things. We don't buy enough because we don't have enough money.

MR. CHAIRMAN: Order please.

MR. GREEN: But we buy all of these things -- (Interjection) -- yes, comic books.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: I think the relevant point here is that we're dealing - and I say this - and again the question was asked, Mr. Chairman, whether the Chairman was in a position and seized of any information that he could give us. He obviously isn't. I would hope that he would be able to confirm that there wasn't -- (Interjection) -- But just allow me to finish and then you can make your remarks. There's no difficulty, we've got a long evening.

MR. SPIVAK cont'd)

But the thing that I think would be of concern to me and I think that we have to - and maybe this leads into other questions. This is a company that has been out in the marketplace seeking clients in the private sector, seeking clients under negotiated arrangements with respect to the transactions that are taking place. I think you'll acknowledge that and I think that's been its accepted practice, a company in competition, and this has been stated over and over again with respect to this company. Therefore I think this does put it into a different category than a utility who is providing a service that's common to all. And I am now saying that if the information was to be furnished in a positive way, then I think appropriately not in this committee but in the House, we would have the opportunity to discuss it. If the information is not so, then having declared that information not to be so, there's no issue to be discussed.

MR. GREEN: Well, Mr. Chairman, that is a traditional fishing expedition. If the honourable member has allegations to make concerning the New Democratic Party getting free or cut-rate service from Phoenix Data, I would be very interested in knowing it and if it's given to me then I will investigate it. But as a bland question, does any party . . . for all I know the board of Phoenix Data may be friendly to the Conservative Party and are supplying that information. But I could not ask that question. It would not be a relevant question. Who is the board of Phoenix Data? I'd like to know who the board of Phoenix Data is. Find out if they're all Tories.

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

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

MR. SPIVAK: Yes. Well, it's just a comment rather than a point of privilege to the Minister. The Minister is concerned about a fishing expedition. My understanding of this committee is that we're entitled to ask questions and we are entitled to get information.

MR. GREEN: S. J. Parsons, -- (Interjection) -- as far as I know, that's not right. Shutiak, MacDonald. None of these people, to my knowledge, are not Tories. And I say in the style of Mr. Spivak that they are Tories until they are proven otherwise.

MR. CHAIRMAN: Is that all the questions? Mr. Minaker, I'm sorry. I forgot about you.

MR. MINAKER: Mr. Chairman, I yielded to the Minister when he interrupted there. I was wondering, Mr. Chairman, through you, are there varying rates for different customers at Phoenix Data? In other words, whether it's government agency or a commercial private enterprise. Are there different rates or do they both qualify for . . .

MR. PARSONS: There are different rates based on volume and that's normal in the computer business.

MR. MINAKER: Whether they be government or . . . ?

MR. PARSONS: It doesn't matter what they are, it's the volume that determines their rates.

MR. MINAKER: Thank you.

MR. CHAIRMAN: That concludes the questions on Phoenix Data. Proceed to Saunders Aircraft Corporation Ltd. You have your financial statement and an up-dated financial statement year-end, September 30th, March, 1975. Mr. Johnston.

MR. G. JOHNSTON: Mr. Parsons, I'm looking at the financial statement and I note on Page - well the insert after Page 2 is the balance sheet and it's not signed by the directors. Does that mean anything or . . . ?

MR. PARSONS: No, the one that's in our Minute Book is.

MR. G. JOHNSTON: I believe this question was asked in previous years as the deficit has mounted. Could you tell me what the projection is at the present time taking into account that \$30 million are owing. How many aircraft would have to be built and marketed before the \$30 million could be repaid?

MR. PARSONS: We are at the present time redetermining that. It's a matter of the escalating price costs and what the sale price of the plane is. I think I stated last year, we had estimated about 160 planes. If we accelerate the top end the same type as the costs, then that won't vary, but costs are accelerating fairly rapidly.

MR. G. JOHNSTON: So, Mr. Parsons, you're saying that as of last year with the moneys owing, 160 planes would have to be built and marketed. What is your projection at the present time?

MR. PARSONS: I don't have that projection. As I say, we are working on it, but it's going to be higher. The costs of building them are going higher and the program has taken quite a lot longer than we expected through delays in deliveries and in engineering.



MR. G. JOHNSTON: Well, Mr. Parsons, I find that a difficult answer to . . .

MR. PARSONS: It's a difficult question.

MR. G. JOHNSTON: . . . to digest. If you knew last year, you don't know this year, and you've had it under constant surveillance I would think for the past year. Is it giving away a trade secret to ask what the mark-up on an airplane is?

MR. PARSONS: Yes.

MR. G. JOHNSTON: Well if you could tell us, based on the deficit last year, if it was 160 planes required to break even.

MR. PARSONS: You could figure it out, there was roughly 150,000 - 170,000 per plane.

MR. G. JOHNSTON: Okay. So would it be 200 planes this year. in that neighbourhood?

MR. PARSONS: It could possibly be. It all depends on what the marketplace will bear in the selling price.

MR. G. JOHNSTON: What kind of a marketing organization does Saunders have? I'm assuming that they must have to sell internationally because certainly Canada can't absorb your hopes as far as selling goes. Do you have sales agents in other parts of the world and where are they and how many have you?

MR. PARSONS: Yes, we have sales agents. We have our own sales people who contact the sales agents.

MR. G. JOHNSTON: What I'm getting at is how wide a network do you have? Are they in England, West Germany?

MR. PARSONS: Yes.

MR. G. JOHNSTON: Could you tell us where your sales contacts are.

MR. PARSONS: England, South America, Australia, Indonesia. We have a tentative program working in the United States that we are doing, that our sales staff are doing themselves.

MR. G. JOHNSTON: And out of your hopes for the future let us look at the past. Is it correct, the newspaper reports, that you have either orders or have sold 13 airplanes? Or is that wrong and if so, could you correct it.

MR. PARSONS: No, we have sold eight, we've got orders for six right now. Seven right now.

MR. JOHNSTON: That's all at the moment, Mr. Chairman.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Yes. Mr. Chairman, through you. What is the selling price of the ST-27 or ST-28 at the present time?

MR. PARSONS: The new plane we are looking at about \$850,000. The last ones were about \$650,000, the ST-27s. Again it depends on the equipment in the planes. That can vary it \$50,000.

MR. MINAKER: Then does that mean, Mr. Chairman, that the Federal Government paid extra money for extra equipment or the press information was incorrect when it said that the two planes were bought for \$2 million.

MR. PARSONS: No, there's spare parts and maintenance in that, included in it. I think if you saw the original release on that it was \$750,000 per plane as they were equipped.

MR. MINAKER: Mr. Chairman, through you. How much of the work that's going into the development of the aircraft is being done in California?

MR. PARSONS: There's very little now. There was a fair amount of engineering there a year ago but there's very little engineering being done in California, it's all being done here.

MR. MINAKER: Are all the jigs being manufactured in Gimli?

MR. PARSONS: No, not by a long way.

MR. MINAKER: Where were they manufactured?

MR. PARSONS: England. Some down in Eastern Canada and some in the States.

MR. MINAKER: What percentage of the manufactured jigs were manufactured outside of Manitoba?

MR. PARSONS: I don't know the percentage but there is quite a great number. I would say the great majority were manufactured outside of Manitoba.

MR. MINAKER: Would that represent a major portion of the development cost?

MR. PARSONS: It's a major cost of the plant, yes.

MR. MINAKER: Have you any idea how many millions of dollars that would be - through you, Mr. Chairman.

MR. PARSONS: Oh probably a million and a half in jigs. I shouldn't say that. I would like to check that out. There's about a million and a half in that area.

MR. MINAKER: Was this work spread throughout the United States or was it done with one company or two or . . . ?

MR. PARSONS: No, the greatest proportion was done in the United Kingdom. There was only maybe two or three companies in the United States used, and there's two in Eastern Canada.

MR. MINAKER: There was some work done in California was there not, Mr. Parsons?

MR. PARSONS: Yes.

MR. MINAKER: Do you know the name of that company?

MR. PARSONS: No I don't. They made the tailplanes and the air intakes and cowls, but I don't know the name of the company.

MR. MINAKER: Did they not also manufacture the wing jigs?

MR. PARSONS: The wing?

MR. MINAKER: Jigs.

MR. PARSONS: They may have. I don't know. I'll take that as notice if you want the answer for it.

MR. CHAIRMAN: Mr. Minaker, the press is looking very confused when you're talking about jigs, what jigs are. Possibly you should explain.

MR. MINAKER: Not what you think they are, Mr. Chairman. I would think that probably, Mr. Chairman, that the Chairman of MDC would be just as well equipped to explain what jigs are as I am and I'm sure he'd be prepared to do so.

MR. CHAIRMAN: Well you explained what software was this afternoon and I thought it was rather interesting.

MR. MINAKER: Why I raised the point, Mr. Chairman, was, I was wondering if any former employees of this particular company in California are now employed as administrators at Saunders or were formerly employed by . . .

MR. PARSONS: What company are you talking about? Then I could tell you. Do you have the name?

MR. MINAKER: ATC is one of the companies. I think it's Aircraft Tank Corporation. If they are a company that's doing the manufacturing of the jigs.

MR. PARSONS: Not that I know of.

MR. MINAKER: I would be interested too, Mr. Chairman, in finding out if in fact this company was under contract to Saunders and if there are any former employees of either Saunders or this company presently employed by Saunders or that company.

MR. CHAIRMAN: through you to Mr. Parsons. How many firm orders do you presently have either for the - I believe all of the ST-27 models are now sold - how many of the new aircraft, the ST-28 do you have firm orders for?

MR. PARSONS: We have in California 2 plus 2 with deposits. Indonesian order there's 2, but the financing still isn't arranged with those. As I said last year, we're still working with the government over there, it's very difficult. And we have one other with a cash deposit.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: I hope Mr. Minaker will let me, because I don't like to see an answer go by that will be misunderstood. When he said they're all sold I believe that some are orders which . . .

MR. PARSONS: They're orders with deposits.

MR. GREEN: . . . of the present plane, they're orders with deposits but the sale has not yet been consummated?

MR. PARSONS: Well they're sales contracts with a deposit.

MR. GREEN: These are on the S . . .

MR. PARSONS: As I say the Indonesia one we've got the order with a deposit but they have to conclude their financing. If they don't do that then they don't get the planes -- (Interjection) -- No, the 27s aren't all sold.

MR. MINAKER: How many 27s have we manufactured? Is it 13?

MR. PARSONS: Twelve.

MR. MINAKER: Twelve. Are there any parts left or are there going to be any further 27s manufactured?

MR. PARSONS: No. Not at all.

MR. MINAKER: And they're not all sold?

MR. PARSONS: No.

MR. MINAKER: Was there three sold to Colombia, one to Alberta, one to Ontario and one to St. Andrews, and then there's two that Saunders are flying which I believe the Federal Government have now purchased?

MR. PARSONS: Yes.

MR. GREEN: The one to Alberta is still on lease?

MR. PARSONS: Yes.

MR. MINAKER: And then there's two that are still unsold?

MR. PARSONS: Yes.

MR. MINAKER: Mr. Chairman, through you to Mr. Parsons. Who is financing the airplanes? Are we able to find private money to finance these airplanes or are the purchasers able to find private money or are we somehow . . . ?

MR. PARSONS: We are financing them through MDC and Saunders for the Colombian ones and the two that are on lease, the St. Andrews and the Bayview. Although the Bayview one should be off the lease because we have a guarantee for the majority of it for 450,000 of the order from the Alberta Government. It will probably be one that is sold for cash.

MR. MINAKER: On the new orders in the house will Saunders be required to finance these aircrafts as well, carry the financing?

MR. PARSONS: Not the California ones. They are arranging their own financing. The other one as I say is up to the Indonesian Government.

MR. CHAIRMAN: Mr. Johnston.

MR. GORDON JOHNSTON: With respect to the financing of the ones that either MDC or Saunders themselves are carrying the paper, are there any in default?

MR. PARSONS: Not default. The ones in Columbia are in arrears. We are not calling it default, it's not entirely their fault. The airplanes can only fly so many hours without the engines being taken off and overhauled, which they had to do, and they sent out to UACL and they sat in their plant. Now they have never flown more than two planes out of their three all year, so their finances have dropped behind. We're not calling it in default, they are behind in their payments but there's a fairly good reason for it, I think there was several operators who had that problem.

MR. CHAIRMAN: Mr. Evans.

MR. L. EVANS: Mr. Chairman, as a matter of clarification. I don't know whether it was fully understood. As a matter of clarification I wonder if Mr. Parsons would elaborate when he refers to UACL and just what we're talking about, because some of us may not be aware of what you're referring to.

MR. PARSONS: I'm sorry. That's United Aircraft. They are the ones that manufacture the PT6 engines that are on the Saunders aircraft. Under the rules and regulations those engines must come off for checks and when they were taken off and sent to UACL they were tied up in the strike. They couldn't get them serviced.

MR. G. JOHNSTON: With respect to the arrears with this particular company it's because they're not doing enough business to be able to pay . . .

MR. PARSONS: No.

MR. G. JOHNSTON: . . . or is it because they're holding back payment because of what they consider to be deficiencies in the aircraft?

MR. PARSONS: No, they're not holding back any payments because of deficiencies. They have done very well for a small airline but they're trying to finance three aircraft with the revenue from two. As a matter of fact for a while there they were only flying one.

MR. G. JOHNSTON: So they have purchased three aircraft on time payments?

MR. PARSONS: Yes.

MR. G. JOHNSTON: And you're not concerned about them being so far in arrears. Is that right?

MR. PARSONS: I'm concerned because they're in arrears but . . .

MR. G. JOHNSTON: Well how much are they in arrears?

MR. PARSONS: I'll have to get that figure for you, I don't know. But it's between two and three hundred thousand.

MR. G. JOHNSTON: Back to the figures you gave me earlier. I don't recall you giving a production schedule for the coming year - as a matter of fact I guess I didn't ask. Assuming that the company will have no problem in getting their certificate of airworthiness both U.S. and Canada, what is their production schedule for the next year?

MR. PARSONS: We run one a month starting October through to the end of the year. They go up to two a month in April and they run two a month for April, 1976 until the late fall, and we hope to go to three a month by the beginning of 1977. I may be out a month or two on that, I haven't got the schedule with me.

MR. G. JOHNSTON: So that averages probably 18 airplanes a year. You're talking about the rest of this year and 1976. Is that average 18 airplanes for a year?

MR. PARSONS: Well it would be over a year's time, it would be 15, 16 months.

MR. G. JOHNSTON: Supposing the cash flow improved enough that they didn't need any more loans and if they have to manufacture in the neighbourhood of 200 or more planes to break even, this means that they'd be at least 12 years with the one model, going by what you have told us this evening, to repay their loans. Is that a reasonable statement?

MR. PARSONS: No, they're going to three a month. Did you not catch that?

MR. G. JOHNSTON: Yes, the first of the year in 1977.

MR. PARSONS: 1977 yes.

MR. G. JOHNSTON: So then it would be about 7 to 8 years?

MR. PARSONS: Yes.

MR. G. JOHNSTON: When you have made inquiries in to the aircraft business how long does a model of this type of plane last before it has to be changed? We know that airplanes don't change like cars, but there have to be new prototypes developed, in other words keeping up with the competition. Do you think that this company can stay in a static position with one model and build 200 airplanes in the next 7 or 8 years with no difficulties in competing on the world market for a feeder airplane?

MR. PARSONS: In the aircraft industry it's shown that. There hasn't been a model like this put into the commuter service. Probably your closest one, your Twin Otter, has been in service well over that length of time. The DC3s that they stopped manufacturing many many years ago are still in service and still in quite high demand. As you say, the aircraft industry isn't the same as the automotive and there hasn't been an aircraft of this capacity put into the commuter market. So the marketing people tell me that this is quite possible.

MR. G. JOHNSTON: Just one other question. In Price-Waterhouse and Co.'s Statement on Page 1, the second paragraph, they say, "We are unable to render an opinion as to the realizability of the deferred aircraft development costs of \$4.857 million, 4.8 million. Are they saying that they don't expect to see that money recovered at the present pricing?"

MR. PARSONS: No.

MR. G. JOHNSTON: Well explain what do you think that means.

MR. PARSONS: This means what it says. We're unable to render an opinion and the auditors won't. They have no way of measuring.

MR. G. JOHNSTON: Well as watchdogs for the loan can you give us an opinion?

MR. PARSONS: Well we expect to recover it.

MR. G. JOHNSTON: Well I don't like to be difficult but isn't it a fact that some time back the MDF, the board of directors refused to make further advances and Part II of the Act came into force and the Cabinet made the advances?

MR. PARSONS: Yes.

MR. G. JOHNSTON: So really isn't it what this means, that in your judgment it was at that time beyond the point of no return and you exercised your judgment and the Cabinet overruled your judgment and now you're trying to handle the situation. Is that a fair statement?

MR. PARSONS: We're still monitoring the funding.

MR. G. JOHNSTON: Is that a fair summation, that while it isn't hopeless you don't like it or you would have lent the money on your own?

MR. PARSONS: No it became a very large dollar and really our board felt that they should turn it back to the Cabinet. The Cabinet decided on it every time our board looked at it because it was a new advance each time so it had to go to Cabinet anyway.

MR. G. JOHNSTON: Well, Mr. Parsons, do you find a difficulty in sorting out a loan that you have hopes that it will be repaid with a social benefit to a community? At what point, as a person responsible for the financing and recovering of loans which are really moneys from the taxpayers and a social benefit, do you draw a line or do you throw up your hands and just do the best you can because Cabinet overruled you?

MR. PARSONS: No, our board try to analyze it. There is no doubt in Saunders there's a socio-economic benefit to the area.

MR. G. JOHNSTON: Well probably you're not the one to ask this question. Then every community that finds itself in the position of Gimli is morally entitled to the same amount of money from a tax-backed development fund such as MDF. Would you not say so?

MR. PARSONS: No I do not think so.

MR. G. JOHNSTON: That's all.

MR. CHAIRMAN: Mr. McGill.

MR. MCGILL: Mr. Chairman, I'd just like to tie down these units that have been produced. Since the beginning of the operations at Gimli, how many units were sold and delivered to customers? I think you said there were a total of 12 ST-27s.

MR. PARSONS: That's right.

MR. MCGILL: Built at Gimli, or does that include the one flying prototype they brought with them?

MR. PARSONS: No.

MR. MCGILL: There were 12 built at Gimli?

MR. PARSONS: Oh pardon me. Yes, that includes the prototype. It was rebuilt by the way.

MR. MCGILL: Yes. But then there were really 11 built at Gimli?

MR. PARSONS: No.

MR. MCGILL: Twelve plus one?

MR. PARSONS: The XOK was taken back and all redone.

A MEMBER: They rebuilt it again.

MR. PARSONS: Yes it was rebuilt.

MR. MCGILL: But when you started at Gimli they flew that airplane in here did they not?

MR. PARSONS: That is correct. It wasn't certifiable at that point but it has now been

MR. MCGILL: There were 11 additional airplanes built at Gimli and then XOK or whatever it is was reworked in preparation for sale to the Federal Government. Is that right?

MR. PARSONS: Yes. It went through the same program as the others did.

MR. MCGILL: Yes.

MR. PARSONS: There's really 13 because 005 is the prototype.

MR. MCGILL: So your production there is a total of 13 airplanes if you consider that the prototype airplane was built twice. eh?

MR. PARSONS: Yes.

MR. MCGILL: And how many of those are now sold and delivered to customers away from the plant?

MR. PARSONS: Well the two to the Federal Government are you considering those delivered? They're not delivered to anybody yet, they're sold. There's eight and there will be four left when they have completed their tests . . .

MR. MCGILL: Including the two to the Federal Government that makes eight.

MR. PARSONS: Yes.

MR. MCGILL: Six others, plus two to the Federal Government, is eight, and there are four to be sold?

MR. PARSONS: Yes. They've just come off the line, they're not . . .

MR. MCGILL: That takes care of the 27s. There is one hand-built 28 which you call the 27b.

MR. PARSONS: Yes. That will not ever be sold.

MR. MCGILL: And that is still in the flight testing area?

MR. PARSONS: Yes. We may eventually rework that for a demonstrator aircraft but it will not be sold to an airline.

MR. MCGILL: Okay. Now what about a production line ST 28? How far is that from flight?

MR. PARSONS: We're about half-way down on the first one. We've got three sets of wings through, I think, we're on the third fuselage. They're moving along the line. The first one . . .

MR. MCGILL: The Number One production line ST 28 is half-way down the line?

MR. PARSONS: Yes. It should be off the end of August.

MR. MCGILL: Are all the jigs in place on that production line or are you still waiting for jigs?

MR. PARSONS: Let me say this, that all the jigs to build the aircraft are not in that plant. Mr. Minaker was asking me about - we have sub-contracts that have the jigs. They're making the jigs and the component parts.

MR. MCGILL: So that they're not all in place . . . ?

MR. PARSONS: They're not all in place at Gimli. It may not be economical. Some parts of the plane could be built elsewhere.

MR. MCGILL: What is your present forecast on when Number One production line 23 will first come out the door?

MR. PARSONS: The 1st of September.

MR. MCGILL: The 1st of September. Is it correct that the flight test program cannot be completed, the C of A authorization and the Federal Aviation USC of A cannot be completed until that airplane is in the air?

MR. PARSONS: That's correct.

MR. MCGILL: So that how long will it take - assuming you make your September 1 deadline on flying that airplane - how long do you anticipate after that it will take to complete the flight tests and obtain the U. S. Certificate of Airworthiness?

MR. PARSONS: About six to eight weeks. There's not that much of the program left.

MR. GREEN: You asked about the U. S. certificate.

MR. MCGILL: Pardon me.

MR. PARSONS: Well Mr. McGill knows how it works. I'm sorry, I'll answer the question for those who don't. MOT certification would be six to eight weeks. The U. S. follow on that, on the reciprocal program.

MR. MCGILL: I think you assured us last year that once FAA approved it that it would only be a matter of days or a week or two before the FAA . . .

MR. PARSONS: The FAA have still held to that.

MR. MCGILL: About three or four weeks ago, or less I guess, there was a lay-off at the plant. Was that due to the fact that your production line was not ready to go, that you were missing required jigs for the production line aircraft?

MR. PARSONS: No. The planes weren't far enough down. When they finished off the last one out of the production line of the 27s . . .

MR. MCGILL: You weren't able to swing the full labour force?

MR. PARSONS: Not all of them. We tried to swing most of them. We've got some of those people recalled now. There is, oh, probably 10 of those recalled now. We try to use them in the different areas to speed up the other portions but some of them just - you can't do that with them.

MR. MCGILL: Now of the four aircraft of the original Model 27, are they all ready for sale?

MR. PARSONS: No.

MR. MCGILL: Do they all have engines?

MR. PARSONS: They all have engines now but they're not all - they haven't finished the testing. They all have engines on them but they all have to run through their flight tests.

MR. MCGILL: I see. Well the aircraft are complete and rolled out the door but flight testing is not complete on them. What's the hold-up there?

MR. PARSONS: Mr. Kirshmir is the only one we have to do that and unfortunately he's very busy. But we are getting it through.

MR. MCGILL: Is the fact that your production line 23 is six months away having an effect upon the sales possibilities for the remaining four ST-27s?

MR. PARSONS: No I don't really think that's a valid reason. It was holding us up going after more 28 orders because we couldn't get good firm delivery dates and we did fall behind in our programs. But I don't think it's hurting the ST-27. I think those will be sold.

MR. MCGILL: What is the total staff now at Saunders Aircraft?

MR. PARSONS: 490.

MR. MCGILL: What reduction is that from your peak?

MR. PARSONS: Pardon me?

MR. MCGILL: What is the reduction from your peak employment?

MR. PARSONS: Oh they were up to about 520. It was about that, around 520. --(Interjection)-- 530 in February.

MR. MCGILL: Well, Mr. Parsons, we've had a number of projections as to the time

(MR. MCGILL cont'd) . . . . that will be taken to get certification from MOT and from FAA and they almost always seem to be very optimistic. Have you any reason to believe that this estimate you give us now of September 1 is any firmer than the ones that you gave us last year?

MR. PARSONS: Yes, we have everything that we pretty well need on hand which we didn't last year. Our program fell well behind, as you know. Most of the air tests have been done and completed. As I say about 85 percent of the tests are completed where we were just starting into that program last year. We did fall well behind because of shortages both in engineering and component parts for the test planes.

MR. MCGILL: The last indication you gave of the time likely to be taken to complete the FAA tests was some time in August or September of 1974.

MR. PARSONS: Yes.

MR. MCGILL: You're a year out on that one.

MR. PARSONS: Yes.

MR. MCGILL: Was the accident that occurred the other day on a nose wheel that didn't fully extend on landing, was that one of the aircraft sold to the Federal Government?

MR. PARSONS: Yes.

MR. MCGILL: Was the damage extensive? Is that going to delay the start of the . . .

MR. PARSONS: The airplane is flying today.

MR. MCGILL: It's in the air again, eh?

MR. PARSONS: It's very very minor.

MR. MCGILL: It was a partial extension, was it, of the nose-wheel and there was no damage to the fuselage I take it?

MR. PARSONS: Yes. The nose-wheel door was torn back. But the plane is flying today there wasn't . . .

MR. MCGILL: Is this plane being used to train pilots for the commuter service?

MR. PARSONS: We're not training pilots for the commuter service because it's not announced who is going to do it. We have been training some Manitoba Government air service pilots.

MR. MCGILL: On another subject, Mr. Parsons. You mentioned that this aircraft company in South America sent their PT6s back to the factory for major overhaul.

MR. PARSONS: Yes.

MR. MCGILL: Were there not other overhaul bases that were available? That's been a strikebound factory for a year.

MR. PARSONS: We had the same problem -- (Interjection) -- No, there isn't.

MR. MCGILL: There is no other overhaul base in Canada that can do these?

MR. PARSONS: Not that we could find. We had to send our engines back there too.

MR. MCGILL: What is the overhaul time now, the major overhaul time? Is it up in the thousands of hours?

MR. PARSONS: 2,500 to 3,000's inspections are still at 2,000 I think.

MR. MCGILL: I'm surprised that there is no other place for major overhauls of PT6s because that's the equipment that's in the Twin Otter.

MR. PARSONS: That is correct.

MR. MCGILL: Are all the Twin Otters on the ground?

MR. PARSONS: Your Bell helicopter is using the same engine.

MR. MCGILL: What's happening in the aircraft industry? Are they all coming to a standstill because of lack of . . . ?

MR. PARSONS: No, but we're having a lot of difficulty getting them done though. It's been a serious problem with anybody using them.

MR. CHAIRMAN: Mr. Banman.

MR. BANMAN: Thank you, Mr. Chairman. If I understand correctly, right now we are training people from the Government Air Service on this Saunders aircraft?

MR. PARSONS: Yes.

MR. BANMAN: Are they flying daily?

MR. PARSONS: I don't know about daily.

MR. BANMAN: Have they logged a fair number of hours already?

MR. PARSONS: Oh they've only been doing this for about four or five days, so I don't know how many hours they'd log.

MR. CHAIRMAN: Mr. Johnston. Mr. Banman proceed.

MR. BANMAN: No, Mr. Chairman, I have some more questions. Most of the questions have been asked that I was asking with regards to the Colombia sale. The notes receivable on the assets of the balance sheet, notes receivable secured by chattel mortgages on aircraft and personal guarantees, does that represent to the Colombia sale?

MR. PARSONS: Not entirely. There's also St. Andres and Bayview in that figure.

MR. BANMAN: And those - about \$3 million . . .

MR. PARSONS: That's what it is, yes.

MR. BANMAN: About \$3 million. A while ago I read an article in the newspaper that said that Saunders was selling a fair number of spare parts from the Herons to the United States. Out of the sale of aircraft and spare parts on the statements of operation and deficit, I wonder if you would give us a breakdown as to what the sales of aircraft and sales of spare parts were. It's \$2,453,000.

MR. PARSONS: I don't have that; I'll take that as notice and get it for your.

MR. BANMAN: The spare parts being sold are those parts that are being taken off of the old Herons?

MR. PARSONS: Partly.

MR. BANMAN: I imagine when - you've run out of old Herons now I imagine?

MR. PARSONS: Oh yes. We've sold the engines. There's quite a few saleable parts out of one when you strip it down.

MR. BANMAN: The other question was with regard to the engine. Last year because of the strike I think you only had one engine on hand and I'm wondering, is that improving at all?

MR. PARSONS: Yes.

MR. BANMAN: So you don't see any problems in the foreseeable future as far as . . .

MR. PARSONS: No, they seem to be operating quite well.

MR. BANMAN: The interior design of the airplane, the colour coding and that, was that done by a U.S. firm?

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

MR. BANMAN: I wonder if you would check that.

MR. PARSONS: We make our own seats. What did you mean?

MR. BANMAN: No. I mean the interior designing as far as colour co-ordination and that. I'm wondering if it was done by a firm in Denver.

MR. PARSONS: I'll take that as notice, I don't know.

MR. BANMAN: Excuse me. Just for clarification Mr. Parsons. You mentioned that you'd get us a breakdown on the sales.

MR. PARSONS: Yes.

MR. BANMAN: Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Johnston.

MR. GORDON JOHNSTON: Well with respect to the \$30 million that has been invested by MDF - and I suppose the interest rates vary depending on the years that the loans were made - what is the average rate of interest on the 30 million? Would it be 9 percent or 10?

MR. PARSONS: It would be about 9 percent.

MR. G. JOHNSTON: So that means that they have a debt load of about \$2.7 million a year, which would account for about 15 airplanes in the production. Now I'm just putting the figures together as you give me. Is that a fair assumption?

MR. PARSONS: I'd have to work it out.

MR. G. JOHNSTON: Well if it's \$2.7 million debt load . . .

MR. PARSONS: Yes.

MR. G. JOHNSTON: . . . \$170,000 an airplane. So they really can't pay more than the interest until 1977 when you go into 36 aircraft per year production. Is that right? My rough figures.

MR. PARSONS: Yes.

MR. GREEN: You can always cancel the debt load.

MR. G. JOHNSTON: Well all I can say is good luck to your sales force because they have to sell quite a few airplanes.

MR. PARSONS: Yes.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Mr. Chairman, earlier Mr. Parsons indicated when answering to Mr. McGill that one of the major reasons for the delay in getting the certification was that there



( MR. MINAKER cont'd ) . . . . was some component parts - there was a shortage of them or missing. Was that with regard to the S-27B aircraft that these components were missing that there was the delay ?

MR. PARSONS: Yes. And the 27s. The whole production. The undercarriage was 15 months.

MR. MINAKER: And this has caused delay ?

MR. PARSONS: That was one of them. Our engineering was delayed too.

MR. MINAKER: The delay in missing parts has caused this almost a year delay ?

MR. PARSONS: Yes.

MR. MINAKER: Well wouldn't these missing parts be required before you could fly the aircraft ? These components ?

MR. PARSONS: I'm sorry. I missed the . . .

MR. MINAKER: Well you know I have a copy of the letter . .

MR. PARSONS: We can't fly the airplanes without all the parts there.

MR. MINAKER: What I can't understand is we have a letter from you to Mr. McGill dated August 13th, 1974, and at that time you indicated the S-27B had been flying as of July 15th of that year.

MR. PARSONS: It was, yes.

MR. MINAKER: I'm wondering how missing components could delay it a year after it was already flying, the approval.

MR. PARSONS: Yes but the program was behind then.

MR. ENNS: There was nothing wrong with it, it just didn't have any wings.

MR. MINAKER: Well what has caused delay since the plane started flying ?

MR. PARSONS: Basically engineering.

MR. MINAKER: That's a good answer to give an engineer. Mr. Chairman, through you. You indicated that some of the work in your production of the ST-28 would be done outside. Can you indicate what percentage of this work will be - of the manufacturing - will be done outside ?

MR. PARSONS: A percentage of the cost. I would have to . . .

MR. MINAKER: Just a ballpark figure, Mr. Chairman. Within 10 percent or something.

MR. PARSONS: No, I'm going to add it up because you see the engines - just right off the top, the engines are a big part of it and I'd have to add up the components.

MR. MINAKER: No, I'm thinking more of nose section, tail section, wings, etc., because I understand from your answer that some of these jigs are not located within the factory so that I would presume somebody else will have them located in the factory and will be manufacturing that particular component.

MR. PARSONS: Yes, we will own them. What we have done on these ones that are being manufactured outside. it was the responsibility of the people who were doing it to make jigs, they belong to us. We can pull them back in but on the first 15 ship sets I don't know, maybe 15 percent.

MR. MINAKER: Well am I correct in that the tail section jig is being manufactured in California, the nose section and the wing section ? Would that mean then that those sections of the aircraft would be manufactured in California ?

MR. PARSONS: I don't know whether they're being manufactured - the tail plane, the air intakes, the cowls, are being manufactured in the United States. Now you say it's California, you could be right. The elevator and rudder is in Canadian Aircraft Products in Vancouver; the fins are Aviation Traders of England; the undercarriage is partly England and partly in Ajax, Ontario. The wind screen is made in the States.

MR. MINAKER: In Saunders itself is it the constant section jig that's in Saunders. is that what it is ? The assembly, roof section and the keel, and the side panel ? Is that what . . .

MR. PARSONS: Yes, that's all in Saunders.

MR. MINAKER: The five jigs.

MR. PARSONS: And the wings.

MR. MINAKER: Then my next question, Mr. Chairman, would be: Is there a firm contract with these companies to produce so many sections for the new aircraft ?

MR. PARSONS: So many sets ?

MR. MINAKER: Yes.

MR. PARSONS: Fifteen sets basically.

MR. MINAKER: There is a firm contract at this time?

MR. PARSONS: Yes.

MR. MINAKER: And is that on the basis that whether or not the plane receives certification?

MR. PARSONS: That has no bearing on it.

MR. MINAKER: That has no bearing on it. My next question . . .

MR. PARSONS: It would have to be done before we get the first certification because we have to have the parts to put on the first one that comes off the line. At that point we would have all 15 sets.

MR. MINAKER: Mr. Chairman, I'm sure Mr. Parsons is aware that there are some aerospace companies in Manitoba besides Saunders, and I was wondering if any of them had approached him for possible changes to construct these sections.

MR. PARSONS: We approached them.

MR. MINAKER: Mr. Chairman, has Mr. Parsons approached CAE to see if they could do any work?

MR. PARSONS: Yes. They do not have the capabilities of making the jigs and they are not a production firm. We have tried them on occasion.

MR. MINAKER: Have they entertained the idea of possibly of jigs being located in their factory and assembly of panels?

MR. PARSONS: They could be after the initial ones are all done.

MR. MINAKER: So that there is possibly a potential . . .

MR. PARSONS: Quite a ways down the line, yes.

MR. MINAKER: . . . if they are competitive that they might be capable of providing this work. Mr. Chairman, with regard to the ST-27B prototype, at any time, Mr. Parsons, were you with the understanding that that plane might get certification both MOT and FAA? Now I say . . .

MR. PARSONS: The prototype plane?

MR. MINAKER: Yes. Certification, not type certification but actual certification for airworthiness, that particular aircraft.

MR. PARSONS: It wouldn't get a . . .

MR. MINAKER: No. I asked you if you at any time were yourself under the impression that this airplane would receive certification? That particular airplane. Not a type approval but . . .

MR. PARSONS: It will get a type approval. It won't . . . because it's not a manufactured ST-28.

MR. MINAKER: No, that's not what I asked, Mr. Chairman. I asked that at any time, Mr. Parsons, were you with the impression that the ST-27B prototype aircraft, that particular unit, would receive certification?

MR. PARSONS: That particular unit. No. It will be the one that does all the certification program but the actual ship itself will not get an ST-28 certificate. It has not been manufactured.

MR. MINAKER: Will it get an MOT certificate?

MR. PARSONS: Yes. We could probably get the same type of certificate that you are for the 27. It would be a type certificate for a single - for one-time aircraft though.

MR. MINAKER: Mr. Chairman, I am with the understanding that when the ST-27B was constructed and put together, and presumably to the drawings of the now ST-23 model it's called, that when they proceeded to put the cockpit canopy in place they found it was not too - or would not fit when it was constructed to drawings. Is that correct?

MR. PARSONS: I don't know.

MR. MINAKER: Surely, Mr. Chairman, I would think that Mr. Parsons would be . . .

MR. PARSONS: It fits. I've flown in the plane.

MR. MINAKER: . . . and that a custom cockpit canopy was required to be constructed and as a result the plane didn't meet the drawings, and therefore would not receive certification.

MR. PARSONS: I don't know if it did. I certainly wasn't told about it if it did. It fits. It's done all the flight testing.

MR. MINAKER: Yes. I think, Mr. Chairman, it fit after a new one was built to fit the main fuselage, and this is why I was asking . . .

MR. PARSONS: No the wind screen that's in there is the one that was certified.

MR. MINAKER: There was not an extra custom-built cockpit canopy manufactured for the ST 28B? There wasn't two canopies manufactured?

MR. PARSONS: I don't know.

MR. MINAKER: I wonder, Mr. Chairman, if Mr. Parsons would try and find out for us to see if in fact that was part of the delay. I think this would be of interest to us and I would think would be probably a costly part of the manufacture when this occurred. That's all for now, Mr. Chairman.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Mr. Parsons, there are a number of questions in a number of different areas, but just one that I'd like to just sort of handle very quickly just because the newspaper's in front of me. Some time ago in December of - I'm not sure of the year, I would assume 1973 or 1972 - the Premier travelled to Russia and he hinted of a possible deal with this ST-27. I assume nothing came of that.

MR. PARSONS: Not to my knowledge.

MR. SPIVAK: Were there any negotiations whatsoever with Saunders?

MR. PARSONS: No. Not that I was advised of.

MR. SPIVAK: So much for the Russian connection. I wonder, Mr. Parsons, if you can indicate the shareholding now, or is the statement that we have in front of us as of March, 1974, indicative of what the shareholding . . .

MR. PARSONS: The shareholding position is the same.

MR. SPIVAK: Are there any options held by the shareholders on purchase back or purchase of additional shares?

MR. PARSONS: Yes I think the option is proceeding. There are options that the shareholders had . . .

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Chairman, just before we get further away, and again so that there is no misunderstanding. At the time of the Premier's Russian visit it had to do with hydro, and where he did discuss Saunders planes, I don't think that Mr. Parsons was the Chairman of the Manitoba Development Corporation. -- (Interjection) -- No, but Mr. Spivak is suggesting that there were no negotiations with the Russians with regard to that plane and I know that there were.

MR. SPIVAK: Mr. Chairman, I asked Mr. Parsons certain questions and I received the information.

MR. PARSONS: That's right.

MR. SPIVAK: The one who is suggesting it is Mr. Green.

MR. GREEN: Well, Mr. Chairman, you know if it had not been for Mr. Spivak's remarks, so much for the Russian negotiations, I would not have said anything. But Mr. Spivak said that as if it didn't occur. It was written up in the papers and was nothing. I wish to make it quite clear that I am aware that the Premier did discuss with the Russians and the Russians discussed with the Premier the Saunders Aircraft.

MR. SPIVAK: I wonder then if, Mr. Parsons, you can indicate whether the Russians or representatives for the Russian commercial aircraft company were in Manitoba and were in Gimli. Are you aware of that?

MR. PARSONS: Yes there was a group of Russians from - Russian engineers out at Gimli some time ago, but I have no idea . . .

MR. SPIVAK: A Russian commercial aircraft company?

MR. PARSONS: Yes. What do you call a Russian commercial aircraft? It was the . . .

MR. SPIVAK: The . . .

MR. GREEN: Bolshevik Airlines Limited.

MR. SPIVAK: Well I think . . .

MR. GREEN: I don't wish to make a big deal out of this. The only thing is that Mr. Spivak's line of questioning definitely intended to leave the impression, as I saw it, that this was nothing, that it was a headline in the paper and that there were no discussions. There were discussions.

MR. ENNS: It had nothing to do with the fact that the Russians wanted an aircraft with canopies that fit.

MR. CHAIRMAN: Order please. Mr. Axworthy. Mr. Spivak.

MR. SPIVAK: Mr. Chairman. Mr. Parsons I wonder if you could indicate the rights

(MR. SPIVAK cont'd) . . . . that other shareholders have, and by that I mean the kind of rights that they have for either purchase back or purchase of new shareholdings.

MR. PARSONS: If you look in the notes of the minutes on 8 under Share Capital it gives you the outstanding warrants. Those are the only warrants that are. There is no buy back arrangements as far as Saunders buying their shares back if that's what your're . . .

MR. SPIVAK: Were there any management contract or arrangements whereby shareholders had a right to purchase or management had a right to purchase shares?

MR. PARSONS: There were but they're included in these warrants.

MR. SPIVAK: I wonder if . . .

MR. GREEN: Mr. Chairman, Mr. Kaspersky advises me that the sone or the Russian head of the aircraft factory was here in Manitoba looking at that plane. Nothing was consummated but they were working on it.

MR. CHAIRMAN: Mr. Spivak proceed.

MR. SPIVAK: Well I'm sorry, the notes indicating. on note 9. state that warrants for certain shares expire which mean that there are no warrants now in existence at the present time.

MR. PARSONS: There are still warrants. The expiry dates are January. 1975 to January. 1977.

MR. SPIVAK: No, it says that it was subsequently determined that the warrants for . . .

MR. PARSONS: Yes, that's right. But those ones are expired.

MR. SPIVAK: Okay. I understand. Okay. That's fine. Good. I wonder if you can indicate when the first aircraft was sold to Colombia did the proceeds, or were the proceeds deposited into the company, or was the transaction outside of the company?

MR. PARSONS: The proceeds from the sale all went to Saunders Aircraft.

MR. SPIVAK: Yes I understand that, but did the proceeds come into the company or were they paid to the shareholders? Were they processed through the company or were they paid outside of the company?

MR. PARSONS: I don't really understand your question. The funds - the company received the downpayment and the MDC financed the balance. and the funds of those went to the company. Now there was an outstanding on one aircraft. there was an outstanding mortgage on it that was paid off.

MR. SPIVAK: To one of the shareholders?

MR. PARSONS: No, he wasn't a shareholder. His name was Millard - Millard Air.

MR. SPIVAK: And he was not a shareholder?

MR. PARSONS: No. He was the mortgagee.

MR. SPIVAK: So in effect the money came into the company and then the company then paid Millard out? Is that right? Or was the money paid directly to Millard?

MR. PARSONS: Gosh I don't know how that - I don't know whether the bank had to pay off the mortgage before it was delivered or not. But the entry went through the company's books. I'm not quite sure what you're - there was a mortgage and it was paid off out of the funds from the sale.

MR. SPIVAK: Then I'm asking whether the transaction went through the books of the company, or the transaction went outside the books of the company in terms of the actual payments?

MR. PARSONS: I don't know. I'll have to take that as notice. The bank handled it out of New York. The transactions would go through the company's books but whether the company actually paid the cheque out or whether the bank gave them it to pay off the mortgage, I don't know.

MR. SPIVAK: In terms of the amounts of money that have been advanced there is also a banking arrangement. Does the government guarantee, or does the MDC guarantee the bank, the bank that operates, or is the bank for Saunders Aircraft.

MR. PARSONS: The company doesn't have a bank loan.

MR. SPIVAK: No but it doesn't operate on an overdraft at all?

MR. PARSONS: It doesn't operate on a bank loan.

MR. SPIVAK: No bank loan, no overdraft requirements.

MR. PARSONS: Yes, there's a \$500,000 limit but . . .

MR. SPIVAK: Is that guaranteed by MDC or by the government to the bank?

MR. PARSONS: Yes. It's guaranteed by MDC.

MR. SPIVAK: And is that shown as part of the total amounts that they have been loaned . . . ?

MR. PARSONS: Yes.

MR. SPIVAK: That's \$500,000.

MR. PARSONS: Yes. When we guarantee it it has to be.

MR. SPIVAK: Have there been other guarantees to the banks with respect to the financing of any of the planes that have been sold?

MR. GREEN: Mr. Chairman, any MDC guarantees as I understand have to be part of the financing arrangements. I don't know whether there are or there are not, but if there are - and Mr. Parsons will correct me if I'm wrong - they have to be, when the MDC gives the guarantee it has to show . . .

MR. PARSONS: It shows as part of the loan.

MR. GREEN: . . . it has to be shown as a commitment.

MR. PARSONS: There are no other guarantees . . .

MR. SPIVAK: On the sale of the aircraft to Colombia was financing through one of the chartered banks in Canada, and was there guarantees by the government, or MDC or Saunders, with respect to that?

MR. PARSONS: Oh on the first aircraft with the Bank of Montreal, yes. That's gone since then.

MR. SPIVAK: That guarantee has been paid off?

MR. PARSONS: Yes.

MR. SPIVAK: And Millard has been paid off completely as well?

MR. PARSONS: Yes.

MR. SPIVAK: And who paid him off? Some of the financing of the airplane. the airplane itself has not been paid off.

MR. PARSONS: No. We have paid it out of financing, yes.

MR. SPIVAK: So you paid Millard out of the financing?

MR. PARSONS: Saunders Aircraft paid him, yes.

MR. SPIVAK: Saunders Aircraft. Was he not a director of the company? That was the point. Was he not a director?

MR. PARSONS: He was a director appointed by the MDC, he wasn't a shareholder though.

MR. SPIVAK: He was not a shareholder; he was a director appointed by the MDC, and he had a mortgage on the first plane.

MR. PARSONS: Yes. Long before we ever got involved in it.

MR. SPIVAK: Yes, I understand that.

MR. PARSONS: Yes. He's not on now incidentally, but he was for a year.

MR. SPIVAK: Well we have directors of equity investment accounts as of March 21st, 1975 and he's shown as a director.

MR. PARSONS: Yes.

MR. SPIVAK: He's still a director then.

MR. PARSONS: No, he's not now.

MR. SPIVAK: Oh he's not now. But he was a director.

MR. PARSONS: He wasn't reappointed.

MR. SPIVAK: Well as of March 21st, 1975, he was a director, according to this.

MR. PARSONS: Yes, it's only been in the last -- the Annual Meeting was after we got these statements was . . .

MR. SPIVAK: Well what I want and would like you to be in a position to assure the committee, and I'm not sure that you can do that at this point without investigating the matter a bit further, is that the funds that were made available as a result of the financing were in fact processed through Saunders in payment of the mortgage owing to Millard on the plane and was not handled as a transaction outside the books of Saunders.

MR. PARSONS: The transactions would have to go through the books because I know that the mortgage is on there and they would have to put the transactions through to clear that mortgage off.

MR. SPIVAK: Some time ago when we met, at the time we talked in terms of considerations that the board dealt with - and I brought Saunders in as an example at the time, and you're aware of what I referred to at the time - as to the nature of the decision-making with respect to the board. We've got a reasonably unusual situation with respect to what's happened

(MR. SPIVAK cont'd) . . . so far with respect to Saunders, and I'm still at this point trying to determine realistically what happened. The judgment. What happened. We're at a point now where in retrospect I think many people would have done things differently. However having said that I want to understand how the board operated, and what considerations really were the factors in determining the continuation of the project, and the furthering of the amounts of money to be paid in. You have indicated that it was always determined on the basis of a commercial viability, taking into consideration the initial consideration for the area and the reality of the fact that the air force base was closing. Having said that I think that we now can establish that political considerations were a factor in terms of the board's decision. I wonder how, Mr. Parsons, how in the light of where we are today, how you can reconcile the period of 1972, when very obviously at that period of time the board considered the possibilities of winding up and liquidating the company and considered the impossibility of reaching the projections that were first forecast for the board, and further met on more than one occasion and at that point determined that the prospects were both not good and that realistically the viability wasn't there. I just wonder if you can explain at that point why the board did not, at that stage, say to the government, "It's in your court." or refuse to allow any more money to be put in.

MR. PARSONS: Well, Mr. Spivak, I have looked back through those minutes and I don't read in those minutes where they said it wasn't viable or so on. They reviewed the whole Saunders situation. But at no point did I see it written up that they said it wasn't viable and it wasn't going to make its projections or anything else. They considered all the alternates at that time. I was a board member at that time and I remember we discussed all the various . . . of the company, but I don't remember the board of directors - nor have I seen it in the minutes - it's certainly not written up that it was deemed that.

MR. SPIVAK: But, Mr. Parsons, surely there were original projections given to you - forecasts, very optimistic forecasts, and within a period of two months you were at that point dealing with the possibility of liquidation. Further, you had also been dealing with the requirements of an additional cash flow, substantial cash flow, that had not been projected two months earlier, and within a matter of a few months the board was . . .

MR. PARSONS: I don't remember it just being two months. They had been there over a year.

MR. SPIVAK: Well . . .

MR. PARSONS: They had gotten through the first stage of the development then.

MR. SPIVAK: Well let me refer back to the minutes. February 1st, 1972. Mr. Kelly appeared before the board and cited certain aspects in his presentation. U. S. certification projected July 1st. Production of three ST's. Profit situation to be achieved by May, 1973. Production of three aircrafts per month to produce an annual gross revenue of \$19 million, an annual profit of \$2,225,000 before tax. Additional financing of \$1,800,000 required by May, 1973 for the ST-27B. Now those were the original projections of February, 1972. On May 3rd of 1972 you were reviewing, as a board, bankruptcy, liquidation and winding down of the company.

MR. PARSONS: Well there was a decision made in the first meeting to go ahead and then we're closing it down, is this what you're saying?

MR. SPIVAK: No. I'm suggesting to you that . . .

MR. PARSONS: I think in May - didn't it carry it forward and then in May you're looking at whether you go ahead with the proposition so you're discussing the alternates?

MR. SPIVAK: No, I am suggesting to you that between the period of February . . .

MR. PARSONS: You remember that board meeting better than I do and I was there.

MR. SPIVAK: Well I can only go on the basis of what the members themselves said. What I'm saying to you is that in February of 1972, very optimistic forecasts were presented to the board and, if I'm correct, there was some money advanced after that - I don't know how much. Then the board within a period of three months is dealing with winding down, winding up, bankruptcy, liquidation, receivership, and obviously the board at that point has recognized that the optimistic forecasts that were projected three months earlier are not going to be met. And again, I just can't understand how the position could be taken that the board's decision at that time was still based on commercial viability when the projections of its president, made three months earlier, were obviously so incorrect that the board had to consider the position that they were in three months after.

MR. PARSONS: Mr. Kelly presented it to us and I think all the alternates were brought up at a later board meeting. That's what you are looking at. Before that decision was made.

MR. SPIVAK: I'm sorry?

MR. PARSONS: I think Mr. Kelly presented his reports and they were looked into and the alternates were brought up at the May board meeting. I don't think there was a decision made in February. He presented all his program, which was considered over the next three months, and then the decision and the alternates were looked at.

MR. SPIVAK: Well in that board meeting it says, "Due to economic and political factors . . ."

MR. PARSONS: Yes?

MR. SPIVAK: ". . . it was deemed necessary to find solutions and maintain the operations of the company." Those are the board minutes of the Manitoba Development Corporation. They're their own board minutes which say, "Due to economic and political factors." You've maintained that it was based on a commercial viability of the project, but your own minutes, at the time that Mr. Kelly made his presentation, indicated economic and political factors. Then the question was asked: where are we now? How can the MDC obtain ownership and control of the company? Where would we like to be, and how do we get there? All right. Within three months you were looking at the winding up, bankruptcy . . .

MR. PARSONS: We were looking at the alternates, yes.

MR. SPIVAK: Fine. Can you tell me, where did you have any information furnished to you, if the president's projections were not accepted, that there was any commercial viability to the project?

MR. PARSONS: Did they say they weren't accepted? I don't remember Mr. Kelly's projections being rejected.

MR. SPIVAK: Well, you know, Mr. Kelly's projections, in the light of the experience of even six months afterwards, you know, are so far - we haven't achieved them and I doubt very much we will ever achieve them. -- (Interjection) -- Well, they weren't rejected three months later? The fact is that I think that during that period of time the board did consider the liquidation and the winding up. and it's more concerned about that than anything else. -- (Interjection) -- Beg your pardon?

MR. GREEN: Well he can ask the questions. Go ahead.

MR. SPIVAK: I want to understand how the board arrived at the recognition that there was a commercial viability to the project and on what basis, what information, what analysis, what judgment - business judgment - was there for them to be in a position to proceed with the project in 1972 based on his projections and the possibilities that were available to you of . . .

MR. PARSONS: Mr. Kelly obviously convinced the board his projections were good.

MR. SPIVAK: Is that really what happened? Would you like to explain what Mr. Ault's position was during this period of time?

MR. PARSONS: I don't know.

MR. GREEN: Mr. Chairman, are we going to deal with every board member's position, because I . . .

MR. PARSONS: I don't think Mr. Ault was a board member of Saunders then.

MR. GREEN: But furthermore, Mr. Chairman, I really think that the member is asking about the internal operations of the board, and the fact is that he has been receiving his answers from the chairman. I realize that he doesn't like them, but the fact is that the chairman has given him his position, and at that time, let us recall Mr. Parsons was not the Chairman of the Board.

MR. SPIVAK: No I understand that. But what I'm concerned about is because I think the committee has to try and determine - we're in one hell of a mess now and we've got to try and determine how we got there and the judgment that was used, the business judgment supposedly used by people who were basing this on the commercial viability and not on the political considerations.

MR. GREEN: Mr. Chairman, let me make one point clear, that up until the guidelines were issued - which was some time in the fall of 1973 although we had discussed them informally before then - that the board was considering all the considerations that are referred to in the Act; that they had to make that kind of judgment and that was one of their problems. And that is why the board and myself got together to try to figure out where their position

(MR. GREEN cont'd) . . . . should stop and where the government's position should begin, and that was a different consideration than had guided the board under the entire period before-hand. When the board was considering Churchill Forest Industries, when they were considering Sprague plant, they were directed by the Act to act as the assistant to the Minister of Industry and Commerce in developing a program in the Province of Manitoba.

MR. SPIVAK: Well, Mr. Chairman, the fact is that I am now trying to understand, and I think it's important for us to understand, at the time when the board really considered liquidation and winding up, how and on what basis they made the decision to proceed. Because it goes to the whole credibility of the board - of which Mr. Parsons was only a member and not the chairman - and it goes to the whole question of trying to understand part of the problem area that we're in now. Again I put it to you: Mr. Ault, I don't think, was just another director . . .

MR. PARSONS: I didn't know Mr. Ault at that point. He wasn't a director of MDC.

MR. SPIVAK: Was he not a director of Saunders?

MR. PARSONS: I don't believe so.

A MEMBER: He became a director.

MR. PARSONS: He became a director of Saunders in 1973.

MR. SPIVAK: Well, let me refer to minutes of another meeting dated April 26, 1972. of the Manitoba Development Corporation, when Mr. Ault appeared - this is prior to the May 3rd meeting - in which he . . .

MR. CHAIRMAN: What minutes are you referring to?

MR. SPIVAK: I'm referring to the minutes of the Manitoba Development Corporation Board of Directors meeting Wednesday, April 26, 1972. When Mr. Ault did appear and when he talked to the board - and Mr. Parsons, you're listed as being present there. and I don't expect that you remember every meeting, I'm not . . . But he talked to the board in dealing with the continuation of the operation, liquidating the company, placing the company in receivership, winding down to a prototype operation only, attempting a sale of the company. And he is listed here as a director of Saunders Aircraft and I know from the questions that we asked in the House during that period of time - and I go back to the Hansards. We tried to determine his exact relationship. We know that he had been part of the troubleshooter involved in Flyer and was brought in as part of the troubleshooter in Saunders. And again I put it to you, that, based on these minutes and what he suggested, the board at that point had before it only evidence which would indicate that the operation should have been closed. There is nothing supportive that I can see, and I doubt very much whether you can produce anything supportive to indicate that it should have been continued, other than the political consideration. And I put it to you quite bluntly.

MR. CHAIRMAN: Mr. Spivak, you are talking about political considerations. Possibly you should consider those questions . . .

MR. SPIVAK: Well, Mr. Chairman, just on the point of order. The political considerations are mentioned in the minutes of the Board of Directors meeting. They're not just political considerations by a politician sitting here.

MR. CHAIRMAN: Shall we proceed with the questions directly dealing with the annual statement?

MR. SPIVAK: Well, Mr. Chairman, is the Chairman of the Manitoba Development Corporation not going to answer that? Are you seriously . . .

MR. PARSONS: Well I've answered it as best I can.

MR. SPIVAK: You're suggesting that the board, of which you were a member at the time that a decision had to be made on this, had a basis, a basis for a commercial judgment to be made, that the project itself would be successful.

MR. PARSONS: I believe so. We'll look to see if there was material. I don't remember any political consideration being given. When Saunders was put up to Gimli there were certain social considerations at that time. That was one of the guidelines, one of the requisites. They wanted something in the base. I stated that before. It may have been better commercially to have been in Winnipeg, but that was the social consideration at that point.

MR. SPIVAK: Why would the Minister refer to political considerations if those political considerations weren't discussed?

MR. PARSONS: I don't know.

MR. SPIVAK: You don't know that?



MR. PARSONS: I didn't take it "political" in the same sense as you're using it.

MR. SPIVAK: Well what interpretation would you put on "political"?

MR. PARSONS: Social and geographical area.

MR. SPIVAK: The minutes, when they deal with the question of the bankruptcy and liquidation, say, "Discussion then centered upon the political and commercial ramifications of decisions to be taken in connection with Saunders."

MR. PARSONS: I can't answer the question any further.

MR. SPIVAK: Well I have to say, Mr. Chairman, to the chairman, that it's a pretty unsatisfactory way of dealing with this. I appreciate the fact that the chairman is here to give information and there are many occasions in which some of the information may not be particularly attractive to the members of the committee. and in doing this we have a form of openness. But I think at this point . . .

MR. GREEN: Mr. Parsons did not write the minutes. Mr. Parsons has given his impression of the meeting and his considerations. He doesn't know what the word "political" means to the person who is writing it. It means something different to Mr. Spivak; it means something different to Mr. Parsons; it means something different to me. But he does not recall political considerations of the nature that Mr. Spivak has kept referring to: that is, that there was going to be an election. That is something that only Mr. Spivak has referred to as a political consideration for keeping the plant open, and did so quite openly.

MR. SPIVAK: Mr. Chairman, I would suspect that if we had the other directors here and asked them some questions we would be able to determine that. I wonder . . .

MR. PARSONS: You referred to an election. That was a long long way off, wasn't it?

MR. GREEN: That was in June of 1973.

MR. PARSONS: Well this is 1972 we're talking about. There was no election.

MR. GREEN: I wonder if they took into account political considerations they would have done other than what they did.

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

MR. ENNS: Well in defence of the position being put forward by Mr. Spivak right now. I think it should become something that should be put on the record, that what is being expressed and will be expressed more and more often at meetings such as this, whether the chairmen of Crown corporations run by the MDC like it or not or whether Ministers like it or not, that what is being expressed is a minority shareholder's point of view. The Minister has, on repeated occasions, indicated to us in the House that we will have ample opportunity to examine persons more directly responsible for the expenditures of rather massive amounts of public money, and that's what's taking place. I kind of object to the insinuation made by the Minister responsible for MDC that my Leader is in any way not performing precisely that responsibility in pursuing the kind of searching questions that we're not getting the answers to, and if we choose to do that and if we choose to put political overtones to it, I think we are only performing what any minority shareholders would do if they're not satisfied with the performance of the directors of the corporation that we have money invested in.

MR. GREEN: Mr. Chairman, I fully agree with the point raised by Mr. Enns. I have absolutely no objection to the questions, and I've sat here and I've not objected to the questions. But I've objected to the refusal to accept the chairman's answer as to what his view of the considerations were. That's all.

Now, he says that there are other directors and they should be brought and spoken to. That is not my opinion. As the other directors, Mr. Speaker, are bound by their particular positions, each one may have had something different in mind. What we have indicated is that, prior to the guidelines being issued and all through the period of the Conservative administration, the board had much broader terms of reference than they have at present. So if there is a change. it has occurred recently; it's occurred in the last two years.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Mr. Chairman, Mr. Coulter, who I gather is either a director of the MDC, or a member of the Board of Directors of MDC, or was - I'm not sure whether he still is.

MR. PARSONS: He is not a director at the present time.

MR. SPIVAK: But he was at one point in time.

MR. PARSONS: Yes.

MR. SPIVAK: He stated - and this is not a quote but it's an article dealing with Saunders

(MR. SPIVAK cont'd) . . . . in which it's indicated that he stated this - or made this statement - he said he blamed Saunders officials of the time for failing to project realistic financial requirements. But he also indicated the MDC Board must share some responsibility. Do you think that's a correct statement?

MR. PARSONS: That's his . . .

MR. SPIVAK: I'm sorry. Do you think that . . .

MR. CHAIRMAN: Coulter? I don't believe that you can expect Mr. Parsons to answer what Mr. Coulter stated what his opinions were.

MR. SPIVAK: Well that's Mr. Coulter's opinion. I'm asking Mr. Parsons whether he agrees with it or disagrees with it.

MR. PARSONS: That's Mr. Coulter's . . . It's a judgmental thing. I don't even know if he was quoted correctly in the paper.

MR. SPIVAK: But you don't think that would be particularly - well, you don't want to make a comment on that one way or the other?

Mr. Parsons, can you tell me how many native Manitobans are employed in . . .

MR. CHAIRMAN: Mr. Spivak, I believe that question, again, is something that there is no requirement or an expectation that people are going to keep track of the racial origin of the people who are employed.

MR. GREEN: Mr. Chairman, in fairness to Mr. Spivak, -- (Interjection) --

MR. CHAIRMAN: Order, Mr. Enns.

MR. GREEN: Mr. Chairman, in fairness to Mr. Spivak, the fact is that when we announced that the government is continuing with the program we did indicate that it has been one of the successful areas, which we have tried many other places, of integrating people of native descent in employment, that it was one of the successful areas that we had and if there is to be blame for having put that then I say that I share that blame because we did put that in our statement. You ask the question how many? I don't know whether that is answerable.

MR. SPIVAK: Then you're not really in a position to answer that then?

MR. PARSONS: Well what do you mean by "native Manitobans?"

MR. SPIVAK: Well I frankly would ask Mr. Green what he meant by that.

MR. PARSONS: Right away there's a different interpretation.

MR. GREEN: We were talking in the statement about the people of Indian and Metis descent, the people who are referred to often. There has been a difficulty in getting the correct phrase. They've been referred to as Native people, original Manitobans, etc. The word used was "native people." I believe that that was the word used.

MR. PARSONS: I can't give you the number but I'll - I know that there are native people working there.

MR. GREEN: Then it's my fault. I broke the law.

MR. CHAIRMAN: Order please.

MR. SPIVAK: I wonder, Mr. Parsons, if you could indicate at this point whether one solution to the position we're in would be for the sale of the company?

MR. PARSONS: I think there might be a possibility of selling it after you get certification.

MR. SPIVAK: Are you in the process now of considering that as a possibility?

MR. PARSONS: Everything is for sale if . . . We're not actively out going looking for it. If something came along we would consider it. We have not activated it, if that was your question.

MR. SPIVAK: The board takes no responsibility at this time as to what limit would have to be placed on the continuation of the project. As far as I understand from what you're saying, the board at this point is really just the channel through which the government funnels money, with the government having to make the decision as to what point no more money would be proceeded with.

MR. PARSONS: Yes.

MR. GREEN: . . . for Mr. Spivak's benefit. We still expect the MDC to exercise the supervisory administrative control, but as to the decision as to the amount of money that would be advanced, it is now under Part II - that is correct.

MR. SPIVAK: That means that the board would not be in a position at any given time, or its position would not be recognized as an obligation, to tell the government there should be no more money put into the project.

MR. GREEN: That is right.

MR. SPIVAK: That doesn't exist. I want to then ask Mr. Parsons, recognizing that this is the way in which you operate, does the board feel comfortable in this position?

MR. PARSONS: Our MDC board?

MR. SPIVAK: Yes.

MR. PARSONS: They no longer have any input as far as Saunders is concerned.

MR. SPIVAK: Well but they have the supervisory responsibility.

MR. PARSONS: Our staff does.

MR. SPIVAK: Oh, but the Board itself does not . . .

MR. PARSONS: Our staff - we report directly to the . . .

MR. SPIVAK: So the Board doesn't deal with this at all . . .

MR. PARSONS: No.

MR. SPIVAK: . . . except for supervisory staff within MDC?

MR. PARSONS: Yes.

MR. SPIVAK: I see. So the Board is out of this completely.

MR. PARSONS: Yes.

MR. CHAIRMAN: Mr. Axworthy.

MR. AXWORTHY: Mr. Chairman, I just wanted to ask Mr. Parsons some questions about the options available to Saunders in terms of the production of aircraft. Is the manufacturing capacity of Saunders adaptable to other forms of air components or aerospace components?

MR. PARSONS: Do you mean could we do sub-contract work for others?

MR. AXWORTHY: Yes.

MR. PARSONS: Yes we could. As a matter of fact we're doing some right now.

MR. AXWORTHY: What kind of sub-contract work?

MR. PARSONS: We're making parts.

MR. AXWORTHY: For whom?

MR. PARSONS: CAE.

MR. AXWORTHY: CAE?

MR. PARSONS: I knew that would surprise you.

MR. AXWORTHY: Talk about begging your neighbour.

MR. PARSONS: They have a contract and at present we can make parts for them and we are.

MR. AXWORTHY: Mr. Parsons, could you tell us what the dollar volume of that . . .

MR. PARSONS: It's not a large contract.

MR. AXWORTHY: What kind of work is it - what exactly are you doing?

MR. PARSONS: We're using our large press up there. We have a large rubber press and it presses out parts and we have a capability of doing that that wasn't here in Winnipeg before, so we're doing the parts for CAE.

MR. AXWORTHY: Mr. Parsons, has there been any other kind of sub-contract work ever commissioned through Saunders?

MR. PARSONS: No.

MR. AXWORTHY: That's the only case you have contracted?

MR. PARSONS: Yes. That just happened to come about. We have looked at others but we have never got any. We have participated in the long-range patrol aircraft program. If that goes ahead there may be some there.

MR. AXWORTHY: Mr. Parsons, actually that's the specific question I wanted to ask. To what degree has the Saunders Aircraft Company, or for that matter Manitoba Development Corporation and its staff, explored or developed any proposals in conjunction with other airplane or aerospace manufacturers, proposals related to the new defence contracts that are being presently tendered by the Federal Government?

MR. PARSONS: Yes, we have worked with Lockheed.

MR. AXWORTHY: Could you describe what exactly the role of Saunders is in that proposal?

MR. PARSONS: In making component parts for the aircraft.

MR. AXWORTHY: What . . . ?

MR. PARSONS: You mean what specific parts?

MR. AXWORTHY: Well, just what kind of arrangement has been made and . . . ?

MR. PARSONS: There's no contract let on that. Lockheed visited the plant to see if we had the capability, and asked us if we could produce some of the component parts if and when

(MR. PARSONS cont'd) . . . . there is a contract.

MR. AXWORTHY: Mr. Parsons, is your only association at this point with Lockheed?

MR. PARSONS: No, we quoted with Douglas on one program. It didn't go ahead but we did - on air doors for their DC9's.

MR. AXWORTHY: Mr. Parsons, continuing in that question, has the feasibility of Saunders becoming a major supplier or sub-contractor on other aircraft production lines in Canada been looked at?

MR. PARSONS: Yes, we have looked at it.

MR. AXWORTHY: Is this an area that the company actively pursues?

MR. PARSONS: Yes.

MR. AXWORTHY: Mr. Parsons, could you tell us, has there been any representation made by Saunders or by Manitoba Development Corporation to federal defence authorities or Supply and Services to have them incorporate, as part of their criteria for tendering, the possibility of part of the long range patrol aircraft work being done in Western Canada?

MR. PARSONS: It is in there. Pardon me, it doesn't specify Western Canada so it must be done in Canada.

MR. AXWORTHY: I realize that, but has there been any attempt to negotiate or discuss with federal authorities that part of the criteria in these proposals that are being tendered should include a regional decentralization of aircraft production?

MR. PARSONS: No. We have approached them and they have put in their contract that there has to be Canadian components. Now there's not that many aircraft plants in Canada. We were well accepted in that as a sub-contractor.

MR. AXWORTHY: Mr. Chairman, I'm still not clear. When you say that you approached federal authorities . . .

MR. PARSONS: They won't put it in the contract, if Boeing gets it or if Lockheed gets it - and they're the two that are in there right now. They do not specify that they must use the Western Canadian manufacturer because they don't know whether there's going to be one. But what they do, they specify there must be so much Canadian content. That is the only thing, I think, the government could put in it.

MR. AXWORTHY: Mr. Parsons, has there been any effort to offer the facilities of Saunders as a sub-contractor, let's say, for aircraft production for Air Canada?

MR. PARSONS: No.

MR. AXWORTHY: There hasn't been. For any of the other airlines, TransAir, any of the regional airlines, CP Air?

MR. PARSONS: No, we haven't . . .

MR. AXWORTHY: Is there a reason why that particular avenue has not been explored? Is there commercial reasons or is it just that it's . . .

MR. PARSONS: Yes. I just don't think it would be feasible. You're talking about such a small amount.

MR. AXWORTHY: Mr. Chairman, the reason I'm trying to pursue this is we're faced with the possibility - and I only say it's a possibility - that come the end of this year the problem of certification, we all hope, will be solved, but if it isn't, then we're still looking at a major facility with a fair degree of investment by MDC and the Provincial Government, and I'm trying to determine whether there are alternative or other kinds of uses.

MR. PARSONS: Yes there are, and we have gone into this.

MR. AXWORTHY: Could you elaborate a little bit further on that?

MR. PARSONS: Well, other than we have approached people to build components, both Lockheed, Boeing and Douglas, and they have seen our facilities, there is a possibility of getting sub-contract work with them.

MR. AXWORTHY: I see.

MR. PARSONS: We do have a good machine shop and there is a possibility of getting outside of the aircraft industry - a parts manufacturing business.

MR. AXWORTHY: Well that's what I was going to ask again, Mr. Parsons. A number of the aerospace industries in the United States which have fallen on difficult times have converted their production lines into other forms of . . . I believe into urban mass transit components. I believe Boeing is into that kind of business now, and other types. Have those kinds of options been explored as a possibility for Saunders and did you . . . ?

MR. PARSONS: No, we haven't really looked at that type.

MR. AXWORTHY: You haven't looked into other . . . ?

MR. PARSONS: No.

MR. AXWORTHY: Well, when you mention other kinds of uses, could you tell us what they might be ?

MR. PARSONS: When I said other kinds I was referring to a sub-contract shop. It could be in the aircraft industry or it could be outside of the aircraft industry.

MR. AXWORTHY: Has there been any detailed study of this, Mr. Parsons ?

MR. PARSONS: No.

MR. AXWORTHY: Nothing in detail. Is there any intention by MDC or Saunders to look at those options ?

MR. PARSONS: We're looking at them. We haven't done any detailed planning or spent any detailed time in chasing those types of jobs down.

MR. AXWORTHY: Well, Mr. Chairman, again the reason I'm asking, it would appear that from the point of view of getting proper utility out of those facilities - and I gather that you have had certain numbers of lay-offs - if there wasn't some kind of contingencies plan available for securing other forms of work either in the aircraft industry or otherwise to use in the machine shop and assembly line areas, and you're still a bit indefinite. I'm just wondering if you sort of have those contingency plans in black and white and available that could be explored if necessary.

MR. PARSONS: No, we haven't got them laid out in black and white. We have explored various avenues, just on an exploratory basis really.

MR. AXWORTHY: I see. Would there be intention to develop a more specific set of alternative plans, say by the next time this committee met, so there would be some consideration of other productions that Saunders might undertake ?

MR. PARSONS: Yes it could be. Right now we haven't the personnel to divert to do that.

MR. AXWORTHY: Okay. Mr. Parsons, there's one other line of questioning. The First Minister has said many times in the House that he feels that Federal assistance hasn't been as generous as it might have been. I believe the only assistance you've received thus far is the purchase of the two airplanes. That's correct, is that right ?

MR. PARSONS: No, we have DREE assistance and we had some early assistance. We had some assistance through Manpower. The purchase of the two aircraft hasn't shown us any dollars yet.

MR. AXWORTHY: Mr. Parsons, what forms of assistance have you requested that you have not received ?

MR. PARSONS: Of course, the majority portion of our DREE grant is still outstanding.

MR. AXWORTHY: But there has been an agreement that you would receive DREE assistance. Is that right ?

MR. PARSONS: Yes. We have received about \$500,000 out of \$2 million. There's over a \$2 million PAIT grant that they tell us is supposed to be approved, but we've never got any money on that.

MR. AXWORTHY: I gather then, Mr. Parsons, that part of that DREE proposal was dependent upon the certification.

MR. PARSONS: Yes.

MR. AXWORTHY: So that they are simply living up to their capital arrangements.

MR. PARSONS: Not the original. They changed the agreement part way through.

MR. AXWORTHY: But that's not an unfair kind of condition in terms of that assistance, would you say ?

MR. PARSONS: Well, it was changed after the program was under way. I don't know whether you'd call it unfair or not, but when you change the rules part way through - we didn't feel it was . . .

MR. AXWORTHY: Mr. Parsons, what I'm trying to determine, with some sincerity, I have listened to the First Minister on many occasions now . . .

MR. PARSONS: No we haven't received . . .

MR. AXWORTHY: No, let me finish, please . . . say that there has been a great reluctance or unwillingness for the Federal Government to assist in developing the aerospace industry and the Saunders complex. What I'm trying to determine is, from what I gather you haven't run into any particular major resistance or major requests that you made to them; that basically the assistance you have asked for has been forthcoming, with some conditions of course.

(MR. AXWORTHY cont'd) . . . . Is that correct?

MR. PARSONS: Well we haven't got any money.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Chairman, I believe that perhaps - if the member will permit me again - I can reconcile the differences. The Saunders Aircraft Company itself has been going through the regular channels of DREE and PAIT etc. I think that what the First Minister is referring to is a federal presence in the aircraft industry in Manitoba of a completely different nature, such as has been done for - and he refers to Lockheed and DeHavilland, with them taking the initiative and becoming a major participant, and that has not been done through Saunders. I think that the Premier has taken that up on several occasions with the First (sic) Minister and with the Minister of Industry and Commerce in Ottawa, as well as our Minister of Industry. So that the channels that the honourable member is referring to are really those that have been on the political level rather than through the company.

MR. AXWORTHY: Mr. Chairman, I think that the question of assistance - and I'm asking you not for reasons of trying to make a point, but to try and determine whether in fact there has been a proper support and assistance given for the existence of the aerospace program in Manitoba, because this has been chosen as a priority by this government to invest its money, and whether there has been a seeming negative reaction by federal authorities to it, and I so far have been unable to determine that from Mr. Parsons. It seems that there has been generally agreements on the requests that have been made, and I gather that in most cases the Federal Government does respond to an issue that's taken in different regions.

MR. GREEN: That's right.

MR. AXWORTHY: I looked into the - after the First Minister made his statement, Mr. Chairman - looked into reasons why assistance was given to companies in Eastern Canada and find again that it was based upon an issue that they took in terms of assistance and requests. I'm just trying to determine what initiatives have been taken here and to what degree they have been responded to in relation to this one major item of responsibility in Saunders.

MR. PARSONS: Well they have responded, like our PAIT has been in there for two years and we still haven't had any money on it at all. The Prime Minister said that we would get that money, but that's a long long time ago since he said this and we could have used it. We still can't find out where it is and, you know, when it's granted all the way up and passed, it would be nice to get the money because we could have used that in the last 15 months. Now on the DREE, as I said, there's \$2 million approved; we've received \$500,000.

MR. CHAIRMAN: Mr. Evans.

MR. EVANS: Mr. Chairman, on this very subject, for the Honourable Member from Fort Rouge. While the Federal Government has various policies such as PAIT, the Program for the Advancement of Industrial Technology, and there's DREE programs and so on, which this company could take advantage of if it fulfilled various requirements - to that extent the Federal Government stands ready to help. But the fact is that the aerospace industry in Eastern Canada has received extraordinary assistance. For example, the Federal Government purchased 30 Twin Otters through the federal Department of Industry, Trade and Commerce. For example, the Federal Government is setting up a demonstration project between Ottawa and Montreal, I think starting at somewhere around \$15 million, using Twin Otters. And this is what we're talking about, these extraordinary measures of substantial sums of money that we have seen going to DeHavilland, Canadair, and indeed to United Aircraft Company, which has not been forthcoming to anybody, any company, in Western Canada.

MR. CHAIRMAN: Mr. Axworthy.

MR. AXWORTHY: Well, Mr. Chairman, I don't intend to turn this into a debate with the Minister of Industry and Commerce, although I'd dearly love to, but I would suggest that the reasons why, for example, the Federal Government is supporting a STOL program between Ottawa and Montreal is that that is an experiment in interurban transportation between two population centers which have a combined population of close to four million. It would seem to make some sense that they would be exploring those alternatives, and I don't know if there is a requirement for a STOL program between Portage la Prairie and Winnipeg as yet. I'm not so sure that the interchange between the two would really require that kind of investment, or any other place. I think that there are probably other circumstances that would recommend that, but I am trying to really define exactly to what degree there might be both existing and other possibilities - well, let me raise this question with Mr. Parsons as a final one. At this

(MR. AXWORTHY cont'd) . . . . stage. when you are just coming into production with a new aircraft and are attempting to find markets for this, is this particular plane in any way being marketed through the offices of the Trade Commissioner's offices in Canada?

MR. PARSONS: We have used them, yes.

MR. AXWORTHY: Have you? So again, there's been no rejection on that point, that they have used their good offices to . . .

MR. PARSONS: There hasn't been that much encouragement from them either.

MR. AXWORTHY: Well, Mr. Parsons, we keep finding ourselves in kind of grey zones. I mean, when you say there hasn't been much encouragement, have you asked them to make that as a major promotion item in countries where you think you have a market?

MR. PARSONS: Yes.

MR. AXWORTHY: And it hasn't been forthcoming that they've done this?

MR. PARSONS: We haven't seen any great results from it. I think they are now recognizing there is a Saunders aircraft.

MR. AXWORTHY: Are the results any different through the Trade Commissioner's office than through your other marketing agencies? Are you selling more planes through one than through the other, or getting better results through one?

MR. PARSONS: We're getting better results, yes. But the Trade Commissioners now are looking at it.

MR. AXWORTHY: I see.

MR. PARSONS: Which they didn't do a year ago.

MR. AXWORTHY: Is there any other forms of support that you would think would be of assistance in making Saunders a more viable operation?

MR. PARSONS: Oh yes. I think they could support us a little stronger through EDC and these various other programs, I think if they wished to. Give us a little better support financially on financing, and purchasing for these underdeveloped countries.

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

MR. CHAIRMAN: Mr. Banman.

MR. BANMAN: Thank you, Mr. Chairman. I would like to just add a comment to the dialogue that was going on here before. I think one of the problems is if you try and sell something you haven't manufactured yet and you haven't even got certified, it makes it very very difficult for anybody to purchase that particular item, and I think you'll only realize sales potential once you have something tangible to show. -- (Interjection) -- This is not a new aircraft though. It's a rebuilt aircraft.

MR. CHAIRMAN: Order please.

MR. BANMAN: In the Husky Program, is that program continuing or . . . ?

MR. PARSONS: No.

MR. BANMAN: You've scrapped that program?

MR. PARSONS: No, they rebuilt it as a school project . . . training school, and they just did the one aircraft.

MR. BANMAN: I notice that there was \$411,000, as far as Husky program costs. Is that airplane flying?

MR. PARSONS: Oh yes, it's flying.

MR. BANMAN: And it was just the one particular model?

MR. PARSONS: Yes, we built it for a specific customer. He had the engine; we built all the rest of the aircraft. He had the engine, and the undercarriage were his.

MR. BANMAN: Could you tell us what the gentleman paid you for the rebuilding of that aircraft?

MR. PARSONS: About \$60,000, or \$70,000. It's basically the school costs that you are looking at. It was all charged to the Husky program.

MR. BANMAN: So that the balance - like in 1973 the Husky Program cost \$98,000 and in 1974 it was \$411,000.

MR. PARSONS: That's the cost of renting the school.

MR. BANMAN: So that the cost to the school was almost half a million dollars.

MR. PARSONS: Oh yes. And that's after deducting off - we did get federal aid on that too.

MR. BANMAN: This was the gross figure then?

MR. PARSONS: No, net.

MR. BANMAN: This is net. Are most of those people that were in that particular Husky training school, are they now working in the plant?

MR. PARSONS: Not the majority of them. We had a large factor . . . After they got through the school they came down and were hired in Winnipeg. We did a lot of training for other firms here in the sheet metal industry. We had a good school up there; it was well recognized, and we did lose a lot of people back to other areas.

MR. BANMAN: Is it the company's intention to do any further training of that kind? In other words, take another aircraft for rebuilding?

MR. PARSONS: No, not at this time.

MR. BANMAN: This was a one shot deal.

MR. PARSONS: Yes, and the only reason they have to build parts in the school, and this program, the Husky program, it was there and they had to make parts, they might as well make them on an aircraft, put them together, and we got something back out of it.

MR. BANMAN: I notice in the statement that you've incorporated a company in Michigan and also a company in the United Kingdom. Are these companies to act as your sales agents in those particular areas?

MR. PARSONS: Not necessarily. We had to have them for purchasing. The U.K. company is active in the purchasing of parts. The United States company is not active at all. We could use the United States one maybe for a sales company. Right now it is inactive. It is incorporated and sitting there.

MR. BANMAN: And it's never been used.

MR. PARSONS: The U.K. company is active in obtaining component parts, active in the buying and selling of Heron parts too.

MR. BANMAN: So the figure that is shown here as far as the U.K. company, advances to that company of \$10,000 and \$4,000, it doesn't represent the purchases that that company has done for you.

MR. PARSONS: No.

MR. BANMAN: It does the direct purchasing and . . .

MR. PARSONS: And we pay the accounts. Yes.

MR. BANMAN: And you pay the accounts directly.

MR. PARSONS: Yes. It consists of one man actually, and a small office at Heathrow.

MR. BANMAN: I was just wondering, Mr. Chairman, when you have companies incorporated in Michigan and all over the . . .

MR. PARSONS: We have to do that possibly to sell in the States but it's never been used . . .

MR. BANMAN: There's no channelling of funds to any of these companies anywhere.

MR. PARSONS: No.

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

MR. CHAIRMAN: Mr. McGill.

MR. MCGILL: Mr. Chairman, I want to go back with Mr. Parsons to May 9, 1974, and review some of the exchange that occurred there on questions about the C. of A. program - Certificate of Airworthiness Flight Programs. I said to you, Mr. Parsons: "Could you bring me up-to-date on the progress of the 27B? I think the last time I asked this question you expected to be in the flight test stage December of 1973 and to have the application for U.S. Certificate of Airworthiness well advanced by January of 1974. Now could you tell me what's happening?" And you said: "Yes. We've slipped about four or five months in that program. The flight test now - well, the plane is pretty well completed. The flight test program starts in June. After that, our certification will probably take through to November or December. In the meantime, of course, we're starting production and I have a detailed schedule of what the certification program is. I'll try to introduce it if you like."

Then you went on to make some remarks about this fairly complicated, long process: "Everything is dated right through, and MOT - that's the Ministry of Transport in Ottawa - have agreed with our program. They don't see any problem in having it through by this fall." (That was 1974.)

Then I said: "You indicated that the airplane would be in the flight test stage in June. That's next month. Is that firm?" And you said: "Yes, the plane is pretty well completed."

"How long would you estimate it will take to get a U.S. Certificate of Airworthiness after the airplane begins its flight testing?"



(MR. MCGILL cont'd) . . . . "Well, I said it'll be November or December when it's completed." That was your answer there.

We went on to talk about various things and then I asked you about the flight-testing program beginning in June and the certification for the 27B by the end of the year. And you said: "For the 27B we are looking for one a month coming off the line starting about February for the first six months. Then we'll be going to two. We'll eventually go to three - and this is per month, three per month. But this depends on the labour force," and so on.

Now, Mr. Parsons, there's a point here that comes up. I didn't know at that time that it was necessary to have a production line airplane in order to get the Certificate of Airworthiness. There was no mention of an ST28 at that stage. And you didn't tell me that there was anything required other than the flight testing of the hand-built 27B. Now, did you know that an ST28 production line airplane was required in order to complete the C of A?

MR. PARSONS: I don't know whether I did or not. I found out very shortly after that. It was scheduled to come off in the fall anyway, at that particular point, the first 28.

MR. MCGILL: You say you don't know whether you did or not?

MR. PARSONS: No I don't know because . . .

MR. MCGILL: This is a pretty crucial bit of information, Mr. Parsons.

MR. PARSONS: Yes.

MR. MCGILL: And you think you found out shortly after May 9th?

MR. PARSONS: I think it was later than that. We were talking about the flight testing and so on, which was with the 005. Now as far as the manufacture of that first plane off the line, at that particular point I don't know whether I knew or not, and I agree it's a very critical point. Also, at that particular point we thought the first one was going to be off in October.

MR. MCGILL: Well if you didn't know then, Mr. Parsons, you were sadly misinformed by the people at Saunders Aircraft. This is a very vital thing in the whole . . .

MR. PARSONS: I don't know whether I was misinformed or whether, really, the importance of that wasn't stressed at that time. I wouldn't say that I was misinformed because I don't think this was the . . .

MR. MCGILL: Mr. Parsons, you wrote to me in reply to my letter, and your letter is dated August 13th and you didn't mention anything about it at that time either, so I don't think you knew then.

MR. PARSONS: Well maybe I didn't, I don't know. It was in the summertime that we were talking about it.

MR. MCGILL: Well this is rather astonishing to me. That you would not know and nobody out there at Saunders would have told you. By that time, that you had to have a production line airplane. And if you didn't know, then the government didn't know. This is just absolutely very hard for me to believe that this kind of thing would be going on.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Mr. Chairman, I am now glad we have the answer to that because I at that time - referring to Mr. McGill's questioning - was under the impression that that particular plane was going to get certification and as Mr. McGill has said, it's sort of astounding that this situation would occur, and I would think probably led to another 12 or 15 million dollar commitment on the part of MDC in order to proceed to certification. It's quite astounding that this might occur in this fashion. Up until, I believe, last January when we were concerned about this, I don't know if at that time Mr. Parsons was aware that there was another production model airplane required before certification would be allowed at that time or not, because I think that was one of the points I raised in a comment, my concern that there should be a stop to things to find out just what was happening at that plant.

MR. PARSONS: We knew in January. You're talking about January of this year?

MR. MINAKER: Yes.

MR. PARSONS: Oh no, because we reported it then.

MR. MINAKER: Mr. Chairman, on another subject. You indicated that MDC is no longer running the company but the services are available for the company, and it more or less is being run under Part II of MDC at this point.

MR. PARSONS: No, I said the MDC Board . . .

MR. MINAKER: Oh I'm sorry. The MDC Board.

MR. PARSONS: . . . were not involved in the decision-making as far as Saunders were concerned, but the MDC staff still have a monitoring responsibility.

MR. MINAKER: Now also, Mr. Parsons, you indicated that people in the U.K. subsidiary company are doing purchasing for you. What are the terms of the company? Is it 30 days net, or do they have to pay in advance?

MR. PARSONS: That varies, but most of them we get credit.

MR. MINAKER: Most of them are 30 days net.

MR. PARSONS: Yes.

MR. MINAKER: Now you also indicated earlier that where some of these outside component parts are being manufactured, the jigs, and then also 15 sets of components, is that a firm contract that it's non-cancellable?

MR. PARSONS: Yes.

MR. MINAKER: Then also, Mr. Chairman, I am led to believe that it's anticipated the first ST23 will be off the line, was it in September?

MR. PARSONS: Yes.

MR. MINAKER: And that you will be averaging one a month until some time the early part of next year, and that certification is expected around January of this coming year or late - or next year - or late November-December. Is that correct?

MR. PARSONS: Yes.

MR. MINAKER: Also, you indicated that - in an answer I think to Mr. Axworthy, or I guess it was to Mr. Johnston - that the planes roughly are costing somewhere in the order of \$650,000 or \$680,000 each and that you anticipate making about \$170,000 per plane at \$850,000 as the selling price. Is that correct?

MR. PARSONS: No, I didn't say how much we were -- because I don't know what the selling price would be at this point.

MR. MINAKER: It might be slightly higher.

MR. PARSONS: Yes.

MR. MINAKER: As your costs go up.

MR. PARSONS: Yes.

MR. MINAKER: Because what I was trying to visualize, then, that one would presume that we are committed to at least the manufacture of three planes before we know whether we've got certification, which looks like somewhere around, oh, about \$2.1 million. It also looks - and I hope you'll comment and correct me if I'm wrong in my reasoning here - that we will have seven months of operation of the plant till certification, which our last estimate was running somewhere in the neighbourhood of about - at least the investment by MDC was running somewhere in the neighbourhood of \$900,000 per month, that we could be looking at somewhere in the order of, oh, nine or ten million dollars' commitment before we know whether we've got certification, and in addition to that, complete sets of 12 component parts - not complete sets but outside parts that are being purchased - and I'm wondering, is the delivery on the engines such that, if we want to meet this schedule that it could well be that we have on order now maybe 30 engines, that we would be stuck with this if we decided that we would not proceed with the continuous manufacturing of this aircraft? Well I think the Minister in the House one night, it was the First Minister, indicated the possible approaches to the situation when certification is arrived at. So I'm leading up to that it would look like we might be committed to somewhere in the order of \$15 million, additional \$15 million to the \$30 million that's already loaned, making a total of \$45 million.

Then my next question is: from past history of financing the aircrafts that we have sold, in order to get the house cleared of those 15 aircraft, we could well be looking at another possible eight, nine million dollars in financing money. Is that correct?

MR. PARSONS: . . . to finance them all.

MR. MINAKER: So that we could be up beyond \$50 million commitment before a decision is made on what to do with the plant and whether or not we have certification. Is that correct?

MR. PARSONS: No, we'll have certification this fall. You're going beyond that in your billing, though. Your inventories do build up because we're ordering 15 ships, that's with each set of jigs.

MR. MINAKER: And we ordered 30 aircraft engines?

MR. PARSONS: Yes. But those I don't think would be a problem. That is not where your problem lies. It would lie in your cut inventory . . .

MR. MINAKER: . . . cancellations.

MR. PARSONS: Right.

MR. MINAKER: I was going on the basis that you had indicated earlier. It was my understanding that it would be somewhere around the end of the year before we would know if we had certification, so it could be well above \$50 million before we realized it.

MR. PARSONS: I didn't see how you added that up. You're adding the financing on, and of course if you add the financing on it would be coming back in. You're adding it on twice.

MR. MINAKER: Well, exclusive of financing it could be \$45 million that we are committed to at the present time in order . . .

MR. PARSONS: Well I'd like to check to see how you figured that out.

MR. MINAKER: Well, on the basis of 7 months of operation to the end of the year, which is . . .

MR. PARSONS: That's another six, seven million dollars . . .

MR. MINAKER: Six, seven million dollars. You'd have manufactured three aircraft which are running about 700,000, if I understood you correctly. So that's around \$10 million.

MR. PARSONS: Yes, but that includes part of your labour. You see, when you're picking up a million dollars that you're putting in for a month, that's for paying for engines and labour and everything. So that's your 700,000.

MR. MINAKER: Yes, but, Mr. Chairman, then I can't understand the economy. If it's costing \$900,000 a month for the operation of the plant and you say that the aircraft is only costing you \$700,000, then what happened to the other \$200,000?

MR. PARSONS: I didn't say that. That was the figure you were using.

MR. MINAKER: Well okay. If we just presume, then, that the \$900,000 covers everything, then we're looking at \$7 million then, plus the commitment of 15 sets. So it looks like we would at least be at the \$10 million mark or beyond.

MR. PARSONS: Could be.

MR. MINAKER: So that we could be already committed to \$45 million before certification is required.

MR. PARSONS: Yes. I'll agree or disagree.

MR. CHAIRMAN: Are there any more questions on this aspect of Saunders Aircraft? Mr. Spivak.

MR. SPIVAK: Mr. Chairman, just may I make one - it's not a comment, but I want to put it on the record that we are very very unsatisfied with this particular matter, not just because of the amounts of money involved, but the basic way in which the questions have been answered. We do not think that this really deals properly with the issue of accountability that this committee was supposed to have undertaken.

MR. CHAIRMAN: Can we proceed to the next one? Sheller-Globe Manitoba Ltd.

MR. PARSONS: Sheller-Globe is a concern that the MDC have a 10 percent involvement in. It was the old Flyer plant at Morris. Sheller-Globe are in manufacturing school buses. This is their first year of operation. They lost money the first year. As of today they are moving along quite a bit better, producing buses for other areas within Manitoba. They have been force feeding the plant. I understand they're producing about two buses a day right now - school buses. Are there any questions on Sheller-Globe?

MR. CHAIRMAN: Mr. Banman.

MR. BANMAN: Thank you. I wonder if Mr. Parsons could inform us if we did get a statement with regard to Sheller-Globe last year.

MR. CHAIRMAN: There were no statements last year. You have date of statements presented in 1974 on your sheet. Everybody received one. There was indication that there was no statement for 1974. Date of statement presented March 27th was 1975.

MR. BANMAN: The amount of investment that the province has right now, as far as Sheller-Globe is concerned, is it just in the buildings or have they advanced some other moneys?

MR. PARSONS: There was 10 percent of the \$500,000, which is \$50,000.

MR. BANMAN: The \$500,000 - that was the sale of the buildings.

MR. PARSONS: No, that was the shareholders' equity.

MR. BANMAN: That was shareholders' equity.

MR. PARSONS: Then we sold them the building and we are holding the mortgage on it.

MR. BANMAN: What was the sale of that building?

MR. PARSONS: It was around \$450,000.

MR. BANMAN: So you hold a mortgage now for the . . .

MR. PARSONS: We hold the mortgage as shown on the balance sheet under long-term debt. It's a 10 percent mortgage payable in monthly installments. That is money owing to the MDC.

MR. BANMAN: Is the company up-to-date on their mortgage payments?

MR. PARSONS: Yes.

MR. CHAIRMAN: Any other questions? Proceed to the next one. Tantalum Mining Corporation of Canada Limited.

MR. PARSONS: You have a 31st of December, 1974, statement and there is a sheet that we have passed out with it showing the details of the MDC equity. I think the statement is well detailed. Are there any questions on the operation?

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: For information, Mr. Chairman, I wonder if Mr. Parsons could comment on the present status of this company with regard to receivership. I think there was a misunderstanding at one time that this company might be involved in a receivership or its parent company.

MR. PARSONS: The parent company is in the hands of a receiver at the present time. It does not affect the operation of . . . We have protected the operation of the Tantalum Mining Company.

MR. MINAKER: That the receivership cannot touch the operation or make any claim on it.

MR. PARSONS: No.

MR. MINAKER: Is there any anticipation, Mr. Chairman, of a possible sale of this company?

MR. PARSONS: No. Pardon me. When I say no - you mean of our 25 percent?

MR. MINAKER: Yes.

MR. PARSONS: No, we haven't been looking to sell it. The receiver, of course, has a 50 percent holding from Chemalloy. He must get our permission before he can sell it. We have first refusal.

MR. MINAKER: Is there any consideration being given at this time for MDC to buy the company and own it 100 percent?

MR. PARSONS: There's 25 percent owned by Kawecki Berylco of New York, so we would not take that but we would certainly look at the other 50 percent to keep the company going. We are watching it very closely, monitoring it.

MR. CHAIRMAN: Any other questions on Tantalum Mining Corporation? Mr. Spivak.

MR. SPIVAK: The receiver of Chemalloy is attempting to now negotiate a sale of the shares?

MR. PARSONS: No, not to my knowledge.

MR. SPIVAK: The . . . receiver, and the other 25 percent interest. The other 25 percent interest came about as a result of the sale by Chemalloy of the 25 percent interest?

MR. PARSONS: That's correct.

MR. SPIVAK: Can I ask, do you know the principals with whom the 25 percent - you mentioned the company name but do you know the principals?

MR. PARSONS: Yes, I know them.

MR. SPIVAK: Are they involved in resource industries only?

MR. PARSONS: No, they're involved in some manufacturing.

MR. SPIVAK: You don't know what type of manufacturing.

MR. PARSONS: No I don't. I have their statement but really I can't - it's all basically in the chemical and resource type of manufacturing.

The next company is Venture Manitoba Tours Ltd. This is the company that operates the M.S. Lord Selkirk. They had a relatively successful season last year. The company showed a very small profit. The ship operated to almost capacity. I don't think this company is ever going to make a very large amount of money; that's about as good a year as it's going to have. It's a very marginal operation. It's being well operated and Manitoba is getting a lot of good publicity from the ship.

MR. CHAIRMAN: Mr. Banman.

MR. BANMAN: Thank you, Mr. Chairman. About a year ago there was some mention that the Venture Tours had undertaken a study to check into the feasibility of possibly stretching the boat. Is there anything on the drawing boards right now with regard to that?

MR. PARSONS: No. It was considered and it is feasible. Under today's costs we are probably looking at \$2 million.

MR. BANMAN: About a month ago in the House I asked a question whether a boat that was shipped in from Ontario, which was supposed to be used for taking up passengers into the Berens River area - that was bought by the Manitoba Development Corporation, right?

MR. PARSONS: It was bought by Venture Tours.

MR. BANMAN: Bought by Venture Tours. Are there any other areas on the lake that would require that type of facility?

MR. PARSONS: Basically not. We had a boat in there before and this was the replacement for it. We have another boat over at Gull Harbor because there is the odd time you can't dock there, if it's very high, and we have a shuttle boat there to take the passengers. It's a little dangerous for him to get into the docks there if the water is very high.

MR. BANMAN: The usage of the boat. Does the Department of Education, on the educational trips that some of the students are going on, I wonder - you wouldn't have a breakdown as to what percent of the operating or the revenue is derived from that agency of government.

MR. PARSONS: We don't get anything from the Department of Education for that. We charge the students. It's a school program but they pay for it. We run it pretty close to cost.

MR. BANMAN: So that the Department of Education . . .

MR. PARSONS: The Department of Education aren't involved in it at all. Venture Manitoba started the program. Now, the Department of Education are certainly not involved at all. Our crew, I think, have probably got some assistance from them in the educational end of it because we run educational in conjunction with the teachers on the history of Lake Winnipeg and various other subjects like that. Now they may be getting help from the Department of Education for that but they don't financially participate.

MR. BANMAN: So I understand that the boat fare is paid by the individuals, then, taking the trip. They aren't subsidized to a certain extent by the Department of Education.

MR. PARSONS: No, not that I know of. They may be subsidized by their own schools. We don't know that.

MR. BANMAN: Through the local school boards then. You would not have anything to do with that.

MR. PARSONS: No. We charge so much a student and some of the teachers are given free passage to some extent.

MR. BANMAN: Fine. Thank you.

MR. CHAIRMAN: Are there any other questions? Mr. Spivak.

MR. SPIVAK: Well I wonder, Mr. Parsons, can you tell me - there are government agencies who rent the boat for a period of time for whatever purposes they want. Is that correct?

MR. PARSONS: Yes.

MR. SPIVAK: Do you have a breakdown in terms of the revenue received, what percentage of revenue comes from government sources or from hospitality that is offered by the province, which is in turn acknowledged or paid by the use of this facility?

MR. PARSONS: It would be very small, probably . . . One year we had a one-weekend cruise for the Hydro. They paid the full fare, but it would amount to about \$78,000. Is it \$9,600? Is that right? Good. We got \$9,600. But it's a very small percentage. I think it's only twice that that's happened.

MR. SPIVAK: You have an office now in the Convention Centre?

MR. PARSONS: Yes.

MR. SPIVAK: Do you mind telling me the square footage cost on that office, the rental on that office.

MR. PARSONS: It's seven fifty.

MR. SPIVAK: How many square feet do you have?

MR. PARSONS: 2,000.

MR. SPIVAK: 2,000 square feet, seven fifty.

MR. PARSONS: Over and above that, we have to pay for our own leasehold improvements.

MR. SPIVAK: What were your leasehold improvements?

MR. PARSONS: \$20,000-\$25,000. In total the whole thing is \$30,000; we're financing it over a five-year period.

MR. SPIVAK: Well in terms of the - is that a particularly good location as far as this company is concerned?

MR. PARSONS: That's very debatable. We don't know. It's a good location because we've always got a lot of walk-in business. We had our office in the Somerset Building before. We should get more in the Convention Centre. We hope it will be a plus because we're paying about \$5,000 or \$6,000 more over there than we were paying in our other area.

MR. SPIVAK: Has there been any consideration given to the expansion of this company into other ventures?

MR. PARSONS: Yes.

MR. SPIVAK: Would you mind telling me what type of ventures they are?

MR. PARSONS: Yes, we have looked into the resort industry. The Gull Harbor project we worked with the Federal Government on, is done through Venture Manitoba Tours.

MR. SPIVAK: When you're telling it as a resort industry, are you telling it specifically in terms of resort industry sort of complementary to the use of the boat, or are you talking about other developments?

MR. PARSONS: No, it's other developments.

MR. SPIVAK: Other developments. When they have been considered, has there been planning undertaken, or has there been research undertaken? Have consultants been hired?

MR. PARSONS: Yes. On Gull Harbor, yes.

MR. SPIVAK: In other areas as well?

MR. PARSONS: West Hawk Lake. We did a very preliminary look at that, yes.

MR. SPIVAK: Now that's not through MDC. We're talking about . . .

MR. PARSONS: I'm talking about Venture Tours.

MR. SPIVAK: Venture Tours. And that's not MDC itself; it's Venture Tours.

MR. PARSONS: Yes.

MR. SPIVAK: Has the board of MDC encouraged Venture Tours to examine these, or has Venture Tours examined these within their own . . . ?

MR. PARSONS: Venture Tours examine them with their own, and then it would come back - if there was going to be financing and so on, it would have to come back through the MDC.

MR. SPIVAK: But for a project. But in terms of the initial cost of evaluation of projects or of research in it, etc. that's their own undertaking?

MR. PARSONS: No. They came back with the idea for the project; MDC picked up half of the tab and Industry and Commerce - pardon me. Tourism, I think, picked up half of the project analysis for the consultants.

MR. SPIVAK: So that, in effect, Venture Tours really is not necessarily the originator of this. Venture Tours is the vehicle for which . . .

MR. PARSONS: That's correct.

MR. SPIVAK: . . . the consideration of - a variety of different projects are being considered.

MR. PARSONS: Yes.

MR. SPIVAK: Now consideration of these projects, the origination of these projects, the development, is this coming from the MDC board or is this coming from the government through the MDC board?

MR. PARSONS: The Gull Harbor project, I worked with the Department of Tourism on it. They had a project up there and they asked us if we would look at it, both with the idea of getting outside people. We tried to get an outside builder to go up there and put a resort in. When that didn't work, then we went to work with the Federal Government to see if we could get support from them for a resort in that area, and that evolved.

MR. SPIVAK: Has MDC or Venture Tours purchased any land from the land banking for resort development?

MR. PARSONS: No.

MR. SPIVAK: Are there any major projects now being researched at the present time? I know that you have indicated Gull Harbor, but other than that.

MR. PARSONS: Other than Gull Harbor? No.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: West Hawk Lake, Mr. Chairman, it was indicated there was some interest. Was this in particular at a spot called Lakeside Cabins?

MR. PARSONS: Lakeside Cabins? The spot we were looking - Lakeside Cabins are right along the highway, aren't they?

MR. MINAKER: No, they're shore line. It's presently a motel or cabins.

MR. PARSONS: The spot that we were looking at is in-between West Hawk Lake and Lyons, is it Lyons or Hunt? Anyway, the area - and it's owned by the province now - that land stretch in there. They were looking for resort development in there.

MR. MINAKER: I see. Okay.

MR. PARSONS: Nothing came of it. We did a preliminary study and it was shelved for the time being.

MR. MINAKER: Mr. Chairman, I have another question that doesn't relate to Venture Tours so I'll wait until this subject is over.

MR. CHAIRMAN: Mr. Adam, you have a question?

MR. ADAM: Just one question, Mr. Chairman. I was wondering, is there docking facilities at Hecla Island at all?

MR. PARSONS: At Hecla?

MR. ADAM: Yes.

MR. PARSONS: That's where Gull Harbor is.

MR. ADAM: That's where it is.

MR. PARSONS: That's Gull Harbor, yes.

MR. ADAM: I see. That's what I wanted to know.

MR. PARSONS: Yes, the boat docks there regularly.

MR. CHAIRMAN: Well that finishes Venture Tours Ltd. We have to hear from the Chairman of Leaf Rapids Development Corporation, also Misawa Homes of Canada Ltd., and we have not finished Flyer Industries Ltd. I understand that there was supposed to be some . . .

MR. PARSONS: There's a couple of questions that I . . .

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Just on the Flyer part. I think that Mr. Parsons has indicated that if the financial position was available, and he thought it would be available before the end of the session, he would produce it for us and we would then be able to conclude it.

MR. GREEN: Mr. Chairman, I have explained on several occasions that, with regard to Misawa, the Japanese are operating that company. They have infused new money into it. I have indicated that I am not able to discuss the operation until that is concluded. I do tell you that these people are operating the company; they are aggressively trying to make a go of it; they have put more money into it and they are continuing. I have also indicated that our position will be stated as soon as the transaction is completed, and I have indicated that there will be a substantial loss on last year's operation. But in fairness to the company that wishes to proceed and operate, they do not wish it to be dealt with until the matter is finally concluded. Our own position will be - really, I can't say much more about it except we will be a creditor of the company. They are presently in operation and wish to continue in operation and they don't wish to be hampered by discussion of the matter other than after the deal is concluded.

MR. CHAIRMAN: Mr. Minaker, you had some other questions you wanted to ask?

MR. MINAKER: Yes, if I might, if you'll permit. It was just a question and it won't take very long, seeing Mr. Parsons is here. Could he advise if MDC has made a loan to Comely Comics?

MR. PARSONS: No we haven't.

MR. MINAKER: And have you considered a loan request by Comely Comics?

MR. PARSONS: I don't think it's ever been considered. There was some talk about MDC and I don't know how they got involved in that. To my knowledge there was never - (was there ever a formal application?) I think one of our loan officers was asked to look at it, but there's been nothing - and that's quite some time ago.

MR. MINAKER: Thank you.

MR. CHAIRMAN: Committee rise.