



Legislative Assembly of Manitoba

HEARINGS OF THE STANDING COMMITTEE

ON

ECONOMIC DEVELOPMENT

Chairman

Harry Shafransky, M.L.A.

Constituency of Radisson



10 a.m., Monday, May 31, 1976

THE LEGISLATIVE ASSEMBLY OF MANITOBA
STANDING COMMITTEE ON ECONOMIC DEVELOPMENT
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CHAIRMAN: Mr. Harry Shafransky.

MR. CHAIRMAN: We'll proceed with the report from the Manitoba Development Corporation. The last day we finished Evergreen Peat and Fertilizer Limited, and we're starting on Flyer Industries Limited for the year ended December 31, 1974.--(Interjection)-- Pardon me, we finished Flyer, it's Macey Foods Limited, January 31, 1976. Mr. Parsons.

MR. PARSONS: Thank you, Mr. Chairman. Macey Foods, the small Brandon firm has basically done well again in the sales for the year ending 31st of January, 1976 for 1,568,000, up from 1,450,000 in 1975. After tax profits increased to 145,000, for the 124,000 in 1975. The year ended January 31st, 1976 costs were held pretty well to a 1975 levels, and our markets strengthened. The company's making progress and planning on probably increasing our production by 20 percent for the year ending January 31, 1977.

The company employs an average of about 45 people most of whom are native people from the Brandon-Griswold area. Total payroll for the year ending January 31, 1976 was just under \$300,000. The statement, Sir, I think is well laid out. I don't have any further comments on it. Are there any questions on Macey Foods?

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

MR. MCGILL: Mr. Chairman, I wonder if Mr. Parsons could give some overview of the long-term outlook.

MR. PARSONS: Well it's hard to say long term, the company's been moving along successfully. As I said the market has been strengthening for their product. The long term looks good. It has had steady progress. We've had no problems, basically.

MR. MCGILL: I notice, Mr. Chairman, that the Manitoba Development Corporation owns 51 percent of the standing stock and there are other amounts owed them by various people. . .the Macey's. I notice the McGill Industries; can Mr. Parsons tell us who the McGill Industries are?

MR. PARSONS: No. I thought maybe you could do it from Brandon. I'm sorry I don't know who they are. They were a group who came in originally with 12,000 shares, so we've never had any contact with them.

MR. MCGILL: You don't know whether they are a local Brandon area group or whether they're from . . .

MR. PARSONS: No I don't. But we'll find out. We can get this for you. Are there any other questions on Macey?

MR. CHAIRMAN: Well that finished the questions on Macey Foods. Morden Fine Food Limited.

MR. PARSONS: Yes. Morden is owned 100 percent by MDC. We have an average employment - it's seasonal, but our average for the year is roughly 85 people. I think probably most of you have read that the Morden management is going to expand the plant.

It's been authorized by both the Morden Board and the MDC Board. They will be expanding the facilities out there. We have obtained a DREE grant of \$95,200 in conjunction with that project. The total capital expenditure will be about \$499,000, basically to expand the fresh vegetable canning capacity by about 30 percent and increasing the onsite storage and these facilities will be ready for our 1976 canning season.

The company made a small profit in 1975, as shown by the statements. Our market has been expanding, and we hope to continue that.

Are there any questions on Morden?

MR. CHAIRMAN: Any questions? There being none that concludes the . . . Mr. Craik. Oh I'm sorry. Mr. Craik.

MR. CRAIK: Well it appears, Mr. Chairman, what essentially happened, there is a reduction from the beginning of the year . . .the deficits by about 71,000.

MR. PARSONS: Yes, that's the profit. Actually it's . . .

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Chairman, there's also I believe depreciation on land and buildings for the year of \$133,000, or is that accumulated?

MR. PARSONS: That's accumulated. Depreciation for the year was 37,382. There was also a non-cash outlay of amortizing our organizational development of 30,280. Probably the easiest place to see it is Exhibit E.

MR. CHAIRMAN: We shall go on to - well the next one doesn't have any audited statement, audited at the Saunders Aircraft Corporations Limited. Auditor's statements not available. Can we go on to Sheller-Globe Manitoba Limited. Sheller-Globe Manitoba Limited. Mr. McGill.

MR. MCGILL: Mr. Chairman. I assume then that there will not be a statement for Saunders Aircraft for the consideration of this committee. Is that correct?

MR. CHAIRMAN: No, there won't be.

MR. MCGILL: Well then there should be an opportunity I imagine to ask some general questions about the operation of Saunders Aircraft.

MR. CHAIRMAN: Fine.

MR. MCGILL: Mr. Chairman, I wonder if Mr. Parsons can tell me what the inventory is at the moment in terms of completed aircraft available for sale at the plant.

MR. PARSONS: There's approximately four or five that would be available for sale. Of those, there's two out on leases. Two are the Skywest, and there's another one with a deposit on it, and they're available for sale. We also have repossessions that have come back that really are not saleable . . .

MR. MCGILL: These are repossessions from Colombia or Venezuela?

MR. PARSONS: Yes, there's one back from Columbia, but there's one that I reported on from Bayview. It's an Alberta firm.

MR. MCGILL: So you'd have repossessed two up to this point.

MR. PARSONS: Yes, there will be two that will be coming back from Columbia too.

MR. MCGILL: Two more?

MR. PARSONS: Yes.

MR. MCGILL: That will make a total of 4 repossessions. How many firm sales has the company made, of aircraft, since the inception?

MR. PARSONS: Well, there's really only . . . You see firm sales are on lease agreements, which is a method of financing.

MR. MCGILL: Well, let's count the ones that were sold for cash and those that are current on a least purchase arrangement, you know, where the contracts are up-to-date. How many are there in that category?

MR. PARSONS: Four. . . was sold for cash. St. Andrews have two. . . . have one.

MR. MCGILL: So that during the whole of the operations of Saunders Aircraft Limited, we can now say that they sold four airplanes.

MR. PARSONS: Yes, and three of those are on lease, the same as airlines.

MR. MCGILL: How much in arrears are the aircraft that you sold in Colombia.

MR. PARSONS: To . . . ?

MR. MCGILL: Central Airlines.

MR. PARSONS: Six, eight, ten months, they're a way behind. We've been trying to get them back from Colombia for over six months.

MR. MCGILL: You were prevented from getting them back for what reason?

MR. PARSONS: To get a permit to get them out of the country.

MR. MCGILL: What is the situation in respect to the prototype S-28?

MR. PARSONS: Well, it's completed and flying as you know.

Certification programs, 90 percent completed. There's a portion that will not be completed.

MR. MCGILL: Will there be a final completion on the Canadian certification?

MR. PARSONS: Well the Canadian - you can't separate them, they're both together. Well the best that they could hope to do is get a type certificate. Which really means it's certified, with certain things left to be done. But we're not doing any more on that program.

MR. MCGILL: In other words, it's terminated now completely.

MR. PARSONS: There's still some flight tests that have been done in the last month or so, but basically they're not doing anything that's costing us money.

MR. MCGILL: Was the principle reason and the final decision made on the very extensive modification that would have had to be done in order to achieve a US certification, that is in the cabin section where the spar . . .

MR. PARSONS: The spar was all cleared by FAA.

MR. MCGILL: At one time FAA were indicating that because of the projection into the floor of the cabin was caused by the spar.

MR. PARSONS: They came up here and land tested it themselves. Evacuation, that's what their concern was, and they passed that within 24 hours after their tests, as far as the spar was concerned.

MR. MCGILL: Was it necessary to design another door into the aircraft?

MR. PARSONS: No. That has never changed.

MR. MCGILL: So there were no major modifications then that were preventing you from getting a US certification.

MR. PARSONS: That is correct.

MR. MCGILL: And you say you were only a few weeks away from final completion of that?

MR. PARSONS: No, I didn't say anything about the number of weeks, I said that we were 90 percent completed, and how long that other 10 percent, I don't know.

MR. MCGILL: Mr. Chairman, I'd like to ask Mr. Parsons if there have been any serious offers of purchase from other aviation concerns.

MR. PARSONS: No, there have been none.

MR. MCGILL: Have there been any offers of purchase?

MR. PARSONS: No.

MR. CHAIRMAN: Mr. Johnston.

MR. G. JOHNSTON: Mr. Chairman, to Mr. Parsons. On all the sales that were made, I understand out of the four that are out, there is two that you're trying to get back. Is that right?

MR. PARSONS: No. There's four flying in Canada - I just looked at this now for Mr. McGill - there's two more still flying in Colombia that we're trying to get back.

MR. G. JOHNSTON: Would you repeat that please.

MR. PARSONS: I said there was four flying in Canada now, that are out, and there's two more in Colombia that we're trying to have brought back.

MR. G. JOHNSTON: And you have four that you've repossessed now?

MR. PARSONS: Well that would be the four, three from Colombia and one from Bayview.

MR. G. JOHNSTON: When an airplane is sold, who makes the deal? Who arranges the financing and authorizes the sale?

MR. PARSONS: It was Saunders marketing group - their solicitors draw up the agreement.

MR. G. JOHNSTON: The MDC doesn't oversee the sale, authorize it. What I'm trying to find out is, who made all the dumb deals over here. Because that's a terrible record, isn't it?

MR. PARSONS: Yes.

MR. G. JOHNSTON: So if management of Saunders arranges a deal, MDC did not have to okay it?

MR. PARSONS: No.

MR. G. JOHNSTON: How much has been lost on the repossessions? What is the price of a plane? \$800,000?

MR. PARSONS: No. Those planes down in Colombia were around \$475,000 to \$525,000.

MR. G. JOHNSTON: So the ones that you repossessed, what would you lose on an airplane?

MR. PARSONS: I couldn't tell you. Until they come back and are rebuilt we don't know. I don't know whether they'll ever be rebuilt and resold either.

MR. G. JOHNSTON: That's all.

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: Mr. Parsons, how many were produced altogether and are now airworthy?

MR. PARSONS: There was 13 planes which included the prototype ST-28, which included a prototype which was designated as 005. That left 11 planes. There were three sold to Colombia; there are four flying in Canada. There was one repossession which was eight, from Bayview. There was another one that we have a deposit on for . . . which is nine and there is the two for Skywest which was 11.

MR. CRAIK: You said three in Colombia?

MR. PARSONS: Yes. There was three in Colombia. There's one back now.

MR. CRAIK: There were three, there's one back and there's still two to come.

MR. PARSONS: Right.

MR. CRAIK: The ones in Colombia, they were on the lease arrangement, were they?

MR. PARSONS: Yes. It's a form of financing. Yes. It's leased really.

MR. CRAIK: Was the financing provided by the MDC?

MR. PARSONS: No.

MR. CRAIK: In Colombia? Was the MDC involved other than Saunders?

MR. PARSONS: No, we didn't do any financing for those. We were carrying those on notes.

MR. CRAIK: How do you mean carrying them on notes?

MR. PARSONS: Saunders did the financing directly themselves.

MR. CRAIK: I see.

MR. PARSONS: It's shown on their statement as a Receivable or a Note Receivable.

MR. CRAIK: Yes. But the MDC would be part of the negotiations with Columbia would they not?

MR. PARSONS: No. Saunders Aircraft arranged that deal. We were involved in some of the original financing but the MDC didn't necessarily loan money against that. If that's what you mean.

MR. CRAIK: Now that Saunders is going into receivership what do you show the value of the assets as? Can you put a value or have you put a value on the assets?

MR. PARSONS: The auditors are going to value them at nil and let the Receiver resolve that because they could not give an opinion on it.

MR. CRAIK: You mean all these aircraft would be shown on the books as having zero value?

MR. PARSONS: Yes.

MR. CRAIK: Is there any reason why it would be . . .

MR. PARSONS: Well the auditors have no way of knowing what they're worth so when an audited statement comes out the auditors will show them probably at \$1.00. Then the Receiver will be responsible for any recovery.

MR. CRAIK: If the company is in receivership what provision do you make for service parts on those that are still operational?

MR. PARSONS: We have committed to operate a support group. We have the staff for that. We may have to transfer that under another company in view of the receivership.

MR. CRAIK: Those aircraft that you'll have repossessed and they're in your possession that are not operational - there are roughly six of them which I assume are airworthy in Canada at least although they're not licensed in the US - can you sell those still?

MR. PARSONS: Well it would be up to the Receiver. They'd have to take a look at them and get an estimate of what it would cost to put them back in airworthy shape for Canadian sale, and determine if he can . . .

MR. CRAIK: . . .again the servicing for them would be provided by this product support group.

MR. PARSONS: Yes.

MR. CRAIK: That company will come under the Receiver as well I suppose.

MR. PARSONS: Not necessarily. but it could do.

MR. CRAIK: The service company. What about the assets in the plant? All your machine tools and so on. What sort of value will be put on those?

MR. PARSONS: They'll probably be valued at \$1.00 as well.

MR. CRAIK: Again.

MR. PARSONS: Yes. The auditors won't commit a value on them. They don't know what the Receiver might receive. I guess from an auditor's point of view once the company cease operations, they will probably value all at a very nominal figure. They have no way of knowing what value there is.

MR. CRAIK: Who are the Receivers? Who's handling the receivership?

MR. PARSONS: MDC is.

MR. CRAIK: So MDC will be the Receiver.

MR. PARSONS: Yes.

MR. CRAIK: You administer the receivership directly then.

MR. PARSONS: Yes.

MR. CRAIK: What's the value or virtue or reason for going into receivership? You were operating it basically before.

MR. PARSONS: No we weren't.

MR. CRAIK: Well you were kind of in control of the Board of Directors anyway.

MR. PARSONS: Yes. But there are other outside shareholders. MDC had no right to do anything with the company unless we exercised under our debentures and appointed a Receiver.

MR. CRAIK: So by going into receivership really what is happening is that the outside shareholders in Saunders now are - and you will not be part of the company any longer. Basically you're taking over the direct operation as the Receiver.

MR. PARSONS: No, we're appointing a Receiver that will take over the assets.

MR. CRAIK: Technically you're appointing a Receiver but in reality MDC will be operating as the Receiver.

MR. PARSONS: We're the largest . . . holder, yes.

MR. CRAIK: Yes but is it not normal in a receivership that auditing groups specializing in receiverships manage the receivership?

MR. PARSONS: If there were a lot of outside other creditors that might be, but there aren't. We're basically the only ones left. There is still some creditors to settle up but they will be settled up. If they are legitimately owed some money they will be paid.

MR. CRAIK: What about you partners as owners of Saunders? Other shareholders in the company?

MR. PARSONS: The Receiver has to answer to the courts and they will . . .

MR. CRAIK: Well what effectively we have is that the largest partner has been appointed the Receiver, the largest shareholder.

MR. PARSONS: No. We're the debenture holder. We own 81 percent of the shares but we also have a \$28 million debenture in loans.

MR. CRAIK: Yes. But you were holding 81 percent of the shares, the largest shareholder, and the remaining 20 percent or so, really what has happened is that the largest shareholder has become the Receiver.

MR. PARSONS: Yes. Because they have the large debenture too.

MR. CRAIK: Is there agreement with your other shareholder that this is an equitable way to wind things up?

MR. PARSONS: It's not our position to discuss it with them. As MDC we are looking as a lending agency to protect our debenture. There will be a shareholders meeting called by the President of Saunders Aircraft in due course to present the statement to them and also there will be notification if there is a Receiver appointed.

MR. CRAIK: You said in reply to Mr. McGill's question you hadn't had any other offers to purchase on the aircraft. Have you had any offers to purchase the company?

MR. PARSONS: No. Really I think Mr. McGill was talking about the company when I replied.

MR. CRAIK: Then in that case you have nobody in mind for purchases of the aircraft either at this point.

MR. PARSONS: They had some prospects which will be turned over to the Receiver to deal with. There are other prospects for the sale of the aircraft.

MR. CRAIK: In that case are you likely to be selling your aircraft at the same price level as you were before or will they be sold off as if anything you can get better than \$1.00 is a good price?

MR. PARSONS: No. I don't think they'll be sold that way.

MR. CRAIK: So you'll still be attempting to maintain the same price level of the aircraft.

MR. PARSONS: Yes.

MR. CRAIK: Effectively then it will show it as being taken in at that price as a \$40 million roughly loss.

MR. PARSONS: Whatever is recovered.

MR. CRAIK: Would your assets show a zero or basically zero?

MR. PARSONS: Yes for the auditor's statement, but the Receiver has every possibility of recovering some moneys.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Chairman, what I believe you're indicating is that for auditing purposes the auditor, not being able to place a value, has decided to indicate a nominal value.

MR. PARSONS: That is correct.

MR. GREEN: The Receiver will have the assets of the airplanes plus whatever materials are there and if that has a value it will then show as a plus from the existing position.

MR. PARSONS: Yes.

MR. GREEN: You indicated that the MDC had no role in financing the aircraft. I'm trying to recall the exact circumstances. I believe that the MDC did finance the company when the company sold aircraft.

MR. PARSONS: Right. MDC was financing the company directly all the way through.

MR. GREEN: Yes.

MR. PARSONS: But not necessarily against a particular receivable.

MR. GREEN: Right. But when there was a receivable made, the MDC looked at that as being a possible indication of additional moneys to the company.

MR. PARSONS: It was part of the assets of the company, yes.

MR. GREEN: All right. Somebody was talking about losses on the aircraft. The aircraft were sold to Colombia on lease arrangements so that they paid something. I don't know what they paid but they did pay something and you're getting the aircraft back.

MR. PARSONS: Yes.

MR. GREEN: So the only loss will be the decreased value of the airplane from the amount that they have paid if there has been a deterioration of the plane.

MR. PARSONS: Yes.

MR. GREEN: But the plane has come back. If the plane was in the same condition, and I'm not suggesting it was, then the loss on that plane will be no different than the loss on the planes that didn't go out to Skywest which you didn't send and they didn't pay for.

MR. PARSONS: That's right.

MR. GREEN: The difference is that there may be a deterioration on the Colombia planes which there would then have to be the money put into the planes.

MR. PARSONS: That's right.

MR. GREEN: I think Mr. McGill has said that the company sold four aircraft from the time that they had been in operation. Mr. Chairman, I believe the record will show that Mr. McGill said that after all the years all that you have got to show for it is the sale of four aircraft.

MR. PARSONS: That was your concluding remark, Mr. McGill.

MR. GREEN: I'm prepared to take it away and not refer to Mr. McGill and Mr. Parsons. When the company went into operation I believe that it sold three aircraft to Colombia. Is that correct?

MR. PARSONS: Yes.

MR. GREEN: One to Bayview.

MR. PARSONS: Yes.

MR. GREEN: Two to St. Andrews.

MR. PARSONS: Yes, there was one leased to St. Andrews. . .

MR. GREEN: All right. I'm talking about sales, putting aircraft into people who say that they are going to use them. So there were three to Colombia. Is that correct?

MR. PARSONS: Yes.

MR. GREEN: Two to St. Andrews, that's five. That's a total of five, right?

MR. PARSONS: Yes.

MR. GREEN: One to Bayview is six.

MR. PARSONS: Yes.

MR. GREEN: One to Otonabee is seven.

MR. PARSONS: Yes.

MR. GREEN: Two to Skywest is nine.

MR. PARSONS: Yes and there's one to Onair.

MR. GREEN: And one to Onair is ten. So that sales were concluded by virtue of the company's activities with regard to ten of the eleven aircraft that they produced in fact.

MR. PARSONS: Yes. As a matter of fact there's a deposit from Otonabee on the eleventh aircraft.

MR. GREEN: So that there is possible sales of the total eleven. But of the eleven that were sold the Federal Government welched on two, so that takes off two; three were repossessed from Colombia, is five and one was taken back on the lease from Bayview, and that's six. That deals with all the aircraft. --(Interjection)-- It leaves four? Well then there's one that I've missed some place.

MR. PARSONS: The one that you've missed hasn't been delivered. It's the one that we have a deposit on.

MR. GREEN: That's the one that you have a deposit on. But these are the deals that you have made in aircraft of the eleven ST-27s that you produced.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Mr. Chairman, through you to Mr. Parsons. In the sales of Saunders Aircraft where you do have a contract and people are presently flying the machines, is there any stipulation in the contract that Saunders has to maintain the availability of parts and service for a period of time? I know normally in the manufacturing of equipment and instrumentation and so forth that there's a general ruling that about ten years is the accepted . . .

MR. PARSONS: Well we have committed to support those for ten years, a product support group.

MR. MINAKER: Ten years from the date of sale of the airplane?

MR. PARSONS: No they're not all ten years. We have committed to cover it for ten years from 1975. The last ones we sold have the five-year commitment in them.

MR. MINAKER: So at the present time Saunders is committed to stay or make available parts and servicing, etc., to those planes that are now flying until 1985?

MR. PARSONS: Yes.

MR. MINAKER: How many aircraft would that . . .

MR. PARSONS: I don't know what there might be out of the eleven.

MR. MINAKER: Would it be presumed then at the sale of any of the present existing aircraft that a similar commitment would be probably required in order to sell them?

MR. PARSONS: No I don't think so. If the company went bankrupt and somebody owns the aircraft they still fly them and they still maintain them. That doesn't necessarily take an aircraft out of flying.

MR. MINAKER: Mr. Chairman, I think though in order to sell the remaining aircraft that . . . would it not be likely that some kind of a guarantee of availability of parts would be required before somebody would buy them?

MR. PARSONS: Yes, for a certain period. But I don't know that ten years may be that number.

MR. MINAKER: Is Saunders actively trying to sell the existing aircraft at the present time?

MR. PARSONS: The Receiver will be. We're getting active enquiries, yes.

MR. MINAKER: Could you advise what kind of guarantee of backup of parts and service is being offered on these particular . . .

MR. PARSONS: The last one I think was five years. Five years.

MR. MINAKER: From date of purchase.

MR. PARSONS: That's right. And they went out two months ago.

MR. MINAKER: Have you budgeted for this new company or whatever means will be set up to have the company operating so that the parts and services are available? What's your annual budget on that?

MR. PARSONS: \$21,000 per month.

MR. MINAKER: \$21,000 per month. How many people would that employ?

MR. PARSONS: Ten.

MR. MINAKER: So that's approximately \$250,000 a year.

MR. PARSONS: Yes.

MR. MINAKER: How much was the aircraft sold for, this most recent one?

MR. PARSONS: They'd be between \$500,000 and \$525,000.

MR. MINAKER: It would appear that we're committed to something like \$2½ million for the next ten years for those . . . airplanes?

MR. PARSONS: If you carried it on for ten years and there were no revenues whatsoever that's . . .

MR. MINAKER: How is the arrangement working with the resale of Air Canada parts?

MR. PARSONS: Oh the Viscount parts? The program supports itself. They sell a few thousand every month.

MR. MINAKER: Does it pay for the \$250,000 expense or expenditure for the ten men?

MR. PARSONS: It has nothing to do with it.

MR. MINAKER: It's a separate company.

MR. PARSONS: Yes. It's a separate operation.

MR. GREEN: Mr. Chairman, I would indicate that we have budgeted for that. That is in the current Estimates of the government and we have indicated to the honourable member that those Estimates would be every year. They're government estimates now.

MR. MINAKER: Then maybe, Mr. Chairman, my next question has been answered. How is it anticipated that if Saunders goes into receivership that this particular operation will be carried out? Will it be under the auspices of the Mines and Natural Resources Department or will it still be operated as a separate entity?

MR. PARSONS: Are you talking about the products support group.

MR. MINAKER: The product support group.

MR. PARSONS: It could be operated under a separate company or it could be operated under the Receiver. The money has been set aside for it; we'll have to take a look at it and see which is the best way to operate it. It might be better to contract it, I don't know.

MR. MINAKER: At the present time there has been no specific decision made on how this product backup group will operate.

MR. PARSONS: No. They were operating under Saunders when the Receiver took that over. They'll be operating under the Receiver until we decide how we're going to set that up.

MR. MINAKER: What has been the total sale of aircraft to date in terms of dollars presuming the Skywest Aircraft will not be purchased . . . ?

MR. PARSONS: The total sales.

MR. MINAKER: The total net sales to date of . . .

MR. PARSONS: They came out roughly \$500,000 a plane.

MR. MINAKER: So that there would be something like \$2½ million worth of planes flying at the present time?

MR. PARSONS: Yes.

MR. MINAKER: And the product support group will cost us a quarter of a million a year providing there isn't any other source of revenue other than the sale of parts and service.

MR. PARSONS: Right.

MR. MINAKER: Has there been a great demand for parts or service to date?

MR. PARSONS: Not a great demand. The part sales have been nominal.

MR. MINAKER: What would nominal mean?

MR. PARSONS: I don't know. They're less than \$100,000 for the year.

MR. MINAKER: I wonder, Mr. Chairman, has there been any offer to purchase the design of the aircraft and some of the jigs?

MR. PARSONS: No. There has been some enquiries but no offers, nothing very serious.

MR. MINAKER: Has the company done any further investigation with regard to the manufacture, I think, of a Burns aircraft?

MR. PARSONS: We have had discussions with them. I have had discussions with them. It doesn't look like they'll be able to raise the funds to move into here. They've invested about \$14 or \$15 million in getting it close to certification. They have one model certified. But I don't think we'll see that manufactured in Canada. It would involve a new set of problems for them to do that.

MR. MINAKER: I wonder, could you advise if all the ten employees in their products backup, are they all situated at Gimli and local people?

MR. PARSONS: Yes.

MR. MINAKER: There's no design engineering or service engineering backup that would be brought in from elsewhere in case of . . .

MR. PARSONS: Well there might be in the future. But right now the people in that group are all living in Gimli. They're all ex-employees.

MR. MINAKER: Any outside consulting work from either England or the United States, is that included in the present budget figure or would that be an additional extra unaccounted?

MR. PARSONS: There's nothing in the budget for it. I don't know what we would need it for.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Mr. Chairman, I may have missed the area part, and if I have I don't mean to have you repeat the same thing, but with respect to the creditors of Saunders, it is my understanding that all the creditors will be paid - I know you're going to be acting on the security of the debenture - but the creditors of Saunders will all be paid? Is that correct?

MR. PARSONS: Any that are legitimate creditors, yes. We're going to honour all claims. There's some dispute on items that . . . We're not going to pay anything that we don't feel is a legitimate claim. Ninety-five percent of the creditors have been cleared off at this point. There is one or two items in dispute that the Receiver will have to settle.

MR. SPIVAK: It is not a question that it's not legitimate creditors, it's a question of the creditors claims being legitimate.

MR. PARSONS: That's correct.

MR. SPIVAK: Because they're creditors but the question - I'm assuming they were people with whom you've done part business at least or done some business.

The thing I'd like to - before I go into the next sort of series of questions - is to determine whether the payment by Saunders of the creditors in terms of the MDC, is a policy determination that in situations like this the government will in fact undertake and obligate itself to pay those people who although dealing with the Crown corporation in effect feel that they're dealing with government. Is that the principle?

MR. PARSONS: No.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: I fell into the same hole as Mr. McGill fell into. Mr. Parsons certainly can't answer that question, and I have always tried to indicate so that there be no misunderstanding, that any people dealing with the government have to deal with it on

(MR. GREEN cont'd) the basis of advancing credit and that they are in no preferred position by virtue of dealing with this company. We decided to deal with the creditors of this company in the way in which we did, and that was a government decision, not the decision of the MDC. The decision was announced in June, it was put into writing, it was released; we are not telling anybody that when they deal with the government they have no fear as to their account being assumed by the government or when they deal with a company that has government advances to it they should not consider themselves more secure than if they were dealing with any private firm. And I don't wish there to be any misunderstanding about that.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: I think it's very clear. And now I'd like to understand the history of this because I think it's important. Did the MDC request of the government authority to be able to instruct that payment of the creditors be made. Was the initiation for the instruction that creditors be paid from the MDC or did it come directly to the MDC from government?

MR. GREEN: Mr. Chairman, you know, I think that the honourable member is dealing with the internal policy as between the MDC and the government and this is something that was decided in the normal government way. I told the honourable member that this was under Part II, that the ultimate decision was made, many considerations were taken into account, one of which was what the cost of completely winding up in June would be, what the cost of fulfilling forward commitments would be. After those things were taken into account a decision was made. It had to be a government decision because the MDC were not advancing any money on that account, it was all being done under Part II. And these are not policy questions, or the internal manner of arriving at the decision are not matters which Mr. Parsons should be dealing with.

MR. SPIVAK: Mr. Chairman, I really wonder if what Mr. Green is saying is correct. I mean, not in terms of the history of what happened or the policy position or what the government did, but I really wonder if it's correct that this committee should not be in a position to discuss exactly who instructed who and under what circumstances. The reason, and I just want to cite as an example, Mr. Green says, the course is open to, I guess MDC winding up, going into receivership or to the government. Well the truth is that the minutes of the Manitoba Development Fund indicate that the Manitoba Development Fund considered those possibilities several years earlier, the same possibilities that the government received.

MR. GREEN: But, Mr. Chairman, there is a difference. Okay go ahead.

MR. SPIVAK: Just to make my point, and then Mr. Green can make his. I think it's incumbent upon us to gain from the experience of Saunders, and it's not just a question of the government saying, we did this and we take full responsibility, it's a question of the committee being able to deal by way of questioning and comments in such a way as to provide a basis for improvement of what has happened in the past. And I think there's a great deal of improvement with respect to transactions like Saunders and the way in which it was handled. And I think it's pretty germane, Mr. Chairman, to determine whether in fact the instructions at this point came from the MDC, whether MDC was simply just a conduit at this point for transmitting government decisions, at which point it had no function to fill other than that of execution of policy matters, and if in fact the government has made the decision that the creditors were to be paid here, then I think it's incumbent upon the government to state the basis of position, the reasons justifying their position now and an overall policy that in other situations they would not provide full payment to creditors in these situations in which the government has entered and which the MDC essentially has become a conduit just for the execution of their policies.

MR. GREEN: I've done exactly that, Mr. Chairman. I have stated that it was the government decision that we receive from Saunders various options as to what was the best way of dealing with the matter; we took that decision, we decided that in this case those people who had dealt with Saunders and had been fulfilling forward commitments were ones that we would deal with; we have not agreed that everybody who submits a claim will be paid, it is the public money that we are trying to safeguard. I have also indicated that in the future nobody can simply take the position that because they dealt with an agency which had some government financing, or 100 percent financing, that their credit

(MR. GREEN cont'd) is protected. I've done exactly what Mr. Spivak has asked me to do. As to the reasons they were done those are not for Mr. Parsons, those could be questioned to me in the House, those could have been questioned to me on both Estimates, but those were government decisions; I have indicated they were government decisions. I do not want Mr. Parsons to be giving what he considers to be government decisions; those were government decisions.

MR. SPIVAK: Mr. Parsons, Saunders never requested this, you mentioned Saunders requested it, this was the government.

MR. GREEN: Saunders gave us various options.

MR. SPIVAK: Saunders did?

MR. GREEN: The Saunders Board gave us various options as to how this matter could be dealt with. When a decision - I really think that the decision as to advances under Part II is a government decision - as to continued advances under Part II that is a government decision. When the government made its decision it had before it various options. These options were submitted, not by the MDC Board, which was at that time not really involved, the options were submitted to us by the Saunders Board, and we dealt with them.

A MEMBER: And you are subject . . .

MR. GREEN: To whatever criticism the honourable member wishes to make for us having dealt with it in that way. We announced in June what we were doing. We feel that we have done the fairest thing in the circumstances, and we're prepared to defend it, but it's not Mr. Parsons who has to interpret that. Mr. Parsons has to interpret what the MDC Board is doing.

MR. SPIVAK: Mr. Parsons, when did the MDC discontinue any obligation with respect to Saunders, because Mr. Green has suggested that the government was dealing with Saunders which means the MDC Board was out, at what point was the MDC out?

MR. PARSONS: September 1974.

MR. GREEN: . . .

MR. SPIVAK: I would like Mr. Parsons . . .

MR. PARSONS: Well it was in the fall of '74, September I believe.

MR. SPIVAK: So as far as you are concerned, the MDC was out of it completely at that point?

MR. PARSONS: Except for our administering under Part II, yes. We administer the outgoing funds under Part II, but our MDC Board were not involved in it after that.

MR. SPIVAK: The MDC Board has not taken any position with respect to creditors of Crown corporations then?

MR. PARSONS: No.

MR. SPIVAK: All right. Can I ask something, Mr. Parsons? Based on the experience of the last few years, your appearance here, the questions that have been asked, do you not feel that there was action that should have been undertaken by the MDC Board much earlier than actually was undertaken?

MR. GREEN: Mr. Chairman, I believe that that is a very unfair question to start having the people second-guess themselves. The results of what has happened is obvious, it is a problem that was gone into, there were from time to time difficulties, there were reasons for going into it. If someone wishes to ask the question, "Should they have gone into it at all?" - that is a question as to whether somebody should have gone into something which proved to be bad on the basis that the overall that they were trying to do was right. Should they have gone into the CFI deal? Is it proper for me to ask the question of Mr. Parsons, "Should the MDC have entered into an arrangement with Messrs. Kasser and Reiser to advance money, \$92 million for the building of a pump mill?"

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

MR. G. JOHNSTON: Mr. Chairman, on a point of order. I would like to know what Mr. Green's statements have to do with what's going on in committee. He's arguing with himself, we would like to question Mr. Parsons.

MR. GREEN: Mr. Chairman, I'm talking on a point of order. Mr. Parsons is here revealing the year's activities of the MDC and their financial statement, and I am asking the Chairman to keep the questions to that point of order.

MR. SPIVAK: Mr. Chairman, on the point of order. We really are talking about the demise of Saunders which really is not just this year, it really is the history of the last few years, and I think that the whole object of the exercise is to try and gain some insight.

Let me frame it in another way, Mr. Parsons, and see whether you're prepared to answer this. The decision for the continuation of Saunders in the last few years with all its difficulties, was that a unanimous decision of the Board? The decision for the continuation of Saunders?

MR. GREEN: Well, Mr. Chairman, I indicated --(Interjection) -- on the point of order, I have indicated that from '74 on there was a joint statement released by the Board of Directors and the government relative to the continued activities. Now I'm also going to make an objection that it is not for the Chairman to talk about the dissensions or arguments in Board meetings of the MDC, that I consider that it is not the Chairman's job to report on the internal arguments of the MDC Board, if in fact there were any.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Mr. Chairman, good business sense would have indicated many years earlier that Saunders should have been wound up. The government did not adhere to that. My concern really would be as to whether the Board itself fulfilled its proper function, not as the agent of the government but as individual members who were to be responsible in the way in which they carried out their activities. We know that there were considerations given for receivership, for winding up, at an early stage, we know the history of what has happened, we know the information that's been provided and the optimism that's been forecasted, many stages in different years. It would seem to me it's pretty imperative for our understanding of what has happened and for it not to happen again, to understand whether the Board itself voiced any objections or raised the kinds of concerns in which the government should have heeded those concerns and acted quicker than it did and possibly saved the public more money, and I think those questions are legitimate.

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

MR. GREEN: Mr. Chairman, the honourable member says those questions are legitimate, and I say that that is the internal operation of the MDC Board. I have indicated to the honourable member that the MDC Board issued a statement on this question in September of 1974. I also indicated that there was at a previous point in time some question of the Board's position of what to do, but that was at the \$18 million level; that it went to 22, I believe; the Federal Government then said that they were going to give us \$6 million, of which we have not received a penny, and the government announced at that time that it was continuing. Now all of those things are for debate in the House and I am prepared to debate them, I do not think that they are for debate with the Chairman of the MDC Board.

MR. CHAIRMAN: The point is well taken. Let us proceed. Mr. Spivak, have you any more questions?

MR. SPIVAK: Yes, Mr. Chairman, you know, I'm not just prepared to leave this point with Mr. Green.

MR. CHAIRMAN: Well, Mr. Spivak, there'll be many opportunities that you'll have to debate that in the House.

MR. SPIVAK: . . . as to whether this committee really has the ability to question the Chairman.

MR. GREEN: . . . the internal relations of the MDC Board.

MR. SPIVAK: Not the internal relations of the MDC Board.

MR. GREEN: . . . it was unanimous.

MR. SPIVAK: Well I have to say to the Chairman that prior to 1974, why did the Board allow Saunders to continue?

MR. GREEN: Mr. Chairman, on that point those answers . . .

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

MR. GREEN: Yes, on a point of order. Those answers were reported to every year by the Chairman of the Board. They gave the feasibility studies, they gave what they thought would happen to the company, they gave their best view, and it didn't work out that way. So, Mr. Spivak, the second-guesser, the armchair quarterback, now says that the result has proved that they were wrong.

MR. SPIVAK: I didn't think I was a second-guesser at this point, Mr. Chairman, I just want to indicate that. I think that as it happened much of the forecast that we've made as armchair quarterbacks here happen to be correct. The problem that I have is, why the MDC Board and why the Chairman did not recognize what the members of this committee recognized several years ago, that there was no justification and no support really for the kind of optimism that was expressed and . . .

MR. CHAIRMAN: Order please.

MR. GREEN: Mr. Chairman, the fact that Mr. Spivak recognized that three years ago, why in 1973 did he go to Gimli and tell them that he would continue Saunders Aircraft?

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Mr. Chairman, I'm perfectly prepared to debate that, but I don't think that this is the appropriate time to debate it.

MR. CHAIRMAN: Right. This should be debated in the House.

MR. GREEN: Well I say that it is not, I agree that it is not an appropriate time to debate that, that is a debate . . .

MR. CHAIRMAN: Order please.

MR. GREEN: I agree, Mr. Chairman, that this is not an appropriate time to debate that and that's my point of order. The point of order that I am making is that we are dealing with the statement, that we should continue to deal with the statement, and Mr. Spivak and I will have our debate in the House.

MR. SPIVAK: Mr. Chairman, I'm not appearing before the Committee, Mr. Parsons is, and he's appearing on behalf of the Manitoba Development Corporation. And, Mr. Chairman, it is the history of this, it is the actions of the MDC that are subject to our examination and I say that it seems to me that whatever we may have said two years ago, we now know substantially more than we did before, and not just the history of what happened but really, you know, some basis I think to make the comment and then ask the question. Why did not the Board decide to terminate Saunders several years earlier?

MR. CHAIRMAN: Mr. Spivak, you can ask that question, you can debate that question in the House, you'll have many opportunities to raise it and I'm sure you know the way that can be brought about. Mr. McGill.

MR. MCGILL: Mr. Chairman, I was going to ask Mr. Parsons about the status of the two Skywest aircraft. Are they in the possession of the Manitoba Government Air Services now?

MR. PARSONS: No, we have one at Gimli and one down here at the Manitoba Government hangar.

MR. MCGILL: I see. What arrangements are made for the use of these aircraft? Is it on a straight hourly basis?

MR. PARSONS: Yes, and they have only been used on one or two occasions. There were some training flights they were used on, that goes back a fair ways. They pay them on an hourly basis now for insurance and so on.

MR. MCGILL: So the aircraft are simply available to certain designated operators on a straight hourly rental basis.

MR. PARSONS: We haven't designated any operators. If you would like to lease one and you're an aircraft operator you can arrange for a leasing.

MR. MCGILL: In the repossession of the aircraft from Colombia, what was the cost of that operation?

MR. PARSONS: I don't know, I haven't got the figures on it yet.

MR. MCGILL: In the examination of that aircraft, was there any deterioration of the spar or the wood parts of the aircraft as a result of its operation in the tropics or sub-tropical country?

MR. PARSONS: I don't think the plane has been checked out, but there wouldn't be any deterioration of the spar.

MR. MCGILL: There are still three aircraft flying in Colombia?

MR. PARSONS: Two. There were three, there's been one brought back.

MR. MCGILL: Are there no payments at all being made by Colombia?

MR. PARSONS: No.

MR. MCGILL: They've simply just terminated payments and continue to use the aircraft?

MR. PARSONS: Yes.

MR. MCGILL: Mr. Parsons, in reviewing this whole melancholy story of Saunders Aircraft, would you say that the advice given to the Manitoba Government by the Economic Development Advisory Board at the time that the government was considering bringing this industry to Manitoba, would you say that that advice which was to avoid having any involvement in the aerospace industry in Manitoba, would you say that advice is just as valid today as it was then?

MR. PARSONS: I'll start off that I know nothing about the advice that they gave the government.

MR. MCGILL: Have you never reviewed the advice of the Economic Development Advisory Board at the time that Saunders Aircraft was brought to Manitoba?

MR. PARSONS: No . . .

MR. MCGILL: Well, Mr. Chairman, I would think that would be good reading for Mr. Parsons and for anybody in the government.

MR. PARSONS: . . . I didn't know there was a report.

MR. CHAIRMAN: Mr. Johnston.

MR. G. JOHNSTON: Mr. Parsons, I notice one of your management people over there had a document that you got some information out of. Is there any more information that we can have, printed information that . . .

MR. PARSONS: No, that was a budget we had laid out, that's all.

MR. G. JOHNSTON: Budget for Saunders?

MR. PARSONS: Yes, it was last year's and it had the part sales on it, that's what we were looking for. There's no auditor's statement.

MR. G. JOHNSTON: The number of planes that Mr. Green established re this holder lease, was it ten or eleven?

MR. PARSONS: There were 11 planes available for sale. We went through the allocations, where they were all allocated for.

MR. G. JOHNSTON: On your cost accounting and the selling of an airplane for \$475,000, what would the profit be?

MR. PARSONS: Probably be a loss of at least that much.

MR. G. JOHNSTON: On the sale of one plane?

MR. PARSONS: Yes.

MR. G. JOHNSTON: You sold a plane for \$475,000?

MR. PARSONS: That cost a million, yes.

MR. G. JOHNSTON: And it cost a million, my God.

MR. PARSONS: Those figures all came out last year and it shows you in your earning curves . . .

MR. G. JOHNSTON: So the airplanes were costing a million to produce, and what was the average selling price?

MR. PARSONS: Somewhere between 500,000 and 550,000.

MR. G. JOHNSTON: I was trying to work out, if you made \$100,000 on a plane which would be 20 percent, you would have to have sold 400 planes. Thank God you didn't, you would have broke the province. You were losing half a million dollars per plane. Did the Cabinet know this when they made the deal?

MR. PARSONS: You knew it. Last year I reported exactly the same thing and the year before. The earning curve on the first aircraft was laid out to cost almost a million and a half, and as you come down we didn't break even till the 20th-odd aircraft, you didn't start making a profit till the 25th, and that is not unusual in the industry. As a matter of fact, that is not unusual in many manufacturing concerns when you're starting up.

MR. G. JOHNSTON: Mr. Green when he was talking, mentioned that when the Cabinet made the decision to lend more money under Part II of the Development Act, he said there was a number of options. This was a \$40 million option. What were the other options?

MR. GREEN: Mr. Chairman, on a point of order, I'm sorry, the honourable member has misconstrued my remarks. I said at the time, last June, when we decided to discontinue is when we considered a number of options as to how to discontinue, not at the level that we were under Part II. Under Part II we indicated that we were continuing with the ST-28 program.

MR. G. JOHNSTON: Well Mr. Chairman, to Mr. Parsons, what possible options were open at the time that the Cabinet made that decision?

MR. PARSONS: Well the Saunders Board made some observations which they passed on to Cabinet.

MR. GREEN: Mr. Chairman, I believe that Mr. Parsons is again making a mistake of Mr. Johnston's question and I don't want that dealt with.

MR. G. JOHNSTON: Well, Mr. Chairman . . .

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

MR. GREEN: Mr. Parsons is now talking about the decision in June when we were talking about the number of options. Mr. Johnston is asking the question about when we went under Part II. At that time we did not consider options, we were going under the Part II program, and I just want to make sure that we are not having an answer to a question that wasn't asked. I don't think Mr. Johnston would want that to happen or perhaps he would.

MR. CHAIRMAN: Mr. Johnston.

MR. G. JOHNSTON: Well, Mr. Chairman, I ask Mr. Parsons again when the company had received \$21,180,942.86 under Part I to the Development Act, you and your board had full responsibility up until that point. Now could you tell us, tell the committee when the Cabinet decided to exercise Part II of the Act and then loan \$60 million-plus, did you and your board present to them a set of options or courses that should be taken?

MR. PARSONS: Not in September '74.

MR. G. JOHNSTON: Well whenever you did.

MR. PARSONS: No.

MR. G. JOHNSTON: Well before you lent the \$21 million, did you go to the Cabinet and say - or any part of the 21 million - did you have occasion to mention to the Cabinet that some options should be looked at?

MR. PARSONS: No.

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

MR. GREEN: Mr. Chairman, I don't want Mr. Parsons to be inadvertently shown that he made a wrong answer which has sometimes happened. At the \$18 million level there was a tentative position which was not finalized, and then it went to 21. I don't want there to be a misunderstanding about that.

MR. G. JOHNSTON: Mr. Chairman, if Mr. Parsons could tell us what suggestions or options were made at the \$18 million point.

MR. PARSONS: As I stated there were no options placed. I was talking about the options that were given by the Saunders Board to the government in June of 1975.

MR. G. JOHNSTON: What were they?

MR. PARSONS: That's when we had the options on how the plant would be shut down - whether it be done immediately, whether it be done on a long-term basis or. . . and that was announced.

MR. G. JOHNSTON: To close down presently, what would the ongoing costs be?

MR. PARSONS: What was the question?

MR. G. JOHNSTON: To close down now . . .

MR. PARSONS: We're closed down now.

MR. G. JOHNSTON: Well you still have some staff.

MR. PARSONS: That was all budgeted and stated. I said the support group are \$21,000 a month and they're in the budget.

MR. G. JOHNSTON: What is the reason that there is no financial statement or audited statement for 1975?

MR. PARSONS: The auditors didn't get it completed, our staff didn't get it completed, it is almost completed now.

MR. G. JOHNSTON: It is one of the largest loans, it seems very odd that there would be no care taken to be sure that a statement was . . .

MR. PARSONS: Oh, it is done now.

MR. G. JOHNSTON: It's done now?

MR. PARSONS: Yes, it'll probably be issued in the next two or three weeks. We were trying to get it ready for this committee but we couldn't.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Chairman, would the statement essentially show that \$40 million has been invested.

MR. PARSONS: That is correct.

MR. GREEN: I mean the facts of the statement are before committee, there's no P & L statement.

MR. PARSONS: No.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Mr. Chairman, if Mr. Parsons can advise, during the whole development of the Saunders Aircraft, what was the peak number of employees at any one time?

MR. PARSONS: 550.

MR. MINAKER: 550? Under what type of duration would that have lasted? Was it a year, two years or . . .?

MR. PARSONS: Oh, maybe as long as a year.

MR. MINAKER: So there was a sort of a build-up to that point?

MR. PARSONS: Right.

MR. MINAKER: Was there a sudden decrease in staff?

MR. PARSONS: Oh, yes.

MR. MINAKER: What did it drop down to about - I think in the final stages where you were trying to tie everything together and waiting for the FA approval?

MR. PARSONS: We were decreasing it by the month. We had decreased it from the fall of '74 down to about 350 employees that have dropped off each month. They were all notified ahead of time.

MR. GREEN: Would that be in the fall of '75?

MR. PARSONS: No.

MR. GREEN: This fall?

MR. PARSONS: The fall of '74 we started to cut back. In June of '75 when the decision was taken to close it then it was tapered down by month from then.

MR. MINAKER: At how many per month roughly?

MR. PARSONS: Fifty.

MR. MINAKER: Fifty per month, till it got down to the now level of about ten.

MR. PARSONS: Yes. Well no, it was higher than that because on December 19th, we completed the plane that was closed so there's probably at that point maybe 75 employees.

MR. MINAKER: During the peak time of the 550, how many would be local people, local being that they were either located in Gimli or had been drawn from the Manitoba labour market?

MR. PARSONS: I think they were pretty well all within Gimli or surrounding areas.

MR. MINAKER: Was there not some engineering people brought in from outside and contract people brought in for welding. . .?

MR. PARSONS: Oh yes, yes there were.

MR. MINAKER: I should have maybe said, how many were local people drawn from the Manitoba market? Would it be a majority or would it be a half?

MR. PARSONS: 75 to 80 percent.

MR. MINAKER: Would have been local people?

MR. PARSONS: Yes. Pardon me, they would have been on the payroll of Saunders Aircraft against being contracted for.

MR. MINAKER: So that approximately 300 people were drawn from the Manitoba area.

MR. PARSONS: There probably is that many, yes.

MR. MINAKER: Would they be primarily dealing with the assembly of the air-plane or would there be any local designers? Was the engineering technology all brought in from outside or contracted outside of the province?

MR. PARSONS: Pretty well. The majority of it was.

MR. MINAKER: So that the local people that are left here would primarily have the experience in what - welding, riveting and mechanical?

MR. PARSONS: Yes. Office work, planning, purchasing, there's a lot of training went on in that field.

MR. MINAKER: About how many people that were employed at the Gimli plant still reside at Gimli? Any idea, has there been any feedback.

MR. PARSONS: No. There's still quite a number living and working up there.

MR. MINAKER: And in other positions, either the distillery or CNR or elsewhere.

MR. PARSONS: Yes.

MR. MINAKER: Mr. Parsons, what have you personally, as Chairman of MDC, gained from this experience of where there's been an attempt to develop a large industry in Manitoba of this nature?

MR. PARSONS: Well, you know, you're looking at the aerospace industry, in retrospect it's going to be difficult to . . .

MR. MINAKER: Not necessarily, just from the overall aspect of trying to develop a major industry.

MR. PARSONS: It depends on who you have to depend on. Unfortunately in the aerospace industry you're having to depend on the Federal Government, to the province's support, and so on. It's a little different type of manufacturing to go in. You know there's certain areas, that you look at the . . . that are ready to be developed, much more so than us going into a big manufacturing concern such as that. I'm thinking of the agricultural field and so on.

MR. MINAKER: Has the MDC Board, from the experience of Flyer and Saunders, have they developed some basic criteria and guidelines that they now use . . . ?

MR. PARSONS: No, you've seen the guidelines that we use, but I'm sure that everybody has learned by experience.

MR. MINAKER: But you're still operating under the basic guidelines that I believe were issued back when the Minister announced them - was that some two years ago?

MR. PARSONS: Two years ago.

MR. MINAKER: Back was it in November of 19. . . ?

MR. PARSONS: 1973.

MR. MINAKER: Was it November, I'm just trying to remember. So that these are still the basic guidelines. There hasn't been any revision with regards to the effects of self-financing which was one of our concerns, I know with regards to the aircraft industry and I think has come out to light, has created problems with Colombia. That there hasn't been any refinement looking at what internal financing or say, of the end product, that hasn't been detailed or the thought of bringing in outside technical people dependent on a good portion of your development being from outside of the province. Has there been no review of this situation because it's my understanding that that did create some problems in Saunders, that there was a fair degree of turnover of staff and that they had to almost retrain and reacquaint themselves as a new engineer came in and so forth. So that these type of more definite criteria haven't been reviewed by MDC with regard to future development of the industry?

MR. PARSONS: No.

MR. MINAKER: Has there been a policy established on the development of big industries in Manitoba?

MR. PARSONS: No.

MR. MINAKER: From MDC. In other words right now, the basic criteria is still there, and if somebody walked in tomorrow that wanted to develop a major industry, it would be reviewed under those particular criteria.

MR. PARSONS: Yes.

MR. MINAKER: On the sheets that were handed out to us, that there is under Order-in-Council, there was a conditional grant of 37 million-and-some dollars, I wonder if you could highlight the conditions of that grant. It wasn't an unconditional grant, it was a conditional grant. I wonder if you would have the basic details of what conditions they were changed over to a grant.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Chairman, I think the loans were changed to conditional grants in order that they no longer require the repaying of interest. I think that it's the same money, that the MDC had \$37 million in loans from the Government of Manitoba. They were changed to conditional grants to take it out of the MDC statement as requiring an interest repayment on it. I think this is the way the finance department did it.

MR. MINAKER: So that it was just made a conditional grant so that they would no longer be charged interest?

MR. GREEN: That's right.

MR. MINAKER: I know it's a very basic question, that when this was all over and there is some moneys that might be reclaimed, I would presume that all of the moneys would come back to the MDC . . . back to the other shareholders because I presume they are not meeting their commitment as far as the debts at this time. So that in essence the 8.3 percent, each shareholder wouldn't get any money.

MR. PARSONS: That's correct.

MR. MINAKER: That's all I have right now.

MR. CHAIRMAN: Mr. Banman.

MR. BANMAN: Mr. Chairman, I wonder if I could ask Mr. Parsons, if I understand correctly there are about four or five aircraft that have been firmly sold, in other words that we've got the money for.

MR. PARSONS: No.

MR. BANMAN: So we're leasing four and we've sold one?

MR. PARSONS: Yes.

MR. BANMAN: Just before I came, apparently the question had been asked with regard to the parts guarantee on these particular aircraft, and it's for ten years.

MR. PARSONS: No. The government has said that they would carry through a support program for the aircraft for ten years, but there's no commitment in number of years in these contracts - usually it's three to five years.

MR. BANMAN: Is there a figure set down what the parts operation will cost?

MR. PARSONS: Yes.

MR. BANMAN: Was it \$250,000 a year?

MR. PARSONS: \$21,000 a month.

MR. BANMAN: \$21,000 a month. That would be a direct loss?

MR. PARSONS: Yes, it will be a direct loss.

MR. BANMAN: So really when we are looking at about four or five airplanes, we are looking at roughly about \$250,000 for the next number of years. It would almost be cheaper to buy those airplanes back, wouldn't it?

MR. PARSONS: It could be.

MR. BANMAN: In other words buy them back or make some kind of an arrangement where you either work out a different lease agreement, saying that we're going to not supply any parts and give them maybe a cut on that lease agreement, but it would maybe be cheaper to sort of negotiate a new contract instead of keep on losing \$21,000 a month. Has that been given consideration?

MR. PARSONS: Yes.

MR. BANMAN: That's fine.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: This question may have been asked before. With respect to individual contracts for the top management, have you in fact had to terminate those contracts and pay those contracts off or will you have to pay those contracts off?

MR. PARSONS: What contracts are you referring to?

MR. SPIVAK: Contracts with respect to top management. I don't know whether they exist or not . . .

MR. PARSONS: There isn't any.

MR. SPIVAK: There is none. The general manager . . .

MR. PARSONS: The general manager is the only one of the top management left. The rest all left in December of . . .

MR. SPIVAK: Is he under contract at all, does he . . .?

MR. PARSONS: No.

MR. SPIVAK: Not at all, or a commitment . . .

MR. PARSONS: None of them had contracts.

MR. SPIVAK: Okay. Now, I want to understand something, in the questioning that took place a little earlier, you indicated that in retrospect now or in making judgment now, the difficulties of the aerospace industry being what they are - and that probably is one of the most difficult things that you had to overcome in trying to develop the plane -

(MR. SPIVAK cont'd) that basically I think is the substance of what you said, in other words it's a competitive field and it's a difficult field.

MR. PARSONS: Yes.

MR. SPIVAK: All right. Several years ago the Department of Industry and Commerce through the Economic Advisory Board, and I believe that's the name of it, Baldur Kristjanson's group, produced a document - Mr. Remis is here and he may be able to confirm the document - in which they indicated the possible projects for Manitoba, but suggested that the one area that they should not go in is the aerospace industry. And I wonder did the board at any occasion ever meet or did you as chairman ever meet with the members of the Economic Advisory Board with its chairman, to discuss their report and their conclusion that the government should not enter, not the government, the industry should not really become involved in the aerospace industry because of the nature of the competitiveness in the field and the difficulties that were being encountered elsewhere.

MR. PARSONS: What date was that report because I've never heard of it.

MR. SPIVAK: I think 1970, '71. It was 1970 or '71.

MR. PARSONS: Well I wasn't chairman at that time and to my knowledge, since I have been chairman, the Manitoba Development Board of Directors have never met with the EDAB Board of Directors and we don't get copies of their reports necessarily, and I didn't know anything about this report of 1970.

MR. SPIVAK: Don't you think there's something inherently wrong if one arm of government comes to a conclusion and the other arm of government is not even aware of that, particularly in an area that was, right from the very beginning, controversial with respect to the economic viability.

MR. PARSONS: There could be. I don't know whether. . . to my knowledge they had never met in the past with the . . .

MR. SPIVAK: No, it was something that was formed, I believe, after . . .

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

MR. SPIVAK: Well I think . . .

MR. CHAIRMAN: . . . you can direct that question in the House . . .

MR. SPIVAK: . . . in the House with the Minister and with the government. I want to now clearly understand the facts, and in fact whether they are this. Did the board, did its chairman in any way either deal with the report or meet with the members of the Economic Advisory Board who recommended that in terms of industrial enterprises of Manitoba . . .

MR. CHAIRMAN: Well, Mr. Spivak, that question was asked by Mr. McGill earlier, you might have been out at the time. Mr. McGill did bring that matter up, and the chairman indicated he was not aware of that report and hadn't read it, so I don't know what you are trying to lead up to now.

MR. SPIVAK: I think I can lead . . . that particular report was mentioned in this committee, either in the year 1970 or in 1971. . .

MR. PARSONS: Well I was not chairman then, they may have met with. . . I don't know. But if you're asking me, since I have been chairman, the MDC board directors have not met with the EDAB Board.

MR. CHAIRMAN: Any further questions? Mr. Spivak.

MR. SPIVAK: Well, do you see any similarity, Mr. Parsons, between the history of Saunders and the history of Flyer with respect to the MDCs involvement and government involvement; do you see a similarity or are they different? I mean I know they're different as far as buses and planes, I'm not suggesting that.

MR. PARSONS: Well, they're quite a bit different. Yes, they're different. They're both problems but they're different types of problems.

MR. SPIVAK: Where do you see the difference between Saunders and Flyer?

MR. PARSONS: Well there's a lot of difference between building and getting a plant certified than building a bus.

MR. SPIVAK: No, I understand that but in terms of the working relationship between MDC, its control over what is happening, the ability to make the analysis and determination as to when it is in the public interest to stop rather than continue to pour in money, do you not think that there's a similarity between the two?

MR. PARSONS: No, not in that regard, no.

MR. SPIVAK: Yet the results are going to appear to be very similar.

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

MR. GREEN: I think it is unfair to have a debate as to the results of Flyer. Flyer is an operating company and we are hoping that it will continue to operate, and I don't think that Mr. Spivak should be premature about suggesting what the results of Flyer is going to be. I mean he may be right, he may be wrong, but the fact is that Flyer is operating; that it is operating under Part I of the MDC Act and they are continuing to deal with the company.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: The similarity between Flyer and Saunders I think could be summed up in this. There was a continuation of \$250,000 part maintenance that has to be undertaken for the next 10 years to live up to the obligations with respect to Saunders, and it would appear to me that Flyer is continuing because we have to live up to the obligations of firm contracts that have been guaranteed by the government, so that in effect we have a very similar situation. We have obligations that have to be met and therefore money has to be spent towards those obligations. But in reality we are losing money in all of these situations as we fulfill those obligations. I think that similarity is there.

MR. CHAIRMAN: That is a debate, Mr. Spivak, I'm sure you'll find another opportunity to bring up. Hearing no more questions we shall go on to Sheller-Globe Manitoba Limited for the year ended September 30th, 1975. Mr. Parsons, do you have any opening remarks on it?

MR. BANMAN: Mr. Chairman.

MR. CHAIRMAN: Yes, Mr. Banman.

MR. BANMAN: I have just one final observation maybe towards the end of Saunders or have we got past that now?

MR. CHAIRMAN: Well, do you have any . . .

MR. BANMAN: Well a while ago if my memory serves me right, the Minister of Mines mentioned in a speech, we were talking about the different corporations owned and the different manufacturing that was going on and the Minister of Mines mentioned that maybe one way to create employment and keep things going is the self-destructing thing in very many things and maybe in order to save Saunders a lot of money from further parts obligation and stuff maybe we should follow the line of thinking that maybe we should fly them up remote and then shoot them down, it might save the Manitoba taxpayer a lot of money.

MR. CHAIRMAN: Thank you. Let's go on to Sheller-Globe Manitoba Limited's financial statement September 30, 1975. Mr. Parsons.

MR. PARSONS: Sheller-Globe is the old facility in Morris, Manitoba that was Flyer Industries. The Manitoba Development Corporation has retained 10 percent increase in this company. Sheller-Globe were the original ones that we used to buy the parts from. They have expanded the sales by force feeding buses in here, that they are shipping both east and south from Morris. You can see from the sales figure in their statement it's jumped about \$2 million. It's now in a profitable position and employing 40 to 50 people in the community.

MR. CHAIRMAN: Mr. Banman.

MR. BANMAN: Thank you, Mr. Chairman. I wonder if Mr. Parsons could tell us the total production for that particular plant in 1975.

MR. PARSONS: The number of buses?

MR. BANMAN: Yes, the number of buses produced.

MR. PARSONS: No, I haven't got those figures. We can get them for you very easily.

MR. BANMAN: Okay. I'd also like to know if you could find out the total number of buses sold in the Province of Manitoba to the Department of Education.

MR. PARSONS: You know we only own 10 percent in this company and I'm a little disturbed at having given you out this . . . because it's a highly competitive business and you know they're doing fairly well, we really shouldn't disclose too much that can be of benefit to their competitors. I don't want to go into details in the sales figures particularly and how much they're selling the buses for or how many. They don't want that particularly known to a group or . . .

MR. GREEN: . . . indication of the problem for the company.

MR. PARSON: It is.

MR. GREEN: It's been largely solicited from our own company but not from this one.

MR. CHAIRMAN: Mr. Banman.

MR. BANMAN: Yes, I appreciate that, Mr. Chairman. I just want to point out if the new Corporation Act goes through this company has got over \$2 million worth of sales and thereby they'd have to file a report with the company's director anyway.

MR. PARSONS: Well they will, they don't have to file that kind of information though.

MR. BANMAN: Yes. As far as the handling of the particular bids in the Province of Manitoba, does Sheller-Globe receive preferential treatment over any other companies from outside of Manitoba?

MR. PARSONS: Not to my knowledge.

MR. BANMAN: They don't?

MR. PARSONS: They never did before when we had it.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: I really am not able to answer the question, but the Minister who is in charge of the purchasing agency department would have to answer. I don't know whether Mr. Parsons is right or not.

MR. PARSONS: I don't know either. They were tendered previously.

MR. BANMAN: Well that's the question I wanted to know is if they were receiving preferential treatment and if not I guess we'll have to ask the Minister in charge of purchasing. Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: Well, Mr. Chairman, despite the caveat of not giving out information that would weaken their position with regard to competition, I think it would be important to know what percentage of the total sales volume goes to the Province of Manitoba.

MR. PARSONS: All right. I'll get you that. It's not very high.

MR. CRAIK: It's not very high?

MR. PARSONS: No.

MR. CRAIK: Well the other question Mr. Banman raises is that with regards to purchases by the Manitoba Government, and if the procedures are still the same as they were a year or two ago the Manitoba Government buys exclusively these buses, there are no other buses other than these ones purchased by the Province of Manitoba.

MR. PARSONS: Well then they may not be, it's still a competitive bid.

MR. CRAIK: All right. You know more about it than I do. I know they used to tender on them. It may be competitive to the extent that if they meet certain requirements as laid out by the Province of Manitoba, they can bid, but the requirements are such and the testing program such that it pretty well narrows it down to one bidder and that's this group. You'd be better off if you had no tenders, at least you'd be facing the thing head-on. This has been a major complaint by other companies, is that they have not been allowed to tender on a fair and open basis. In fact companies such as Luberg(?) that were very large in here back four or five years ago I don't think are probably here at all now in terms of selling buses to school divisions.

MR. PARSONS: I don't know.

MR. CRAIK: Where can we get this information? Would you provide that with information on the percentage of sales to the province?

MR. CHAIRMAN: Mr. Green.

MR. PARSONS: I can't give you any information on the purchasing but I can give you the information of the percentage of buses sold here in Manitoba.

MR. GREEN: The honourable member would have to get that from government sources that are responsible for the tender.

MR. PARSONS: Yes, we're not involved in that at all.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Mr. Chairman, I wonder if Mr. Parsons could advise of the 10 percent equity that MDC holds in the company, is there an option in there that MDC can purchase additional equity from Sheller-Globe or is there an option in there that Sheller-Globe can buy MDC out if something should happen.

MR. PARSONS: No, I don't think the option goes either way. We've made the deal with them; they asked us to stay in for 10 percent and I would have to check the agreement. I don't think there's an option either way. There wasn't to my knowledge.

MR. MINAKER: Has Sheller-Globe approached MDC to purchase back their equity?

MR. PARSONS: No.

MR. CHAIRMAN: Well that's the end of the questions on Sheller-Globe Limited, Financial Statement September 30, 1975.

We shall go on to Tantalum Mining Corporation of Canada Limited, Financial Statement for the year ended December 31, 1975. Mr. Parsons.

MR. PARSONS: Thank you. Our Tantalum Mining Corporation, MDC has 25 percent of the shares. There is a partner, Kawecki Beryclo Industries of the U.S. own 24.9 percent; International Chemalloy of Toronto own 50.1. Tantalum's net income in 1975 was \$367,800 and that compared to a loss of \$411,574. It resulted mainly from an improvement in the selling price of the tantalite in 1975 and a continuation of the efficiency controls over the production and direct mining expenses incurred at the Bernic Lake mine site.

We are carrying through a pilot plant study now, in 1976, to study the feasibility of setting up production facilities to chemically produce lithium carbonate. Actually there's been some exploration take place this year as I stated the pilot plant is now being built, we will be processing it allowing us to carry through with a proper feasibility study. Are there any questions?

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Mr. Chairman, I wonder, Mr. Parsons, can you advise if MDC has approached the other shareholders to purchase them out?

MR. PARSONS: No, we have not.

MR. MINAKER: Have they contemplated doing that?

MR. PARSONS: Yes.

MR. MINAKER: Can I ask why the approach has not been made?

MR. PARSONS: At the present time we don't feel it's necessary.

MR. MINAKER: So that no formal approach has been made to the other shareholders.

MR. PARSONS: I presume when you're talking about the other shareholders you're talking about International Chemalloy?

MR. MINAKER: Well we've been talking about Kawecki and International Chemalloy of Toronto.

MR. PARSONS: No, we have not discussed with Kawecki buying them out. We have within ourselves discussed. There may be a possibility of looking at International Chemalloy's shares.

MR. MINAKER: But no informal or formal approaches have been made?

MR. PARSONS: No.

MR. MINAKER: That's all.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: I wonder if I can just deal with the statement first and then there'll be questions as well afterwards. On the statement itself, I note that there is a lawsuit, I guess, between Goldfield Corporation and Tanco. Is that correct?

MR. PARSONS: Yes.

MR. SPIVAK: And that lawsuit hasn't been settled?

MR. PARSONS: No.

MR. SPIVAK: They are claiming \$684,000, \$39,200 was garnisheed by them.

MR. PARSONS: Yes.

MR. SPIVAK: There is no contingency for payment of a lawsuit if you lose a lawsuit, in your statement.

MR. PARSONS: No.

MR. SPIVAK: And in effect if you did lose the lawsuit then you would not have a profit as claimed.

MR. PARSONS: Well really that's . . .

MR. SPIVAK: Well, you know, it's a contingency. I recognize that you claim no liability and I don't know the details of it.

MR. PARSONS: It's not really an expense, it's an extraordinary loss if we had that.

MR. SPIVAK: But Goldfield's claim is that in effect they had to guarantee an obligation to the company and had to pay and are now suing for the guarantee that they had to undertake.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Chairman, I don't have a point of order, I just want to inquire of the member. I think the answer was that it might not be an expense, it may be a long term liability in which case it would not reverse to profit but it would be amortized.

MR. PARSONS: In any case, regardless of how it's settled, it wouldn't show as part of the profit-loss, it would show as an extraordinary expense and show as a liability and it would show as a . . .

MR. SPIVAK: Can you tell me what the claim is in Goldfield's claim? What obligation do they have to pay?

MR. PARSONS: What obligation?

MR. SPIVAK: Yes. They had to guarantee an obligation. What was the obligation that they had . . . ?

MR. PARSONS: Oh that goes back in the original settlement. Tantalum's position is that it was in the original \$7 million settlement and, you know, I can't make any comment on this. There has been an Examination for Discovery has been done now and I don't wish to comment on it.

MR. SPIVAK: All right, that's fine. Yes, it's a liability.

MR. PARSONS: It's a contingent liability at this point.

MR. SPIVAK: With respect to the pilot project that is being undertaken, is that coming entirely within Tanco's resources?

MR. PARSONS: Yes.

MR. SPIVAK: No assistance from the government at all?

MR. PARSONS: No.

MR. SPIVAK: Or from any of the shareholders, sharehold companies?

MR. PARSONS: Well the pilot study is being carried out by Kawecky Berylco and it's been carried out in Boyartown, N.Y. because they had a lot of equipment there that we could use, that we don't have to buy by putting the pilot plant there, so when you say assistance by shareholders, yes, they are providing some facilities that we won't have to . . .

MR. SPIVAK: Are they charging for that?

MR. PARSONS: No.

MR. SPIVAK: Okay. Can you tell me in terms of your product sales how much percentage-wise do you sell through Kawecky, or to Kawecky directly, from Tantalum, of the products that are produced.

MR. PARSONS: Well it's sold through our . . . just to get it straight, it's sold through Resources Trading which are our sales agents, they sell it to Kawecky.

MR. SPIVAK: Who is Resources Trading?

MR. PARSONS: They're our sales agents.

MR. SPIVAK: Yes, but who are they?

MR. PARSONS: Well there's Herman Becker-Fleugal who has always been the sales agent for Tanco, he owns the company and he gets paid a percentage for sales.

MR. SPIVAK: Is he involved in Chemalloy or Kawecky, he or the associates?

MR. PARSONS: No.

MR. SPIVAK: Oh, the principals involved are not?

MR. PARSONS: No, he's always been a sales agent for . . . Not always, he has been for the last five or six years.

MR. SPIVAK: So you sell through them and they sell to Kawecky, Kawecky is one of the . . .

MR. PARSONS: He sells it direct as a sales agent, he gets a percentage for

(MR. PARSONS cont'd) selling and collecting and paying us. Kawecki Berylco are one of his customers and they take roughly 50 percent of the production of the mine.

MR. SPIVAK: At the time Kawecki bought into the company was there an understanding that part of Tantalum's outfit would in fact be sold to them?

MR. PARSONS: No. That was before they bought in. We already had a five year contract with KBI before they got involved as a shareholder.

MR. SPIVAK: All right. So in effect that contract still is in existence I suppose.

MR. PARSONS: Yes.

MR. SPIVAK: That sets a floor price then, is that right?

MR. PARSONS: Yes.

MR. SPIVAK: Do we sell at a higher price or do we sell just at the floor price?

MR. PARSONS: We sold our contract price to KBI, the other which I say is for 200,000 pounds, they do have an option to buy higher, if the market price is higher they pay market price.

MR. SPIVAK: Well let me understand. You still sell direct to Kawecki not through the agent?

MR. PARSONS: No, no the whole contract all goes through him.

MR. SPIVAK: And he gets a commission. What would the commission amount to . . .

MR. PARSONS: About five percent.

MR. SPIVAK: What would that amount to in dollars in a year?

MR. PARSONS: I don't know if it shows on here or not.

MR. SPIVAK: That would be about \$200,000 - well you've got freight. \$200,000.

MR. PARSONS: International Chemalloy does not in any way get any commission for any of the sales of Tantalum, is that correct?

MR. PARSONS: No.

MR. SPIVAK: Does David Winchell or his associates or any of his companies receive any commission whatsoever for any of the sales of a product of . . .

MR. PARSONS: Cesium, yes.

MR. SPIVAK: For Cesium.

MR. PARSONS: Yes. Mind you there's very little of that sold.

MR. SPIVAK: Can I understand what contractual arrangements are on that?

MR. PARSONS: Yes. International Chemalloy get 20 percent of the value of the cesium sold, 20 or 25 percent, that goes to them direct.

MR. SPIVAK: That contractual arrangement existed between Chemalloy and Tantalum before or was that an arrangement that was made . . .

MR. PARSONS: That was before.

MR. SPIVAK: Before the government bought in? So this is just a continuation of that, that's 20 percent of cesium. In terms of percentage of sales of the 4 million, how much would that be, very small you said?

MR. PARSONS: Less than one percent. I think there is a total of about 40,000 in cesium sold last year.

MR. SPIVAK: What is the potential as far as cesium is concerned?

MR. PARSONS: I don't know. It's been talked about and written up the last five years, but really . . .

MR. SPIVAK: If in fact cesium is in demand and the sales are substantial, is 20 percent not a very high premium to pay?

MR. PARSONS: Yes it is.

MR. SPIVAK: Have negotiations commenced to try and alter that?

MR. PARSONS: No. I don't know whether they can be altered, it's in there as a contract, they took that as . . . you see there's another 25 percent goes to Goldfield to reduce their cesium debenture as well.

MR. SPIVAK: Cesium royalty, I'm sorry, is shown as 60,500 as far as an expense - 60,000. Well if cesium royalty was 20 . . .

MR. PARSONS: It's 50 percent . . .

MR. SPIVAK: I'm sorry?

MR. PARSONS: It's about 50 percent; 25 goes on the cesium debenture note of \$2 million and the other 25 percent goes to International Chemalloy.

MR. SPIVAK: So in effect 50 percent of the sale of cesium then will go basically on royalties?

MR. PARSONS: Yes.

MR. SPIVAK: Not 25?

MR. PARSONS: Oh, I said there was 25 each, although there's a top limit of \$2 million on the one, on the debenture, so eventually it will be paid out and that would only leave the one royalty.

MR. SPIVAK: Okay. Is that to International Chemalloy or is that to Winchell and his companies?

MR. PARSONS: I believe that contract is with International Chemalloy. It was with Chemalloy and the name was changed you know.

MR. SPIVAK: Yes, but it was not with Winchell . . .

MR. PARSONS: It wasn't with David Winchell and Company, no.

MR. SPIVAK: Okay. Can I ask, just on the statement before I go onto the next series of questions because I want . . . You indicate examination of main property expense \$37,700, is that Maine in the United States?

MR. PARSONS: I'm sorry . . . Oh, yes, the Maine property?

MR. SPIVAK: Yes. Was that a property held before by Tantalum?

MR. PARSONS: Yes and we just - pardon me. Tantalum had an option on that property and we had to do so much work.

MR. SPIVAK: Okay. So \$37,700 was spent on that. I'll come back to that in one moment. I'm not sure I can pronounce it but it's a Quebec property, there was \$34,500 that was spent and on the asset side it appears that the asset was wiped out for this . . .

MR. PARSONS: That's correct, both those were.

MR. SPIVAK: Does that mean that that's finished?

MR. PARSONS: Yes.

MR. SPIVAK: All right. And that was again a property that was in Tantalum prior to your entering into the . . . The Maine property, can you indicate at this point what its future prospects are?

MR. PARSONS: What are the future prospects . . . at the Bernic Lake properties?

MR. SPIVAK: No, the Maine property.

MR. PARSONS: The Maine?

MR. SPIVAK: Yes.

MR. PARSONS: The State of Maine?

MR. SPIVAK: Yes.

MR. PARSONS: It's cancelled out completely.

MR. SPIVAK: So that's been written off.

MR. PARSONS: That's written off, yes.

MR. SPIVAK: So in effect you then really have no interest other than in Manitoba, is that correct?

MR. PARSONS: That's correct.

MR. SPIVAK: I see, and both of them proved - were they sold off or just written off?

MR. PARSONS: No, no, we were committed to spend so much exploration there and if we wanted to continue them then the following year it was about double and triple and the properties weren't proving out so they were let go.

MR. SPIVAK: Okay. Mr. Parsons, you were present at the recent shareholders' meeting in Toronto of Chemalloy, really as an observer?

MR. PARSONS: Yes.

MR. SPIVAK: May I ask, did you attend that at the request of the government, on your own volition or at the request of any of the principals of Chemalloy?

MR. PARSONS: I was there on my own volition. I don't think that they even knew I was going. I didn't advertise it.

MR. SPIVAK: Did you understand what was happening there?

MR. PARSONS: Yes.

MR. SPIVAK: That's pretty good, I'm glad someone did.

MR. PARSONS: It's a horrendous mess.

MR. SPIVAK: No, I appreciate . . . I have a reason for this.

MR. PARSONS: I went down there to observe, yes.

MR. SPIVAK: May I ask what your concerns were at the time that motivated you to go?

MR. PARSONS: I was very interested to see how it was going to go. As MDC and being a 25 percent shareholder in Tantalum we're quite anxious to see it cleaned up one way or the other so that we can progress. It's not holding up our operation at all for this year but by late fall of '76 or spring of '77 we've got to know whether we're going to move ahead with the lithium project and we will have to know who our other 50.1 percent partners are.

MR. SPIVAK: Why?

MR. PARSONS: Because we're going to require financing and under their present situation the receiver wouldn't finance it for the number of dollars we're talking about.

MR. SPIVAK: Well, the financing is going to come from where?

MR. PARSONS: Could be from outside, could be from the shareholders, probably a combination.

MR. SPIVAK: All right. Have you sat down with Kawecki and talked about the lithium plant?

MR. PARSONS: Yes.

MR. SPIVAK: And who have you sat down and talked with Chemalloy? With David Winchell?

MR. PARSONS: We've talked to the receiver.

MR. SPIVAK: Only with the receiver?

MR. PARSONS: Of course Winchell was involved before so he knows what the problems were.

MR. SPIVAK: You've talked to Dr. Briant since he's become President?

MR. PARSONS: No.

MR. SPIVAK: You haven't at all?

MR. PARSONS: No.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Parsons is going to get stuck with an answer which will not mean what he said. He's asked whether he talked to Briant. He meant talked with regard to this deal because Mr. Parsons did find out from Mr. Briant for me . . .

MR. PARSONS: Oh, we're talking about the lithium plant.

MR. SPIVAK: Yes, I'm talking about the lithium plant.

MR. GREEN: If you look at the record, and this is what you've done in the past, you will see a question, "Did you talk to Dr. Briant?" Answer: "No." And you will then be able to prove that he did talk to Dr. Briant and you accuse him of perjury and this is what bothers me. You have done that before, Sir. You did it before.

MR. SPIVAK: No, no . . .

MR. PARSONS: I'm sorry, I was referring to the lithium plant.

MR. SPIVAK: Mr. Parsons have you talked to the Del Zotto group at all about the possible investment in the lithium mine?

MR. PARSONS: Talked to the Del Zotto group . . . Yes, talked to both of them.

MR. SPIVAK: You have talked to them?

MR. PARSONS: Yes.

MR. SPIVAK: Is there any concern on your part that in the settlement of who in fact may be the principals of Chemalloy or the principle owners or in control of Chemalloy, that they may very well be people with whom the MDC or even the government may not want to deal? Has that ever entered in . . .

MR. PARSONS: Yes, that possibility is . . .

MR. SPIVAK: Has that been discussed by the Board of MDC?

MR. PARSONS: No.

MR. SPIVAK: Have your activities been discussed with the MDC Board at all, your attendance at the meetings?

MR. PARSONS: Yes, I reported that.

MR. SPIVAK: You did report that? Can I ask, in terms of the capital requirements for the lithium plant, what global figure are we looking at?

MR. PARSONS: Between 15 and 20 million dollars for - let me clarify that. That's for the mine development and the building of the chemical plant and for financing it. There's a lot of underground work to be done within the mine and the milling as well as building a chemical plant.

MR. SPIVAK: If the shareholders were asked to put up the money would it be in proportion to the shares that they own, is that the principle upon which you would go?

MR. PARSONS: I would presume so, yes.

MR. SPIVAK: Has that been discussed?

MR. PARSONS: Yes.

MR. SPIVAK: And who do you discuss that with at Chemalloy?

MR. PARSONS: Well both with Winchell prior to going into receivership and we discussed it with Del Zotto's, who are the debenture holders. They're not really shareholders.

MR. SPIVAK: Well, you discussed it with Del Zotto. Then in effect are you prepared, if the Del Zotto group are held to being controlled or do in fact get control of the International Chemalloy to proceed?

MR. PARSONS: I can't answer that at this point.

MR. SPIVAK: How many discussions did you have with the Del Zotto group?

MR. PARSONS: One. One meeting.

MR. SPIVAK: And did you report back to your board of directors?

MR. PARSONS: Yes. Two of the directors were with me at that meeting.

MR. SPIVAK: I see. When did that meeting take place?

MR. PARSONS: About a year ago. Right after the receivership started.

MR. SPIVAK: And there's been no communication with them? If the Del Zotto group do in fact get control, do you consider that the board will be prepared to proceed with . . .

MR. PARSONS: I can't answer that. I don't know.

MR. SPIVAK: I'd like to, if I may, go back to the period of time because I want this sort of clarified on the record and I think it has been, I think you're the one who communicated. At the time that the purchase of the shares took place with the government, the government's involvement, was there any indication at all or was there any confirmation that neither Dr. Briant nor Nicholas Matossian were involved as shareholders of Chemalloy?

MR. PARSONS: I was on the MDC board. I don't recall any discussion about it. I have since asked Dr. Briant and he indicated that he was not a shareholder in International Chemalloy. And neither was Nicholas Matossian.

MR. SPIVAK: Dr. Briant indicated that to you for both?

MR. PARSONS: Yes.

MR. SPIVAK: I see. Do you know how Mr. Winchell came to Mr. Green's office?

MR. PARSONS: In a cab? I don't know. I have no idea.

MR. SPIVAK: Because I don't think Mr. Green knows how he . . .

MR. PARSONS: He didn't take a Flyer bus.

MR. GREEN: No, I can't remember how Mr. Winchell came in. But I know that Dr. Briant was the Chairman of the MDC board at the time. I remember Mr. Winchell at my office, I remember discussing this matter, Mr. Fleugal and Mr. Winchell and several others.

MR. PARSONS: Peter Howe was there too. They came to your office with, well . . .

MR. GREEN: I sent them to the MDC, that's my recollection.

MR. PARSONS: Yes.

MR. GREEN: I've been jolted as to my memory on that question, it's four years ago, but my recollection is that they came to me and I sent them to the MDC.

MR. SPIVAK: You gave an answer I guess to Mr. Minaker that there had been consideration of a possible purchase of International Chemalloy's interest which is a 50 percent interest. I'm not saying that you made an offer, but that that discussion had taken place, the possibility of purchasing their interest.

MR. PARSONS: Yes.

MR. SPIVAK: Is that recent or . . .

MR. PARSONS: I discussed it within the last six months with the . . . we basically talked about share price with the receiver, what he thought the valuation might be.

MR. SPIVAK: What motivated you to do that?

MR. PARSONS: Because I wanted to look at the possibility in case it came up.

MR. SPIVAK: But why would it come up?

MR. PARSONS: Well if this is going to be tied up in receivership for the next six years, and I have no idea how long it's going to be tied up, and nobody can give us a good idea. A year ago they said it would be wrapped up in six months. The way it's going on and the involvement involved in it, it could go on for years, and if it does that then we have to take a look at some way of operating it.

MR. SPIVAK: When you met with the Del Zotto group were you aware that it had been alleged that they had links directly with the Mafia?

MR. PARSONS: No.

MR. SPIVAK: Not at all. Has that matter been discussed at all by your Board?

MR. PARSONS: No.

MR. SPIVAK: Do you not consider that that's a matter to be discussed?

MR. PARSONS: It could be, if the time ever came up.

MR. SPIVAK: Well, but let's look at your timing. You're saying that by next year . . .

MR. PARSONS: I'm sure that my discussing it with the Board it would only be allegations on what has been written.

MR. SPIVAK: Allegations by what's been written?

MR. PARSONS: Well it was written in the paper that there was some . . .

MR. SPIVAK: No, there's a report, there's a report of the construction industry in Toronto that is out that makes those allegations, not as far as I know what's been written here.

MR. PARSONS: I see allegations made that some of the Winchell group are too.

MR. SPIVAK: Yes. I assume you saw the letters that Winchell sent to the shareholders in which there was allegations, but he was basically quoting the report of the construction industry. Now I want to understand the timing on this. You're suggesting that by next year you more or less have to know what we're going to do, where you're going to be going with respect to the Lithium mine, because it should start onstream at least at that point, is that correct?

MR. PARSONS: Not onstream but . . .

MR. SPIVAK: Onstream in terms of starting, I'm not saying it will be completed.

MR. PARSONS: All right, yes. We should be starting . . .

MR. SPIVAK: Do you have a year or do you have less than a year?

MR. PARSONS: Maybe a year. We've got to finish our feasibility study after we finish the plant study.

MR. SPIVAK: Have you any preliminary report on that at this point?

MR. PARSONS: Preliminary report on the time study?

MR. SPIVAK: Yes.

MR. PARSONS: Well it's being constructed.

MR. SPIVAK: And the feasibility study?

MR. PARSONS: The plant study should be through by October, it will probably be the end of the year before we get the marketing feasibility study done. That is our planning right now and it's on line.

MR. SPIVAK: Would you agree then that the Board should not proceed until the matter is resolved as to who the shareholders are in the International Chemalloy, not the shareholders, who have control of International Chemalloy till the receivership is involved and till you know who you're going to be dealing with?

MR. PARSONS: I'm sorry, I didn't get the first part of your question. Are you saying . . .

MR. SPIVAK: Do you agree that the decision with respect to proceeding, because obviously you're talking about within a year . . .

MR. PARSONS: Yes.

MR. SPIVAK: . . . should not be made until you know with whom you're going to be dealing with as far as Chemalloy?

MR. PARSONS: Oh, we'll probably have to, before we can make a firm decision, which will have to be by next spring and I think that's what I indicated, we would have to know who the other 50 percent shareholders are.

MR. SPIVAK: But if in fact the conflicting shareholders or the competing shareholders come to some agreement with respect to their interests and resolve their disputes so that in effect they have sort of joined together, will that satisfy the board as far as proceeding with the Del Zotto group being at least half in control if not in complete control?

MR. PARSONS: I don't know. We haven't discussed that.

MR. SPIVAK: Is the money to be advanced to come from Chemalloy or from the individual shareholders of Chemalloy, that is is the Del Zotto group going to be advancing the money themselves through their own interest if they were to advance it? Is Winchell to advance it through other resources?

MR. PARSONS: I can't answer that.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: We are discussing entirely speculative things as to what may or may not happen, and really, why is our share, the 15 percent share, have to be committed - or 25 percent - have to be committed in writing or indicated as to what we will do when this is not required of the other shareholders? What the MDC is required to do is to protect our 25 percent and it infringes on their proper view if they're supposed to say everything that they will do in the event of contingencies which may or may not happen. I think that it is really me who wishes to now say that I am worried about our position vis-a-vis the other shareholders by disclosing our hands. I don't see why we have to do it.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Mr. Chairman, I accept what Mr. Green says and I don't think that I quarrel with that as much as he would think that I would. The problem I have at this point is that we face a situation in which the . . . it's not just a question of protection of the public's interest, there is the possibility and the probability of a further investment to be made and because that's always . . . well as long as I know it's been discussed in the last few years and it's coming to fruition. Having said that, we then face the situation where I really want to know whether the MDC at this point is prepared to proceed, if the matter is settled, no matter who the principals of Chemalloy will be or whether there will be consideration of dealing with the principals and also where the money the principals were to advance was to come from. You know that's pretty basic because of the allegations that have been made and because of the report on the construction industry and because of the people involved. I think that that's a valid question to be asked and I put it on the record so that in the event that the Chairman is not in a position to answer now, simply because he doesn't know, that it will be on the record because that question is I think one that's pretty pertinent in terms of public policy in the province.

MR. PARSONS: Mr. Chairman, as stated before, we did take a look at this.

MR. GREEN: I did answer this in the House. I indicated that if there was ever a problem by virtue of the mix-up in the other way, which I am not told that there is, and which I'm assured by our lawyers there is not, but if it comes to the point that there is a problem and the receiver is not able to act then the Manitoba Government will do what it has to do to see to it that we can safely make our investment.

MR. SPIVAK: That's not the question that I put, Mr. Chairman. It's a very different question. The question I put is as to whether the Board itself will in fact consider the principals who are in control of International Chemalloy and the sources on which the money may be forthcoming for --(Interjection)-- Well, you know, I understand that, and that's a blanket kind of thing, but I think that it's more serious than that and I think that there is a need for some indication of policy position. I don't say a commitment but some indication of policy . . .

MR. PARSONS: We have, as I stated before, and I'll say it again, we are looking at these, and that's as far as I'm prepared to say at this time. We are looking at

(MR. PARSONS cont'd) the principals, who the principals will be and how they will be doing their financing.

MR. SPIVAK: Mr. Parsons, about, I guess, 4 percent of Chemalloy would be owned by Manitoba people . . .

MR. PARSONS: Correct.

MR. SPIVAK: . . . or there's a group who control about 4 percent of International Chemalloy for Manitoba, and I believe that their purchase of shares took place after or about the same time that Manitoba purchased this 1,500,000. --(Interjection)-- Well this is the concern I have as to whether there was really confidence in what was happening or whether there was something else that may have been involved. Are you aware of this at all?

MR. PARSONS: Yes. I listened to that at the shareholders meeting. I didn't know it till then.

MR. SPIVAK: You weren't aware until the shareholders meeting?

MR. PARSONS: One of the representatives of the shareholders made the statement that Manitobans owned about 4 percent of the Chemalloy.

MR. SPIVAK: There was never any discussion between officers, officials of the Manitoba Development Corporation, any group of people . . .

MR. PARSONS: No.

MR. SPIVAK: . . . of Manitoba who became shareholders, to your knowledge?

MR. PARSONS: I have had various concerned shareholders of Chemalloy phone me and ask me what's happening but we are not shareholders in Chemalloy.

MR. SPIVAK: No, I appreciate that but my concern at this . . .

MR. PARSONS: I have never had a meeting with a group of shareholders . . .

MR. SPIVAK: Nor any indication that in any way any officials of the Manitoba Development Corporation were in any way involved in . . . ?

MR. PARSONS: No.

MR. SPIVAK: All right.

MR. CHAIRMAN: Thank you. There are no further questions? Mr. McGill.

MR. MCGILL: Mr. Parsons, I wonder, in the discussions with the Del Zotto group, was Mr. Rod McIsaac of Great Northern Capital involved in the discussions in any way?

MR. PARSONS: There was no . . .

MR. MCGILL: Okay.

MR. CHAIRMAN: That finishes Tantalum Mining Corporation of Canada Limited for the year ended December 31, 1975. Go to Venture Tours Limited for the year ended October 31, 1975. Mr. Parsons.

MR. PARSONS: There has been no change in the equity since last year. The company has authorized capital stock of 1,500,000 common shares. Equity and loans are as listed on your Equity Investment Account Information Report. The Company operates the M.S. Lord Selkirk. Basically this statement shows a loss, there was quite a drop-off in the number of passengers we carried, basically through the recession in the United States there was several tours cancelled. 1974, if you remember, we had about 89 percent occupancy, we had 20 percent increase in fees which may have had some bearing on it but we believe the biggest majority was probably the recession that took place in the States, we certainly did not get the number of tourists that we had expected. This year the bookings at this particular point are away ahead of last year, but there again, a lot of them are subject to cancellation.

I made the statement last year, even if we operate this well, efficiently, it's not going to do much more than break even. We did that in 1974, we feel that our rate structure is about as high as we can get it and still operate but we don't feel that this company will ever make any money and our MDC Board are probably going to take a look at this and recommend to the government maybe it should be taken over. It is a tourist attraction, it's got input in that regard, but businesswise we can't see a return on capital. Are there any questions on the statement?

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Mr. Chairman, I wonder if Mr. Parsons can advise on the Assets and Liability Sheet on Exhibit A, it shows an Accounts Receivable of \$116,139.

(MR. MINAKER cont'd) Is that costs that were incurred by Venture Manitoba Tours Ltd. in the development of the hotel on Gull Harbour?

MR. PARSONS: No. Not in total.

MR. MINAKER: Is part of it?

MR. PARSONS: It could be partly.

MR. MINAKER: Do you know how much of it is?

MR. PARSONS: No.

MR. MINAKER: I think the detail at the back indicates . . . pertaining to Gull Harbour resort project.

MR. PARSONS: I would say the majority of it was Gull Harbour, that is operating . . .

MR. MINAKER: . . . in buying the resort?

MR. PARSONS: Yes, that's not coming back to us, it's not being paid.

MR. GREEN: Where is that figure?

MR. PARSONS: It's in the Accounts Receivable, it shows as Manitoba Development Corporation \$116,000. We were doing a development for Gull Harbour and charging, . . . Venture was charging us, we were charging . . .

MR. MINAKER: I understand, talking with the Minister of Tourism that their Department took over this project entirely.

MR. PARSONS: That's correct. The MDC have no interest in it, no equity investment and neither do Venture Manitoba. Venture Manitoba has undertaken a management contract to run the hotel.

MR. MINAKER: Is that Accounts Receivable still on the books or has been paid by the . . . ?

MR. PARSONS: I think that Venture Manitoba got the biggest portion of it right after the year-end. --(Interjection)-- No, I think it's all been cleaned up now.

MR. MINAKER: Under Exhibit B, just as an explanation for myself, it lists Excess of book value of M.S. Venture North over sale proceeds.

MR. PARSONS: That was a small tender ship we had. It was a small boat we had. We had to supply two last year, when the lake was exceptionally high we unloaded into the tender boat to go into Gull Harbour. We don't need that now.

MR. MINAKER: And you over-estimated what the sales proceeds would be from it or . . .

MR. PARSONS: No, we sold it for a loss, that's all.

MR. MINAKER: Was that tendered?

MR. PARSONS: Yes.

MR. MINAKER: I wonder, Mr. Parsons, has anybody offered to purchase Venture or the M.S. North?

MR. PARSONS: No.

MR. MINAKER: No recent offers to purchase it?

MR. PARSONS: No.

MR. MINAKER: Is there any contemplation of possibly selling it to private enterprise if they were interested in buying it?

MR. PARSONS: Yes.

MR. MINAKER: I just understood that there was interested parties at one time, interested in purchasing it to dry dock it over the winter period of time.

MR. PARSONS: To dry dock it? There may have been. I've never had an offer.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Parsons, this boat at the present time serves how many passengers over a summer season, approximately.

MR. PARSONS: Oh, 2,500, maybe. I don't know.

MR. GREEN: 2,500?

MR. PARSONS: Yes.

MR. GREEN: What percentage of that would be from out of town tourists, out of the province tourists?

MR. PARSONS: Maybe 750.

MR. GREEN: About one-third?

MR. PARSONS: Yes.

MR. GREEN: My understanding is that the Bluenose in Nova Scotia operates on, not a profit and loss sheet, but on a cash flow deficit of - and I hope I'm not going to be unfair to Nova Scotia - but my recollection is about \$300,000. Your cash flow deficit wouldn't be the total of your loss, would it, or would it?

MR. PARSONS: This deficit we're showing here?

MR. GREEN: Yes.

MR. PARSONS: There's no depreciation taken here.

MR. GREEN: I see, so this will be, in effect, the same comparable figure.

MR. PARSONS: Yes. I don't know, I've never seen their figure, but this one does not have depreciation.

MR. GREEN: If their's was a cash flow deficit figure, it would be comparable to them?

MR. PARSONS: Yes.

MR. GREEN: I have had brought to my attention, and therefore I ask you about them. First of all, the staff on this boat is all non-civil servant staff?

MR. PARSONS: That is correct.

MR. GREEN: They are hired in the commercial sector?

MR. PARSONS: Right.

MR. GREEN: And everything that is done is done on a commercial basis. They have no pensions, they have no superannuity, etc.?

MR. PARSONS: No.

MR. GREEN: Now, the other point is, that this is in the hospitality business...

MR. PARSONS: Right.

MR. GREEN: . . . and I have had brought to my attention, and I ask you to deal with them, I have had brought to my attention expenses totalling roughly, perhaps under \$2,500 of expenses vis-a-vis staff which are related to their manner of hiring, the benefits that are conferred, which are not the same that are offered in the Civil Service and which are specifically related to hospitalities. For instance, it has been a custom on this boat, I understand, that where there is place, that staff can have their wives on board.

MR. PARSONS: Yes, those are for the officers, our senior officers are allowed if there's - like at this time of the year, and some of our five-day cruises, if the ship is not full and there is space we've allowed them to take their wives. It's not a big item and it doesn't happen that often. We do keep control of it.

MR. GREEN: Well can you give me the other factors of a similar nature that have been brought to your attention?

MR. PARSONS: Yes, we've allowed our office staff to go on trips at reduced fares. We think this is good PR, our office staff, when I say "our" I'm talking about Venture, not MDC.

MR. GREEN: The Venture Tour office staff can take a reduced trip?

MR. PARSONS: Yes, they can take a reduced trip.

MR. GREEN: As a staff benefit?

MR. PARSONS: Yes, we have a promotional cruise going off right now where we're taking travel agents, and we are paying the shot for that. It's advertising for us with the travel agents and encourages them to sell the trip. This is quite normal. There's a free trip there. We do another thing. The captain hosts people at his table every night, we pay for the liquor for that. The officers also have an allowance for entertaining of \$100 a month. They entertain passengers as well. It amounts to, that particular entertainment factor at list prices came to just about over \$1,200 last year. But that is cleared by the Venture Board, and I know it's been reported on, because it comes outside the administration manual, but this is part of our promotional on the ship and we pick up the tab for that.

MR. GREEN: It's not unusual, in the same sector, to have a Christmas party, I understand that you have a Christmas party for the staff.

MR. PARSONS: No, we didn't. We cut that out last year. We did give them, Venture, we gave them a turkey for a Christmas present. We have had parties in the past, where it costs \$100 - \$150.00.

MR. GREEN: A termination party, or gifts on termination of employment.

MR. PARSONS: We did that with one of our longer time employees last year, and the Captain says he retires this year, then I think we'll probably have a small dinner on board for him.

MR. GREEN: Now, the total that you indicated has been done for this type of thing has been . . . \$2,500.00.

MR. PARSONS: I don't think it's that high.

MR. GREEN: And has your Board discussed these things?

MR. PARSONS: The biggest one is probably the \$1,200 - \$1,300 in the budget for the Captain and his officers' entertainment expense, and that's approved by our Board. The others, you're talking \$100 - \$150, they are all approved by the Board as well. The whole thing I don't think would amount to \$2,000.00.

MR. GREEN: You understand that these are not things that are normally given to government employees?

MR. PARSONS: No.

MR. GREEN: But your Board has reviewed them in the light of what they think is the practice in the industry and has come to the conclusion that they feel that they are satisfactory?

MR. PARSONS: Yes.

MR. CHAIRMAN: Any further questions? Mr. McGill.

MR. MCGILL: Mr. Parsons, in your opening remarks on this statement, you said that the company hasn't much more than perhaps a chance in the future to break even, that it isn't the kind of an operation that's ever going to be profitable, and you said that the Board of MDC, in view of that outlook, were discussing with the government the possibility that it should be taken over. I didn't quite understand how a wholly-owned subsidiary could be taken over.

MR. PARSONS: I didn't say, I'd just like to clear something. We haven't been discussing with the government. The MDC Board each year, for instance, this last year when there was a loss, Venture have to come back to MDC to make up that loss, we've been putting it back into equity. And as businessmen on MDC we can't see that we'll ever draw that back because it's going to be a break-even proposition, even at the best. That is our feeling. So the MDC Board consider what recommendation they should make to the government to handle this because they don't feel that we should keep funding it year after year with no possible returns. The MDC Board are going to bring this up at a special meeting to specifically recommend to the government how it be handled. They have not talked to the government at this time.

MR. MCGILL: What specific recommendations would you make to the government? Do you have in mind a particular department of government that would take over this . . .

MR. PARSONS: Oh, could be under the Department of Tourism, we may recommend the Department of Tourism, it's a good tourist attraction, it attracts a lot of people, even the ones that don't go on it. It's a good tourist attraction, they might treat it like a park and say, there's a \$50,000 pass to the future, we'll put it under the general budget of the Department of Tourism, then it wouldn't come out of MDC capital funds.

MR. MCGILL: So, it would be treated as another tourist attraction for which the department would budget an expense each year?

MR. PARSONS: Right. I just suggested that might be one of the recommendations.

MR. MCGILL: But your point in bringing it up was that as the Chairman of MDC you don't see any future for your company . . .

MR. PARSONS: We don't see any great return on the investment. I mean, we've been running it we feel very efficiently and doing a good job with it, and we made money in '74, a very small amount, and, you know, beyond our control is the United States recession, and we lost about three or four hundred on charters that you can't pick up. This year we hope it will do better. We hope to break even again, maybe do a little better than that; but with the size of the ship it's very difficult.

MR. MCGILL: When is this meeting likely to occur, that is the . . .

MR. PARSONS: Oh, within the next - we've just set it up to meet the format next fall on . . .

MR. MCGILL: Mr. Chairman, I notice that there is, and it's been pointed out by the Auditor that the statement does not include any provision for depreciation on fixed assets.

MR. PARSONS: That's correct.

MR. MCGILL: What's the rationale for that, do you think that a motorship is not something that depreciates fairly rapidly?

MR. PARSONS: It definitely is. We've been operating this on a cash flow basis, to add on another \$50,000 depreciation to the loss doesn't make too much sense. We've never taken depreciation on the ship. Certainly depreciates but . . .

MR. MCGILL: It should be depreciated?

MR. PARSONS: Yes. On the other hand if we had that built today it would be a \$1-1/2 million . . . well, as a matter of fact, we were quoted by architects from Vancouver, when they came up to look at the expansion they told us that it would cost us \$3 million to build that ship. It cost about \$1.4 million. --(Interjection)-- Yes, there's \$250,000 on the books . . .

MR. MCGILL: There's really not much percentage in putting a non-cash item in to make the . . .

MR. PARSONS: No. Other than to be able to compare statements and compare performance of the various companies with which MDC is involved, and if we have a varying accounting yardstick it's rather difficult for a review of statements to be made, knowing that they're made on a different basis. We've always reported that we've never taken any depreciation on this. So you can compare the statements within the company.

MR. CHAIRMAN: Well, that concludes . . . Mr. Green? That concludes the questions on Venture Manitoba Tours Limited, and . . .

MR. GREEN: I move the report be received.

MR. CHAIRMAN: It's been moved that the Annual Report 1975 for the Manitoba Development Corporation be received. Is it agreed? (Agreed) It's also understood that the Leaf Rapids Development Corporation will be reporting separately by the Chairman of Leaf Rapids Development Corporation. Committee rise.

MR. GREEN: . . . Mineral Resources. That's this Committee, too, isn't it?

MR. CHAIRMAN: They will be on tomorrow, at ten. Committee rise and report.