

**LEGISLATIVE ASSEMBLY OF MANITOBA  
THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT  
Thursday, 19 February, 1981**

**Time — 10:00 a.m.**

**CHAIRMAN — Mr. Morris McGregor (Virden).**

**MANITOBA DEVELOPMENT  
CORPORATION**

**MR. CHAIRMAN:** I call the Committee of Economic Development to order to consider the Manitoba Development Corporation, and I will now call on the Honourable Minister for his opening statement.

The Honourable Minister.

**HON. DONALD W. CRAIK (Riel):** Mr. Chairman, I'll turn it over directly to Mr. Hugh Jones, the Chairman of the Manitoba Development Corporation for his presentation. If any of the members want to direct questions, they can do so directly to Mr. Jones.

**MR. CHAIRMAN:** What is the wish, page-by-page?  
Mr. Jones.

**MR. HUGH JONES:** Mr. Chairman, I just have a couple of introductory comments, if I could, that might clarify some of the issues in the report. To confirm again, as we did last year, the financing activities of the Development Corporation were suspended on November 15, 1977. In January last year, the administration and collections of the loans outstanding, that responsibility was given to the board and staff of the Communities Economic Development Fund.

Presently there are 26 loans left outstanding in the portfolio with a total balance as at the end of last year of \$11.1 million. With only two exceptions, the portfolio is current with no collection problems foreseen.

In addition to the regular loans outstanding, which I just referred to, the Corporation also has a loan of \$3 million to A.E. McKenzie under Part II of The Development Corporation Act. At fiscal year-end March 31, 1980, as you will see in the report before you, MDC was also contingently liable as guarantor for bank loans to McKenzie for \$3.5 million and to Flyer Industries for \$14 million.

The increase in the loans receivable figure on the balance sheet, comparing with the previous year, reflects the full disbursement of the \$7 million loan to McCain Foods. I mentioned last year also that the receivership for Saunders Aircraft is still proceeding and we would expect to see this wound up in the next three months or so.

Really, Mr. Chairman, those are the only introductory comments I have. If there are any questions, I'll try to answer them.

**MR. CHAIRMAN:** I need a little guidance from the Committee. Are we going to try to go page-by-page?

**A MEMBER:** Page-by-page.

**MR. CHAIRMAN:** Mr. Schroeder.

**MR. VIC SCHROEDER (Rossmere):** Mr. Chairman, on Page 3 you indicated, Mr. Jones, that there was a

loss of \$634,200 after adjusting the provision for doubtful accounts. What doubtful accounts were you referring to?

**MR. JONES:** The principal reason for that fairly significant change from last year is the allowance that had to be made for the deficit on Flyer Industries Limited and if you look at Page 9, Schedule 1, you will see that there is an allowance for potential losses against Flyer, \$20,400,000, which is in accordance with the formula agreed to by the Provincial Auditor. That really is the cause for that major change.

**MR. SCHROEDER:** I take it the potential loss of \$20,400,000 is over a period of years into the future?

**MR. JONES:** Mr. Schroeder, that \$20,400,000 is the equivalent of the deficit as at December 31, 1979 on Flyer and that is the way it's been set up on a consistent basis. The deficit at that time was \$20,400,000, so we are reserving \$20,400,000, the accumulated deficit over the years.

**MR. SCHROEDER:** During that particular year, you reserved what — \$3 million to cover previous losses as opposed to losses going into the future? \$4 million, I'm sorry, over \$4 million.

**MR. JONES:** \$4,096,163.00.

**MR. SCHROEDER:** You mentioned, Mr. Jones, that there were several loan accounts which had some problems connected to them. Which ones were they?

**MR. JONES:** Sorry, perhaps I wasn't clear. I said with only two exceptions the portfolio is current. There are two loans that have an arrears situation. I don't know whether I should go into that kind of detail, because we're negotiating on two of those companies right now, but it's not a major problem.

**MR. CHAIRMAN:** Page 1 — pass; Page 2 — pass; Page 3 — pass; Page 4 — pass; Page 5 — pass; Page 6 — pass; Page 7 — pass; Page 8 — pass.  
Mr. Schroeder.

**MR. SCHROEDER:** Yes, on page 9, referring to Flyer Industries Ltd., there have been some rumours recently with respect to both management and potential sale. Could you comment on both of those aspects of Flyer Industries?

**MR. JONES:** Well, in terms of management, I presume, Mr. Schroeder, you're talking about some of the comments that have appeared in the press recently. There's been a change in the presidency. As you recall, in March last year, the then president departed from his post and up until the beginning of this month, the company's management was placed in the hands of an interim chief operating officer, guided and directed by an Executive Committee of the Board. As of February 1st this year, the Board has appointed a new president, Mr. Douglas McKay. That's the issue in terms of management changes. I don't know whether that answers your question.

**MR. SCHROEDER:** Going on with that, could you give us some indication as to how the new president was hired? Who did the searching, who made the decision to hire the new president?

**MR. JONES:** The decision to hire the new president, Mr. Schroeder, was taken by the Board of Directors and was taken some time ago. It was an issue that was considered so significant that the Directors should address it. The firm of Peat Marwick and Partners were engaged to undertake, I'll call it an executive search. That's how it was done, but the decision to do so was the Board's.

**MR. SCHROEDER:** You made reference to recent newspaper reports. The reports indicated that there was some concern in middle or upper management with respect to the new president and I'm just wondering whether those problems have now been resolved, or are they still ongoing?

**MR. JONES:** They're in the process of being resolved and the issues that were raised are being discussed within the company primarily by the president himself and by myself, we would expect to see an early resolution of that misunderstanding.

**MR. SCHROEDER:** Yes. Mr. Jones, could you possibly elaborate on the contract position that company is in at this time. Are you looking at full employment for a period of time ahead or what are the prospects?

**MR. JONES:** At the present time the company has an order backlog of approximately \$53 million. The production frankly will be on a full-time basis until somewhere around April '82 on the orders we already have. That does not take into account new business we will be getting in the next three months or so. So until April '82 we already have a full order book and I would certainly see full employment in that respect.

**MR. SCHROEDER:** Could you briefly describe the types of buses you're manufacturing now and the types of markets you're seeking for the future. Are you just staying in one or two lines or are you expanding?

**MR. JONES:** Basically, Mr. Schroeder, we are staying in the two lines which I'm sure you've been familiar with for some time. The diesel bus, the . . . designed bus 35 or 40 foot length and the electric trolley coach. Right now we will be undertaking an order for example for the City of Vancouver for 200 trolleys.

In response to your questions on markets — up to now probably 90 percent of the company's business has been with the U.S. market. We covered some of this I think last year — that certainly is where the biggest market is on the North American Continent but there are some problems we've been facing. We've been able to deal with them so far in terms of legislation in the U.S. by America legislation. We've been able to get contracts waived, contract by contract waived. The company presently is looking at perhaps some other markets in some underdeveloped countries. There's no precise commitment being made at this stage but we would expect to see some potential there.

**MR. SCHROEDER:** What proportion of your manufacture is currently electric trolley buses as opposed to the diesel bus?

**MR. JONES:** Very approximately about 30 percent right now.

**MR. SCHROEDER:** Is the proportion of trolley buses on the increase do you feel or is it on the decrease or is it staying sort of where it is?

**MR. JONES:** We would expect to see it increase. I can't give you any figures at this stage, but every indication is that for the obvious reasons in terms of energy costs that that will be the emphasis. In fact some of the inquiries we've had from some of the other markets are for electric trolleys as opposed to diesels.

**MR. SCHROEDER:** Now you've indicated that you're full up and you can provide full employment until April of 1982 with current contracts. Is that an improvement over last year and the year before; that is, have you ordinarily been more than a year ahead on a full employment basis on contracts?

**MR. JONES:** Well last year, Mr. Schroeder, the order book was at a very significant level. I suppose then they were a year ahead too, but there were other problems which I think I've referred to many times in terms of the company's production ability. Sales were certainly significant in the previous year before the new board took over.

One of the first steps taken by the new board in fact for the first two or three months was to put a moratorium, a temporary moratorium on new bidding. They wanted to establish that the bidding should be discriminate and frankly, putting it crudely, that when we bid on a contract we could be satisfied we were going to make money. Does that . . .

**MR. SCHROEDER:** Yes, I recall we were discussing that last year. Do you feel that, in fact, the contracts you have made now, which will take you into April of 1982, have protected the corporation from inflation and that in fact it is at least more likely than not that you will be making a profit on the current operations on these manufacturers and sales.

**MR. JONES:** Yes, we feel very strongly that — well in terms of the inflationary factor, yes certainly, and we feel very strongly that all the guidelines have been set out to ensure that that result is a profitable one on each contract and we've seen evidence of it already in the last six months. I could give you some figures if you wish.

**MR. SCHROEDER:** If you've got them.

**MR. JONES:** I want to make it very clear, Mr. Schroeder, that these figures are provided by the company internally. That is, the auditor's statements are not available yet, it's too early in the year, but for 1980 the sales of the company, gross sales, were \$40 million as opposed to \$18.8 million in 1979. The loss, as you will be familiar with in 1979, after certain provisions is \$4.5 million and here I want to be very careful indeed to really emphasize that we do not have a final figure, but every indication we have at

this stage is that the company will show in the year 1980 a small profit, as opposed to the \$4.5 million there should be a small profit in the reigns of \$20,000 to \$60,000.00. We are not really sure, and the reason we're not sure is that we do not have any definitive figures on potential penalties for one of the contracts on the west coast. These figures will be available in the next month or so.

**MR. SCHROEDER:** That's confusing me a little bit. We're dealing here with the year ending March 31st, 1980; are you saying these figures aren't final for that year or are you talking about the calendar year.

**MR. JONES:** I'm sorry, I should have made it clear. The report before you is for 1979, fiscal year and calendar year, which shows that loss. I'm just giving you some up to date figures in terms of 1980. Okay?

**MR. SCHROEDER:** Yes, I understand now. The \$40 million you are referring to in sales then is for the current year, the year ending March 31, 1981.

**MR. JONES:** The year ends December 31st, 1980.

**MR. SCHROEDER:** I've got it straight now. In this last year have there been any changes in terms of the market, other than you've already mentioned, American Legislation. Are there any other competitors who have surfaced? Is it still only General Motors that you're competing against? Do you have any comments on that.

**MR. JONES:** Well, that situation is the same in Canada, Mr. Schroeder, there are indications of some competition appearing in the United States, companies moving in that I can't identify yet, but we are aware of, for example, some German interests that may locate in the States, which would provide new competition for us in the U.S. market. It is not definitive yet.

**MR. SCHROEDER:** There were some indications last year that Flyer might locate some of its plant, I believe, in the United States. I'm just wondering has that come to fruition; if not are there any plans on that?

**MR. JONES:** No. Maybe I should clarify that — that was rather over-emphasized in the media at the time. One of the restrictions in the . . . legislation refers to final assembly. As I said earlier we're able to get waivers under that legislation, contract by contract. That may change, the new regulations aren't defined in Washington yet. If they were to change, and we were told last year that they well might, we would then only have been able to qualify for those U.S. contracts if we had undertaken final assembly in the States. It's certainly not the Board's intention or the company to do that and we would have done it after very, very careful study because we would want to be sure that we would qualify, No. 1, and we don't really even know what final assembly consists of, it's not been defined.

At this stage it really is not an issue as far as the Board is concerned. There are no plans to establish anything in the States at this stage.

**MR. SCHROEDER:** What are the number of employees working at this time at Flyer as compared to a year ago?

**MR. JONES:** As at the end of December, Mr. Schroeder, there were . . . and there is some monthly variance, not much, but there were 536 on total payroll. I will have to find last year's . . . Off the top of my head I don't think there is that much difference frankly, but if you wish I can get that figure for you.

**MR. SCHROEDER:** That's fine. I just wanted a ballpark . . . Do you have an approximate idea as to the monthly payroll?

**MR. JONES:** Would you give me a few minutes, I'll get my assistant to get that for you.

**MR. SCHROEDER:** Sure, we can come back to that.

There were some rumours recently about a possible sale of the corporation, that is Flyer Coach. What is the situation with respect to potential purchasers? What is going on?

**MR. CHAIRMAN:** The Honourable Minister of Energy.

**MR. CRAIK:** Mr. Chairman, perhaps I should address that question. The Board itself manages the company and the employees and the staffing and all the rest of it, but as far as the possible sale of the company, the government as the shareholder of the company engaged the Woods, Gordon firm quite some time ago, I guess perhaps a year ago, maybe not quite that far back, to look at the potential for the company either in other market areas or through association with other manufacturers or possible divestiture or the same sort of approach basically that we've taken with other Crown holdings to look at the future viability and potential of the company.

There has been interest shown by other companies, Canadian, European, and by a group of the employees themselves in this regard. The government has simply received the results of this survey and decided that we would not take any action for the time being at least and unless we could see a potential for the company to have its position improved and at the present time that has been no action taken. There is some interest there but we have no real alternate, anything alternate, to what presently is in force, namely with the government being 100 percent shareholder to advocate at the present time. As you know historically there have been other private sector involvements from time to time. In Flyer the government became involved through a loan through the MDC many years ago which came into equity, the equity which was a partial equity at one time became full equity and that's where it stands now.

**MR. SCHROEDER:** So the Minister is then saying that there are no current offers which the government is considering.

**MR. CRAIK:** No, I don't mean to imply there aren't offers. There are offers that have been received but the government has not seen fit to accept any.

**MR. SCHROEDER:** Again, although there are offers, the offers have been rejected by the government, or are they being considered?

**MR. CRAIK:** They are being considered, Mr. Chairman. they have been received. We've simply said that we don't plan to take any action . . . we indicated late in 1980 we didn't plan to take any action for several months at least, if we took any at all.

**MR. SCHROEDER:** Fine, back to Mr. Jones on the payroll. Do you have a number on that now?

**MR. JONES:** Monthly 580,000.

**MR. SCHROEDER:** Yes, on Page 9 we also see shares issued on William Clare (Manitoba) Limited. I just can't remember off hand; what is that companies main activity?

**MR. JONES:** There is no activity right now, Mr. Schroeder. They publish textbooks. I haven't got the precise details but the issue as far as MDC is concerned, that matter will be wound up we hope in the next six months or so. There are some royalties outstanding from Rand McNally and that will wind it up.

**MR. SCHROEDER:** Yes, I have nothing further on Page 9.

**MR. CHAIRMAN:** Page 9 — pass; Page 10 — pass; Page 11 — pass; Page 12 — Mr. Schroeder.

**MR. SCHROEDER:** Yes, on Page 12, No. 2, the report indicates that the companies or the government shares in Tantalum Mining Corporation or a portion thereof were sold. Could you tell us exactly how many shares we had before that sale and how many shares we now have?

**MR. JONES:** The MDC, Mr. Schroeder, sold or held, and sold 250,000 shares. They were acquired at a cost of one-and-a-half million and they represented 25 percent of the total shares of Tantalum. They were transferred to the province for 3,261,000 and that amount represents the amount of the last arm's length offer for the shares. The net profit to MDC on that transaction was 1,780,000.

**MR. SCHROEDER:** Now the MDC then has no shares remaining in the Tantalum Mining Corporation, is that correct? All of the activity, or any shareholdings, or any decisions on Tantalum Mining Corporation shares are in the hands of the government itself, is that correct?

**MR. JONES:** That's correct.

**MR. SCHROEDER:** There's an indication that a parcel of real estate, which was held for resale, was sold at a loss of \$148,215.00. What parcel of land was that?

**MR. JONES:** Mr. Schroeder, if you don't mind, give me a couple of minutes, I'll identify that for you. We have it here.

**MR. CHAIRMAN:** The Minister of Sport and Recreation, I believe.

**HON. ROBERT (Bob) BANMAN (LaVerendrye):** Just on a point of clarification here.

Mr. Jones mentioned the profit on the Tantalum sale, when he mentions the figure \$1.7 million, are you saying that that is a net figure after interest has been figured on your investment throughout the number of years that you held the Tantalum shares?

**MR. JONES:** Mr. Banman, yes, that's true. There was, if you remember, a dividend of \$75,000 that came into that picture as well, but it is the net position.

**MR. CHAIRMAN:** Mr. Schroeder.

**MR. SCHROEDER:** I'm sorry, Mr. Jones, I missed your answer if you gave it, on that parcel of land. What was that about again?

**MR. JONES:** We're still looking it up. I had it last year, but I'm afraid I don't . . .

**MR. CHAIRMAN:** Page 12. Mr. Evans.

**MR. LEONARD S. EVANS (Brandon East):** I'm sorry I'm late. I was in an emergency session with the dentist this morning and my mouth is still partially frozen. I wanted to ask the Chairman of the Board — the Chairman has a very great smile on his face as I said that. Maybe it's time for politicians to shut up with frozen mouths. (Interjection)—Dentists always have it over politicians, with all these things in their mouths, they talk to them.

I wanted to ask a couple of questions about Flyer Industries and I don't want to be repetitive, but I was concerned and am concerned about letters, copies of which have been distributed to many people including Members of the Opposition, regarding the future of Flyer Industries, expression of concern which has been made public by the employees, a petition that has been circulating and some dissatisfaction and apprehension that seems to exist with regard to the administrative structure of Flyer Industries. Now I'm not in a position to account for the seriousness of the concern expressed. All I can advise is that I've received this information. I believe there was a letter written to the Premier, and an appeal to the Premier with the petition.

What I'd like to know, Mr. Chairman, and I don't want to cover old ground that has been covered, but I'd like to know exactly what is happening in this respect. Is this a serious concern? Is there some problem at the senior administrative level with Flyer?

**MR. CHAIRMAN:** The Minister rather covered that and possibly if you put that question when the Minister responsible is here, probably he would answer it, or Mr. Jones if he so . . .

**MR. EVANS:** Is the Minister coming back, Mr. Chairman?

**MR. CHAIRMAN:** Yes, I believe so. Unless Mr. Jones wants to cover it.

**MR. JONES:** Well, the Minister, Mr. Evans, did make a comment on the issue of the sale or otherwise of the company, and I certainly wouldn't want to comment on that, but in terms of your question and your comments on administrative problems; perhaps I could say this, that in March, 1980, when the Board was restructured and Mr.

Killinger left the company, clearly the employees of the company would have, and did have, some concern, that's perfectly natural. Under the guidance of the new Board and the specific hard work, and I want to put this on record now, of the man appointed as the Interim Chief Operating Officer, significant changes were made within the operation; that's within the company, the method of production, the operation, the whole thing including obviously, the financial results.

A great deal of credit has to be given, and in fact has been given and recorded in the Minutes of the company, to the management team that were working there from March, 1980 until — when I say working there, in charge if you wish until the end of January this year. The new Board, nevertheless, for some considerable time has been addressing the issue of the need for a president of the company, an appropriate president to fill that position. It was not filled for almost a year.

The announcement of that appointment came recently and he took office on February 1st, this month. Again, and I think one has to understand the reaction that comes from within the company, middle, lower and perhaps senior management at times, to one more change. I think, Mr. Evans, though, a lot of it has frankly stemmed from — How can I put it? — lack of real understanding of what the situation was. The company was in a bad plight at the beginning of last year, as you know, and the Board itself really did address the many problems that were in existence and the Board quite advisedly, and they knew that they were acting very closely, if you could put it that way, they were taking a "hand", using the word in quotes, in the management of the company. There were so many things to be addressed, that that is the way they felt they should operate.

I think for those reasons, there's been some disturbance and as I said earlier Mr. Evans, before you came in, the points raised in that petition to which you referred are certainly being dealt with. I don't think I could say at this stage that they are completely resolved. The concerns are not perhaps that resolved yet, but they are in the process of being resolved within the company. We feel confident that that situation can be clarified.

**MR. EVANS:** I'm wondering whether there was some reference to employees being interested in acquisition of shares of the company and so on. I'm wondering whether there is a group among the employees that is still actively concerned in pursuing a possible ownership, a purchase of Flyer Industries Ltd.

**MR. JONES:** Well, there was a group, Mr. Evans that got together — I can't remember frankly, I think it was 10 or 12 people, towards the end of last year, and they came up with some suggestions, perhaps not a full proposal, but indications that a proposal might come forward to do just what you said. As far as I know, that group is still interested in that way. Their proposal has been sent to Woods Gordon. The Minister mentioned earlier this morning that Woods Gordon were commissioned by the province to undertake the search for perhaps an investor, or sale, or whatever. The employees' proposal correctly was addressed to Woods Gordon and I personally,

and the Board certainly not, are involved directly in that issue.

**MR. EVANS:** I would gather from the remarks, and I wish the Minister were here because some of these I would certainly put to the Minister, but I gather it is still the policy of the government to make the company available for sale if a buyer is interested in the purchase, or let me put it this way, is the government not only interested in sale but is it actively pursuing a buyer of this company?

**MR. BANMAN:** Mr. Chairman, if I may just briefly reply to that. The Minister answered that question before in some length and I don't think it's fair for Mr. Jones to answer that since it's a government policy decision. But the basic answer to that is I believe since 1976 when the previous administration received a resolution from the Board of Directors saying that the company should be wound down and the then Minister, Mr. Green, accepted the responsibility for the continuing losses and the government wanted them to continue operation even though the board felt that the plant should be shut down. The then government went out and hired Woods Gordon, the same people that have been looking for a buyer for us, went out and hired them to try and find a buyer and were not successful at that time. Woods Gordon has been employed with regard to this, trying to find a potential buyer I understand for about a year and so far the government has not received any offers which they have accepted.

**MR. EVANS:** Could I, Mr. Chairman, ask Mr. Banman who I guess is very familiar with the MDC having had responsibility for this organization — as a matter of fact I'm surprised that he's not in the front there, up at the front — but could he tell me this as I guess the Acting Minister of MDC, is the government aggressively and actively seeking a buyer? I mean there's one thing to say, well, you know, we have a policy to sell it. It's another matter to actively pursue, aggressively go around Europe, United States or wherever, Japan, for a would-be buyer.

**MR. BANMAN:** The Woods Gordon people received basically the same instruction as they did back in 1976, was to check and see if they could search out a potential buyer. Back in those days, they were unable to find a potential purchaser. To this point in time, there has not been a proposal put forward to government which the government has accepted.

**MR. EVANS:** So, Mr. Chairman, therefore the government policy surely has to be to continue to search out, to do the best it can with the company, to obtain as many orders, to obtain the best management that it could possibly obtain, in other words, full steam ahead as much as possible. I would trust the government is not in any way inhibiting the company from doing its thing in order to make the best of the situation and to get as many sales of buses and trolleys as possible.

**MR. BANMAN:** I think and I mentioned this before, I think it should be said that one of the problems of Flyer traditionally has been the sort of the "boom and bust" cycle that they've gone through. One year

they produce 135 buses and the next year they would have an order booked for 500 buses. What the government through the Board of Directors has tried to do is to try and even that out so that we are not actively soliciting more than about 400 — I'm using a rough figure — buses a year. In other words, we want to get contracts for roughly about 400 buses. We feel that is the level at which the company can be at a break even or a profitable point and won't be a big drain on the provincial taxpayer and still keep those 500-and-some people out there employed. So just in touching on that one point, we are not out looking for 800-900 bus orders right now this year because I think that's been one of the problems. We tool up to a large amount and then we have to tool down to almost nothing. So the way things sit right now I think the order book is filled till the early part of 1982 and I think if we can in an orderly fashion keep that order book full at that particular level, at roughly between 350-400 buses, what will happen then is that we will get a company out there that's stable. You can then start achieving certain scales of economy, efficiencies, and put together a good labour force as well as a good management team over there so that we don't get caught in what has been sort of the history of the particular manufacturing enterprise out there.

**MR. EVANS:** From the Minister's remarks then, I gather that from all the information that's available, the optimum level of production is around 400-450 buses. In order to make that assessment, in order to make that judgment, you have to have some fairly concrete idea of what material costs are, what your plant depreciation is, the costs of employees, the kinds of employees you need, changes in wage levels and so on. But am I correct then; 400 to 450 means with the capital that's in place, with the plant and equipment that's in place, that the company could break even indefinitely? Is that a fair assessment?

**MR. BANMAN:** I wouldn't say that. I would say to the member that is the point which we feel the company has a good chance of doing that. I can't say that you break even indefinitely. This year looks like it might be a break-even year subject to some final figures that haven't been developed yet. But when you're bidding for a bus and you're out bidding and you consider all your overhead and related labour costs into the bid that you're developing, if it looks like you're only going to be able to contract 135 buses, of course your labour costs and costs of those 135 buses just skyrocket and instead of amortizing it over 400 buses, you're taking the whole operating expenses over 135. So that's the reason why we are trying to plan an orderly production pattern and that way, hopefully, you can bid when you're bidding on the system, you know roughly what your costs are going to be.

**MR. EVANS:** When you're talking about 400 to 450 buses a year, generally what kind of a payroll are you looking at? How many employees are you looking at approximately and what kind of wages are you paying, like today, 1980-81. Maybe Mr. Jones has a . . .

**MR. BANMAN:** The monthly payroll is 580,000 I think and the employees, about 530.

**MR. EVANS:** \$580,000 per month. So you're looking at, what; \$7 million or \$8 million a year. And how many employees did you say?

**MR. BANMAN:** Five hundred and thirty.

**MR. EVANS:** Five hundred and thirty employees. Mr. Chairman, if the company was successful then in reaching this what seemed to be some sort of an optimum level, 400 to 450 buses a year, then we could look forward to that plant hiring a little over 500 Manitobans on a fairly regular basis. This leads to another question, what are the prospects for a sale of 400 to 450 buses? I know our chief competitor, I guess the only domestic producer in Canada is General Motors which manufactures General Motors' buses at London, Ontario. I believe that is still the only other competitor of a domestic nature. There is always the possibility of imports, of course, but imports are much more expensive today because of the devalued Canadian dollar, the 82 or 83-cent-dollar. But how many of that 400 to 450, what percentage could we expect to sell in Canada and how much would we have to sell in the United States?

**MR. CHAIRMAN:** Mr. Jones.

**MR. JONES:** Mr. Evans, up to now the ratio has been 10 percent in Canada and 90 in the States as I referred to earlier. That will probably change in the year we're in right now because we are constructing trolley coaches for Vancouver and I think that is the market that requires — putting it mildly — has the edge over G.M., because of the track record Flyer has had in that kind of manufacturing. But that's the percentages that we've normally looked at in the first.

**MR. EVANS:** Excuse me, did you say 10 percent Canadian and 90 percent United States?

**MR. JONES:** Right.

**MR. EVANS:** Is there any move on the part of the Americans to put up trade barriers to prohibit the imports into the United States or exports from Canada of Flyer buses into the United States?

**MR. JONES:** I covered it briefly a little earlier, Mr. Evans, the issue of the buy America legislation — that's been referred to many times and that has been . . . fortunately up to now it's not been a hindrance because Flyer's been able to get waivers from the U.S. authorities contract by contract. Frankly at this stage we are not in a position to say to anyone what the definitive stance is going to be with the new administration in the U.S. We really have no field report. There are new regulations being written, what they will be frankly we don't know. But there's not been a barrier up to now.

**MR. EVANS:** What about the plant and equipment that's in place? Is there any foreseen need to replace any major equipment or . . . the plant is fairly new but are you having to look at any major investment of any new equipment or tools or what have you, in order to maintain this level, 400-450 bus production a year?

**MR. JONES:** There's been nothing significant in that nature drawn to our attention, Mr. Evans. As far as the board is aware there is no major requirement at this stage.

**MR. EVANS:** I'd like to ask about the new president. Does he or does he not have a background in production of buses or similar vehicles? It seems that I don't have the letters with me but it seemed to me that one of the concerns of the employees was that the person may not have the relevant kind of experience. I would trust that the chairman of the board would be concerned that he did have the relevant experience but this seems to be part of the concern at least expressed by the employees.

**MR. JONES:** Well, to go back to one of my earlier comments, Mr. Evans, in terms of the board's examination of this issue when we were looking for a president, but let me make this comment firstly, that we are completely satisfied as a board that all the necessary professional and expertise was used in identifying the new man, and I can say categorically to you that we are more than satisfied with his experience at least in the related industry. But perhaps in that he spent 14 or 15 years with General Motors themselves in the east as a plant manager and we feel he has a very significant knowledge of what's required for this company.

**MR. EVANS:** I would gather that his background is more in production rather than in marketing, or has he had a marketing background as well?

**MR. JONES:** Some marketing, but well enough, Mr. Evans, to be of value in our opinion that we were looking for and we believe strongly we found some one with an all round background which was required.

**MR. EVANS:** I would gather and maybe the Chairman can confirm or otherwise my observation that I gather the main problem then facing the company as a firm is more of a production nature, efficiency of production of costs, keeping costs down rather than of sales. I would gather that maybe the problem of selling is great if you're keeping it to that number, 400 to 450. Essentially who are your customers, your customers are municipal governments, and you're not looking at a market of 10,000 to 40,000 consumers, you're looking at a relatively small market — a rather sophisticated market I might add because any municipal government which purchases buses of course has staff in their urban transit systems and they should presumably know quality of buses and what they want and what they need. So that you're dealing with a fairly sophisticated group of customers but albeit a relatively small group of customers. Therefore, is it correct then that the selling of the buses is not perhaps a major problem that you foresee in the next few years?

**MR. JONES:** I would agree with that Mr. Evans. Certainly your early comments I think were right on the nail. The critical need has been to look at costs, look at the production problems and these things have been and are continually being addressed. We

think we've made a great deal of progress but certainly there is a lot more to be made.

**MR. CHAIRMAN:** Mr. Banman.

**MR. BANMAN:** Well, just along that line — that comes back to the problem that the company has traditionally had. They'd have a lack of orders so they'd try and get a general manager who would be sales oriented and he'd go out and sell the units, and then they had to be produced and then the problem was that the people weren't in place to produce those buses. So I think what the board has been trying to do is to go ahead and get a person with capabilities on both ends, who is both sales oriented as well as concerned about production, getting that particular product out.

I should point out, the Member for Brandon East mentioned what the prospects for the future for the company were. Back in 1976 the then Board of Directors recommended to the Minister that the Flyer Industries discontinue the manufacturing of buses. At that time the then Minister indicated to them that the government was going to accept the responsibility of any future losses and they should try to minimize those particular losses. So I think given those sets of facts the board has a pretty onerous task in trying to make sure that this Crown corporation remains a viable, or at least tries to become a viable operation. So I would, without holding out a large carrot on the thing I think that it should be recognized that there are a number of difficulties with the plant and that any long-term achievements with this would possibly be pretty difficult to attain unless you're going to start doing a lot of R and D work and other things that are being involved. Hence the government has taken the approach as the previous administration did that if we could find somebody who would enhance the operation out there, long-term viability being the number one criteria, that has been sort of the position that we've taken.

**MR. EVANS:** One question then I'll yield to Mr. Boyce.

On these long-term prospects and the question of R and D, is that at the present time or in the foreseeable future, does that look to be a problem that there has to be . . . Can you not buy R and D, can you not buy new — I mean if there's a new development in an engine for instance, don't you buy these parts? Don't you in effect buy some of the technological advances if there should be any of course or whatever? I mean there's design as well. Some of that's just style of course, the shape of a bus is a stylistic thing. But it would seem to me that a lot of the developments in engines, in transmissions, whatever, may occur in those manufacturers that produce those parts and that Flyer is virtually in a position of being able to buy that technological development. So I'm just wondering, is that really a serious problem, the R and D and if you don't have your own R and D is it being suggested then the firm doesn't have any future, let's say beyond four or five years?

**MR. JONES:** Well, Mr. Evans, just generally speaking on that, in terms of R and D for example, the kind of activities at least that the board has insisted on this last year, the consolidation of the

operation, really has downplayed that requirement and I certainly wouldn't disagree with it. It is a requirement and it is being addressed. There is some significant work being done or beginning to be done in the company in that respect, and to answer the question, at least my opinion would be that that is not a long term problem. Maybe Mr. Banman would want to comment on that too.

**MR. EVANS:** When you say it's not a long term problem, I'm not sure what you mean when you say it's not a long term problem.

**MR. JONES:** Let me re-express. You asked if the prospects, the term prospects, were good in that respect, in terms of new development and I suppose I would have to say yes.

**MR. CHAIRMAN:** Mr. Boyce.

**MR. J.R. (BUD) BOYCE (Winnipeg Centre):** Thanks, Mr. Chairman. Being reminded by the Minister of a decision taken in 1976, which they are carrying forward, I wonder, Mr. Jones, is there an attempt by the corporation to keep any records of what benefit accrues to the Crown or to the province or the people of the province, whatever term the person wants to use now, because of the existence of the company? For example, in looking at the MDC report we see a loss, a net loss of \$634,000.00. Is there any attempt to show how much comes back to the Crown through taxation, employees and the rest of the benefits?

**MR. JONES:** Well, Mr Boyce, I don't have that information, certainly not at hand.

**MR. BOYCE:** No, my question was, do they do that? I didn't expect you to be able to rattle it off the top of your head but I wonder if an attempt was made when advising governments and the rest of it whether there is an attempt to show the . . . in a cost benefit analysis way.

**MR. JONES:** I'm not aware of that exercise having been done with MDC.

**MR. BOYCE:** Well, in recent days we've seen government money split into Massey Ferguson, Co-op, Chrysler and the rest of it and I'm just wondering what information is given to the Minister to support the argument that he should continue the decision of 1976.

**MR. JONES:** What type of information, Mr. Boyce? I'm not quite sure, I'm sorry, I don't quite understand the question, Mr. Boyce. In terms of financial acquirements we certainly know what to provide the Minister with but I'm not clear on what you're . . .

**MR. BOYCE:** Well, I can understand your not understanding it because I guess I'm in the area where it's almost an improper question in that your responsibility as I understand it would be related strictly to financial information before Cabinet, before government, before the board or whoever, and without making any "political" input.

**MR. CHAIRMAN:** Mr. Craik.

**MR. CRAIK:** Mr. Chairman, maybe I should point out that the difference in this case is that the

government is already the shareholder, entirely the shareholder of this company which is quite different from Massey Ferguson or the others that Chrysler and the others have been mentioned. It wasn't a question of whether a grant or financial support should be given to a private corporation. In this case what's happened from time to time is that as the year has progressed there has been normally found that there has been a shortfall in revenues to cover the expenses in the year 1979, as Mr. Jones indicated, there was a \$4.5 million deficit in the company.

Then it was the decision by the government courts I suppose to, or at least an examination to determine whether or not the company could recover. The decision was made that, yes, the company could recover and it looks like 1980 it has. So it hasn't been a case of having to sit down and calculate what the overall costs and benefits and impacts are on the total community. It has just been a straight business decision as to whether or not the company could survive.

**MR. BOYCE:** I want to thank the Minister, and perhaps it would be better if I pursue the questions I have in mind in Estimates rather than the report of the MDC.

**MR. CHAIRMAN:** Page 12 — pass — Mr. Evans.

**MR. EVANS:** Mr. Chairman, I have a general policy question to ask the Minister and it doesn't have to be on Page 12, well, it does in a sense relate but my experience in the past is that you cannot ask the questions, etc., on the operation and then pass the whole report, you know, rather than page by page but anyway that's a matter of technique. On Page 12 there is reference to McKenzie Seeds and I don't want to get into the detail of that because McKenzie's Board is normally before the committee each year. My question is really about CCIL but I compare the fact that we have chosen to provide loans or guarantees to one company such as A.E. McKenzie and yet I believe a year or two ago I believe the government did give some financial assistance to CCIL, that's known. And yet it wasn't, as I understand, provided through the MDC and my question is, inasmuch as the MDC exists as a legal entity and has a board and staff, etc., why is it that the government would not consider funding, if it should seem in its wisdom deemed to, believes it should fund CCIL further as has been announced in the press. I mean, CCIL has asked and Co-op Development has asked, the Minister has answered a question in the House that the government is considering that. Why would that not been done through the Manitoba Development Corporation?

**MR. CRAIK:** Well, it wasn't a loan to CCIL, it was a guarantee and it was the same format of guarantee that was provided by the Province of Saskatchewan, Alberta and it was, I guess, negotiated at the government level rather than at the MDC level as a result of it not being a direct loan but simply being a guarantee. It was done simply, or I shouldn't say simply, but it was carried through and just done, I think at the time through the Department of Finance. Now there has been, of course, suggestions from the stories in the media and so on that CCIL wants to



now re-examine and go further than they did at that time. If and when we receive it as the Minister, Mr. Banman, has indicated, we receive an application from them we'll have to deal with it at that time. At this point we haven't received any formal proposition from them.

**MR. EVANS:** Just on one point. If CCIL had asked for a loan, are you suggesting in your reply that would then have been done through the MDC rather than through a department?

**MR. CRAIK:** I suppose there is a good possibility that it would have been. I don't recall whether we examined the options at that time whether it would be the government or not because we didn't really seriously entertain in the final analysis the possibility of a loan. During the final days of the negotiations there it had boiled down to simply that the Federal Government was getting involved with a certain amount of financial support and the province has agreed that they would come through with guarantees of support as well.

The fact, Mr. Chairman, it probably goes even further back than that. The original request, as Mr. Evans will probably recall, came into the former government and through the Department of Finance. It was on my desk when I became the Minister of Finance and it was from there that we made the decision to support CCIL.

**MR. EVANS:** I don't distinguish, Mr. Chairman, between a guarantee and a loan inasmuch as there can be equal risk if the amounts are equal, there could be equal risk. My understanding is in government finance at least, guarantees by government are equivalent to loans made by government inasmuch as they do put us on the hook for responsibility. If you cosign a note, that is in effect a debt burden that you have assumed; legally it may be somewhat different from a straight loan where you purchase bonds or some other kind of paper, but it seems to me you're still undertaking a risk and the research still has to be done, you still have to look into the matter as to whether you're guarantee the X, Y, Z or the A, B, C Company I don't care what — forget about CCIL for a minute, any company. Let's say it comes to the government, it's important, and the government in its wisdom deems it's advisable to even look into it and spend time looking at it. I say that you have to get the staff to do the research, you have to make a decision, and my point was that you have an organization with the MDC, of course I guess some of the staff has been let go over the years, but you do have some . . . there's just one man left I see. So what you've got then is, you're giving the job to another department, I'm not saying it can't be done in another department, but I'm saying you're giving the job to another department and they have to do the research, they have to answer these questions, they have to take that responsibility.

At any rate, on the matter of CCIL, the government is looking into it, will this be handled by Co-op Development or by the Ministry of Finance?

**MR. CRAIK:** Mr. Chairman, we haven't received as yet a formal proposition from them as I'm aware of, but the liaison person with CCIL has been, I guess

through 1979-1980, with Finance, but I would fully expect that any proposals that are made from CCIL would go through the Minister of Co-operative Development, Mr. Banman; whether or not any final arrangements if that they might be made, where they may be, whether it's in the Development Corporation or whether it's Finance, I guess, remains to be seen.

**MR. EVANS:** Mr. Chairman, my understanding was that from a reply that the Minister of Co-op Development had given to the press that a proposal had been received and that he and his staff had to look at it. So I'm surprised that the Minister of Finance says now we haven't received a formal or official inquiry or application. Maybe we're splitting hairs here but my understanding was that it was a specific proposal made by CCIL to the government for financial assistance.

**MR. CHAIRMAN:** Mr. Banman.

**MR. BANMAN:** We haven't had the Minister of Energy mentioned, we've had a liaison person dealing with the company, we have spoken to the company president. To date we do not have a formal request in letter form from the company with regard to this. We have a rough idea what the package is. We're in the process right now of collecting data on it. We expect a letter from the company within a few days. I'd like to also just mention a few things with regard to that loan. The big difference between a loan guarantee and a loan itself is, on a loan you have to worry about the interest, and if the member will appreciate, at 15 percent interest if you sign a guarantee you're not liable for those 15 percent a year, which on a \$2.8 million loan is something like \$420,000.00. The company is responsible for that amount of money. So if you're looking at the long-term effect of a loan versus a guarantee — on a guarantee you know what you can lose in the final event if something should happen and the company terminates its operation. Whereas a loan on the other hand, interest accumulates and you then become responsible for the interest also and that's one factor I think that has to be taken into consideration. But that is a big difference — if you're going to loan somebody money you have to worry about the interest that comes back but if you go co-sign a note for a son or a daughter on a purchase of an automobile or something, you limit the amount of exposure that you have by indicating how much you're signing for.

**MR. EVANS:** There's a little confusion in my mind from what the Minister said. Surely it depends on how much exposure if the guarantee is equivalent to the amount of the loan then I would say the exposure could be equally as great. It depends on the amount. I mean, if the amounts are similar it could be equally as great.

As far as the interest goes presumably it's the company that has to pay the interest somewhere along the line, whether you loan them the money and they pay you the interest or whether you guarantee their loan from the bank or whatever financial institution. But ultimately as a guarantor you're on the hook for whatever that amount is and if the company does have difficulty you still have that exposure — you have that same exposure.

Somewhere along the line it seems to me that there may be some small differential that you're making here and I don't appreciate it. Ultimately as far as my experience is concerned a guarantee gives the government or whoever, really the same type of exposure — there may be some difference in mechanisms but ultimately —(Interjection)— well I don't understand your explanation. Because I understand the fact that a guarantee is like a co-signing of a note, Mr. Chairman.

As a matter of fact, the MDC has in the past and perhaps still does guarantee loans of companies and in fact the MDC in the past used to charge the company for providing that guarantee. Then the company in turn also paid the interest to the bank or whatever financial institution it borrowed the money from. But it seems to me that if you guarantee x millions of dollars of a CCIL loan made by some other financial institution, that's a risk that you are exposing yourself too. Surely I know in the meantime, as the Minister is saying, interest is paid on a loan but ultimately the company has to pay interest to a bank because the bank has loaned money to the company for which you are guaranteeing. But perhaps that's really beside the point. I would gather then, Mr. Chairman, that we will hear in due course from the Minister of Finance or maybe the Minister of Co-op Development that the government will or will not be assisting CCIL. I gather a decision has to be made fairly shortly, by that I mean within a matter of weeks — it's not a matter of waiting a month or several months or a year. Is that correct?

**MR. CRAIK:** I haven't an answer at this point in time. Mr. Chairman, because we're really dealing with something that hasn't matured yet to the point where it's being given that kind of consideration that we can indicate that there's going to be a certain time frame on it.

**MR. CHAIRMAN:** Mr. Schroeder.

**MR. SCHROEDER:** Yes, thank you, Mr. Chairman. The report indicates that back in 1977 a decision was made to stop giving out new loans through MDC. Since that time a number of loans have in fact been made by this government, they've been made to K-Cycle Engines, they've been made to Interdiscom. There was a new one made just the other day to some company — I can't recall the name of it — and I understand as well that other companies have been turned down. This is of some concern to me. It used to be that you had a mechanism, the Manitoba Development Corporation, which would review loan applications. There were specific criteria, they were public. People knew whether or not they would qualify for loans. You decided not to continue with that practice, you are now setting up a new practice of the under-the-table loans which don't necessarily provide equity as between one businessman and another, don't necessarily provide equity as between one manufacturing sector and another, and it is unfair. When you give money to Interdiscom as opposed to any of 50 other electronics companies in this province, that is unfair, unless you have a specific policy. If you can tell the electronics companies, these are our guidelines and let them all know about

them and let them apply and see who has the best application, fair game. That is the way it should be done. That is the way it was done under the NDP.

What you are now doing is simply allowing your friends to come in with an application, without any criteria, without any public criteria, and get money. That is I think a terrible situation. (Interjection)— Mr. Banman refers to CCIL. CCIL is something that you people will have to make a decision on. Interdiscom, K-Cycle, and the one that was announced the other day, I suggest that is totally unfair and it should be dealt with through established criteria as we had in the past under MDC. As I say, other businesses in other sectors have been turned down for loans; we don't know what the criteria are. If a businessman comes to the government, they can't take a look at a sheet of criteria and say, well, I qualify or I don't qualify, based on number of jobs created, based on cost per job, based on any other criteria you might come up with, based on the risk involved. You don't have that any more and I've been trying for the last number of months to get a guideline from the government. I would hope that the Minister of Finance can tell me this morning what it is that a company needs in order to get money from the government.

**MR. CHAIRMAN:** Mr. Craik.

**MR. CRAIK:** Mr. Chairman, to correct a couple of things. First of all, I'm not answering as the Minister of Finance, I'm here reporting for the Manitoba Development Corporation. The member is, I don't think using quite accurate presentation here. Interdiscom that he mentions was an undertaking by the Manitoba Telephone System. It had nothing to do with the government; it was a decision by the Manitoba Telephone System to get involved in a loan to a supplier.

**MR. SCHROEDER:** With the approval of the government.

**MR. CRAIK:** No, Mr. Chairman, no reference to the government. As a matter of fact it has been questioned by the Provincial Auditor as to whether it's within their power to get involved in that sort of thing but this wasn't an involvement of the Provincial Government. K-Cycle Engines, well, there is our whole host of support programs that have evolved either through Enterprise Manitoba and more recently through the Energy Program which are joint federal-provincial programs. Most of the support that's coming to industry now is either through the research-type support of the Enterprise Manitoba Program, through the Manitoba Research Council, or in some cases we announced this last week three major programs through the Energy Program which is a shared cost program with the Federal Government. But the member hasn't really referred to one specific case here where there is any substance to what he's suggesting inasmuch as that one company has been picked out to receive a loan. There are no loans that I'm aware of other than a loan guarantee to CCIL and one that has been done by a Crown corporation, namely, the Manitoba Telephone System to a supplier. Now I can't think of any others that have been undertaken, so therefore I don't think the point has an ounce of validity to it.

**MR. SCHROEDER:** In that case I think the situation is worse because if what we're dealing with here is grants, I think that is even more offensive. To suggest that it was Enterprise Manitoba that got into the deal with K-Cycle, that clearly is wrong, because their criteria were that they couldn't give more than \$30,000 to one individual firm. I understand this amounted to more than \$100,000.00. If it was some joint federal-provincial program, I would like the Minister to tell me which specific program it was.

**MR. CRAIK:** Do you want me to answer that?

**MR. SCHROEDER:** Sure, go ahead.

**MR. CRAIK:** It's wasn't a grant to K-Cycle, what was done there is that the physical research facilities were paid for and purchased with a right of return to the province. I think it was a building and they have the use of it with those facilities that are there. So it's an asset that will revert to the province in the event of there being any difficulty that might arise in the future, but it wasn't in that case. You may find cases where there are grants or they had listed somewhere there are grants. We announced one this week but it's not that one.

**MR. SCHROEDER:** Well, if you loaned this company to build a building, then eventually they would have to pay it back. If you're building them a building and you're paying for it and they are allowed to operate it rent free, then that surely for them is a better deal than a loan. All they have to do is comply with whatever terms and conditions you have and I would take it that you would only take the building back if the company goes out of business or sells out. Is that correct?

**MR. CRAIK:** Mr. Chairman, I think in that case there are other conditions. It's a research facility; it's a test facility and it has to be accessible for others as well.

**MR. SCHROEDER:** Nevertheless, it sounds like a deal that is made with a company without criteria that would allow other individuals or firms to come into the same deal and I don't think that it's fair. I think what we had in the past, the MDC, was a much better vehicle. It was a much fairer vehicle to provide funds and if you want to do it on the basis of providing businesses with buildings which you may or may not take back, if you want to do it on the basis of grants, you should at least do it on a structured basis.

**MR. CHAIRMAN:** 12 — Mr. Banman.

**MR. BANMAN:** I just want to make one brief comment with regard to that. I think that if the member will check back the last couple of years of the previous administration, the MDC in all reality was really wound down. I think, if my memory serves me right and the Member for Brandon East can correct me, I think in an interview with somebody from the Globe and Mail about a year ago he indicated at that time that should they have been re-elected they would have probably followed the same course of action with winding MDC down the way this government has.

**MR. SCHROEDER:** I can't speak for the Member for Brandon East but I would hope that if they wound it down that they wouldn't then just have a whole crew of cork barrels to replace it with and while we're talking —(Interjection)— Okay, CCIL, you know, Mr. Banman keeps talking about the difference between guarantees and loans and that sort of thing. Well, one of the differences is that if a bank gets a guarantee by a government then it is able to loan out its money without any serious risk. That is, there is no risk to the bank because they know that the government is going to cover the investment back in the event that things go bad. So, for the bank, it's a pretty good deal and if that isn't worth something, then I think that member's economics are completely out of whack and the ordinary loan guarantee — and I don't know what form this one will take, they can take many forms — but the ordinary loan guarantee is that the guarantor guarantees to pay back the loan plus interest. That is the ordinary guarantee. Now you can have another form of guarantee which will only guarantee up to a maximum of \$8 million, or \$1 million, or \$10.00, that's fine, and if that is the case then of course your commitment is only for that much money, but that is nevertheless a commitment as shown on Page 12 of this very report, which shows a contingent liability on A.E. McKenzie at \$3.5 million and Flyer Industries at \$14 million.

**MR. CHAIRMAN:** Page 12 — pass; Page 13 — Mr. Boyce.

**MR. BOYCE:** I notice on Page 13, Mr. Chairman, the last paragraph, that there were no advances under Part II. Were there any applications considered by the board which may have come under Part II?

**MR. JONES:** None, Mr. Boyce.

**MR. BOYCE:** Well, it follows a little bit along the questioning of my colleague. This is government policy, through you to the Minister, Mr. Chairman, but the policy of the government is not to make advances under Part II.

**MR. CRAIK:** Basically, yes.

**MR. BOYCE:** Well, I have one other question, but I guess I should leave it just before we move to the last page.

**MR. CHAIRMAN:** Page 13 — pass; Page 14 — pass — Mr. Jones.

**MR. JONES:** Mr. Chairman, I just wanted to answer Mr. Schroeder's question on the real estate sale. It reflects the sale of the land, 18 acres of land and a building, the Sheller Globe Building in Morris, in April 1979. The book value on MDC's books at the time was \$417,000, net sale proceeds \$269,000 and the net loss, \$148,000.00. The footnote to that comment was that the loss of \$148,000 reflected in there was less than the \$154,000 repair costs which MDC would otherwise have had to pay.

**MR. SCHROEDER:** Yes, and I would suppose that loss reflects the decline in the economy of Manitoba since this government has come in. I suppose that's why you couldn't get rid of it at a reasonable rate.

**MR. BOYCE:** Through you to Mr. Jones. Are you in a position, Mr. Jones, to advise the committee of what the overall financial picture for the corporation would be had Tantalum Mines been retained? I notice that you show a net income last year, in 1979, of \$2.5 million, and a loss of \$600,000.00. Have you followed what has happened to Tantalum since its transfer to the Minister of Finance?

**MR. JONES:** No, I have to confess, I've not.

**MR. CRAIK:** It might be worth . . . we've heard this before and I asked one of the staff several months ago in Finance, as to what would have happened if you had taken the same amount of money that was invested in Tantalum and put it into gold at the same time and discovered that you would have made twice as much money if you'd put it into gold. If you're going to gamble, you can pick your choice. Right now if you're going to gamble with government money, you might as well put it into gold.

**MR. BOYCE:** Well, from the experience with the present government's fiscal wisdom, they would buy gold at \$600 and sell it for \$35.00.

**MR. CRAIK:** Well, Mr. Chairman, I simply tell the member that if he really wanted to — it was he that made the decision — it wasn't this government making the decision on where to invest. If he had invested the same amount of money in gold at that time, the taxpayer as of about three or four months ago, would have been ahead by twice as much as they made on Tantalum.

**MR. SCHROEDER:** Well, that's an interesting comparison. I suppose maybe we should sell the Legislative Building and turn it into gold. You know, at what price are you talking about? How many jobs would that have created? That seems to be such total and absolute garbage and nonsense, that it's probably not worth talking about.

**MR. CRAIK:** No, Mr. Chairman, it isn't. As a matter of fact, the plant would have gone ahead without any government investment. As it's turned out, it's one of the very few things that were invested in at the time that did work out, when you compare it with the likes of King Choy Foods and Saunders Aircraft and some of the other more notable lost leaders that were undertaken at that time, it does look good in comparison.

**MR. SCHROEDER:** You know, compared to Interdiscom, you can compare it to many many things that go up or down. The thing is if you don't try, you will never succeed and this government is making it abundantly clear that they don't want to try in any really substantial sense of the word and I would suggest as well that it was not just completely accidentally that we wound up in Tantalum. There was a need.

The other point I would like to make is that, although the Minister admits that was a good investment, he has made sure that he got rid of it as quickly as he could. He just couldn't stand to have the money burning a hole in his pocket. He wound up dumping a good portion of that to Hudson's Bay Mining and Smelting, whose Board of Directors

appear to have shown much more wisdom and much more faith in the economy of Manitoba and the future of that particular mine than this government has and as a result of their faith and as a result of their wisdom, are reaping the benefits that we could be reaping right now.

**MR. CRAIK:** Mr. Chairman, I think the record again should be straightened out. The member has a tendency to leave inaccuracies on it. It wasn't a case of selling shares, it was a case of keeping 25 percent interest and not exercising an option on the remaining 25 percent, so there happens to be a bit of a difference.

**MR. CHAIRMAN:** Manitoba Development Corporation, Annual Report — Pass. Committee rise.