



**First Session — Thirty-Fourth Legislature**  
of the  
**Legislative Assembly of Manitoba**

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**STANDING COMMITTEE**  
on  
**PUBLIC UTILITIES**  
and  
**NATURAL RESOURCES**

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37 Elizabeth II

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*Chairman*  
*Mr. Parker Burrell*  
*Constituency of Swan River*



**VOL. XXXVII No. 12 - 10 a.m., THURSDAY, NOVEMBER 24, 1988.**

**MANITOBA LEGISLATIVE ASSEMBLY**  
**Thirty-Fourth Legislature**

**Members, Constituencies and Political Affiliation**

NAME	CONSTITUENCY	PARTY
<b>ALCOCK, Reg</b>	Osborne	LIBERAL
<b>ANGUS, John</b>	St. Norbert	LIBERAL
<b>ASHTON, Steve</b>	Thompson	NDP
<b>BURRELL, Parker</b>	Swan River	PC
<b>CARR, James</b>	Fort Rouge	LIBERAL
<b>CARSTAIRS, Sharon</b>	River Heights	LIBERAL
<b>CHARLES, Gwen</b>	Selkirk	LIBERAL
<b>CHEEMA, Gulzar</b>	Kildonan	LIBERAL
<b>CHORNOPYSKI, William</b>	Burrows	LIBERAL
<b>CONNERY, Edward Hon.</b>	Portage la Prairie	PC
<b>COWAN, Jay</b>	Churchill	NDP
<b>CUMMINGS, Glen, Hon.</b>	Ste. Rose du Lac	PC
<b>DERKACH, Leonard, Hon.</b>	Roblin-Russell	PC
<b>DOER, Gary</b>	Concordia	NDP
<b>DOWNEY, James Hon.</b>	Arthur	PC
<b>DRIEDGER, Albert, Hon.</b>	Emerson	PC
<b>DRIEDGER, Herold, L.</b>	Niakwa	LIBERAL
<b>DUCHARME, Gerald, Hon.</b>	Riel	PC
<b>EDWARDS, Paul</b>	St. James	LIBERAL
<b>ENNS, Harry</b>	Lakeside	PC
<b>ERNST, Jim, Hon.</b>	Charleswood	PC
<b>EVANS, Laurie</b>	Fort Garry	LIBERAL
<b>EVANS, Leonard</b>	Brandon East	NDP
<b>FILMON, Gary, Hon.</b>	Tuxedo	PC
<b>FINDLAY, Glen Hon.</b>	Virden	PC
<b>GAUDRY, Neil</b>	St. Boniface	LIBERAL
<b>GILLESHAMMER, Harold</b>	Minnedosa	PC
<b>GRAY, Avis</b>	Ellice	LIBERAL
<b>HAMMOND, Gerrie</b>	Kirkfield Park	PC
<b>HARAPIAK, Harry</b>	The Pas	NDP
<b>HARPER, Elijah</b>	Rupertsland	NDP
<b>HELWER, Edward R.</b>	Gimli	PC
<b>HEMPHILL, Maureen</b>	Logan	NDP
<b>KOZAK, Richard, J.</b>	Transcona	LIBERAL
<b>LAMOUREUX, Kevin, M.</b>	Inkster	LIBERAL
<b>MALOWAY, Jim</b>	Elmwood	NDP
<b>MANDRAKE, Ed</b>	Assiniboia	LIBERAL
<b>MANNES, Clayton, Hon.</b>	Morris	PC
<b>McCRAE, James Hon.</b>	Brandon West	PC
<b>MINENKO, Mark</b>	Seven Oaks	LIBERAL
<b>MITCHELSON, Bonnie, Hon.</b>	River East	PC
<b>NEUFELD, Harold, Hon.</b>	Rossmere	PC
<b>OLESON, Charlotte Hon.</b>	Gladstone	PC
<b>ORCHARD, Donald Hon.</b>	Pembina	PC
<b>PANKRATZ, Helmut</b>	La Verendrye	PC
<b>PATTERSON, Allan</b>	Radisson	LIBERAL
<b>PENNER, Jack, Hon.</b>	Rhineland	PC
<b>PLOHMAN, John</b>	Dauphin	NDP
<b>PRAZNIK, Darren</b>	Lac du Bonnet	PC
<b>ROCAN, Denis, Hon.</b>	Turtle Mountain	PC
<b>ROCH, Gilles</b>	Springfield	LIBERAL
<b>ROSE, Bob</b>	St. Vital	LIBERAL
<b>STORIE, Jerry</b>	Flin Flon	NDP
<b>TAYLOR, Harold</b>	Wolseley	LIBERAL
<b>URUSKI, Bill</b>	Interlake	NDP
<b>WASYLYCIA-LEIS, Judy</b>	St. Johns	NDP
<b>YEO, Iva</b>	Sturgeon Creek	LIBERAL

**LEGISLATIVE ASSEMBLY OF MANITOBA**  
**THE STANDING COMMITTEE ON**  
**PUBLIC UTILITIES AND NATURAL RESOURCES**

**Thursday, November 24, 1988**

**TIME — 10 a.m.**

**LOCATION — Winnipeg, Manitoba**

**CHAIRMAN — Mr. Parker Burrell (Swan River)**

**ATTENDANCE — QUORUM - 6**

*Members of the Committee present:*

Hon. Messr. Neufeld

Messrs. Angus, Burrell, Driedger (Niakwa),  
Enns, Gilleshammer, Harper, Helwer, Roch  
and Storie

**APPEARING:** Mr. G.H. Beatty - President and Chief  
Executive Officer

Mr. R.B. Brennan - Vice-President, Finance

Mr. W.J. Tishinski - Vice-President, Operations

Mr. A.B. Ransom - Chairman, Board of  
Directors

Mr. J.F. Funnell - General Counsel and  
Corporate Secretary

Mr. R.O. Lambert - Senior Vice-President,  
Customer Service and Marketing

Ms. L.M. Jolson - Vice-President, Corporate  
Relations

**MATTERS UNDER DISCUSSION:**

Annual Reports of the Manitoba Hydro-  
Electric Board for fiscal years ended March  
31, 1987 and March 31, 1988

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**Mr. Garry Beatty:** I would like to deal with a couple of matters before the committee resumes its deliberations this morning.

First of all, I want to table responses to questions put by Members at earlier meetings of the committee. I believe these are in the hands of the Clerk, or about to be, for distribution.

\* (1005)

In response to questions from two Members of the committee, during the session of October 27, we have available a map showing the distribution of employees of Native ancestry, and tables showing the participation of women and persons of Native ancestry in the Hydro work force.

In addition, we have a page which summarizes the demographic assumptions included in the corporation's 1988 load forecast, as requested at the last meeting.

Secondly, I would like to advise the committee of a change in the corporation's projection of the net loss for 1988-89. During my opening presentation at the first meeting of the Public Utilities Committee on October 11, we provided an estimate of the financial impact of the current low-flow conditions on the operating results for 1988-89. At that time, I indicated that this was a scenario and it reflected the worst case for 1988-89 and that the corporation was then in the process of making a detailed revision to its Manitoba forecast.

As a result of this review, we now have a revised forecast that indicates a net operating loss of \$37 million, instead of the worst-case scenario of \$45 million loss that was previously reported to this committee. I emphasize that this is a new estimate, but an estimate nonetheless. The more significant changes included our favourable variances in export revenue and fuel and power purchases, offset by an unfavourable variance resulting from a change in the accounting policy for pension costs, and there were numerous other smaller favourable and unfavourable variances. If the committee is interested, I could ask our Vice-President of Finance, Mr. Brennan, to get into that.

So, thank you, Mr. Chairman, that concludes the remarks that I wanted to make at this time.

**Hon. Harold Neufeld (Minister responsible for The Manitoba Hydro Act):** Before we go on to today's meeting, I would like to draw attention to an article which appeared in the November 13 Winnipeg Free Press which quotes Mr. Angus as saying that he "was surprised at the lack of knowledge Hydro officials exhibited about the consequences of the Free Trade Agreement on the utility."

Now, I have reread the excerpts from that meeting and it seemed to me that the questions that were posed to the Hydro officials were all answered in full, and I would like to have either Mr. Angus explain his comments or I would like to have him withdraw the comments.

**Mr. John Angus (St. Norbert):** That is a good role reversal tactic and I suspect, when I become the Minister or if I do become the Minister, I would be more than pleased to get into those types of discussions.

The statements that were reported in the Free Press were accurate statements that I made out of a section of a more lengthy discussion I had on the subject and related, Mr. Chairperson, to the ambiguity and the uncertainty of the policy setters, the decision-making arbitration process of the five to seven years, the Omnibus Bill that was returned to us, that was discussed in the minutes, if I remember correctly. I am going from memory, unfortunately. I had some inquiries from the

administration and had volunteered or offered to meet with them, either before or after this meeting, to discuss any concerns I had and I would still be prepared to do that.

\* (1010)

It was not my intention to embarrass or to suggest that they have not done a thorough job but, Mr. Chairperson, I am sure that the Minister will recognize that there is a large degree of uncertainty as to what is going to happen in the dispute settlement mechanism and, whether we like it or not, that uncertainty is there.

I think that it behooves all of us to try and work collectively to make sure that the Free Trade Agreement that we are now going to be proceeding with does not negatively impact on Manitoba Hydro or any of the citizens of Manitoba, and work cooperatively. If you want to get into a down and out dirty discussion on interpretation of words, I would be more than pleased to and we can get it out and go through it word by word and find out exactly what strategies you do propose, Mr. Minister, in terms of making the most effective use of the Free Trade Agreement. I do not think it is necessary at this time.

**Mr. Neufeld:** I would just like to add that inasmuch as every question that was asked was answered, if a one-sided comment appears in the paper, I would only like to add that the Member, Mr. Angus, obviously does not have enough knowledge to ask the right questions because every question he asked was answered.

**Mr. Angus:** Perhaps the Minister would be kind enough to either produce the minutes for me so that I can go through them on a line-by-line basis so we can just interpret or get some accurate information read into the minutes. If that is the type of a process you want to have with this corporation, I think it is absolutely unnecessary. I do not think that it is realistic, but I would certainly be prepared to do it. If you are going to, from the chair, chastise me in relation to a newspaper article, I would be more than pleased to get into the interpretation.

I am going from memory now, I have not seen the written words yet. The minutes I think came out just recently. Which particular—if you will give me just a second, Mr. Chairperson to the Minister, to review the actual words, I would be more than pleased to get into this with you.

**Mr. Neufeld:** I have already said that there is nothing in the minutes of the meeting that indicate a lack of knowledge. I have said that the quote comes from the newspaper and, because there is nothing in the minutes that show a lack of knowledge, that I resent the quote in the newspaper. I also think that responsible reporting would have the reporter come to the members of the board and ask for a rebuttal.

**Mr. Angus:** Again I am reading as quickly as I can that interchange that we have had that may have led to those comments. For the best of my memory, we were talking about who would be determining the

proportional sharing between the countries and the agreement. If I remember correctly, the administration said that they were not sure of how those decisions would be made, that they were going to an arbitrary ad hoc type of committee that would be determining and making decisions on these things. I was concerned about the three-year averaging and the continuance of averaging and things of that nature. I think that the administration, and again I am going from memory now, admitted or at least indicated that they were unsure of the events that would be happening.

I guess you would like to be able to write your own newspaper articles. Unfortunately, it does not work that way. I had some concerns about the lack of us, as a province and us as decision makers and a board, being able to know for certainty what the cause and effect of entering into this agreement was going to be.

\* (1015)

Mr. Chairperson, if I might say right now, through you to the Minister, it seems even more important that we identify clearly what the cause and effect and the consequences are going to be of this Free Trade Agreement. We better have our dominoes in line because we are going ahead with it now. There are no more "ifs," "ands," or "buts" so we, through you to the Minister, had better, with as much certainty as we can to give the corporation as much of an advantage as they can to protect the rights of Manitobans, know exactly what is going on. I am afraid, Mr. Chairperson, that you might have more information as to what is going on because it seems to be a political process in the administration. I think you should be sharing it with the administration. Thank you.

**Mr. Neufeld:** We could carry this on indefinitely but I would suffice to say that I am disappointed that Mr. Angus would ask the reporter to indict Hydro officials on a lack of knowledge when that was not exhibited in the hearings. I would just as soon drop it now and let us get on with the committee hearing.

**Mr. Angus:** My eyes have just fallen upon one statement that I would like to read into the record and then I will go along with the Minister that this type of public interrogation of the press through a Member of the Official Opposition is probably futile. But I would just quote to you from Mr. Funnell's comments on page 168, and it was in relation to the proportionality and cutbacks. He says: "It is unclear at the present time how that proportionality provision would be applied. Is it going to be national, regional or local?" He is uncertain. Of course, he is uncertain. He does not know because it has not been spelled out, and I am uncertain.

If I am surprised at the lack of definitive knowledge that they have, it is because nobody has been given any knowledge of the cause and effect of how this thing is going to work. I think, Mr. Chairperson, that we had darned well better find out how it is going to work and it is the Minister's responsibility. So with that, I will leave it and get on with the business of trying to make sure that this corporation runs as effectively as possible for the citizens of Manitoba. Thank you.

**Mr. Neufeld:** I cannot leave it at that. It was also mentioned that legal opinion has it that we have no cause for concern at Manitoba Hydro.

**Mr. Jerry Storie (Flin Flon):** I think my colleague from St. Norbert (Mr. Angus) hit the nail on the head in his last remarks. I certainly did not feel, and I understand the umbrage that the Minister takes at the suggestion that Manitoba Hydro officials were not responding appropriately. I think the responses, particularly Mr. Funnell's, were extremely appropriate and right on the mark. I think the unfortunate fact was, and my colleague from St. Norbert (Mr. Angus) alluded to this, that there is a great deal of uncertainty. There are still questions that remain to be answered and the failure lies with the Minister in not pursuing those questions that remain unanswered to attempt to get a more precise understanding of what the impact is going to be.

I do not think it is good enough to say, well, we will see. Manitoba Hydro does thorough planning in all other aspects of its operations, and I think we should be doing some thorough planning when it comes to the legal implications, the downstream implications, of the Free Trade Agreement. It appears that we are going to have this agreement signed and, to the extent that Manitoba Hydro has to be prepared for eventualities, it should be prepared for legal eventualities flowing from the agreement.

So the failure, I think, is not with staff at all. It is with the Minister to ask the appropriate questions that need to be asked. I am assuming that as a result of comments made in committee and in the Legislature that the Minister will be asking those questions as the year proceeds.

I would like to move to another issue that has been quite topical, and that is the question of an aluminum smelter. I am wondering if the Minister could update us on the status of discussions with Alumax. I know the Minister has been quoted as saying that Manitoba has some advantages, and I am wondering if he could outline his position to the committee and what has been said to Alumax with respect to Manitoba's expectation.

\* (1020)

**Mr. Neufeld:** Alumax are awaiting our decision on the rates that Manitoba Hydro is prepared to offer. Alumax have indicated quite clearly that in terms of U.S. funds, 12 mills is what we have to come up with in order to match the rate that has been offered to them by another utility. Twelve mills equates to—in the American funds, it equates to approximately 15 mills in Canadian funds. We at the Manitoba Energy Authority are calculating the benefits from such a smelter. They are calculating also the cost of a 15 mill rate to Hydro, the cost to Manitobans of such a mill rate. Once we have the benefits and once we have the cost of that rate, we will be able to take that to Cabinet and Cabinet will make the decision as to whether or not we can afford to offer those rates or what rates we can offer.

**Mr. Storie:** I am wondering whether the Minister was able to provide Alumax with another rationale for

coming to Manitoba. I know the Minister had mentioned a couple of things that Manitoba offers in terms of a stable labour force, qualified skilled labour force, whether there are other things that perhaps would be attractive to them that have been mentioned thus far and would perhaps give us an advantage. I know that one of the things that they have said they need is a low, stable energy rate. What else does the Minister consider to be in the mix?

**Mr. Neufeld:** We have discussed numerous issues with Alumax. Alumax have told us that paramount in their decision-making is going to be the Hydro rate. Until we can come up with a rate that they are able to pay and remain competitive, they are not willing to discuss any other issues.

**Mr. Storie:** To the Minister, Manitoba Hydro has developed a rate strategy. I am assuming it includes the possibility of large energy sales to energy-intensive users. I am wondering whether the Minister could indicate what studies he has seen, what studies have been presented to him to perhaps examine that issue more thoroughly. Is Manitoba Hydro considering offering reduced rates?

**Mr. Neufeld:** I have said repeatedly that Manitoba Hydro cannot offer rates below their cost. The consumers of Manitoba Hydro should not be asked to bear the burden of any loss on Hydro sales to a large user. If there is to be a cost to bring an industry into Manitoba, that cost must be borne by all the taxpayers of Manitoba because they are the end benefactors from such an industry locating in Manitoba. I will stick with that statement that Manitoba Hydro will not sell below its cost. Any subsidy, if you like, would have to come from the Manitoba Government. Cabinet will make that decision.

**Mr. Storie:** What the Minister actually has said is that Manitoba Hydro has a published rate and that published rate, Manitobans believe, represents the cost to Manitoba Hydro of supplying that kind of power to that particular entity.

My question was, is it possible, does Manitoba Hydro have studies which would show that reduced rates are possible even while still maintaining the integrity as far as the Act goes, and that is the Act requires to sell power at cost?

\* (1025)

**Mr. Neufeld:** You can make any number of assumptions in arriving at a rate that can be offered. The only assumption that we can in reality make is, will that cost the Manitoba consumers any money in terms of higher rates? That is the only assumption we make when we attempt to fulfill our mandate of bringing Manitoba secure hydro at the lowest possible rates.

**Mr. Storie:** Just a more specific question, is the Minister aware of any study that Manitoba Hydro has conducted which would indicate that a reduced rate could be offered to an aluminum smelter specifically to provide

an incentive which would still be beneficial to Manitoba Hydro?

**Mr. Neufeld:** To my knowledge, I have seen all the papers that had been produced by Manitoba Hydro with respect to hydro rates and rates that may be offered to an aluminum smelter. In the end, the decision has to be made by Cabinet whether or not that rate can be or should be offered to a large user if it is to cost the Manitoba consumer higher rates. I recognize that Mr. Storie refers to potential profits from sales of hydro, exports sales from hydro to be applied directly against an aluminum smelter. I do not think that is good accounting and I do not think that can be used as a rationale to offer lower rates. The export sales would be there in any event and, inasmuch as they would be there in any event, the consumer of Manitoba Hydro would still have to pay the additional cost.

**Mr. Storie:** I am not clear on the Minister's last remark that Manitoba Hydro would still have to pay the additional cost. If the scenario the Minister just painted were accurate in that export sales were to create profits, and some are, and that they were used to offset incentive rates for a period of time, that would end up being both a net benefit to the ratepayer and a net benefit to the taxpayer if that kind of a structure could work. I am not sure why the Minister would be reluctant to say that would be beneficial to everyone concerned.

**Mr. Neufeld:** The export sales are there regardless of whether or not we attract a large user, so we have to take the hydro rates before the user comes to Manitoba and compare that to the hydro rates after the user comes to Manitoba. As such, there would be an increase, if that hydro indeed is to be sold to the large user at less than cost.

**Mr. Storie:** Perhaps the Minister can explain a little more what he means by the export sales would be there regardless. Clearly, you have to go out and look for export sales, you have to negotiate them, and then you have to find a way to supply the power. This Minister has said that he is not as enamoured with the idea of export sales that require the construction of additional infrastructure. What export sales does the Minister expect to be there anyway?

**Mr. Neufeld:** It is not a matter of what I expect, Mr. Chairman, it is what the users in other provinces or other countries are prepared to buy and at what cost they are prepared to buy it. I am not sure I understand the question particularly, but it seems to me that if we can find a buyer who is prepared to pay our incremental costs of new generation, we would gladly sell and export that electricity. It, in my view, will be difficult to find in our trading area and our market area a buyer who will be prepared to pay the incremental cost of new generation from the Nelson River or from the Burntwood River.

**Mr. Storie:** We have been over this ground several times and I think the Minister and I are going to disagree, finally, on whether it makes more sense to have the kinds of negotiations that have gone on previously, and

I hope are still continuing with groups like Northern States Power and the Upper Mississippi Power Group, because in the final analysis the Minister and I both know that if some of the costs are not offset by export sales then they are going to be paid for by Manitobans and Manitoba ratepayers.

\* (1030)

It seems to me the Minister is quickly boxing us into a situation where Manitoba ratepayers are going to be left with no other options because export sales are not being pursued vigorously. The market, in effect, to the extent there is a market in the mid-western states or in the northwestern states, is going to be assumed by someone else and we are going to be left without. I do not think that is a good strategy. I am wondering if all of this is leading to the inevitable that the negotiations that were ongoing with Ontario, with Upper Mississippi, with Northern States, with other groups are being wound down. Are those negotiations actually still continuing?

**Mr. Neufeld:** Discussions are continuing, but I think we have to keep in mind that with the cost of new generation of hydro-electric power, we have to be careful that we do not sell the power for too long a period of time. We cannot generate the power as we need it. We have to generate the power in bumps. If we can sell on a firm sale basis the excess from year to year, it would be an advantageous sale but, if we have to sell for a long period of time and that will use up the new generation and we have to go on to another generation, it may not be a good deal because then we have to consider the cost of the next generation in order to arrive at a profit or loss of the sale. In other words, if we sell from Limestone and if that sale causes us to build Conawapa earlier than might otherwise be needed, then we have to consider the cost of Conawapa as the cost of the Northern States Power sale. If we do, it will come up as a loss and not as a profit.

**Mr. Storie:** It is an interesting way to look at it, but I do not think - (Interjection) - The Minister and I are going to disagree again because in the end result, I think, in the projections of Manitoba Hydro, we are going to require additional generating capacity at some point in any event. The Minister has made his point and I have made mine. I think it is a regressive policy. I think it is backward looking and not forward looking, but be that as it may.

I would like to turn to another issue, Mr. Chairperson. The decision is being made or will be made in the next couple of years whether to proceed with Wuskwatim or another generating station. I would like the Minister's understanding of the process that is going to be involved, regardless of which generating station goes ahead, in terms of renegotiating a collective agreement, the Burntwood Collective Agreement with the Allied Hydro Council. I am wondering if the Minister could indicate whether he supports the provisions in that agreement which provide for Native preference, northern preference, in terms of hiring. Will that be a condition of any new agreement?

**Mr. Neufeld:** Before I answer the question that Mr. Storie just asked, I would like to answer some of his

preamble. Inasmuch as he believes that our approach to export sales are regressive, I should point out to the committee that the export sales policy followed by the former Government has resulted in an increase from '83, in hydro rates to '87, of 40 percent and will require an increase from '87 to '93, in order to meet the cost of Limestone, of a further 27 percent. When you consider that is approximately a total 70 percent increase at a time when inflation rates are probably running at 3 percent and 4 percent, and when you consider further that only 40 percent of the hydro costs are subject to inflation, the other 60 percent being capital and are fixed, then the cost of our export sales, if that is the reason for the increased generation, have been extremely high to the Manitoba consumer.

As far as the question on the building on the Burntwood, that is being studied, and as I had mentioned at the last meeting, until we have answers to all the options, we will not be in a position to make a decision. When we can finish the studies, then we will make a decision and at that time the decision on all agreements will be taken.

**Mr. Storie:** The Minister missed the question. The question was not what is the decision going to be in terms of which station. The current construction at Limestone goes forward on the basis of a collective agreement that is signed between the Allied Hydro Council and Manitoba Hydro. That agreement has provisions in it for northern preference, Native preference, in terms of hiring. My question was, I guess, does the Minister, in principle, support that kind of clause in the collective agreement, or are we likely to see improvements in those provisions for northern people, particularly Native people? Is the Minister committed to that kind of policy?

**Mr. Neufeld:** I would think that will be a decision made by the Government and not by the Minister. I personally would like to see an improvement but it would depend on the circumstances of the day. I am not a believer in the quota system, but I do believe that by monitoring we can get all the results that we would like to achieve.

**Mr. Storie:** I appreciate that the Minister is reluctant to answer on behalf of his colleagues. I guess the question is then, the agreement eventually is going to be signed by Manitoba Hydro, and the chairman is here today, and the negotiating team for the Allied Hydro Council. In principle, does the Minister support that?

I think that there are many people in northern Manitoba, certainly many groups, who have a significant interest in the outcome of that negotiation process. What we need is a commitment from the Minister that things are not going to deteriorate. There have been tremendous improvements in terms of the employment and the training of northern people from the days of the Long Spruce Generating Station and Limestone. We want to know, I guess, that those improvements and the access that northern people have to training and employment as a result of these projects is going to improve and not deteriorate.

I am wanting the Minister to indicate, because he will have some say in presenting direction to Cabinet,

what his impressions are going to be and what his likely policy is going to be when it comes to those issues.

**Mr. Neufeld:** I have already said I would like to see an improvement but I think the key to Mr. Storie's question is negotiation. If I make a commitment here today, that does away with the negotiation process, I should think.

**Mr. Storie:** I recognize that this is part of a negotiation process but certainly Government policy, Government direction, particularly when given to Manitoba Hydro who are going to be doing the negotiations more directly, is important. It is fundamental. I hope before that process starts that the Minister has a policy in place and that will in itself be open to public discussion.

**Mr. Neufeld:** Again, Mr. Storie mentions Government policy and I hope he does not expect me to enunciate Government policy here today. I have already said I would like to see an improvement and we will be taking that up with Cabinet at the appropriate time. Until such a time, I do not think that I should make a statement.

\* (1040)

**Mr. Elijah Harper (Rupertsland):** I just want to continue on this. Maybe the Minister can advise us on the policy, whether there has been any change of policy on the affirmative action in terms of carrying out this preference in the Nelson-Burntwood collective agreement? Has there been any discussion at all to review it or to change it within the Government or within the Manitoba Hydro?

**Mr. Neufeld:** There has been no change of policy. As we approach the next construction program, there will be discussions and there will be negotiations and there will be decisions taken. There will be a policy adopted. I would not expect that policy to be too different from the one it is today but that will be a matter of governmental decision.

**Mr. Harper:** Does that mean the Minister is saying this policy will continue to be a priority with the Government and ensure Native people are part of this process? In our term, I think we have managed to make that commitment to ensure Native people were hired. Ensuring that commitment, we proceeded to establish a Limestone Training Agency which was to ensure qualified northern and Native people were trained to work on the Hydro development. Is that commitment going to be there when the negotiation starts?

**Mr. Neufeld:** We have not changed the commitment of Government in any way since we took office. I would not expect there will be changes, at least not before any negotiations take place. I would expect, as I said earlier, personally to see them continue. I am not in the position to speak for Cabinet or the Government.

**Mr. Harper:** As a Minister responsible for Manitoba Hydro and certainly as Minister of the Government, I would expect the Minister to consult with the Native communities, particularly the Northern Flood communities to ensure there is continual involvement

and continual obligations by Hydro to involve the Native people and those communities. Would the Minister make that commitment to ensure consultations or meetings are held with those people?

**Mr. Neufeld:** I can assure Mr. Harper that negotiations and discussions will continue with the northern people.

**Mr. Chairman:** Just before, Mr. Driedger . . .

**Mr. Herold Driedger:** Did you say just before?

**Mr. Chairman:** No, I was looking right at you. You are the critic, are you not? I am just getting things sorted out here.

**Mr. Herold Driedger:** I have a few questions I would like to follow along, actually the line of questioning that was started by Mr. Storie, we know new generating capacity is eventually going to be required. We know it is going to end up providing a great, as the Minister said, a bump or lump of energy which then essentially will be excess to the actual needs of Manitoba. We know this energy, from what the Minister has said, will be offered for export sale if it is surplus to our needs for a certain length of time.

We also know some of the risks this entails. Also, which is on the record, I believe if export sales are tied, go too long, then new generating capacity may have to be advanced such as Conawapa, if that is the decision that is to be made for the next generating capacity, will be required about 10 years sooner than it would be had there not been an export sale.

Rather than looking at that aspect, let us take a look at something that is also on the record. I am not sure now which particular date it was but the Minister mentioned it might be possible to satisfy the requirements, the energy requirements of an aluminum smelter such as the one that has been talked about with the Alumax deal, without requiring new generating capacity. Would someone, perhaps the Minister or the Hydro representatives here explain to me how that would be done?

**Mr. Neufeld:** I can tell you generally there will be some options we will have to explore and those options, I indicated before, could be thermal power, those could be purchases, those could be perhaps savings in other areas. It is quite possible we may have to accelerate Conawapa or another generation but before we did that we would explore all the options. For further details I would ask Mr. Beatty if he has anything to add.

**Mr. Beatty:** Yes, with respect to our load forecast, domestic load forecast which is key, and existing export sale commitments, we do expect we will require next new generation in 1999 and we are keeping our options open at this point.

Our load forecast does incorporate an estimate of major uncertain load and assigns a likelihood of major customers requiring large jumps in their service, so we do build into our load forecast that kind of estimate. What we do not include in our load forecast though is

an Alumax type of development, something as significant as that, that requires 300 to 400 megawatts. Our planning simply cannot incorporate that kind of mega development.

If, in the case of, as the Minister has pointed out, the existing forecast with its provisions for major uncertain load, as I have said, includes most of the high probability developments, there are certain circumstances we can foresee, as the Minister has indicated, where we would go with a small plant or perhaps even be able to work with extended thermal life in the case of a forecast developing on the low side. I think the main point is, if we had a major new development such as Alumax that is not contemplated, that would force the large plant, no doubt about that.

**Mr. Herold Driedger:** Obviously if a major energy-intensive industry were to locate in Manitoba, this would then have to be factored as now a firm requirement in your load forecasting. It would actually then from that point on be one of the, I guess, users you would have to factor in all the time. What effect would that have? I know we have talked about lead times and we have had reports about lead times. What actual effect, if we have a major energy user such as a user of 300 to 400 megawatts, regardless of what kind of user that is, would that have on your anticipated need schedule for, say, a plant like Conawapa? Would you still have the 1999 in-service date?

**Mr. Beatty:** Yes, it would depend on that major new development's timing and requirements. I suppose if it came early enough, it would not only force Conawapa but would perhaps suggest we would have to advance it perhaps a year if we could, but really that is speculative and we just have to see what was the timing of the developer and take that into account.

**Mr. Herold Driedger:** I think we have been skirting very carefully in this round of hearings whether the next generating capacity would be Wuskwatim, or Conawapa or some other, although generally I think we have looked at the smaller plant, Wuskwatim, or Conawapa, the larger plant, as being the two likely options for new generating capacity.

\* (1050)

If I just may go back a little bit to the Public Utility Board hearings that were just held with respect to Manitoba Hydro, I think at that time there was a rather definitive, at least referenced—now mind you, this was in the published material. This comment may not be now true about some of the material that was presented in evidence, but there seemed to be a fairly definitive statement that the next generating capacity would be Conawapa and not Wuskwatim. Now, I guess about seven or eight months later, we are now talking in terms of whether it could be one or the other, not necessarily because we do not—I guess what I am asking is, how come? What is the change in position with respect to this particular generating capacity?

**Mr. Beatty:** Basically, no change in position but our representative, the executive representative at the

Public Utility Board hearings was Mr. Brennan, our Chief Financial Officer and I wonder if you would like to hear him comment on that?

**Mr. Bob Brennan (Vice President - Finance):** I think at that time we pointed out we were spending money to attempt to protect the in-service date of both options. One thing I could add to that, the base forecast did include something as the next source of generation which was Conawapa. But we were spending money to protect both options.

**Mr. Herold Driedger:** Also at that time, I think the Public Utility Board referred to the fact Hydro had, I guess, deferred the decision regarding the in-service date of the next generating capacity from 1997 to 1999. I guess the question I am asking is, what caused this deferral decision to be made?

**Mr. Beatty:** It was based on our load forecast, changes in our load forecast. I think at the time the Public Utilities Board was discussing material which had been presented to this committee, the Public Utilities Committee in 1986, at which time we were talking about, I think at that time, had presented information that indicated, based on that load forecast, that we were contemplating 1997. In the subsequent time period, we had two new forecasts which confirmed 1999.

**Mr. Herold Driedger:** I realize this load forecasting is a very highly sensitive art, and I think the word "art" should be utilized here because I do not think it is a science yet, because things change. I know you have referenced Mr. Beatty several times in your own remarks, cautioning that we do not read too much into some of the things we ask because the answer may suggest something which is not true, simply because it is taken out of context with a whole bunch of other things and I appreciate that.

With load forecasting—and I suppose what I am actually trying to establish in this line of questioning is whether or not we make a decision in Manitoba with the next generating capacity which will enhance internal use of Hydro as opposed to having to commit to long-term export sales to sort of offset the costs of the next generating capacity which suggests if we can actually establish or have an energy-intensive user establish in Manitoba which, with the multiplier effect of not only jobs but all the other things that occurred because of the economic spin-off, probably would be of more benefit to Manitoba than if we were to sit down and say, okay, we are going to develop a station and simply export the excess capacity. I suppose in a left-handed sort of way that comes around to the question again Mr. Storie started, which is the line of questioning which tried to pin down whether or not the negotiations with the potential highly intensive energy user are proceeding apace and whatever the Government is putting on the table to try and encourage this to happen.

The Minister referenced the fact, if the energy users such as Alumax does locate in Manitoba and if the hydro rates that are going to be negotiated with that energy user are of such a nature that they are going to be lower than the actual costs to the corporation

for that particular classification, that difference will be borne by a subsidy by the general taxpayer as opposed to the rate base, if I understand your comments correctly.

**Mr. Neufeld:** That is correct.

**Mr. Herold Driedger:** In the development of the strategy that you are proceeding with, and I know you have to negotiate with the federal Government for some kind of contributing costs, how much of the actual cost—and again I recognize we are entering the realm of negotiation and you might not be able to give this information out. How much of the particular costs you are considering that have to be subsidized are being made up by the transportation component as opposed to simply the energy component?

**Mr. Neufeld:** According to Alumax, the transportation costs differential, Manitoba and Quebec, equates to 3 mills U.S. funds.

**Mr. Herold Driedger:** These questions are just for clarification again, 3 mills? That is 3 mills per kilowatt?

**Mr. Neufeld:** It would be .3 cents a kilowatt hour.

**Mr. Herold Driedger:** And that is essentially the difference that Alumax would require in the rate that is charged to it so its location closer to the seaboard could be offset? Essentially this .3 cents per kilowatt hour will satisfy the fact we in Manitoba are in the centre of the continent and have transportation costs both ways.

**Mr. Neufeld:** According to Alumax, somewhere between 3 mills and 4 mills which would be .3 cents and .4 cents U.S. funds is the freight differential that would have to be made up through hydro rates.

**Mr. Herold Driedger:** I understand also in some of the published material, now whether this was in the newspapers or whether it has been actually referenced in Hansard, the 1.2 cent per kilowatt hour U.S. that Alumax is talking about publicly is to be tied to the future cost of aluminum so that, should the aluminum market collapse, then I would imagine with that statement alone the rate they expected to be charged should be dropping considerably. Am I correct in that?

**Mr. Neufeld:** They have indicated in other jurisdictions they have a rate that is tied to the price of aluminum and they would be prepared in our instance to accept one. There would be a ceiling and there would be a floor to the aluminum price. The rate of 1.2 U.S. funds is one that is tied to the expected price of aluminum into the future.

**Mr. Herold Driedger:** There was a brief article in the Globe and Mail the other day with respect to the strength of the companies that are actually involved in aluminum production, suggests at this moment in time there are debt ratios and their credit ratings are quite good. They actually reference the fact that near-term market outlooks are favourable. They suspect that the pricing will deteriorate relatively quickly.

In your negotiations with Alumax, and I know again we have to talk about windows of opportunity, what kind of forecasts are they making for, I suppose if they locate here, a long-term commitment so that we do not have a situation where they may come in and like Brickman in Nova Scotia, I believe it was, come in, establish a plant and leave, declare bankruptcy. Essentially we are left holding the bag. In your negotiations, what kind of commitments are you getting that will actually make this of a long-term benefit to Manitoba?

\* (1100)

**Mr. Neufeld:** The Brickman Company in Nova Scotia built the plant with substantially Government funds. Alumax would be coming into Manitoba with approximately \$1 billion in Canadian funds of their own money. I think that is a commitment enough for me.

**Mr. Herold Driedger:** What kind of commitment would Manitoba have to make? You are talking about a subsidy underwrite for rate structure. You are talking about that probably you will have to make some tax concessions. You will probably have to make some transportation concessions. And very likely, also, we are going to have to get the federal Government involved to make another taxpayer contribution. I cannot visualize a number that big. I can visualize a percentage though. What percentage would they be prepared to put up front? What percentage would the collective Governments of Manitoba and Canada have to contribute?

**Mr. Neufeld:** Until the rate issue is settled, there will be no negotiations on that score. Alumax have indicated until we settle the rate issue, nothing else will proceed. As far as the transportation issue is concerned, 3 mills is what is on the table from them. So there will no additional requests for transportation differential.

**Mr. Herold Driedger:** I find that last statement rather hard to accept. That .3 cents is probably based on current energy costs. Once the anticipated energy cost increases occur again, I am sure that there will be an increasingly high transportation component that would have to be built in, with that, we may have to open up the negotiation again. I was actually going to come back at another part of the question.

The—I just momentarily lost my train of thought talking about transportation. Derailed in midstream, as the Member for Churchill (Mr. Cowan) says.

You mentioned that Alumax requires, wants guaranteed before they can do any more negotiation the rate structure. Does that not actually lock in your flexibility in the future? If other things start coming along which actually escalate in cost, will this not be an inhibitor on the kind of guarantees a Government might wish or the contribution a Government might have to make?

**Mr. Neufeld:** The negotiations, as far as they have gone, refer to a long-term hydro rate and the hydro rate would start at 1.5 mills Canadian. That is their wish. From there, it would—inflation would obviously

have to escalate them. The other thing, transportation would not have an effect on them. The negotiations, before Alumax locates in Manitoba or any other jurisdiction, for that matter, would hinge on initially hydro rates and it may, after the hydro rates have been settled, issue on other items like tax concessions. That would be the same in any jurisdiction. Once they have settled and they are operating under the terms of a contract, under the terms of an agreement, those details will not be changed. The concessions would not change as inflation escalates prices. The initial agreement would dictate and there would be a length to that agreement as well.

**Mr. Herold Driedger:** I understand that I guess in Alumax's quest for a location, they are looking at a variety of sites, several of them, as we have mentioned, in Canada, where we can understand the kind of competition we have to face. There is one competitor.

I am just wondering if you can enlighten us a little bit as to the kind of things that Manitoba has to put on the table which might put a smelter in our province considerably at risk, and that is Venezuela where: (a) you do not have the same kind of environmental legislation; (b) you do not have the same kind of labour costs; (c) you have a port facility close to the source of generation; and (d) you have a much larger generating capacity than we actually have here and actually all the surplus at this moment in time.— (Interjection)— A better climate as well. The Member for Churchill (Mr. Cowan) mentions better climate, so the workers do not have to heat their own homes.

All of these things probably are something that will have to be overcome in our negotiations. Will this significantly cause the negotiations to be not put at risk but rather to make the Manitoba offer a little bit less economically defensible?

**Mr. Neufeld:** And (e), Mr. Driedger, is proximity to the raw material.

**Mr. Herold Driedger:** Yes, I thought I had referenced that with my transportation comments earlier.

**Mr. Neufeld:** We also know that the hydro costs are going to be substantially lower than even the 1.5 mills in Venezuela if they decide to locate there. We cannot concern ourselves with what Venezuela has prepared to offer. We know we cannot possibly compete with that. We have to come up with the best offer we can calculate and that, as I have said earlier in today's meeting, will be one in which benefits must at least equal or probably exceed the costs to some extent so that there is an economic reason for bringing a large smelter into Manitoba.

That is my answer but I would like to also add that the questions that are being asked now have more to do with the Manitoba Energy Authority and if we are going to pass both at the same time, we could prepare to answer those questions now if we are going to pass both the Manitoba Energy Authority and the Manitoba Hydro at the same time.

The Chairman indicates that some of the people who may have the answers to the questions are not here at this time. As long as we can, we will.

**Mr. Angus:** It surprises me that you do not have the staff here. I have never seen such an army of staff. Do not take offence, please. I do not intend to get off on the wrong foot. There are a lot of people in the room. It surprises me that they do not have the people here who might be able to answer that but it is a different area.

**An Honourable Member:** We are not dealing with the other areas here.

**Mr. Angus:** It is a different area. I understand that.

My questions will be directed more to the operation of a large corporation. Again, I am somewhat unfamiliar with the process of reviewing annual statements at this level and this manner. I am more familiar with doing them at a board level. While I appreciate my colleague's interest in the mega projects and the potential mega projects and long-term planning, I am equally concerned with the annual operation of the board.

\* (1110)

I have gone through the annual statement and there are a couple of questions that may have been addressed and may not have been. I apologize if they have. Some of the questions are related to the statements, some of them relate to policies of the board in relation to an audit committee, if you have one or do not have one—labour negotiations, what the state of affairs of labour negotiations are within the corporation, union agreement settlements, things of that sort. So, Mr. Chairperson, if those questions are in order at this particular time, I would like to proceed.

**Mr. Chairman:** Proceed.

**Mr. Angus:** Thank you very much. On the last page, Operating Statistics, Manitoba Hydro-Electric Board, I am a little confused and I am sure there is a reasonable explanation about this, but I notice that the Manitoba Hydro System buys back from the United States close to half of what we sell to the United States in terms of energy. Under Energy Purchased, we have a figure that is 1070—I am not sure what that is indicative of—and then down lower we have Energy Sold—I guess that is kwhs of 2308. I am curious as to what sort of a convoluted agreement have we got into that puts us into a position of buying back a product we are selling to them and what sort of prices we buy it back at. Maybe an overview of that, Mr. Chairperson, by you, by the Minister or by whoever is designated for the particulars of this would enlighten me.

**Mr. Brennan:** I guess it indicates the drought year which was in 1988. We do repurchase energy for resale. In addition to that, we do have some agreement whereby we have agreed to sell them surplus hydraulic energy, being Americans, and somebody else can give you the details of the actual agreement, but those are the ones in place now.

In the case of last year, of course, we did have energy shortages. So if we could purchase energy either to resell back in prime times, import it overnight and then

sell it back in a day, we would do that. In addition to that, if the power we could purchase was cheaper than burning our thermal plants, we would do that as well.

**Mr. Angus:** I appreciate the overview, and so that I absolutely understand it, let me try and paraphrase it and feed it back so that we can avoid any confusion of interpretation, if you like.

We have entered into an agreement. We sell a certain amount of product to a customer. We find ourselves in a shortage situation of needing more of our power than we can comfortably supply, or find it more economical to buy it back from the people that we have sold it to in order to feed our own needs. Is that it?

**Mr. Brennan:** That is correct. That would only happen in a low-flow year, of course, of any consequence.

**Mr. Angus:** I notice that from 1979 to 1988, we have not had any of those low-flow years, or the other conclusion you might arrive at is that there has been no agreement in place for reciprocal services, I gather. Again, my words, not yours.

**Mr. Brennan:** I guess in 1980, '81, '82, and I am not sure of the exact time, we were purchasing some energy at that point. I do know there was a low-flow condition. We did have new generation that came in in the late Seventies that probably helped us in the case of those low flows so we probably did not have to purchase as much, but there would have been some in that period.

**Mr. Angus:** May I inquire as to the rate at which we buy and sell? Mr. Chairperson, I am again not trying to embarrass anybody but it would certainly be embarrassing if we were buying this back at an investment that is higher than what we have sold it to them for because of agreements. I hope that is not the case and I am sure it is not. Maybe the board would prefer to answer instead of the administration. What are the financial arrangements in relation to this sharing of energy?

**Mr. Beatty:** Mr. Chairman, let me introduce our operations vice-president just down at the end, Will Tishinski. I think he could provide a summary for us that would clarify the vicissitudes of price in interruptible sales which I think is what the Member is getting at here.

**Mr. Chairman:** Mr. Tishinski—or did you want to ask a specific question?

**Mr. Angus:** Mr. Chairperson, I just want to make it absolutely clear I am not sure what that word Mr. Beatty used means, so he has put words in my mouth that said that is what I mean, and I do not know if that is what I mean or not.

**Mr. Beatty:** I am sorry. What I meant is I understood the Member to be more concerned with spot sales, with interruptible sales as opposed to firm sales under a contract which produce a much higher price.

**Mr. Angus:** Mr. Chairperson, just so we understand clearly, I recognize it is a very complicated pricing

structure. Breaking it down into fairly simple terms, I see we are buying back approximately half the energy we are selling to the United States because of the drought circumstances. I appreciate that. What I would like to find out as best or as near as possible is whether we are trading dollars. Again I would hate to find out we are selling it for \$1 and buying it back for \$1.25 for any reason, as an example. That is just an example.

**Mr. Neufeld:** I would just like to point out to the committee it is true in 1988 because of a low water year approximately half of what we sold to the United States was purchased back. If Mr. Angus looks back to 1987, it was 7,004 to no sold and no purchases. This happens in low water years, and I will let Mr. Tishinski now answer the question.

**Mr. Angus:** Mr. Chairperson, if I may just for a moment, I appreciate what the Minister has said and I look back to the years that were identified as 1981, 1982 as other low-flow years. I am sure the drought and the coming to power and the changing of the board, and the tremendous sales to the United States and the buy-backs from the United States is nothing more than a coincidence. I am just trying to find out why suddenly we got so much this year and now it becomes important, Mr. Chairperson, what the terms are. When it was a minor amount of back and forth because of circumstances, it was not significant but there is a considerable amount of power being traded and I would just like to get a bit more of an explanation about it.

**Mr. Will Tishinski (Vice President-Operations):** Mr. Chairman, once again I would like to perhaps repeat one of the things Mr. Brennan had mentioned because it certainly ties in very closely with what I am going to say. That is Manitoba Hydro because it is a hydro system and has reservoirs, we have the facility of being able to import power from outside utilities during the off-peak hours which is usually the night time, and serve our load during that period of time and conserve water, shut down our own plants during the night time and conserve water this way. It is also important to realize the price of power depends very much on the time of day. It is generally understood in the utility business daytime power is always priced higher than nighttime power, so we are in the happy position that we can buy nighttime power at lower prices than what we would have to pay during the daytime.

Now I am going to get to answering your question as to what the prices are. There are many statistics here, but perhaps the most relevant one might be what has happened in the most recent seven months in the current fiscal year. Up to the period of October 31, 1988—this is seven months for the current fiscal year—we have purchased 1.2 billion kilowatt hours of energy at a unit price of 16.7 mills. Now, during the same period we have sold .83 billion kilowatt hours at a unit price of 26.4 mills, so our selling price—and of course I should also mention that most of our sales are concentrated during the on-peak or daytime hours.

**Mr. Angus:** Thank you very much, Mr. Chairperson, for that explanation. If I have got it right, we have sold .83 billion and we have bought back 1.2 billion, is that—

\* (1120)

**Mr. Tishinski:** Those numbers are correct, yes.

**Mr. Angus:** There is a shortfall in what we sold and what we bought. Where do we buy the surplus, like who manufactures the surplus, if you like?

**Mr. Tishinski:** Part of our agreement is that during drought periods we do not have to deliver surplus power, but we can buy up to 1.5 billion kilowatt hours per year from our American neighbours, so this is all done in accordance with the agreements that we have struck up with the utilities.

**Mr. Angus:** Mr. Chairperson, again because being unfamiliar with the corporation and the intricacies of the finance of the corporation, I do not want to get on any thinner ice than I appear to be on today. Nonetheless, I am going to persist in what I hope will be layman's language. Are we buying this back at less than the cost of producing it? Is that a reasonable assumption?

**Mr. Tishinski:** The production of hydro power—well, let me answer it this way. We currently have a blend of hydro power and thermal power so if we start placing hydro power the production costs are really quite low, say, in the vicinity of 2 mills, whereas thermal power can range anywhere from 20 mills to 30 mills. So I really cannot answer your question in a very definitive way.

**Mr. Chairman:** The Honourable Minister has a comment.

**Mr. Neufeld:** I would like to add to that, that inasmuch as when we are buying power nobody gets laid off and our capital costs have not changed, so to price it would be very difficult. I should add though that, as Mr. Tishinski has mentioned, when we buy power, we are storing water and that is very important in a low water year. Our reservoirs are very, very low right now, as Mr. Fraser mentioned the last meeting, and it is not as important how much we have to buy. It is how much water we can store for our own future needs.

**Mr. Angus:** Do we trade in American dollars or Canadian dollars, or do we sell in Canadian dollars and buy in American dollars? What is the relationship there?

**Mr. Tishinski:** All transactions are in U.S. dollars on the American market, because we trade with Saskatchewan and Ontario as well. That is why you differentiate. East and west in Canadian dollars, north and south it is in American dollars.

**Mr. Angus:** Then may I ask the question, what effect a rising American dollar has on the revenues of the corporation?

**Mr. Tishinski:** If we are selling and if the Canadian dollar is lower vis-a-vis the American dollar, then that is a benefit to us. If we are buying, of course, the reverse is the case.

**Mr. Angus:** Just so that I am clear, if we are selling and the Canadian dollar is low, then it is to our advantage. If we are buying from the Americans and the Canadian dollar is higher, then it is not as good an advantage. I want to make sure that I am clear on this.

**Mr. Brennan:** We attempt to match our—it is a little more difficult in a low-flow year but in average-flow years we attempt to match our American revenue with our debt costs, so that any fluctuations one way or the other will be mitigated.

**Mr. Angus:** Again, I am only a layman at this board, but let me see if I understand it absolutely accurately that you have a certain amount of American borrowing that you have done in American dollars, and any American revenue you generate you tend to pay off that indebtedness in the United States.

**Mr. Brennan:** That is what we try to match.

**Mr. Angus:** You try to match that, equalize that, which is a reasonable policy.

**Mr. Brennan:** Yes.

**Mr. Angus:** Could you just advise me of the effect of the contract that you have, either the chairman of the board or the Minister or whoever wants to do it? I am not singling out anybody. What is the impact of a low-flow year and the contract that you have for reciprocal sales, buying back and forth, and the obviously strengthening dollar? Are we losing money, guys? That is my question. Have we made some bad decisions in the past and, through a whole bunch of unfortunate circumstances, are we finding ourselves being negatively impacted, and how much?

**Mr. Brennan:** Clearly, the fact that we have some American revenue that is not there hurts us regardless, and probably the biggest concern is not the foreign exchange at all. It is the fact we do not have hydraulic energy to sell, period, and that is the biggest contributor. That is by far the biggest concern, just not having energy to sell. That is the biggest cost and the biggest concern to us.

**Mr. Angus:** I appreciate that, Mr. Chairperson. If I may be permitted a facetious remark, always challenging the system in a lighthearted fashion, your designated speaker has improved his political performance by skating around the meat of the question. The question was, what is the impact of the rising dollar? It has gone from 79 to 78 to 83, 82, 83. We are talking about a quantum leap if contracts have been negotiated at old prices.

**Mr. Brennan:** If we attempt to match our American revenue with our outgoing cash flow, there is no impact.

**Mr. Angus:** I see, okay, that is fair. Thank you.

**Mr. Chairman:** The Minister has a comment.

**Mr. Neufeld:** I would just like to add that inasmuch as the dollar has gone up in 1988 and inasmuch as

we are now a net exporter, we have in effect gained then, have we not? I would also like to mention that this points out the good relationship we have with the Northern States people and others, which is unlike the relationship that has been suggested we should have when they run short of power.

**Mr. Angus:** Mr. Chairperson, I thank the Minister for those remarks. Is it my understanding that we would if we could supply more power to the Northern States, they would like to be able to acquire more power from us? Is that a reasonable assumption? Can I ascertain that in my remarks?

**Mr. Brennan:** I have only experienced it once in the history that I have been associated with Manitoba Hydro where we have ever had to spill on a plant that had the capacity to produce it. That was in the high flow years of '86-87 for a short period of time. Ordinarily, we do sell everything we have been generating.

**Mr. Angus:** I appreciate those comments because the figures glared out from the report. I felt there might have been a footnote explanation as to that. As I said before, it is a quantum leap.

Another question, Mr. Chairperson, this perhaps is a political question to either the appointed chairman of the board or the Minister. It has to do with the Winnipeg Hydro system. Is there any anticipated takeover of the Winnipeg Hydro system?

**Mr. Neufeld:** If there is, I have not heard of it.

**Mr. Angus:** Okay, that is fair, it is reasonable and quite an asset run fairly effectively. They have a good plant there. I think it is a reasonable question to ask. The City of Winnipeg officials have often felt there might be some interest in the provincial Government. So if you do not have a policy in that area, I will leave it until you do. I am sure we will find out about it at that time.

I would like to move to whether or not the board has some form of an audit committee that is linked to the board and reports directly to the board that does not only meet regularly and not only provides financial audits but perhaps does operational audits. If there is one, perhaps I could just get a bit of an explanation.

\* (1130)

**Mr. Ransom:** Yes, we do have an audit committee. It is chaired at the moment by one of our board members, Mr. Curtis, who is the Deputy Minister of Finance for the province as well.

The audit committee will be increasing its activities in terms of cooperation with the internal audit committee recently established within the corporation. I do not think I could phrase it that we would be doing operational audits as far as the audit committee of the board is concerned, but we do intend to step up the activity back and forth between the audit committee of the board and the internal audit committee of management established by management.

**Mr. Angus:** I appreciate that. Whether or not they do operation audits and/or whatever label they decide to give to them, the audit committees that I have had the fortune to work with on the boards I have served on in the past have been providing value for investment analysis, if you like. They were almost autonomous and independent to the executive committee of the boards that said, you have spent this kind of money. This is what you expect to be able to get and these are the actual results which make the board aware and allow them to make corrective actions and/or take steps that will improve the working relationships and the effectiveness of the corporation.

Is it the intent to have the security of the Hydro, and has the committee been given any mandate in terms of reporting in that nature, Mr. Ransom, to you? Operational audits tend to garner up a picture of an individual standing there with a stopwatch and making sure everybody is doing their job effectively. That is not what I have in mind. What I have in mind is making sure the board is being made aware on a regular basis they are getting value for investment on all fronts.

**Mr. Ransom:** It is a good point Mr. Angus raises. I have the sense the board and the audit committee need to increase the work they are doing to have a greater understanding of the actual operations of the corporation, not that the board should be in a position to interject into the actual management of the corporation. Now there is a line to be tread there. But I think the board and our committee could stand to have some greater understanding of it, and that is why we intend to increase the amount of cooperation that takes place at interplay between the Audit Committee and the Internal Audit Committee.

**Mr. Angus:** I recognize that there is a relatively new board in place and perhaps those questions would be better asked a year from now as to the effectiveness of an Audit Committee, and it may even show up in an annual report of this nature next year. So I will leave that until then.

I would like to move into labour relations, if possible, and again fully recognize that this is a delicate area that you do not want to put yourself in a position of negotiating in public on at least some issues. However, there are some glaring things in the report that is published that are outstanding and I think should be addressed in whatever fashion the board wishes to take. The expenses of labour, wages in any system, are often the largest expense that they have so it is one that is very important to make sure that it is accounted for.

The questions concern an outstanding CUPE agreement that apparently has been outstanding since December 23, 1987, where that is at—now it may have been settled by now, I do not know. I wonder if it has been settled, if I can get an explanation on that, and then perhaps we could just start with an overview of the circumstances. Then we can get into the specifics.

**Mr. Beatty:** Just briefly, we have settled with CUPE. It is a new three-year agreement. In the first year, it is

worth 3 percent and, in the second year, 3 percent, with a cost-of-living allowance in the third. There is built into that in addition in the first year, maintaining— one-half of 1 percent in benefits.

We have two other bargaining units, I might just add: the International Brotherhood of Electrical Workers, and the settlement there was virtually identical with some slight changes—(Interjection)— That was also a three-year agreement and, as I said, the settlement was very similar.

We have a third association, which is a bargaining unit of Manitoba Hydro staff and supervisory employees with whom we also settled on the basis of a three-year agreement. Again that was 3, 3, and COLA with very slightly different benefit improvements.

**Mr. Angus:** The board has obviously allowed a cushion somewhere for settlements in their financial statements. That is fairly standard procedure.

**Mr. Beatty:** Perhaps I could ask Mr. Brennan to comment on the provisions for—the total provision, perhaps, I think would be good enough, would it?

**Mr. Angus:** Yes.

**Mr. Brennan:** In the case of the actual annual report, it only reflects actual expenditures, not projections. But all our projections include a forecasted increase in all costs, including labour costs.

**Mr. Angus:** Let me just see if I have got it straight, then. The AMHSSC, is it, which was a three-year agreement in March '88, that was settled?

**An Honourable Member:** In April of '88, yes.

**Mr. Angus:** It was settled for three years in April of '88 and that was a 3 percent, 3 percent COLA with .5 percent benefits in the first year. CUPE has also been settled, backdated as of December 23, 1987, and that is a three-year agreement with similar arrangements, and the IBEW is May 25, 1988. That has been settled as well and has the same type of arrangement, and the supervisory group has been offered a comparable package.

**Mr. Brennan:** The supervisory group is the AMHSSE group.

**Mr. Angus:** So that is that. May I ask, Mr. Chairperson, again I want to cast my net wide enough to make sure that I get all the information I want. Are there any other union groups that are being negotiated or settlements that need to be finalized at this stage?

**Mr. Beatty:** No, Mr. Chairman, those are our three bargaining units.

**Mr. Angus:** Again, through you to the policymakers, is there an early retirement policy in place at the Manitoba Hydro and/or an opportunity for staff members to consider early retirement?

**Mr. Chairman:** Mr. Brennan.

\* (1140)

**Mr. Angus:** Mr. Chairperson, I think that perhaps is a policy question. If I may be permitted to direct it at the chairman?

**Mr. Beatty:** No, we have not a program of that kind. There are perhaps from time to time very unusual circumstances but we do not have a general program and we have not found it necessary to have such a program.

**Mr. Chairman:** The Minister has a comment.

**Mr. Neufeld:** I would like to say that we do have a program for retirement at age 55 with a certain amount of service. I do believe that there is one in existence for that, is there not?

**Mr. Beatty:** Yes, Mr. Chairman, but I was not really describing that or I would not really include that as an early retirement program, but it is available.

**Mr. Angus:** Now I would like to, as smoothly as possible, and without any rancour move into the area of free trade, be a glutton for punishment, Mr. Chairperson. I would like some indication from the members of the administration of the board of the actions that they intend to take to reduce any potential negative impact, my words, to ensure that Manitoba Hydro Corporation is not and will not be adversely affected and that they are taking whatever positive action they need to, to ensure that we are making the most. That is what it is intended to be, a long-term arrangement—

**Mr. Chairman:** Is this going to be a long-drawn-out thing because you have had the floor for twice the amount of time as the Opposition Parties and if you would like to come back a bit later?

**Mr. Angus:** Mr. Chairperson, if you would like, sure, I can get my files—

**Mr. Chairman:** I am trying to distribute the time, equally so.

**Mr. Angus:** I appreciate that. Did you want to ask some questions?

**Mr. Chairman:** I am going to recognize Mr. Enns, who has been trying to get my eye for some time and then we will go on to . . . .

**Mr. Angus:** Let me assure the members of the media that you are in no way sheltering the Minister or the administration from these penetrating questions on free trade.

**Mr. Chairman:** That is quite accurate, thank you.

**Mr. Harry Enns (Lakeside):** Thank you, Mr. Chairman, I certainly do not want to take up the time of the committee to examine Hydro at any length on this or

any other matters. Members of the committee will recognize I do have the privilege and opportunity to do so in another forum. But I am sure the Chairman and the Minister will recognize that I have, on occasion, a continuing need to have some things placed before this committee and recorded for posterity and for my constituents. I would like to raise just one such issue that has been a concern to a number of my constituents and indeed other rural people in Manitoba.

Manitoba Hydro is, of course, a substantial landlord. I refer specifically to the land acquired by Manitoba Hydro in the purchase of right-of-way for the construction of their transmission lines. The constituency of Lakeside is particularly affected in that the major lines from the North cut diagonally through my lines and my constituency and, of course, Dorsey is located in my constituency. This matter has been raised with me on several occasions some time ago. My understanding, and I am really seeking confirmation from Manitoba Hydro, that basic policy is not changing or contemplating being changed.

My understanding is that having acquired that land some years ago, in some instances, back in the Sixties and the early Seventies with Hydro retaining, of course, the full access to service of these lines, the understanding with the landowners was that they would continue to be able to farm the properties, and in every way as a recompense, I suppose, for having to dodge the poles with their large equipment forever in their lifetime and their successors that, in effect, Manitoba Hydro sought no other imposition on the landowners affected at that time.

My direct question is, does Manitoba Hydro view these land holdings as some future source of revenue? I raise this issue particularly because it is my understanding that in the last year of this arrangement there is an attempt being made to formalize this arrangement by way of lease. That raises the spectre on the part of many of the affected landowners even though, in the first instance at this instance, there is no suggestion from Manitoba Hydro that rentals will be charged for this land. But my concern is, as expressed to my constituents, that down the future, will Manitoba Hydro view this land as a future source of revenue?

**Mr. Beatty:** Beside me is Mr. John Funnell, our General Counsel. Mr. Enns' concern falls within his area of responsibility. I think he would be best to comment on this.

**Mr. John Funnell (General Counsel and Corporate Secretary):** Let me assure you that the policy has not changed but, yes, you are correct in saying that we have been planning to obtain leases. The leases we are talking about are at a nominal. They are stated \$1 but we are not even asking for that. But the purpose is to enable us to know who the landowners are along there and, as they change from time to time, we keep a record of them because otherwise it becomes difficult. The people who we originally dealt with 20 years ago, many of them have died or sold. We get correspondence from people, we do not know who they are, but if we have a system—permit, lease, call it what you like—

but a system of knowing who is authorized and who is not authorized to use our property.

If I could add to that, one of the problems that we encounter, Mr. Enns, is unauthorized use of lands by people who just come along and dump stuff, who want to do things there. If we have no record of who is authorized, it becomes equally difficult to know who is not authorized.

**Mr. Enns:** I am satisfied that was, in fact, the case. However, I am not sure that Manitoba Hydro fully appreciates even what seems to be a reasonable solution to the problem just described by Mr. Funnell, the implications that can have on a landowner, and how the landowner views that, who was told, at the time the land was taken, that this would in no way affect his other land.

I am suggesting to you that the possibility does arise. Some of these farmers are now retiring. They are in the process of thinking about selling the land to another farmer, or passing it on down through their sons. These blocks of land run diagonally through their quarter sections, half sections and do affect the saleability, if I may say, of the entire parcel. If some additional complications are put in the way of that sale of land as a result of having to deal with a third party, namely, Manitoba Hydro, and the transferring of the leasehold rights of that particular strip of land that cuts through this farmer's land.

Mr. Chairman, I am satisfied just having made a commitment that I made to a number of constituents of mine that I would raise this matter with Manitoba Hydro at a public forum, that I can pursue this matter more directly on another occasion. Thank you for this opportunity, Mr. Chairman.

**Mr. Harry Harapiak (The Pas):** I am going to be a bit parochial in my questioning as well. There are some items that have been on the minds of many of my constituents and I said that I would raise these as well.

I guess the first area that I would like to raise is the area of Cormorant, where this community was not considered as a community that should be getting compensation when the Grand Rapids forebay was first being built. There was a study that was carried out in 1960 by the United States Department of Fish and Wildlife Service and the Manitoba Department of Mines and Natural Resources which showed that there would be negative impacts to the Cormorant Lake and Tom Lamb Wildlife Management Area. It has showed that since the Grand Rapids forebay was built that there have been negative effects to the agricultural base in the community and the wild rice production has been affected and their fishing has been, although at times more profitable, it has been affected as well.

\* (1150)

There was a committee that was struck on which there was representation from the Department of Energy and Mines and the Department of Natural Resources and the community of Cormorant and the Department of Northern Affairs, which dealt with this problem. There

were several options they looked at but I guess the most feasible one was to put a pumping station in between the north and south Moose Lakes. I am wondering if there has been any discussion with Manitoba Hydro to see if they would be willing to participate in discussions that are going on to address this problem.

**Mr. Beatty:** Well, I guess we would be willing to discuss, Mr. Chairman, but this is an issue that has been led by the province and we have not, so far as I know, so far been involved. I believe that is correct.

**Mr. Ransom:** Mr. Harapiak, I, as chairman of the board—and I am sure that others recognize that when the Grand Rapids forebay flooding took place that there was not this sort of agreement in place that is in place with respect to the Churchill-Nelson developments. I believe, and I will certainly be recommending to my colleagues on the board that Manitoba Hydro has some ongoing social responsibility with respect to what has taken place there.

We have had an approach from Ducks Unlimited with respect to trying to deal with the problem that you mention. I have encouraged Ducks Unlimited to put forward their proposal and we would look at ways of dealing with their proposal. We would look at ways of how we might involve some of the local people in extending a line, for instance, if we need to extend a line for pumping purposes. So, in principle, it is certainly my intention that we will look at ways of trying to do something there, but we have not been dealing with the specifics yet.

**Mr. Harapiak:** I am pleased with that response. I guess the project that is being put forward by Ducks Unlimited would not only help the community of Cormorant but it would also help the entire Tom Lamb area and would help the community of Moose Lake which is looking at some agricultural production. I think if that project were to go ahead, and I recognize it would be a long-term project, it would take many years to complete, but I think if there was cooperation between Manitoba Hydro, and they are not looking for compensation but what they are looking for is some economic development which I think can be taken into consideration and looked at in a cooperative approach and it could be accommodated. So I am pleased with the chairman's comments on that.

There is one other area that I wanted to raise and that is the Grand Rapids hatchery. When that was built, it was the understanding of the community members at Grand Rapids that it was being put in place because of the negative effect that the dam would have on the spawning area for the pickerel in that area.

Since that time, the Department of Natural Resources who have operated the hatchery have run into some financial difficulties, as all departments have, and they have come up with a proposal to shut down the operations of the hatchery during the winter months. There has been some damage in the hatchery at Grand Rapids because of the fact that it was closed down. There was some frost damage to the area.

I think that if Manitoba Hydro recognized the impact they have had on that community and the impact they have had on the fishing, they would look positively at supporting the operating costs of the fish hatchery because I think, in talking to the fishermen in the area, they have had to go a greater and greater distance to get their limits. In this past year, they have had to go approximately 50 miles on Lake Winnipeg before they were able to get their catches and it seems they are going out further every year. So I think that there has been a loss of the spawning areas, and I would hope that Manitoba Hydro would look at supporting the operating costs of that fish hatchery in Grand Rapids which would help improve the lot of the fishermen in that area.

**Mr. Beatty:** The corporation last met formally with Natural Resources to discuss the fish hatchery back in October of '87. At that time, we asked Natural Resources to explain the basis for the Hydro contribution to the hatchery, the adverse effects in the North generally, contractual obligations which flowed from earlier agreements between Natural Resources and Manitoba Hydro, and they agreed to look into this and to formulate a proposal. It is my understanding that we have not as yet received one but I gather it will arrive soon. So we perhaps will be involved.

**Mr. Harapiak:** There is one other area that I would like to touch on briefly. What seems to have been a difficulty with the trappers and the fishermen in the Cedar Lake area is the whole question of communicating when there is going to be a heavy draw down on water which will cause a decline in the ice level. I guess when they set their nets and set their traps and if there is a call for heavy production, then the water level drops and there is a loss of nets and loss of traps. I am not sure if it is possible to set up a better system. I guess maybe your notices are quite short sometimes when there is a heavy need for heavy generation, but I would hope that there could be some communications worked out with the trappers' association and the fishermen's association so they can have more warning as to when the water levels are going to be dropped.

**Mr. Beatty:** I think we certainly try to do everything we can to communicate. Sometimes it is not as good as it ought to be, as it has been pointed out to us on one or two occasions.

I wonder if I could just speak to the general problem. I wonder if I could call on Mr. Tishinski.

**Mr. Tishinski:** Mr. Chairman, maybe I can only respond in a general way. The way we are set up is that our superintendents at the power plants are given the responsibility of communicating with the local residents vis-a-vis operation of the reservoir.

I know that at Grand Rapids, our superintendent is in contact with the fishermen's co-op at Grand Rapids. The operation of the reservoir at Grand Rapids is usually quite predictable. We pond during the summertime and we draw down during the wintertime. This kind of operation is made known to the fishermen's co-op. If

there is something that is quite specific and of a localized nature, I do not know that I could comment any more other than find out what it is and then we could address it on a specific basis.

**Mr. Harapiak:** I just wanted to add that the superintendent at Grand Rapids has been very involved in the community and there has been good communications with Mr. Miller. There are still instances when there are trappers, especially in the spring of the year, who are affected. So maybe it is better that I deal with each specific case on an individual basis rather than take the time up of the committee in this manner.

**Mr. Harper:** I would like to ask the Minister about the northeast hydro line going into Cross Lake, Red Sucker and Garden Hill. For some time, we have been working on the issue. I remember way back 10 years ago when I was a chief trying to get a hydro line to the community, into those areas, and I know we had made a commitment to proceed with that. We had been negotiating with the federal Government to cost share on the building of the hydro line.

\* (1200)

The Minister responsible at the time, Mr. Parasiuk, had written a letter—I think it was in November of '86—to try to convince the federal Minister of Indian Affairs to cost share or make a commitment to the building of that line. He further wrote in 1987, in April, to try and get a response by June so that we may proceed to building of that line in the fall of '87. We did receive a response, not a definite response in terms of any commitments. I know when Mr. Storie was the Minister responsible, he tried to get the federal Government to make a commitment but we were not successful. I know that this Government has made a commitment in their Throne Speech for a building of that line. I know the capital costs are enormous and we were ready to proceed. Can the Minister advise us what status that northeast hydro line is in?

**Mr. Neufeld:** As you correctly say, the decision will be that of the federal Government. It may be only a coincidence, but Mr. Lambert is meeting this afternoon with the federal representatives.

**Mr. Harper:** I know that we have been meeting with the federal representatives on numerous occasions but we do not seem to get the commitment from the Government of Canada, which is the federal Minister of Indian Affairs. I was wondering whether that will be discussed this afternoon. I know the capital costs are going to be much higher than anticipated and I am just wondering whether these discussions will be part of the discussions this afternoon, the commitment from the federal Government, and also what the costs are going to be.

**Mr. Neufeld:** I should think that the commitment, when it comes, will come from the federal Cabinet or from the federal Minister of Indian and Northern Affairs. I do not think that the federal representative will be in a position to make any commitment this afternoon,

although I could be mistaken on that, but that would be my opinion.

**Mr. Ralph Lambert (Senior Vice-President-Customer Service and Marketing):** If I might just comment, in my telephone discussion yesterday, in setting up the meeting for today, we did not discuss exactly what we were going to talk about, but it was my sense that it would be a continuation of a discussion that we had back in June, I believe, in which we were attempting to deal with this question of cost sharing. I am not sure but that is my sense of what we will talk about this afternoon.

**Mr. Harper:** Are there any kind of costs being anticipated now what the previous—like I know we anticipated about \$50 million to \$60 million for the capital costs. What is the projected cost going to be? Has that gone up?

**Mr. Lambert:** Specifically, I cannot tell you what the exact number would be but the number that we had been using, I believe it was 53 million. That number is already a couple of years old, so it will be going up if for no other reason but escalation.

**Mr. Harper:** I know that we had anticipated that this line will be built or at least be in the construction stage. Every year that the year goes by, we are losing money. There have been studies done and I think by building this line the sooner the better. I know that the provincial Government and Hydro will be in a better position if they have that line built in terms of subsidizing the rates that are being offered in those communities through diesel-power generating stations.

Also, I find it very difficult for the federal Government not to participate because it is in their interests to lower the costs. I do not have the figures in front of me but, over a period of time, there is going to be a million dollars saved. I was just wondering whether this Minister has written a letter to the Minister of Indian Affairs to encourage him to come to this agreement as soon as possible.

**Mr. Neufeld:** As you know, we had an election earlier this week and the Minister of Indian Affairs will undoubtedly be re-examining the proposed line and will be in contact with us. I am sure that the Premier (Mr. Filmon) has and will again be in contact with the Prime Minister on this very matter.

**Mr. Harper:** I am just trying to make the point that every year that we lose building our line, I know the best time would have been in fall usually, so I would anticipate that if there is a go ahead on building this line that the arrangement should be made now in terms of anticipation maybe next fall. Every year that goes by, we are losing millions of dollars. I hope the officials here would try to convince the officials from the Hydro Department of Indian Affairs to come to their senses in terms of making this a reality as soon as possible. I hope the Minister, the Chairman and members of the board can see that this is a very economical—if you look at it for economics and over time, it is going to

be a cost-saving endeavour. I just want to continue on the—

**Mr. Chairman:** Okay.

**Mr. Harper:** One of the other things that we discussed was the proposal—to the northeast is the involvement of the Native people in terms of being involved in the construction, the line cutting. I will have to refresh my memory. The line was proposed from Kelsey, I believe, into those areas and I hope the Manitoba Hydro considered that the Native people would be involved in part of this whole exercise of construction and line cutting and that Native people would be involved. Would that be the Minister's priority to ensure that Native people are employed and trained on this construction of this line?

**Mr. Neufeld:** All the information I have seen on the proposed line and the discussions we have held suggests that we will be giving a priority to the Native people in the clearing.

**Mr. Harper:** What is Hydro's position in terms of cost sharing? What is the ratio being negotiated with the federal Government?

**Mr. Neufeld:** For details, I will turn you over to Mr. Lambert.

**Mr. Lambert:** I think that remains to be seen. I think we are in a point of discussion with the federal Government. We recognize that the bulk of the benefits accrue to the federal Government in terms of future savings and, as a result, we believe that they have to be very heavily involved in the contributions. I think it will have to wait and see how the discussions go.

**Mr. Harper:** I know that the federal Government has an enormous amount of responsibility in this area because it is predominantly Treaty Indian people in those communities, and is it the Hydro's position that they would be providing the capital costs initially once they reached agreement or is that to be determined, negotiated with the Department of Indian Affairs?

**Mr. Lambert:** In the position paper that we had developed, I guess it is a year and a half or a year or so ago, we had incorporated in that a number of principles and one of them was that Manitoba Hydro would essentially finance the line and it would be paid for through the surcharge on electricity rates over a period of time, as a result of the savings that the agencies would get as a result of the line being in place. I might add that incorporated in that document also was a provision for the involvement of the communities in the work of building the line. We are operating and working in line with that document.

**Mr. Harper:** My final question to the Minister, can I convince the Minister to work on this and try to get the federal Government on side as soon as possible on this, because I think it is essential for economic reasons and health reasons, and particularly in that area. I think that needs to be looked on right away.

**Mr. Neufeld:** I can assure Mr. Harper that it has a priority and we will be pursuing it with the federal Government and the Ministers involved.

**Mr. Enns:** Do you want to pass the report?

**Mr. Angus:** Not yet, Harry, thanks. Not too long though.

**Mr. Chairman:** We have promised Mr. Angus some time on his free trade, so—

**Mr. Angus:** Do you want me to repeat the question?

**Mr. Chairman:** Yes, please.

\* (1210)

**Mr. Angus:** Well, without fear of contradicting what was written down two pages prior, I would just like to—  
**Mr. Chairperson,** the thrust of my question is to find out what plans the board has or the corporation has to participate actively in the process of the Free Trade Agreement that is imminent to ensure that we get the best for Manitobans and do not get left out in any way.

It is a legitimate question, Mr. Chairperson. I recognize that it is very new in the agreement, that Parliament is going to be called back and things of that nature, but it just seems to me with some of the ambiguity in relation to the dispute settlement mechanism that it is important that we have at least a player at the table at different levels. Perhaps the board could share with me what their intentions are in this regard.

**Mr. Ransom:** Mr. Chairman, we recognize the potential impact of the agreement. We recognized that some months ago and the process that was put in place at that time was to bring together people from Hydro, from the Energy Authority, from Industry, Trade and Tourism, from Energy and Mines. The group was asked to examine all of the arguments that were in place for and against, particularly those that were contrary to the agreement that said that it would have adverse impact on Hydro.

We asked that those arguments be examined very carefully and that management would come to a conclusion, as best they could, as to the potential impact of the agreement. Management concluded that there would be very little impact on Manitoba Hydro and, so long as the agreement had not been passed, then that was sufficient for me as chairman of the board and sufficient for the board.

Now that it appears that the agreement will be passed, then I will be asking the management of Hydro to glean through the legal opinions that we have, all of the research that has been done and make recommendations to the board as to any specific actions that we should take, be those requiring any changes in the way that our contracts are worded, or any possible changes in legislation that might be required.

So all I can say to Mr. Angus at the moment is that is the way we have proceeded to this point, that is the way we intend to proceed from here on.

**Mr. Angus:** Thank you, Mr. Chairperson, and I appreciate Mr. Ransom's answer. With one proviso, it seems to be a sound strategy and again just let me paraphrase so that we are talking the same language. You are going to ask those people who are in the best position to influence a decision to prepare a report to the board on the cause and effect and the various steps that you can take and then you will be making some judgments. Those judgments will depend on the results you get back in.

Let us not exclude, Mr. Chairperson, if I can be permitted to advise some sort of a watchdog or a lobbying association in the American system to—a first alert system, if you like, in relation to being aware of protectionism legislation as an example that may be mounted by strong lobby groups, as the members of the administration alluded to. The coal lobby is one that they specifically alluded to but there are a number of others that can begin actions that we should certainly be on guard of.

The one proviso that I would suggest to Mr. Ransom is that the agreement is going to be signed and in effect the 1st of January 1989. Any legislative changes—those are his words—that are required, perhaps you can put those on, as the Americans say "the fast track" and bring those back to this House so that we can—if they are required, I do not want to find out in the next Session that it is too late to bring in legislation that we should have brought in this Session.

Again, let me absolutely and positively identify that it is not defeatist type legislation that I am looking for. That battle has been fought and lost, and I am looking now for protectionism type of legislation that will allow Manitoban Hydro to continue to function with the sovereignty rights that we have been assured are there and with the decision-making capacity that we want to maintain for future generations of Manitobans.

With that proviso, I cannot do anything to make you bring the legislation changes back in but, if there are any, I would urge you to bring them in as quickly as possible.

**Mr. Ransom:** We take those comments very seriously, Mr. Angus, because we recognize that the board and the management of Hydro are going to be held responsible for action or the lack thereof with respect to the impact of this agreement on the future of Manitoba Hydro. Therefore, you can be assured that we will be examining all of the possible steps that we might take with great care, just as we examined, without restriction, the potential impact of the agreement on us while the debate was still taking place.

**Mr. Angus:** Thank you, Mr. Chairperson. I have no further questions.

**Mr. Chairman:** Mr. Storie or Mr. Harapiak. Who wants . . .

**Mr. Harapiak:** I would just put the question of how long we are going to be going, because it appears that there are still several questions to be asked and we will not be completing today. Should committee rise?

**Mr. Chairman:** Well, that is up to the committee. Did you want to take a crack at completing today, or did you . . .

**Mr. Storie:** I do not think we will be able to complete today. I have a number of questions on affirmative action, and I have a couple of comments on matters raised by Mr. Angus, but I think it would be unfair to have this many staff return for another meeting. I think the issues that I intend to raise—and I think there is agreement perhaps that we would limit it to northern issues during the next meeting. It could perhaps be done before the 12:30 deadline next time, but clearly we will not be able to finish today.

**Mr. Neufeld:** The question has been raised, should we bring the MEA in at the same time so we could deal with both those reports. I think we have dealt with a substantial amount of the MEA questions already. We might be able to finish them both in the next session.

**Mr. Storie:** Well, I am not sure how MEA is going to be brought in anymore, because I gather it is now part of the Department of Energy and Mines or it is funded by them. I do not know whether it is brought in separately for the committee, or whether it is part of the Energy and Mines Estimates debate. I am not certain of that. That, I think, is still a matter for the House Leaders to determine in terms of the timing of the next committee and whether it would be appropriate if MEA is scheduled before the committee.

It would make sense, obviously, if we can do it and I can only suggest I will take that under advisement and perhaps my colleague from Niakwa (Mr. Herold Driedger) will do the same and raise it with our House leaders.

A couple of question on the affirmative action, the numbers that were passed out somewhat earlier this morning are quite instructive, and I am wondering whether—and forgive me if I missed a couple of sessions and perhaps these questions were asked—Manitoba Hydro has established a quota or at least a target for each of the employee job category groups when it comes to affirmative action, specifically with respect to women, aboriginals and the handicapped.

**Ms. Linda Jolson (Vice President-Corporate Relation):** No, we have not.

\* (1220)

**Mr. Storie:** I guess to the Minister then, Manitoba Hydro has not established any clear objectives for itself. I am relying on the Minister, I guess, to determine what the best course of action is but it seems to me, unless you set objectives, unless you establish a firm number, a target, either in terms of percentage or in terms of actual numbers, it seems to be there is an in-built reluctance or inability for organizations to accomplish, in any effective way, our goals. The Minister had said earlier that he was not in favour of quotas. I am wondering how the Minister intends to reach at least a minimum objective. I am assuming a minimum objective would be to have visible minorities, Natives,

women represent at least their respective proportions in the population. Is that an objective? Have we set any goals for ourselves?

**Mr. Ransom:** Since this is a matter of board policy, the way that the board has approached it is that we have simply left in place the policy that was in place by the previous board. I am sure that Mr. Storie would be familiar with those policies. The way that we are approaching it is that we want to see how those policies were working and how well those objectives were being met. Then any action that we take, any change in policy will be in an effort to improve the performance of the program. It would be too early to suggest right now exactly what changes might be recommended because they have not progressed to that point in evaluation yet.

**Mr. Storie:** I appreciate that and I appreciate that there has been no change to the policy. I think, unfortunately, the policy that was implemented and took some time to implement or to develop, I should say, has not been as successful as we would like. I think that is clear. If you look at the numbers, it is quite clear that even in terms of some minimum standard of acceptability we have failed. I am not laying the blame at the feet of Manitoba Hydro or the board or anyone else. I am simply saying that while our goal, I think, was laudable and we established a policy that we thought would take us there, we did not succeed.

We have no people of Native ancestry in the executive branch. We have very, very few, .2 percent in engineering and engineering support. I know Manitoba Hydro has done some things to improve that, but it seems to me there is a great likelihood of us either not proceeding, improving the circumstances. There is even a possibility of us falling back unless we improve the policy, unless we try and give it more structure. That is why I asked about the question of quota or establishing some target numbers.

I am wondering, if we just looked at Manitoba Hydro specifically and the job categories that were described and have been identified, whether the Minister could tell us what his minimum objectives are for the next four years or the next five years for Manitoba Hydro. Do we not have any? Does the Minister not think that—simply waiting to see how effective the policy is, does he feel that is an acceptable management decision?

**Mr. Neufeld:** First of all, I would like to say that the setting of quotas is, in effect, reverse discrimination. I am not in favour of setting of quotas. This is a matter of monitoring, it is a matter of education, and it is a matter of the board coming back to the Cabinet or to the Minister with its recommendation for the changes that they see should be made. It is not a matter of the Minister dictating to the board as to the quotas that should be installed.

**Mr. Storie:** I am not suggesting that the Minister has to dictate. I certainly do not accept the Minister's suggestion that establishing a quota or a goal is reverse discrimination. I have had this discussion with other Members of the front bench of this Government who

do not seem to understand what affirmative action is. The fact of the matter is that you are still talking about hiring qualified people. The only distinction is, if that person falls within an affirmative action group or category, they receive preference in hiring. It seems to me a minimum objective to say that, given their rough proportions in the general population, it should be reflected in the personnel of Manitoba Hydro. Is something even that minimum not within the scope of the Minister's action?

**Mr. Ransom:** I would like to just point out, Mr. Chairman, some of the concerns that I have and the questions that I think have to be answered before we can set our targets or our goals, or however you want to characterize them.

Mr. Storie, for instance, made reference to the fact that there were no Native people in the executive level of Manitoba Hydro. The reason for that of course goes back a long way, that the people who are in the executive have a certain number of years, I would guess, probably 15 to 20 years of technical experience in the corporation. So to simply look at a situation and say there are no Native people there is because we do not have an Affirmative Action Program, that may be but it is not because there is not an Affirmative Action Program at the executive level. It is because there was not one 20 years ago at the lower technical level. To simply say that there are 6 percent or 7 percent of visible minorities in Manitoba and that, therefore, we should have 6 percent or 7 percent of visible minorities in our work force, I think has some technical weaknesses to it in that the visible minorities tend to be concentrated in an area where Manitoba Hydro does not have very many employees.

I think you would agree that there tends to be more visible minorities in the City of Winnipeg than in the rural areas, but yet Hydro's distribution system is in the rural areas and the City of Winnipeg is served by Winnipeg Hydro. So there is a danger, in my view, in putting too much weight on the figures and not enough weight on simply trying to remove barriers that are in place to prevent people from moving into our work force.

So I would have to say that we simply have not had an opportunity yet to give enough attention to know how well the system is functioning now. If Mr. Storie says he believes the system that is in place has failed, then that is certainly something that we have to take into consideration as well. But it is not a question of a lack of commitment to seeing some of these things take place. It is a question of how we can best achieve that, and that is still being addressed by the board. Until we have a chance to make informed decisions on policy changes, then the corporation will pursue the objectives that are in place.

Ms. Jolson would like to add something.

**Ms. Jolson:** I would like to draw your attention to the increase in the percentage of women in the professional engineering category. It has gone up to 6.5 percent. The Dean of Engineering from the University of Manitoba tells us that there are approximately 7 percent

women enrolled in the Faculty of Engineering at this time. So I think that indicates that overall we have done quite well in a very short period of time in recruiting female engineers into the work force of Manitoba Hydro. We deliberately set about and we had a bursary program that encouraged, that awarded a specific sum of money and sent information about that out to the high schools. So I think that indicates that one measure we used was effective.

**Mr. Storie:** Mr. Chairperson, I appreciate those comments both from the chairperson and from Ms. Jolson, and I did not intend to suggest that progress had not been made. We have not come as far as we should and my feeling generally is that unless you set some more specific goals—management by objectives, in other words you say, this is where we are going to be in two years or five years, tends to lead to a greater degree of certainty in the bureaucracy about what we are doing and how we are going to achieve it than saying, this is our objective, period, to be a fair employer. Obviously, once you have met your objective, then you can re-evaluate whether it is necessary to change your practice.

\* (1230)

I appreciate the comments made by the chairman about the fact that there are many of the people here on behalf of Manitoba Hydro today who have 20 years of experience but the fact is that, for example, in the clerical area in 1988, although we have achieved some improvement from .4 percent aboriginal employment to 1.9 percent, clearly it does not take 20 years of experience to become a clerical staff in Manitoba Hydro. In the City of Winnipeg, there are 10 percent or 15 percent of the population, possibly as high as 10 or 15 percent, is of Native ancestry. There is a category where clearly it does not require 20 years of experience. So in those areas, can we say let us have 5 percent of Manitoba Hydro employees over the next three years employed from this category, because Manitoba Hydro clearly can find those people, provide some training, support. It is much less expensive than training the professional staff at Manitoba Hydro. So there are some areas, it seems to me, where objectives can be set up and achieved more easily than in others, and I appreciate that.

My experience tells me that in departments in Manitoba Hydro, and this is no reflection on personnel, hiring takes place on the basis of qualifications and you need an MBA to get into this area or a degree in social sciences. Those are often interesting requirements, but they are not necessarily absolute prerequisites. They tend to exclude people when perhaps other measures could be used to encourage the hiring of affirmative action groups. So there are sometimes systemic problems that inevitably lead to the hiring of people who have different life experiences and come to Hydro with perhaps the necessary skills but not obviously the necessary skills. I just think that it is important to have targets so that everybody can say this is what we are shooting for and how close are we getting.

**Mr. Chairman:** Did you want to make a final comment, Mr. Ransom, the hour being 12:30 p.m.?

**Thursday, November 24, 1988**

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**Mr. Ransom:** No.

**Mr. Chairman:** The hour being 12:30, committee rise.

**COMMITTEE ROSE AT:** 12:30 p.m.