

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT

Thursday, 19 June, 1986

TIME — 10:00 a.m.

LOCATION — Winnipeg, Manitoba

CHAIRMAN — Mr. Jim Maloway (Elmwood)

ATTENDANCE — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Kostyra and Schroeder

Messrs. Ashton, Connery, Johnston, Maloway,
McCrae;

Mrs. Oleson; Messrs. Parasiuk and Scott

APPEARING: Mr. Raymond Kives, Chairman, A.E. McKenzie Co. Ltd.

Mr. Keith Guelpa, President and Chief Executive Officer, A.E. McKenzie Co. Ltd.

MATTERS UNDER DISCUSSION:

Annual Report of A.E. McKenzie Co. Ltd.

* * * *

MR. CHAIRMAN: I call the meeting to order. We have a quorum. We're here to consider the report of A.E. McKenzie Seeds Co. Ltd., and the Minister responsible for McKenzie Seeds will make a few comments.

HON. V. SCHROEDER: I think what I'll do, instead of making a few comments, is ask the Chairman, Ray Kives, to make an opening statement, and after that the President, Keith Guelpa.

MR. R. KIVES: Mr. Chairman, a copy of A.E. McKenzie's audited financial report has tabled to those present and I will let Mr. Guelpa take you through the detail after my brief opening summary remarks.

I am pleased to once again report to the members present that the company has made a profit of approximately \$971,000 for the fiscal year ending October 31, 1985. This figure compares to a profit of \$135,000 in 1984 and a \$1.3 million loss in 1983.

Needless to say, the board and myself are both pleased and proud of what has been accomplished in the last two years both in terms of turning this venture around and in stabilizing the long-term viability of McKenzie.

Again, as I have stated on other occasions, that credit should go to Mr. Guelpa and his team of employees, both union and non-union alike.

I would also like to thank the government for their help in restructuring the company to making it a viable entity.

Although the company is showing lower sales in 1985 than in 1984, this can be explained, and Mr. Guelpa will take you through this. We feel that the sales have

bottomed out and that future sales will once again show growth. We also continue to strive for higher profit levels in order to strengthen the long-term viability of this important company.

As reported last year, employee morale is good, and the board and management continue to look for ways of further motivating our employees. We have made great progress in the last two years since the new team came on board, and we all have a firm dedication to continue to improve the company in the future.

Again, all we ask is to please give us your moral and verbal support.

Thank you.

MR. CHAIRMAN: Mr. Guelpa.

MR. K. GUELPA: Thank you, Mr. Chairman.

There are many financial statements contained within the corporation's annual report, and I feel that the statement which best explains the financial performance of the company would be the Consolidated Statement of Operations found on Page 3.

If you'd like to turn to Page 3, the third page in, sales for the fiscal year ending October 31, 1985 reached approximately \$13.6 million compared to approximately \$15.1 million the prior year. This represents a decline of approximately \$1.5 million.

The decline in sales can be traced to the Consumer Products Division and, in particular, to lower sales on packaged seeds and onions. The primary rationale for the lower seed sales is a planned program of reducing seed sales to a point where sales and production are in equilibrium.

As I have mentioned in prior years' standing committees, the company was not really selling smart. They were pursuing sales for the sake of sales. We believe we have stabilized our seed sales to the point where we have maximized sales efficiencies.

Coincidental with this planned sales adjustment, the company was able to reduce its return rate from approximately 52 percent in 1984 to 46 percent in 1985. We feel we can now build on this solid sales base.

The other contributor to lower sales were soft sales in our onion area. This was the result of a large oversupply situation in the market and dramatically lower pricing as suppliers tried to sell surplus at any price. This condition is expected to continue in the future but it is felt that our onion sales have stabilized at this new lower level.

Other areas of the company such as the Direct Marketing Area and Stores were basically on plan.

The next area to examine is cost of goods. The company continued to make progress in this area with production efficiencies, and has reduced its cost of goods by over 1 percentage point, all of the gains again coming from productivity improvements.

Gross margin levels have correspondingly increased to 47.8 percent in 1985. The credit for this continues to go to the plant employees for their great effort.

Thursday, 19 June, 1986

Overall expenses were down from the year before due to continued cost-cutting programs and as a result of the lower sales base. On a percentage basis, they were up marginally, this again due to lower sales.

Other income was above 1984 primarily due to a once-only sales tax rebate.

The net effect of the above yielded an operating income before interest of approximately \$1.2 million versus \$1.3 million in 1984. The fact that the employees were able to hold the profit so close to prior years in face of significant sales decline is to their credit.

Interest charges for the year totalled \$238,000 versus approximately \$1.2 million the prior year. This is directly attributable to the restructuring of the company's long-term debt in November, 1985.

The cumulative effect of all of the above produced a positive net profit of approximately \$971,000 basis a previous year result of approximately \$135,000.00.

Once again, Mr. Chairman, I believe the employees have come through for the company and deserve a great deal of the credit for this performance. While we are pleased with our performance, and for a second year in a row we've made profit versus the many years of previous losses, we are cognizant of the fact that we must continue to strive for improving the bottom line if the company is truly to be viable in the long run.

Thank you very much.

MR. CHAIRMAN: Any questions?

Mr. McCrae.

MR. J. McCRAE: Mr. Chairman, I thank Mr. Kives and Mr. Guelpa for their statements this morning. I think it's fair to say that all of us in this room share their hope for the future and share in their pride in the achievements of the last couple of years.

The bottom line is certainly a good indicator that progress is being made. Mr. Guelpa and Mr. Kives both attribute a large amount of the credit for this to the employees of the company and, while I certainly agree with that, I believe that the direction and leadership taken over the last couple of years has a fair amount to do with the output of the employees there. So we have to give credit where it's due and also give credit to the management of the company.

I have been looking over some of the discussion that took place a year ago with respect to McKenzie Seeds. Many of the things we heard this morning we heard at that time too; in other words, the company is more or less headed in the right direction and things are onwards and upwards.

We see, in the statements, certain efficiencies being brought about with respect to cost reductions and, of course, there's always room to improve, but that seems to be the thrust — the reduction in cost as opposed to the sales of more products or higher volumes of products. I think I detected, from something Mr. Guelpa said, that they're not keeping as much on hand in terms of inventory as they were at one time; things are moving out.

Would that be a fair comment?

MR. K. GUELPA: Mr. Chairman, not exactly. What was happening before is we were holding too much in production and producing too many seeds and putting

them onto the market. Our business is a consignment business; therefore, the product is not really sold until the end of the year, and at the end of the year we take all the seeds back.

One of our problems in the past was that we would produce far too many seeds, put them onto the market, record them as a sale initially, and then at the end of the year take them all back and record them as a credit. This is why I referred to in the past we were not selling smart. We had higher sales but we had a 52 percent return rate. Now we have lower sales and we have a 46 percent return rate. So we have attacked the key problem, is that in your business, in the seed business, you must find where the equilibrium point is between production and sales.

MR. J. McCRAE: The efficiency, then, comes about where not so many seed packages are put on the stands and you're not setting your goals as high as they were in the past, which were probably unrealistic goals.

MR. K. GUELPA: Correct.

MR. J. McCRAE: Last year Mr. Kives said that the company is not looking any longer for fresh capital and he expected there to be no further drain on the province. I take it that is the continuing situation and the projection for the future?

MR. R. KIVES: Presently we're starting this year going into new areas of growth. We feel that the seed business is more or less a mature industry and is fairly flat. At this point we feel we can finance internally all future growth. However, I won't say that for the next ten years; it depends.

We have started this year a new product called Uniflex, which is a watering device. We're taking advantage of the use of the name McKenzie. To date, sales on this product have been very successful. If this product sells, I feel McKenzie has a tremendous distribution system through all the major retailers such as Woolco, K-Mart, etc.

We may in the future go into more products garden-related, using the name McKenzie. But at this point we feel we have enough internal financing, and for the next year or two, we definitely will not have to come to the government.

MR. J. McCRAE: Mr. Chairman, they talked about last year a strategy to phase out low volume and low profit product lines and that sales were expected to decline in 1985. That seems to be indicated in the statements. Then the projection was that they would build after that. Can we have this year's projection as to when sales will build?

MR. K. GUELPA: Yes that was the strategy and I think when we come back to next year's standing committee, the strategy will be executed. You can't build sales instantly. They take time — particularly in our business. We only have one shot a year and therefore if you haven't got all your programs organized, you're out of the market for a whole year. Therefore, it's not like Colgate toothpaste where you have eight times a year to make a sale; we only have one. I can assure you

Thursday, 19 June, 1986

that sales are up versus 1985 and 1986, and you're going to start to see implemented the words that we had in the context.

MR. J. McCRAE: Mr. Chairman, could I ask now, what is the present situation with respect to the cost of goods?

MR. K. GUELPA: Cost of goods, although we don't have a daily reporting system, I think at the end of the year they will be the same as 1985 or perhaps marginally lower as we continue to find ways to increase productivity, and interesting to note, these productivity gains are coming from our employees. I think, within the company, we really have the employees committed to helping the company and helping themselves, and we are getting great cooperation from our union and non-union members alike.

MR. J. McCRAE: Mr. Chairman, I'm just looking at the three pages in the Consolidated Statements of Operations. Expenses are down slightly, maybe not so slightly, but about \$400,000 from 1984 to 1985, and yet we see profits. What projections do we have for this year?

MR. K. GUELPA: Although I haven't got my magic crystal ball in front of me, we are still collecting returns from this year, and we did have a lot of cold weather across Canada right up until mid-May — I'm hoping that people decided to plant their gardens later . . .

MR. D. SCOTT: I still haven't yet.

MR. K. GUELPA: Good, buy your seeds. But what I think we will see for this year is sales starting to increase up and profit in relatively the same area as 1985. The company has had to invest money in this new product — you can't launch a new product with no investment — but I think it would be in the area. We once again will be profitable if that's the direct question.

MR. J. McCRAE: A year ago, Mr. Guelpa, you made the projection that profits would improve in 1985 and they would be in the range of \$500,000 to \$1 million. It's pretty clear that you were right on and, in fact, you came in at the higher range. I'll go on to ask now how many staff there are in the company.

MR. K. GUELPA: Mr. Chairman, there are approximately 193 full-time equivalent employees within the company. I use the term "full-time equivalent" since due to our seasonal nature of our business our labour force fluctuates and at any given time there is a large fluctuation, so we have come down to full-time equivalents, 193 approximately.

MR. J. McCRAE: Can I assume that the full-time equivalent staff numbers have decreased over the last couple of years by a small amount?

MR. K. GUELPA: No, Mr. Chairman, it's not necessarily the full-time people, although we have trimmed back some in the sales areas. I think the cutbacks have come proportionally more from the temporary area, but there

have been a number of full-time people, but mainly in the sales area, that have been reduced.

MR. J. McCRAE: Mr. Chairman, the consultant's report of a couple of years back made the point that some of the senior personnel at McKenzie Seeds were underpaid and that the lower level personnel were grossly, apparently, underpaid. What is the situation now?

MR. K. GUELPA: Mr. Chairman, since those statements, we have made great strides in remedying the inequities both at the lower level and at the middle management level, based on surveys that we've done and based on our contract awards of previous years.

We have significantly increased the office workers over the last two years to try and bring them more into what we feel is equity within the community and within the company, and at selective other levels within the company, we've had to address situations which were not fair. So I would say today that we have a good situation within the company in terms of pay equity.

MR. J. McCRAE: With respect to pay equity, as I read The Pay Equity Act, I'm still not sure whether McKenzie Seeds comes under that. I think the schedule of that act does not include McKenzie Seeds, but maybe you can correct me.

HON. V. SCHROEDER: I really would have to get back to the member on that. If it doesn't include McKenzie Seeds, then that would be an oversight. Certainly, along the stage of events, I would expect that McKenzie Seeds would be involved with that very important exercise.

MR. K. GUELPA: Mr. Chairman, I think, to address that point, is we have been informed that all Crown corporations will form a part of the pay equity and we are gearing up for that situation.

MR. J. McCRAE: When you say "gearing up," Mr. Guelpa, am I correct that the present union contract expires this summer?

MR. K. GUELPA: Mr. Chairman, it expires July 31 of this year.

MR. J. McCRAE: Do you anticipate that pay equity will be a part of the collective negotiations coming up?

MR. K. GUELPA: Mr. Chairman, we've been informed by the Pay Equity Committee that pay equity cannot, by law, be a part of labour negotiations and must be handled as a separate negotiation process outside of labour negotiations, so we are not making it — because of the advice we've received from this department — part of labour negotiations.

MR. J. McCRAE: I don't quite understand that, Mr. Chairman. Mr. Guelpa, are you saying that it won't be part of the negotiations because it's against the law?

MR. K. GUELPA: Mr. Chairman, that is our preliminary indication whether it's against the law — I might have to clarify that — but I've been told by my people in

charge of this area that pay equity cannot form a part of labour negotiations and must be handled outside of the negotiations as a separate area.

MR. J. McCRAE: Can pay equity at McKenzie Seeds not be something that the board can decide to proceed with, and proceed?

MR. K. GUELPA: Mr. Chairman, this area of pay equity has, in my opinion, not been fully delineated by the department responsible, and we are coming into Winnipeg for seminars in the near future to understand the full impact and implications of pay equity.

My understanding is, it must be implemented in the corporation in the early fall. So the time frame is upon us right now, and we will be entering into this whole process in the next month.

So whether the board instructs us, we are proceeding into implementing the procedure as of a month ago in terms of getting our records straight and dialoguing with the department involved.

MR. J. McCRAE: I think maybe we're at cross purposes here. I believe you said initially that — or the Minister said initially — that it is not included. Crown corporations are not included in The Pay Equity Act. Is that what the Minister said?

HON. V. SCHROEDER: No, I gained the impression from the conversation that there was a schedule from which McKenzie Seeds may have been omitted. I said if it had been omitted, then that was very clearly through an error and that it would be rectified.

As the member has indicated, in terms of the McKenzie Seed position on this issue, I think our record demonstrates our commitment. There are probably very few companies in this province who have done as much in the last few years to bring more fairness into the workplace than McKenzie Seeds. When one looks at the people who, as the Member for Brandon West indicated, were grossly underpaid, those were I think almost to a person, women.

MR. J. McCRAE: Mr. Chairman, I can only support the movement towards pay equity at McKenzie Seeds and urge that there be no slowdown in the process there.

As you know, the policy of the Progressive Conservative Party is to move towards pay equity in the private sector by virtue of the government and Crown corporations leading by example. Indeed a year ago, when the Minister of Labour introduced The Pay Equity Act in the Legislature, he stated almost precisely the position of the Progressive Conservative Party, of all things, when he introduced that legislation.

The Minister of Labour also stated that it was not the intention of the government to proceed with imposing pay equity on the private sector because he felt that the proper way to go would be to lead by example. I'm very glad to know that is government policy, contrary to some of the things we heard during the election campaign.

I'd like to ask Mr. Guelpa about the task force groups, how that situation is working, and what results he can report.

MR. K. GUELPA: Mr. Chairman, the task force groups are working very, very well within the company. As I

mentioned earlier, in the cost of goods or productivity area, most of the suggestions for improvement within the company are coming from the employees. The whole thrust of the management at McKenzie is to get the employees involved to the point where they feel that they have a say in the management of the company, and we don't have to manage the company and do things wrong just because they don't have control over their own situations. We encourage them at any time to give us suggestions on how we can make their life easier within our operations and also better the total company.

We've taken the T groups a step farther this year and we've introduced a series of films based on "In Search of Excellence." This is a book which has been released in the U.S. a number of years ago, but we have used these films just recently to demonstrate what happens when you unite an employees' group and get them all pulling on the same oar and getting them proud of the companies that they're working for and the films demonstrated such excellent companies in the U.S. as 3M Corporation, Disneyland and many more, Hewlett Packard, where employees really count.

The net effect of this latest program that we have developed is a tremendous surge in the employee participation within the company and I look forward to developing even further programs to enhance employee participation, because my primary thrust within the corporation is to have total employee participation in the management of the company.

MR. J. McCRAE: With respect, Mr. Chairman, to total employee participation, last June Mr. Guelpa told us or told this committee that the idea of gain-sharing was being looked at, and he hoped to be able to put something to that effect into effect by the end of last year.

I'd just like to ask him this year whether procedures have been defined or approved by the board, or what progress has been made respecting gain-sharing.

MR. K. GUELPA: Mr. Chairman, the gain-sharing idea was something that I mentioned last year as under investigation. As we entered our investigation study, we found that gain-sharing, profit-sharing — it comes under many, many different titles — is not as easily implemented as we once thought.

We now are still studying the area to try and find ways that we can equitably bring it into the company in all areas. That is one of the main problems with gain-sharing, is you have to make it equitable to the total company and not just to certain departments which have the ability for gain-sharing.

So I would say that the chances of having it implemented this year are pretty slim, and I'm going to hope to have it for 1987.

MR. J. McCRAE: Getting on, Mr. Chairman, to the membership of the board, I wonder if there have been any new appointments to the board in the last year.

HON. V. SCHROEDER: There are two new worker representatives on the board.

MR. J. McCRAE: Replacing the previous two worker board members?

Thursday, 19 June, 1986

HON. V. SCHROEDER: Shyril Dunham and Steni Snyder. Yes, and the two of them are replacing previous appointees who had been elected by the union.

MR. J. McCRAE: What kind of work does Steni do — Steni Snyder — for the company?

MR. K. GUELPA: Mr. Chairman, Mr. Snyder is our custodian.

MR. J. McCRAE: Could you give me brief profiles of each member of the board?

MR. CHAIRMAN: Who is that directed to?

MR. J. McCRAE: To the Minister or to Mr. Kives.

HON. V. SCHROEDER: I will have to take that as notice, and get back to the member with profiles. I don't have them here at the moment.

MR. J. McCRAE: There is some discussion in political circles about makeup of boards and indeed I believe it was Mr. Kives last year who made the point, and I'll quote, "However, as I stated to Mr. Schroeder in the past, it is my opinion that most of these public companies that are owned by the Crown should be staffed on the board level by business people who really have no allegiance to any party, but should be there to try to do the best for the company and also the best for the province."

I tend to agree with those statements, Mr. Chairman, and ask if that is still the policy?

MR. R. KIVES: I guess there are two separate issues. The chairman has his view of who should be on the board and, of course, the government are the people who appoint them. I think that when you look at this particular board, you'll see that it has a good number of people with varied business experience on it, and I think to be fair to the member, it would have been nice for him to have had the complete answer to his previous question before he asked it.

But there are people from a variety of walks of life and different business backgrounds as well as people from non-business backgrounds; and I think the overall makeup of that board would basically reflect the view of the government of the kind of makeup a board should have.

MR. J. McCRAE: Mr. Chairman, in view of the performance of the past couple of years, it's pretty hard to be very critical of any board, but I do bring that matter to the government's attention and perhaps at some other time the Minister can prepare for me a profile of each member of the board. As the so-called Critic for our party, I think it would be useful for me to have that information.

Mr. Chairman, what percentage of the products handled by the company are Canadian, or of Canadian origin?

MR. K. GUELPA: Mr. Chairman, I don't have an exact number, but I would say that the majority of our product is bought outside of Canada, the reasons being, we

are in the seed business and the type of seed that we deliver to the consumer market is not grown in Canada. It's grown in the U.S.; it's grown in Europe, etc., etc.

Wherever possible, we have a policy within the company of trying to buy, where quality, service and price are comparable, we try to buy in Brandon first, Manitoba second, Canada third and everywhere else as a fourth. That is a policy within the company, given that quality, service and price are comparable.

MR. CHAIRMAN: Mr. Connery.

MR. E. CONNERY: Yes, in the onion sets — of course, I know a little bit about the onion set business. I used to be in business with McKenzie. Are they buying the bulk of their sets or all of their sets in Manitoba or are they buying some outside?

MR. K. GUELPA: Mr. Chairman, I'm pleased to say that we're buying our entire production from Manitoba. A number of years ago we were buying also from Ontario and recently we have decided to consolidate all our purchases into the Province of Manitoba.

MR. E. CONNERY: There was a policy of storing the sets at McKenzie Seed and there was a considerable amount of money put into bins and equipment to keep the onions. Are you still storing?

MR. K. GUELPA: Mr. Chairman, no we are not. We ran into significant problems with environmental controls within the company and experienced considerable losses. Therefore, we have moved to a policy where the growers, who are better suited and more knowledgeable about the product than ourselves, they store them for us and we bring them in on demand.

MR. E. CONNERY: What did they do with that equipment? Did they take it out?

MR. K. GUELPA: Mr. Chairman, yes, they have taken it out.

MR. E. CONNERY: Is Holland giving significant competition? I just wonder if Holland is maybe dumping into North America or to Canada.

MR. K. GUELPA: Mr. Chairman, Holland continues to be very, very price competitive with North America and, in particular, Canada. In some areas, like multipliers and shallots, they are able to come into Canada. Where you get into a large shipping supply, like onions, they are not as competitive because of transportation.

MR. E. CONNERY: You've got four companies listed: Steele Briggs, McFayden, Pike and Canada Seeds. Where are these located, or where do they do their business mainly?

MR. K. GUELPA: Mr. Chairman, A.E. McKenzie Co. Ltd. is made up of a number of subsidiaries, and I'll just list them off: McFayden, which is our direct marketing division, which is located in Brandon; McKenzie-Steele Briggs or Steele Briggs is located in Brandon and it's just a trade name that we used. It

was originally located in Toronto. Canadian Seed was originally located in the east, but that is just a shell company and located in Brandon. Pike Seed is an Alberta company which continues, under the Pike name, to be sold there but only as a trade mark. All the head offices or all the companies are resident in Brandon. They are just trading names.

MR. E. CONNERY: It seems to me sometime back you had bought a company in Mexico. Is that right? Do you still have it, or what is the . . .

MR. K. GUELPA: Mr. Chairman, this was before my time, so I am going on information supplied to me after I came into the company but, to the best of my knowledge, we have no operations outside of Canada and that was closed down either in the Seventies or early Eighties.

MR. E. CONNERY: What is the position of the company now? Are they going to remain where they are and not go out on some of these wild flyers like they did a few years ago? I think really that was the undoing of the company for some time.

MR. K. GUELPA: Mr. Chairman, we don't want to go out on any wild buying expeditions. I think, in my business experience, you tend to keep to what you know best. If we do venture out in the future, I think it will be more trying to develop the export market.

It is my belief that there is an opportunity for McKenzie to export seeds, not by having companies in other countries of the world but merely by exporting to such countries as the U.S., Japan and China. I have started preliminary investigations into the possibility of exporting McKenzie Seeds to the Pan Pacific Rim countries, and I think if we venture anywhere it will probably be just to a straight export, but not with any physical plant location or office location.

MR. CHAIRMAN: Mr. Manness.

MR. C. MANNESS: Thank you, Mr. Chairman.

I would like to ask a number of questions to the gentlemen in respect to, firstly, the balance sheet, and more detail on the profit and loss statement. I was encouraged to hear some of the opening remarks made by the gentleman from McKenzie Seed, particularly the term, "an attempt to find the equilibrium between the costs of production and sales."

But in reviewing particularly the profit and loss statement, Mr. Chairman, it becomes quickly apparent that in spite of efforts to reduce, probably the costs associated with producing that net operating income has fallen even though I notice that administration costs continue to increase.

For what reason are overhead costs not falling as a percentage of sales?

MR. K. GUELPA: Mr. Chairman, the reason that administration is not falling with sales is because that is a fixed cost of doing your business. If you have \$10 million in sales, or if you have \$40 million in sales, that administration area basically remains the same because that is the managerial level, it's the office level within the company.

The reason that the administration has gone up slightly from 1984 is because you have a president's salary in there. In 1984, I was not with the company for the whole year. Therefore, I think the difference is some \$40,000 or \$30,000, and that just reflects, in 1985, my being with the company for a whole year.

I think, if you look on a percentage basis, expenses are up only slightly, 38.6 the year before versus 39.9, but this is also on \$1.5 million lower sales. So I think we've done a very good job of controlling our expenses and, in fact, reducing them.

As for net profit, net operating income, we are only some \$90,000 lower than the prior year. Again, I'd like to point out that this is on \$1.5 million less in sales. If you take your cost of goods at approximately 50 percent, and take \$1.5 million of sales, theoretically we should have lost \$700,000 of profit. In fact, we didn't. We came in at \$970,000.00.

MR. C. MANNESS: Mr. Chairman, I can accept that explanation, I guess more so, when I look at the balance sheet and notice that inventory has increased.

Was this a plan for an increase in inventory, or did this just happen because of unforecasted lack of sales?

MR. K. GUELPA: Mr. Chairman, it's a combination of an anomaly and also a planned action on behalf of the company. The anomaly is that our 1984 inventory is the lowest it's been in 10 years. What we must have done is we must have managed it very, very well at the end of 1984. But the number of \$3.880 million was taken at a point in time, on one particular day, and therefore if one week or two weeks later a significant amount of inventory comes in, it would affect this number.

I was satisfied the board because the board was interested in this number; I have satisfied our accountants that what has happened is it is an anomaly, and in 1984 was the lowest in 10 years.

If you look at the year before, it was approximately \$5 million, and the year before that, it was \$5.2 million.

In 1985, why it's gone up to \$5.095 million is also a result of us levelling our production area. What I mean by levelling is we are starting to produce our seeds earlier and, therefore, this has also affected that number.

MR. C. MANNESS: I would ask, then, whether or not this is the area in which management would prefer to keep the level or the value of inventory?

MR. K. GUELPA: Mr. Chairman, we've done an analysis and we feel that the inventory levels of the company will hover around the \$5 million area, given our sales remain relatively fixed around the \$15 million.

I would also point out that as the sales base of the company starts to go up to \$16 million, \$17 million, \$18 million, \$20 million, which we are hopeful in the future, that your inventory levels will have to rise correspondingly. The management of the company is making every attempt to keep inventory to the minimum level because excess inventory costs money and we are very cognizant of this and have a number of programs within the company to try and manage inventory to the lowest levels possible.

MR. C. MANNES: Back to the profit and loss statement. I can't help but notice that even though net income for the year has increased \$836,000, that interest charges decreased by 926, indicating that if interest had been payable in a similar fashion to the year previous, that indeed the profit and loss final figure would have been less than the year before. Is that a proper assumption?

MR. K. GUELPA: Mr. Chairman, no, the honourable member has the figures, or the logic fairly close, but the numbers are not correct and that's probably because he doesn't have the full information, which I will now try and explain. Because in long-term interest in 1984 we also have other long-term interest other than the debt in there, you must separate the numbers out, and I will attempt to do that now.

If you take the interest that we paid in 1984 on \$7 million, it amounted to approximately \$943,000, so that's \$7 million and we paid \$943,000 in interest on that.

In 1985, we had \$1 million in long-term debt, and we paid \$113,000 for that interest.

If you subtract the two numbers of 943, which is on the \$7 million, and the 113, which is on the \$1 million, you arrive at a difference of \$830,000, which represents the difference between the two scenarios of 1985 and 1984.

If the honourable member would like, he could add \$830,000 worth of profit on to 1984, under the situation where that \$7 million didn't exist, and that would bring the profit to approximately \$965,000 in 1984, compared to a profit of \$971,000 in 1985.

So, Mr. Chairman, the profit is marginally higher; I would say it's a wash.

MR. C. MANNES: Mr. Chairman, I believe it is Page 5, where it talks about long-term debt and the very bottom paragraph indicates what's happened to the \$6 million difference between the 7 and the 1, indicating that the demand debenture was converted to 6 percent, non-voting, non-cumulative shares.

Is any of the portion of the profit, the net income for the year, being directed to the government to retire any portion of their preferred shares or, specifically, where is the profit going?

MR. K. GUELPA: Mr. Chairman, the profit of the company is going to pay back the government their money on the \$1 million of long-term debt. In 1985 we will have paid off over \$250,000 of that \$1 million, and in 1986 will pay off another .25 million, so we are paying back the government on the \$1 million loan that we have outstanding. Therefore, the government is getting money directly from the company.

The balance of the money from the company is being put back into operating capital so we don't have to borrow as much money from our bank, which costs us a considerable amount of money.

MR. C. MANNES: Is the government receiving no interest at all in their preferred shares, or no dividends?

MR. K. GUELPA: Mr. Chairman, the share structure of the company is made up of cumulative and non-

cumulative. The government is cumulating on their \$5 million worth of shares — interest.

MR. C. MANNES: Not paying — cumulating — that means it's building as an entry in the ledger somewhere?

MR. K. GUELPA: Mr. Chairman, I'm sorry, could the member repeat his question?

MR. C. MANNES: Mr. Chairman, I just want to clarify, when the gentleman says accumulating, that is showing up somewhere in the ledger as an amount owing to the government. I understand it's on Page 7. Is that correct?

MR. K. GUELPA: Mr. Chairman, yes, that is correct. On Page 7, under Legislative Committee Information, the members can see the dividends on the Class A shares cumulating in there.

MR. C. MANNES: So what is being basically said is that if the government hadn't moved in like they did a year ago and really made major advances in the form of preferred shares, that really the profit and loss statement would not appear as it does. Indeed, it would be close to a break-even composition.

MR. K. GUELPA: Mr. Chairman, the observation is correct. I'd also like to point out, though, that in 1983 we lost \$1.3 million; in 1982 we lost \$2.2 million. So two years of stabilized profit, albeit in the \$135,000, \$140,000 area, I think is gratifying.

I'd also like to point out to the member that this profit in 1985 was made on \$1.5 million less in sales. If the sales shortfall was there and we didn't do something within the company, we would have been faced with a \$200,000 profit after restructuring, which would have been another loss situation.

So, yes, your observations are correct, but I'd ask you to take it in context of everything else that's happened within the company.

MR. C. MANNES: I assure the gentleman that I certainly do. I'm well aware that there are obviously some operating efficiencies that have been brought back into McKenzie Seeds. I guess the only concern I may have is the way the financial picture is depicted.

I guess I see no problem with the P and L coming forward, indicating that the company, paying all its interest, has broken even and stating such. I would be probably more complimentary if I saw it accounted in that fashion. I think that's the only point I'm trying to make, Mr. Chairman.

I have, though, one question for the Minister. Can the Minister tell us why this report was tabled in such a late fashion? Did he just receive it?

We now have had basically about 20 hours to digest this before considering it in committee. Can we expect this report to come forward basically in the end of June, given that management seems to be more in control of the operation now, or can we expect it a little sooner in years forward?

HON. V. SCHROEDER: Mr. Chairman, the reason it came as late as it did was that I was under the

impression — I think I'm right — that historically McKenzie Seeds' annual statement has actually been filed with the committee at the time of the committee hearing but not in the last couple of years because the Opposition has actually asked for it ahead of time. But before that, the first the document, as I understand it, was made available was at the hearing itself.

When the Opposition asked for it, we immediately made it available. It may well be that it makes more sense to have it made public after the annual meeting. I know each year the chairman and president contact me and we discuss that issue, and it has been mentioned to me in the past that, you know, there's a question as to how much you can release to the public after the annual meeting and after the Auditor has approved of their annual report and so on.

My preference, quite frankly, would be that shortly after the Auditor has approved of the numbers, and the annual meeting has gone over the report, it should be released to the members. That would ordinarily be some time in March.

MR. C. MANNES: Well, I concur totally with the Minister, and hope that he would do that another year. Of course, the reason, using the Minister's logic, that we received it so late is the committee this year is sitting in such a late fashion relative to other Sessions. We're in the middle of June because of the lateness of the election; that probably has something to do with it.

HON. V. SCHROEDER: I would have loved to have released it, in fact, before the election. One of the constraints I had was that I felt, if I did release it, the Opposition would criticize us for releasing it before it had been discussed in this committee.

MR. C. MANNES: Yes, that would have been a fine trade-off, Mr. Chairman, this plus the Third Quarter Financial Report, and I think we could have had a deal between the Minister and ourselves.

HON. V. SCHROEDER: I didn't have that one.

MR. CHAIRMAN: Mr. Mannes, further questions?

MR. C. MANNES: No.

MR. J. McCRAE: I have to take issue, Mr. Chairman, with the Minister who says that he wishes he had given out the good news before the election.

Really this takes us to an event that took place during the election. Things kind of heated up at some stages and the Minister, at one point, said that I was involved in some gutter politics over the bonus that was given to the employees at McKenzie Seeds. In view of all the things that we've been told today by Mr. Guelpa and Mr. Kives, there is no doubt that the bonus is well-deserved and earned.

The point that I was making at the time was the timing of the announcement, and the Minister accused me of gutter politics. I wonder if he has anything to say today about that accusation and any comments to make about the timing of the announcement.

HON. V. SCHROEDER: I can tell the member, as I said then, this was an internal issue. It was not one that I

had been involved with either as to the timing or the amount. It was something that the management of the corporation and the board made a decision on.

The suggestion that it had been done by the management or the board on a political basis was simply incorrect. I stand by that statement. We had absolutely, as a government, nothing to do with the timing of those kinds of announcements, nothing.

MR. J. McCRAE: Mr. Chairman, I accept that and I believe that, but, in view of some of the things that had gone on at McKenzie Seeds in previous years and in view of some of the comments of a previous chairman of the board of McKenzie Seeds respecting interference by the government in the company, I think the perception is out there that McKenzie Seeds is or has political overtones.

I appreciate the views of the chairman and the president. I appreciate the views that I shouldn't be making any politics out of it, but, in view of the history of McKenzie Seeds, certainly politics has been made out of it and there has been, according to some people, political interference. The perception is out there just like it is in politics. Mr. Chairman, you know that many people believe that perception is 95 percent of politics.

Well, when McKenzie Seeds in the past, and through no fault of the present members of the board, has been politicized, I think one should be sensitive to that perception that is out there. In that sense I maintain that the announcement was ill-timed. Mr. Guelpa knows that I feel that way and I know exactly Mr. Guelpa's point, and I understand. As I said at the time, the employees at McKenzie Seeds are certainly deserving in view of the fact that their contract calls for no increases. Something had to come along.

I guess I would like to know what kind of a percentage those bonuses would have amounted to in terms of an employee's salary at the time?

HON. V. SCHROEDER: On that last question, I'm sure Mr. Guelpa will be able to work out a number for you.

On the first one, I simply say that I tend to think that I have enough imperfections that would allow the Opposition to attack those, rather than the areas where I've done nothing improper.

So I feel that the criticism at the time was one that came against someone who had basically nothing to do with it and that was why the reaction and, as the member knows, during election campaigns reactions sometimes are higher than they are after an election. So I'll leave it at that.

MR. J. McCRAE: Mr. Chairman, I think I can accept that answer because certainly people do tend to overstate cases during election time. I'm not taking that as an apology. I don't think it was an apology. But I understand where the Minister is coming from. I only hope he and Mr. Guelpa and Mr. Kives can understand where I'm coming from, too, when such announcements are made so near to an election campaign in such a previously politically-charged company.

I believe Mr. Kives and Mr. Guelpa have the answers on that.

MR. K. GUELPA: Mr. Chairman, I take the total responsibility for what was perceived as a badly-timed

Thursday, 19 June, 1986

announcement and I've given the honourable member my explanation before and I think we're just going to leave like that.

But again, I assure the member that the government or the board was in no way connected with my timing. I just didn't think of the consequences because of our long history of good performance in what we've done. That's water under the bridge. The bonuses were less than 1 percent or around 1 percent of their salary.

MR. J. McCRAE: Mr. Chairman, in view of that, I suppose it's not fair for me to second-guess any negotiations that might be coming along, but in fact maybe I better just drop that point.

Mr. Chairman, I do have a question though about those bonuses and I have received some, I suppose, complaints. I have made enquiries, and I wonder if Mr. Guelpa can tell me if anything's been done about this.

Some employees at McKenzie Seeds, due to the nature of the operation of the company, are on layoff at times and some of those employees also received bonuses. The complaint I received was that those people on layoff receiving Unemployment Insurance, received reductions in their Unemployment Insurance benefits to offset the bonus they received. My question is: when those employees return to employment with the company, will there be some adjustments, so that they can receive the real benefit of that bonus which they earned and deserve?

MR. K. GUELPA: Mr. Chairman, when we made the announcement of the bonuses we were not aware that these layoffs were going to come and they came very shortly thereafter. We received erroneous information from the Unemployment Insurance people who first said there would be no problem giving them the money and then after that, through another person or ruling, there was a problem. We then went back to the union and said to the union, we'll take care of anybody who's hurt, we'll work it out.

We try to ascertain how many people would be affected and not receive the full amount of their \$250, and we found the number in the six or seven area. We identified these people and asked the union to work out with us something to make everyone happy. To my knowledge, everyone went away happy.

If the member has other information, I would be glad to receive it and investigate it, but to the best of my knowledge, the employees were very grateful and took it as a gesture that the company really meant what I had said two years previously, when I first came into the company, that you're going to be proud to work at McKenzie and one of these days I'm going to be able to say more than just, thank you and we came through on that with a token gesture.

MR. J. McCRAE: Mr. Chairman, is that really all it amounted to, or was there something more concrete, in terms of an agreement that this bonus would be coming along down the road? The reason I ask that is, some people — one person in particular in Brandon — had said that there was an agreement to reward workers made some two years previous to the bonus, and I just wondered what form that agreement took.

MR. K. GUELPA: Mr. Chairman, to the best of my knowledge we have no agreements with anyone other than our contracts.

My commitment to the employees was a gratuitous undertaking on my part. I did not have the approval two years prior from the board of directors or the government or anybody, I was just making them a promise, that I believed if we turned around the company and made a profit, we should give them more than just a thank you. So again, I am not aware of any prior commitment to when I came into the company, of any forms or rewards.

HON. V. SCHROEDER: Mr. Chairman, just to add to that, and to step back a couple of years, as the member knows when we entered into that last series of negotiations, the company was not in all that great a shape, morale was not that great. But on the other hand, when the discussions were going on there were statements made that if this thing turns around, we certainly will keep in mind the fact that this was the first union to take a zero for two years — the plant workers, of course, as we've mentioned, the office workers — because of their relative rates received significant increases.

But it was made clear at the time that the move was appreciated because there were other Crown corporations who were also in some difficulty where that hadn't been achieved to that point in time. These were the first people to take zero for two years and there was no written agreement, just simply a commitment that we would recognize what they had done, if we could all work together to get the company turned around.

MR. J. McCRAE: Well I guess the reason, Mr. Chairman, I asked the question is just to set the record straight. Some politicians have pretty thin skin and maybe sometimes I'm one of them, and certain comments were made by people in Brandon in the election campaign that I've since complained about. Members opposite in the Legislature have complained about some statements made on our side.

To call my criticisms absolutely preposterous because there had been an agreement made two years previously, and that the bonuses were approved long before the election kind of struck me funny, and that's why I felt I should ask those questions.

MR. E. CONNERY: Out of the contingencies on Page 6, has the company been able to recover anything from the three members that were charged — previous employees? What is happening in this whole area?

MR. K. GUELPA: Mr. Chairman, this matter is still before the courts. In fact, the sentencing of the three individuals will happen today in Brandon. So at this point in time as it is before the courts, I am not aware of anything, as of this hour, that has come out. We will all have to wait to hear the results of the judge's decisions this afternoon.

MR. E. CONNERY: How did the leases you showed — the leasehold improvements and then terms of lease, what are those? What all leases do you have?

MR. K. GUELPA: Mr. Chairman, in the operating lease area under the \$421,000 operating lease, these are all

our buildings across Canada, such as the sales offices; they're also made up of our cars, the Massey Building, etc., etc., so that's just the cumulative amount there owing up until 1990 on the capital leases, this is the computer.

MR. CHAIRMAN: Mr. Johnston.

MR. F. JOHNSTON: Mr. Chairman, the company has the seed business that we all recognize in the few years ago and I've asked this question nearly every year. Your direct merchandising, or your direct sales business or mail order sales on other than seeds, is another company or separate company which you mentioned. Which one is developing the most profit or appears to be forecasted to be the best for the company?

MR. K. GUELPA: Mr. Chairman, the most profitable division within the company is our consumer products division which is our seed and bulbs and watering area. This is almost on a par with our direct marketing area in terms of percent profit but one is just larger than the other.

MR. F. JOHNSTON: You said it's on a par but one is just larger — meaning it's just slightly larger than the other?

MR. K. GUELPA: Mr. Chairman, sorry that's my error. Just larger, meaning it is significantly larger.

MR. F. JOHNSTON: Is the direct sales — has it been growing percentagewise and growing profitwise over the past year or two years? And forecast — I might just add so we can finish it — and forecast to be an increase in the next year?

MR. K. GUELPA: Mr. Chairman, the direct marketing division has shown on average a 30 percent growth over the last 10 years; except for the years between '84 and '85 where it showed a static situation. This was attributable to a total situation within Canada where all catalogues had a very bad time due to postal interruptions, etc., etc. However, with that behind us, we are projecting increases for the catalogue division and in fact we find in our forward projections that we are looking for the direct marketing area to increase significantly in the total scheme of things within the company because this is one of the areas that we feel that we can achieve significant growth.

In prior administrations, however, the direct marketing area was not given very much help from senior management or encouragement and it has taken us a while to get it restaffed; and I am 100 percent behind the direct marketing area as a future for the company.

MR. F. JOHNSTON: Thank you.

MR. E. CONNERY: Can we have filed a list of all of the leases — what is leased and from whom they are leased. I know you won't have it here with you but if you could get that documentation for us, we'd appreciate that.

MR. R. KIVES: Mr. Chairman, I can undertake to provide a list to the members of our lease and who

owns them. Anticipating the question, to the best of our knowledge, we are not doing business with any of the former executives. I know that maybe is not your question but it came up in a prior year standing committee.

The Massey Building, Mr. Moore was involved in that, and we assured ourselves through our lawyers that he had sold his interest in that, and he, or others, had no financial or any other involvement in the Massey or any other of our leases that we held, but I will provide a listing.

MR. E. CONNERY: I guess facetiously we could say are you doing business with any current administration.

MR. J. McCRAE: Mr. Chairman, getting back to the recoveries hoped for from the previous members of the executive and the situation going on in Brandon today, is there any need to keep the civil actions on hold at this point?

HON. V. SCHROEDER: Mr. Chairman, we're going to wait until after whatever happens this morning, possibly wait another month or so to look at what kind of appeals are coming forward.

As well, at that stage, what we would obviously want to do is assess not only the likelihood of legal success — which I think we can all assess that on our own — but the likelihood of recovery of money if we're going to proceed with it, which is a different issue entirely from whether we would be successful at getting a judgement.

MR. J. McCRAE: I'll leave all the hypotheticals out of it if I can but really, in this situation, is there any difference whether there's an appeal launched or not? What difference would there be?

HON. V. SCHROEDER: It will be public anyway by now. We are asking for restitution there in Brandon this morning.

MR. J. McCRAE: Perhaps I'd better leave that one for now. I assume, though, that the company is taking every opportunity to recover what is owing to it.

HON. V. SCHROEDER: We are proceeding on the basis that we will not spend more money than we think we can take in; but if we think we can get more money than we would spend on an action we're prepared to do anything necessary to recover from any of the individuals, who we feel, owe the company money.

MR. J. McCRAE: Moving to market conditions, last year we were told — or this committee was told, I wasn't here then — we were told about a declining market and the types of merchandise marketed by this company. In that respect, I wonder how much money the company spends on advertising; what kind of advertising it does; and whether it spends more this year than last — and I know Mr. Kives has a background in which advertising is very effective — and I'm wondering just a little bit about that side of it, if certain types of advertising have been looked into and the possible results of it.

Thursday, 19 June, 1986

MR. R. KIVES: Well basically this year for the first time, we are advertising on television a product called Uniplex, which is a watering utensil that connects to your hose.

We are spending in the area — I'm not too sure of this number, Keith. Do you know what it says? Over \$100,000 and this is a combination of both TV and print. We're going to analyze the results and if it is successful, next year we will spend more money in advertising both on television and print. We feel, as I mentioned before, that the growth of this company has to come from non . . . due to the fact that this area is fairly stagnant and it's more or less levelled off and we feel that the exact growth of this company will come from related products to the plant area.

MR. K. GUELPA: Mr. Chairman, I can assure the honourable member that we would like to do this. It's a matter of limited resources within the company. We've never had the luxury of being able to spend money on advertising because we've been losing so much money.

My background is marketing, in particular, new product introductions. I'm also the vice-president of marketing and the marketing manager within the company and the product manager, as well as part-time president, so I spend probably 80 percent of my time in the marketing areas because we haven't been able to hire a vice-president.

I think you have seen some of the results of the repackaging of the company. The company has a new logo which we exposed at a press conference in Brandon. We've also shown at that point in time the new look of the company which is a black packaging.

I'm happy to say on one of our packaging lines, because of the new packaging that we put in, we increased our sales by over \$200,000 with the same product. We are marketing-oriented. We are totally revamping the image of the company, and I think next year you will see a much higher visibility in terms of advertising on McKenzie than you've ever seen previously.

It's all a matter of how much money can you afford to put behind it. In previous companies, I had advertising budgets of upwards of \$10 million. I don't have that luxury in this company.

MR. J. McCRAE: Can you tell me, Mr. Guelpa, where the majority of the market is? I'm talking location, McKenzie's products. Where do they go?

MR. K. GUELPA: The majority of the market, as everyone would suspect, we are skewed to population and the population is located in the east in Ontario and Quebec. Therefore, the majority of our sales would be in the provinces of Ontario and Quebec.

Per capita-wise, however, westerners, thank goodness, are gardeners, and on a per capita basis we receive a higher portion of our seed sales from Western Canada, primarily B.C. and Alberta, again because of the population base.

MR. J. McCRAE: What about the international market?

MR. K. GUELPA: Mr. Chairman, the international market is not developed at this point in time. We don't

have any international sales and this is the area of the company that I would like to see pursued in the future because I think from Brandon we do have the opportunity to export to anywhere in the world, particularly the Pacific Rim countries. Europe is too competitive, in my opinion.

We have taken the first step of participating in Expo '86 with the City of Brandon and we do have a three minute clip on Brandon, and McKenzie Seeds is part of that clip and also part of a brochure that we're giving to businessmen who come to Expo trying to develop export sales. This is all done through Industry, Trade and Commerce in the Pan Pacific Building at Expo.

MR. J. McCRAE: I congratulate you and the City of Brandon on the initiative at Expo '86. It's too bad we don't see more of that in this province.

What about the American market?

MR. K. GUELPA: Mr. Chairman, I would dearly love to get a piece of the American market. The problem is the American market is so competitive because of the number of companies there that, what retailers buy seeds for in the U.S. is very close to our production costs in Canada and, therefore, with that competitive situation it's very, very difficult. Also, there are, unlike Canada, individual state laws whereas in Canada there's federal laws and therefore you have to have a lot more infrastructure within the company to handle this. It is again an area of the U.S. and also offshore that I would like to investigate in the future.

Unfortunately, because we are short staffed and I'm the only marketing person within the company, I have to balance my time between running the company and running some of these other projects.

MR. J. McCRAE: Mr. Chairman, I agree that progress is best taken in an orderly way and one step at a time, but I, just as a layman and as a new politician, see potential in the future in international markets and I hope that you will keep looking in that direction. I think that's probably a good way to go if the company is going to grow. Maybe that's where it's going to, in view of the comments you made earlier about the Canadian market.

MR. CHAIRMAN: Questions?

MR. J. McCRAE: I don't know if I have any further questions.

MR. CHAIRMAN: Mrs. Oleson.

MRS. C. OLESON: I'm just wondering if McKenzie Seeds ever sells under other packaging names? For instance, do you package for another company and let them use their name on it?

MR. K. GUELPA: Mr. Chairman, we do not do any private label within the company. All the products have our own name on it. They may appear though under five or six trade names like Pike, McKenzie-Steele Briggs, etc., etc. That is not to preclude though in the future, if the price is right and we can make money on it, we'd be more than happy to produce private label products. We don't mind competing with ourselves.

MRS. C. OLESON: No. I wondered too if you'd ever had any requests for that by, say, large chains of stores that want to sell something under their own name?

MR. K. GUELPA: No, mainly because all those large chains carry McKenzie's own products and, therefore, if they carry their own, they would be just replacing us and there'd be no advantage to the company, so we would rather have them under the McKenzie banner.

MRS. C. OLESON: That's fine.

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

MR. J. McCRAE: Yes, Mr. Chairman, I have a further question.

Does McKenzie Seeds pay the — I call it the jobs tax — the health and education levy?

HON. V. SCHROEDER: Yes, every employer in the province is expected to pay, what works out to about one-fifteenth of the cost of the health and education of a very well educated and fairly healthy work force. I don't think that's an unreasonable proportion.

MR. J. McCRAE: We'll leave that debate for another day, Mr. Chairman.

MR. CHAIRMAN: Any other questions?

MR. J. McCRAE: I have no further questions, but I would like just to say, Mr. Chairman, that I wish this company well in the future, and as I said at one time in the House recently that, as the local Member for Brandon West where McKenzie Seeds is situated, I'm going to be aggressive; I'm going to be tenacious in supporting, and I'm going to be verbal in supporting McKenzie Seeds in hoping that the future is brighter still.

I hear that someone says that's a change. I believe that is an incorrect analysis of the policy and the positions taken by my party in the past. Indeed, Mr. Ransom, my predecessor in this critic position, has been criticized by some for criticizing the happenings at McKenzie Seeds, but as he very well pointed out, if he hadn't been making some criticisms at certain points in times the gentleman here today wouldn't be here and McKenzie Seeds would not be improving in the way it has.

So, in that respect, I must defend and take issue with the statement by the Member for Inkster when he says that it's a change that we should be supporting McKenzie Seeds.

Our support for McKenzie Seeds will continue. We see a definite benefit for our city in having some 200 people or 190 people employed on a full-time kind of basis. There can be nothing but good come from that. As long as the drain on the taxpayers of this province is reduced and brought to zero in the future, how can we do anything but support, both morally and verbally, and we do so.

MR. CHAIRMAN: Okay, the Minister responsible to sum up.

HON. V. SCHROEDER: Thank you, Mr. Chairman, actually not to sum up, just to say that I'll leave my history lesson for another day.

Just going to Page 7 of the report — (Interjection) — pardon me? No, my history lesson and, you know, we all have our own perspective on history. But Item 10 on Page 7, we are making the request that that information in the future be provided as a separate item to this committee rather than as a part of the annual report. The annual report, of course, doesn't only go to this committee. It goes to customers, business associates and so on of the corporation across the world.

The chairman of the board and the president have requested that I ask this committee to have this item for the future taken out of the report and added on as an extra item for members at the annual committee, but that it would not be circulated to others.

I'm making that motion, the motion that Item 10 on Page 7 in the future be tabled with this committee as a separate item and not as a part of the annual report.

MR. CHAIRMAN: Secunder?

A MEMBER: Yes.

MR. CHAIRMAN: Any discussion on the motion? All in favour of the motion; opposed? Carried.

Any further questions? Hearing none, I assume we are about to pass the report. All in favour of the report; opposed? Carried.

We reconvene Tuesday for discussion of the Flyer Report.

Committee rise.

COMMITTEE ROSE AT: 11:30 a.m.