



First Session — Thirty-Fourth Legislature

of the

Legislative Assembly of Manitoba

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

37-38 Elizabeth II

*Chairman
Mr. Parker Burrell
Constituency of Swan River*



VOL. XXXVII No. 14 - 10 a.m., TUESDAY, FEBRUARY 28, 1989.

MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Fourth Legislature

Members, Constituencies and Political Affiliation

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

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

Tuesday, February 28, 1989

TIME — 10 a.m.

LOCATION — Winnipeg, Manitoba

CHAIRMAN — Mr. Parker Burrell (Swan River)

ATTENDANCE — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Neufeld

Messrs. Angus, Burrell, Driedger (Niakwa),
Enns, Gilleshammer, Pankratz, Plohman,
Storie, Taylor

APPEARING: Mr. B. Ransom, Chairman, Manitoba
Energy Authority

Mr. D. Davison, Executive Officer, Industrial
Policy

Mr. A. Derry, Vice-President, Business
Development, Manitoba Hydro

MATTERS UNDER DISCUSSION:

The Annual Reports of the Manitoba Energy
Authority for the fiscal periods ending March
31, 1987, and March 31, 1988.

* * * *

Mr. Chairman: Committee, come to order. I have a
resignation from Gilles Roch. Any nominations? Is that
agreeable to the committee? (Agreed)

I also have a resignation from Bill Uruski. Any
nominations?

I call the committee of Public Utilities and Natural
Resources to order to consider the Annual Reports of
the Manitoba Energy Authority. I would like the
Honourable Minister to make his opening statement
and to introduce the staff present here today.

* (1005)

Hon. Harold Neufeld (Minister of Energy and Mines):
This committee convened sometime ago and this is a
continuation of that hearing. I will not make an opening
statement except to say that the Members with me
here today are the chairman of the Authority, Mr. Brian
Ransom, and the manager of the Authority, Mr. Charlie
Curtis.

Mr. Chairman: The floor is open for questions.

Mr. Herold Driedger (Niakwa): I am afraid that it did
slip my mind temporarily that we had met once earlier
and consequently did not reread the Hansards from

that particular time. I may ask some of the questions
today that are a bit repetitious, but if that is the case
I call upon someone to point out to me that these
questions have been asked before.

Basically with respect to the Manitoba Energy
Authority, I notice that in the Estimates themselves, in
the Estimates process when we were looking at Energy
and Mines, there is a reference to the Manitoba Energy
Authority with respect to terms of reference objectives
and activity identifications.

I notice also in the annual report that there is a fairly
lengthy indication as to what the mandate of the
Authority is and what it is supposed to do. I must
confess that I am somewhat in a quandary with respect
to just simply the term "energy." I notice that when I
read the annual report, "energy" is identified as
electrical, yet we have in this province a considerable
amount of requirement with respect to either the pricing
or the supply of natural gas.

I am wondering if the Energy Authority has any kind
of involvement at all in the either acquisition of supplies
or in the attraction of industries to this province that
might require more natural gas use or anything of that
nature at all with respect to natural gas as opposed
to electricity.

Mr. Chairman: I will ask the committee so I can deal
with this resignation first—resignation from Bill Uruski.
Are there any nominations?

Mr. Jerry Storie (Flin Flon): I nominate Mr. Plohman,
the Member for Dauphin.

Mr. Chairman: Is the committee agreeable to this?
(Agreed)

Could we have someone answer?

* (1010)

Mr. Neufeld: The mandate of the Manitoba Energy
Authority is primarily to look after the supply of electrical
energy for Manitoba and also to encourage the high
intensity electrical users to locate in Manitoba in
industries.

Mr. Herold Driedger: So do I take it then that for the
purposes of definition that when we use the word
"energy" in this committee, we mean only electrical
energy and that is all?

Mr. Neufeld: I think that primarily has been the mandate
of the Manitoba Energy Authority, yes.

Mr. Herold Driedger: When we take a look at the
objectives that are set out for the Energy Authority and

we are to look at objective No. B, which says to alleviate the effect of any energy shortage that may occur in the province, we again are referring only to electricity and not to any other form of energy, so that there would be no role for this committee to play in any other aspect of energy shortages?

Mr. Neufeld: Historically that has been the responsibility of the Manitoba Energy Authority. In the past, they have looked only at the electrical energy supply.

Mr. A. Brian Ransom (Chairman, Manitoba Energy Authority): Mr. Chairman, I believe when the Energy Authority was first established it was at a time when there was concern about possible shortages of energy—oil, in particular. At that time it was thought that the Energy Allocation Committee might be a major player within the Manitoba Energy Authority. As it turned out subsequently, the Energy Allocation Committee was not active. Of course, with the establishment of the Department of Energy, then some of the perceived role of the Energy Authority actually was carried out within the department, especially with respect to energy policy.

Starting last June, we have had a meeting of the Energy Allocation Committee and have begun to review just how that committee might function and where their responsibilities for allocation of energy resources would lie in times scarcities again. While that committee has been inactive in the past, we are reviving it now and trying to define just who should hold what responsibility. We could be involved in other forms of energy there than electricity.

Mr. Herold Driedger: So, at this moment, if I just can recap, we have essentially the Energy Authority itself—I want to make certain I understood Mr. Ransom correctly—that the Energy Authority holds itself strictly to things electrical and that the other aspects of energy are then to be covered by that. I did not get the exact name of that committee, is that correct?

Mr. Ransom: Well, in practice, in recent years, the Energy Authority has concerned itself primarily with electricity in the original legislation establishing it. At that time it was perceived that there would be more—a greater role for the Energy Allocation Committee. Hence, the name authority. In times of shortage that Energy Allocation Committee would have rather strong powers in terms of allocating scarce energy resources. As the oil crisis faded into the past, that aspect of the Energy Authority's activities did not develop, and it went on to develop primarily in the area of marketing of electrical energy.

Mr. Herold Driedger: If the Energy Allocation Committee and the original mandate of the Energy Authority essentially were to apply in times of energy shortages, because I notice that in activity identification we actually do specify Energy Supplies Emergency Act, which would indicate to me that we are talking about a time when there is a short supply of energy, is there any long-term planning under way at this moment in time which attempts to coordinate the supply and demand for energy in Manitoba and basically developing plans for the either supplying of energy and the mixing

and the matching of the two types of energy that we use right now, primarily electrical and gas?

* (1015)

Mr. Ransom: If I understand the question correctly, Mr. Chairman, there had not been any significant activity in recent years concerning what might happen in the event of shortages once again, but the legislative requirement is there to be prepared for or to deal with those circumstances should they arise. When the Energy Allocation Committee met last summer, we asked that a staff member of the Department of Energy prepare a report for the Energy Allocation Committee which we have not yet received that would allow us to make some recommendations to the Government as to specifically who should hold the responsibility because in the event that we should find ourselves in a situation of shortages again, we would want to be prepared for that and not be grappling with the administrative mechanisms of how we approach the problem that subsequently arises.

Mr. Chairman: The Minister wanted to add something to that?

Mr. Neufeld: Yes, Mr. Chairman. I think both the chairman of the Manitoba Energy Authority and I have indicated that primarily the Manitoba Energy Authority is concerned with electrical supplies, electrical energy supplies. We have already indicated that there is an Energy Allocation Committee and that that committee has met but has not come down with any policy.

We are here today to discuss the March 31, 1988, report of the Manitoba Energy Authority, and that deals primarily with the supply and export and generation of electrical energy. I think we should stick to that.

Mr. John Angus (St. Norbert): Mr. Chairman, through you to the Minister for clarification. Does that mean that we do not discuss any of the events that the Energy Authority has taken between March 1988 and now? If I am right, if I remember correctly, the reason that we stood this committee over was because of the major announcement concerning the use of energy, a high energy industry. We felt that it was prudent to wait until that announcement was made, so that we did not discuss it in depth without it being official and subsequently that announcement was made, at least a portion of it was made, and I would very much like to find, to pursue the impact of that industry and the negotiations and the relationships.

I am just not exactly sure, Mr. Chairperson, what the Minister is referring to as to the limitations of the discussions the committee has.

Mr. Neufeld: Mr. Chairman, my reference was to Mr. Driedger's reference to other forms of energy than electrical energy. I am quite prepared, and I think the committee is quite prepared to discuss events that have occurred since March 31, 1988, with respect to electrical energy and high intensity energy users.

Mr. Angus: Thank you very much, Mr. Chairperson, for that explanation. I appreciate it. I wonder if perhaps

we could have an update from either the administration or from the Minister in relation to the industrial announcement that was made concerning the high energy user in the central north part of the province.

Mr. Neufeld: Are we talking about Alumax?

Mr. Angus: Yes, Sir. Yes, Mr. Chairperson, that is the one we will talk about. Just for clarification, if I remember accurately, there was an announcement of a—was it Corningware, a glass, sand—

An Honourable Member: Dow Corning.

Mr. Angus: —Dow Corning, that is another one I would like to pursue and see exactly where we are with that.

Mr. Neufeld: I can give you some information on the Dow Corning. We are into Phase I of the—let us call it—experimentation. To my knowledge everything is going well. I will leave administration to discuss in detail if you want any more details on it, but the first phase was to do experimental work in Austria. Phase II, if they decide to go to Phase II, will be a pilot plant in Manitoba. Phase II announcements are not expected until sometime this summer. I believe July is a date that has been mentioned.

* (1020)

As far as the Alumax negotiations are concerned, we are still in the same position we were in the last time we met. We have not received from the federal Government any indication of additional help and until we do so we are not in the position to give a price on electricity any better than the one we gave them some time ago.

Mr. Angus: I am interested in the Phase I investments that we are making, and before I ask questions that may be answered through general statements by the administration, perhaps through you, Mr. Chairperson, the Minister would allow the administration to give us an update as to what Phase I consists of; what the dollars and cents investment by Manitobans is into Austria and what we hope to be able, or expect to be able, to control coming out of this.

Mr. Chairman: I will leave the administration to answer that question.

Mr. Doug Davison (Executive Officer, Industrial Policy): As Members may recall from some of the documents that were made available when the program was announced in early December, this program consists of actually three stages of work between Dow Corning Corporation, the Manitoba Energy Authority, and the Government of Canada.

The first stage involves the testing of Manitoba Silica Sands in a small furnace that is located at Dow Corning's partner facilities in Austria. A firm by the name of Voest Alpine AG in Austria is a partner of Dow Corning's. They are actually conducting, together with Dow Corning, a test of the feasibility of the sands to be processed in such a manner that silicon metal can

be manufactured under certain scientific circumstances. That is the purpose of stage one of the program.

The overall contribution by the Manitoba Energy Authority to that stage is 25 percent of the costs. The total costs of stage one being approximately \$260,000 as the MEA's contribution to stage one. As already mentioned, that stage is designed to conclude in June of this year by which time there will be a decision with respect to initiating stage two, the pilot plant in Manitoba.

Mr. Angus: Mr. Chairperson, the other contributing partners are the federal Government and Dow Corning.

Mr. Davison: That is right.

Mr. Chairperson: Mr. Davison, we have got to get squared around here for Hansard.

Mr. Angus: Is there a breakdown of the contribution?

Mr. Davison: Fifty percent of the costs of stage one are contributed by Dow Corning Corporation, 25 percent by the Manitoba Energy Authority, and an equal share of that by the Government of Canada through the Western Diversification Program.

Mr. Angus: Mr. Chairperson, you will forgive me if my technical knowledge of the testing or the quality of the sand, and so I will in my own layman's terms try to say what I think that you have said and you can tell me if I am right by nodding so we do not have to go back and forth.

You have picked up a few buckets of sand and you have sent them off to Austria and said, here, check them. If they work out really well and if they feel that there is high quality sand and they can make a high quality product out of that, they will come back to Phase II which will be to start cultivating, I guess, digging up or bringing it out of the earth. Perhaps you can move in to Phase II, assuming that it is a quality product that they find. This would be the thing in June, is it?

* (1025)

Mr. Davison: That is generally correct. Assuming the achievement of certain scientific thresholds in stage one, the concept is to establish a pilot facility in Manitoba on a slightly larger scale than the one that is being used in stage one. The purpose of the stage two pilot plant would be to continuously process Manitoba sands which by then would have been verified as to their technical suitability for the process, to continuously process those sands in such a manner as to verify the commercial viability of producing silicon metal with large quantities of that sand over a continuous period of time.

Mr. Angus: Mr. Chairperson, this may be a question better directed to the Minister as opposed to Mr. Davison. I appreciate and definitely can applaud the initiative of feed money to develop the product and to establish an industry in Manitoba. Subsequent to that, is there any ongoing agreement for continued

cooperation of Government funding in this venture or are we backing right off and turning it right over to Dow Chemicals?

Mr. Neufeld: The agreement calls for ongoing Manitoba and federal participation, but I do not believe that has been worked out in detail. I will ask Mr. Davison to reply to that.

Mr. Davison: The program that we are discussing consists of a total of three stages. Each stage is governed by a particular agreement referred to as a subsidiary agreement, that is subsidiary to a master agreement between the Manitoba Energy Authority and Dow Corning. The master agreement talks, as the Minister has indicated, about a full three stage effort, but there is not talk in that particular document about the levels of financial contribution that would be made by each party to each stage. That is the point of having a subsidiary agreement for each stage.

Mr. Angus: The pilot facility then would obviously be located close to where the sand comes from and will undoubtedly mean through you, Mr. Chairperson, to the Minister or to Mr. Davison, the development of a plant of some sort. Whenever you develop a plant in an area where there is sand, you have environmental concerns in those location parameters. I remember very well the last time the Government considered an aluminum smelter in Manitoba the length to which they had to go to keep the public informed. Is there any discussion or has there been any discussion in relation to site location for the pilot facility, and what overall dollars are we speaking of in terms of the pilot facility?

Mr. Davison: Discussions with respect to site location are now beginning to take place. The company is interested in investigating a number of options for siting the pilot plant and potentially the full scale facilities if the program does indeed move to stage three. The important point I think is that process is just beginning now and the company will be proceeding through a decision-making process together with us and appropriate provincial authorities and others about where the best location of that plant is.

Mr. Angus: Within the information that is available, and again I fully understand the limitations of the discussions that Cabinet may be privy to and that the committee may be privy to as to specifics of site location, but I have got to assume that it is going to be close to where they get the sand from. I would like to know if that is an accurate assumption and/or where the sand is coming from?

Mr. Neufeld: I think it is a little early to discuss publicly the site location. I think you will understand that this is something that the company, being Dow Corning, will have to assess as to viability. It is something that we have to assess with respect to the environment among other considerations. I think we also have to realize that if we announce one location as opposed to another we can get ourselves into a little bit of hot water.

* (1030)

Mr. Angus: Yes, the Minister has made quantum leaps of perceptual ability in relation to public opinion and I appreciate the fact that no matter where he says it is going to be located there will be some concerns. What I would like is his assurances that there will be open public hearings. That there will be an informational and informing process that will allow all Members of the Legislature and all members of the public know precisely and exactly what is happening?

Mr. Neufeld: Mr. Chairman, Mr. Angus is moving into the responsibilities of the Minister of the Environment. I can assure him that the Minister of the Environment will be informed and will keep us informed as to the process that his department will go through.

Mr. Angus: May I get an indication of the order of magnitude of stage two total dollar investment?

Mr. Davison: The estimates that are currently being employed are of course very early estimates which we expect will be refined and specified to a greater degree than is possible now during the next couple of months. But the range of dollars that we would be talking about with respect to stage two are anywhere between \$10 million and \$15 million. That is a working range of cost estimates that are now being looked at both by Dow Corning and by ourselves. There is no certainty to that number as of yet.

Mr. Angus: Mr. Chairperson, would you be able to answer—and I recognize these are projections—what is the potential employment in a Phase II project (a); and (b), how long does a Phase II project last?

Mr. Davison: I am afraid I do not have with me certain information, so I will go by my recollection. I believe that the employment level in the pilot facility will be in the order of 20 to 25 people. I would be happy to check that and provide Members with that information. The pilot plant is a stage that is intended to be operated for a period of two-and-a-half years to three years, from July of 1989 until June of 1992.

Mr. Angus: The \$10 million to \$15 million, is that the total investment or is that capital costs and operating costs?

Mr. Davison: That is the total cost of this estimate.

Mr. Angus: Mr. Chairperson, I suspect that given the fact that we have made a quarter of a million dollar investment already to test the waters, as it were, that if those tests prove viable, then we would be investing over the next three years from June another \$10 million to \$15 million and employing 20 individuals to 25 individuals to further test to see if there is the opportunity to develop a plan on this particular product at that site.

Mr. Davison: That is correct.

Mr. Neufeld: I think it should be mentioned that the \$10 million to \$15 million is the total cost of the second phase of the project and not Manitoba's share of the second phase of the project.

Mr. Angus: I was working under the assumption, Mr. Minister, that the same 25-25-50 sharing ratio on that \$15 million was what we were talking about. Is that . . .

Mr. Neufeld: Mr. Davison mentioned earlier that the subsidiary agreements will be entered into, and I am going to ask him to report on that.

Mr. Davison: You are correct. The concept that has been discussed to this point with respect to stage two contributions is the same as in stage one. It is, however, at this stage only a concept that requires further negotiations which are now commencing.

Mr. Chairperson: Thank you, Mr. Angus, and I notice that Mr. Storie has a blockbuster for us here so if - (Interjection)- this is all right. Carry on then, and we will get through your line of thinking and onto his talk.

Mr. Angus: Thank you very much, Mr. Chairperson. I appreciate your management of the committee and your tolerance. I also appreciate the clarification that the Minister has made, because it is hard to predetermine what the Western Diversification Fund or where they are going to invest their monies is. So that while we may be looking at getting federal assistance in this concept, the Province of Manitoba is going to have to make some contribution. As of yet, as I understand it—the \$15 million—it has not been absolutely determined what the split will be, but you are looking at a split similar to what you have had, 25 percent by the Province of Manitoba, 25 percent by the federal Government and 50 percent by the private sector.

Mr. Neufeld: That could well be the split but that has not yet been decided.

Mr. Angus: Mr. Chairperson, I do not want to hog the floor of the committee and Mr. Storie is looking at his watch. I have other questions on Alumax and on other sections of the Energy Authority.

Perhaps, Mr. Chairperson, through you, the Minister would be kind enough to bring us up to date on the negotiations with the federal Government in relation to the cost-sharing that would be required to undertake this mega project.

Mr. Neufeld: Are you now speaking of Alumax?

Mr. Angus: Yes.

Mr. Neufeld: Mr. Chairman, the negotiations with the federal Government have not gone very swiftly. I have, as has been reported in the newspapers this morning, been in touch with Mr. Mayer's office, the Minister for Western Diversification, and we have requested a meeting with him, the principal purpose of the meeting to be whether or not there are monies available for such a project. If there is no money available, let us know quickly so that we can get on with our lives.

Mr. Angus: I guess we will just have to wait until we hear more from the federal Government as to their

desire or lack of desire to cooperate in this particular project. We just simply cannot do anything until we hear from them. Is that a fair assumption? I am going to get off that whole questioning vein unless there is more for you that you have to tell us about it.

Mr. Neufeld: Mr. Chairman, we have taken the decision that the cost of giving Alumax the electrical rates they have demanded, there is simply a cost that is too great for Manitobans to bear. When the Member asks whether nothing will happen until the federal Government makes a decision, he is right. We will not be making our decision until we get the federal Government's decision.

Mr. Angus: A final question on that particular aluminum smelter. There was some discussion in relation to the firm locating in another province. Has there been any indication from the private sector, that is the company that was considering locating in Manitoba, as to whether or not the negotiations are going more easily or more favourably or they are getting closer to a resolve in another area of the country?

Mr. Neufeld: We have no way of knowing how far they have gone in their negotiations with another province. We do know they had several sites in mind. There are several Canadian sites as well as the one in Manitoba they had in mind. There were several sites in other countries they had in mind. They have told us that the main consideration would be the price of electricity. They have given us a price that they will not negotiate from. We are simply not in a position to give a response to that price. I have no way of knowing whether or not they have negotiated any further, either with Quebec or with British Columbia or, for that matter, with Venezuela.

* (1040) .

Mr. Angus: Has the company given you any deadlines as to a decision-making process? It would seem to be me, Mr. Chairperson, they would have their own game plan and their own scheduling and by necessity have to have some decisions by particular times.

Mr. Neufeld: They have not given us a deadline, but we are well aware that they have their own agenda, they have their own timetable, and they have to follow that. That has been conveyed to us that that could well be sometime in March.

Mr. Angus: March of this year?

Mr. Neufeld: Yes.

Mr. Angus: Thank you. That is tomorrow. Have you got a major announcement for us, Mr. Minister? No? Nothing that exciting?

Mr. Chairperson, I will relinquish to Mr. Storie.

Mr. Storie: Could the Minister tell the committee whether he has met with any of the Alumax officials—he personally met with the Alumax officials—since the House adjourned?

Mr. Neufeld: No, I have met with the Alumax officials in December of last year and that was the last time. We were given the demands at that time, and we have not been able to meet those demands at this point in time.

Mr. Storie: The Minister referenced in his earlier remarks some proposals or negotiations with respect to the Western Diversification Fund. Has the province, through MEA or through his own department, submitted in a formal way a proposal requesting assistance from the Western Diversification Fund?

Mr. Neufeld: It does not work quite in that way. We have to have an indication of whether this is first of all an area in which the Western Diversification Fund will move. We at this point have not been told whether the Western Diversification have monies for this kind of project and that is the first thing we want to establish—if there is money for this kind of a project.

Mr. Storie: I do not understand the Minister's reluctance to act. The Western Diversification Fund was established to diversify the western economy. If this is not diversification, then I do not know what is. It is perplexing, maybe worse. It does not just perplex me, it angers me, that the Minister has not formally contacted Alumax. I talked to the president, talked to the corporate planner personally on the phone. They are very easy to access.

We find out today that the Minister is now considering approaching Charlie Mayer to discuss whether the federal Government will support Manitoba through the Western Diversification Fund one day prior to the first of March. The Minister knows full well, or he should, that Alumax is planning to make a corporate decision in the first quarter of 1989; in other words, we now have 30 days. The Minister has been responsible for this portfolio and MEA for approaching a year and on one of the potentially most important projects in Manitoba, certainly in the last couple of decades, the Minister has waited until the eleventh hour plus to even open discussions with the federal Government. The fanfare that went along with the announcement of the Western Diversification Fund certainly has left Manitobans with the expectation that funds would be flowing for Manitoba projects, for projects that would help us to diversify and stabilize our manufacturing economy. This Minister, now in the eleventh hour, is saying we are going to open discussions, but he is not sure whether it is suitable. I think Manitobans would have expected more. I think they would have expected a proposal on the table, our demand from the federal Government. Is there no such demand? Do we not have expectations about what we might need to bring this project together? Do we not know what we need?

Mr. Neufeld: Mr. Storie knows very well that the Manitoba Government does not control the Western Diversification Fund. That is controlled by the federal Government. He also knows and we are on record as saying time and time again we cannot give the hydro rates to Alumax as they have demanded. It is impossible for us to do so. We will not put our customers or our taxpayers to that expense. If he wishes to do that, he

could have done that a long time ago, but he did not either. We cannot give a rate which approaches 50 percent of the rate that we are giving to our other large users. They will then expect, and should expect, the same rates. What does that do to the residential customer? Where does he expect this money to come from? He sits there and demands. He does not have to do anything, but he is demanding. Where is the money going to come from, I ask him?

Mr. Storie: I did not request the Minister to do any such thing. I was not even referring to Manitoba Hydro rates. I have put on record and the Minister knows that Manitoba Hydro has produced a study which indicates that they can reduce their rates for major industrial companies. They can certainly do under certain circumstances where there are surpluses in the event of additional generation coming on stream.

However, let us set that aside. The question was what has the Minister done to access funds that the federal Government supposedly set aside for Western Diversification? A year into his mandate, as Minister, he is now saying, well, we had better start talking about it, and he cannot tell this committee what we need as a province from the Western Diversification Fund to make this project happen. That is astounding. It is flabbergasting; it is unbelievable.

Can the Minister tell us whether there is a formal proposal before the Western Diversification Fund which outlines what we need to make this a realistic project for Manitoba and will meet the needs or some of the needs of Alumax to put us in a bargaining position? Bargaining does not just consist of locking up the tables and saying well, I do not think we can do that. Bargaining consists of finding a way to do it. If it includes other parties like the federal Government, it includes approaching them. A year into this project he had not even approached the federal Government. Has the Minister put anything together that he can show this committee that will tell us what we should expect from that fund?

Mr. Neufeld: The Member for Flin Flon raves on and on and does not tell us how Manitoba Hydro can meet those rates. He does not tell us who is going to pay him. If we have to raise rates now, we have to raise the rates now for our residential consumer—and it has been indicated in the press that that has to go up by some 5 percent or 6 percent this year. How do we sell power for 1.2 cents a kilowatt hour? We would then have to raise the rates of residential consumers even more. Where does he expect this money to come from? Does he want his constituents to pay for it?

As far as the federal Government is concerned, we have done and we have been in negotiations. We have contacted them. We have not waited until now. We are trying to contact them. It is not a one-sided thing. We have to get them at a time when they have time for us. They have their own agenda. They have many areas that their monies can be placed. They have to decide how much they have available. They have to decide whether this is a project that is within the guidelines of the Western Diversification Fund. It is not up to the Member for Flin Flon (Mr. Storie) to dictate to the federal

Government or to the Manitoba Government what is western diversification.

Mr. Angus: Not a point of order, just a clarification. Through you, Mr. Chairperson, to Mr. Storie's line of questioning. Are you suggesting that if the company is going to be making a decision in the first quarter, which is within the next 30 days, at the very least, that we should have as a Government made an application for whatever proportion of the Western Diversification Fund we . . . ?

* (1050)

Mr. Harry Enns (Lakeside): On a point of order, Mr. Chairman. It is not the role individual members to question themselves on this committee but to seek information from the

Mr. Angus: Thank you. I wanted clarification from Mr. Storie, who has considerably more experience than I have in this, Mr. Enns.

Mr. Storie: I appreciate the question from the Member for St. Norbert (Mr. Angus). That is exactly my point.

The Minister continues to confuse the two issues. I have not suggested or requested Manitoba Hydro to offer a subsidized rate unnecessarily to Alumax or to anyone else in the province. What I have suggested to the Minister, what his own department and Manitoba Hydro have made clear to the public is that from time to time rates can be reduced for specific periods of time under specific circumstances when there is surplus energy at no cost to the province, to the ratepayers of Manitoba Hydro and at tremendous benefit to Manitobans and can support the building of our industrial base. Let us set that aside. The Minister keeps saying well, he is trying to contact them in the federal system to see if money is available to the Western Diversification Fund.

My simple direct question to the Minister is can he tell this committee, has he put in writing what would be required from the Western Diversification Fund to make this project go. A simple yes or no. Has he, or someone in the MEA or someone in his department, done that?

Mr. John Plofman (Dauphin): You do not know, do you?

Mr. Neufeld: First of all, we cannot build a billion-dollar plant with the offer to the developer of spot electrical prices and that is what you are suggesting, first of all.

You talked about surplus power, that spot—that is interruptable power and they are not prepared to take a contract for spot price. They want a contract for fixed prices.

As far as your question, have we put down the numbers we will need from the federal Government, yes we have, but we are not going to discuss that in public.

Mr. Storie: So, Mr. Chairperson, the Minister is suggesting that in fact they do have some understanding

of what little would be required given Alumax's last proposal from the province, from the federal Government, to make this a project that would be viable from their perspective at least. Has the Minister then forwarded this as a proposal, as a request for funding from the Western Diversification Initiative, to Mr. Mayer, to the federal Government? Have they done this any time in the last six months? Is there a formal proposal? Has a formal proposal been forwarded?

Mr. Neufeld: As I mentioned earlier, Mr. Chairman, we have been in discussion with them but we have to know, first of all—the first thing we have to know before we make a formal proposal, who are we going to make the proposal to? If we make the proposal to the bureaucrats, they will say we have no authority. We have to have that authority, we have to find out whether that is within the guidelines of the Western Diversification. That is the first thing we have to find out.

Mr. Storie: Mr. Chairperson, the Minister has been the Minister responsible for a year. The Minister should know that projects, from as diverse as health research, municipal infrastructure, everything including the kitchen sink, have been included at one time or another by various provinces for the Western Diversification Initiative. I think that pretty much intuitively one would say that an aluminum smelter coming to a province to create 300 or 400 jobs to utilize our electricity, a major new industry for Manitoba, should fit under the general rubric of western diversification.

An Honourable Member: I think so.

Mr. Storie: Having said that, the Minister says, well, we want to know what the guidelines are. It seems to me that we need to apply and we should have applied a year ago for money under the Western Diversification Fund and I do not think it is acceptable to say now, a matter of days now before a major corporation makes a major decision with respect to a new facility for producing aluminum, to say, well, now we are starting to investigate. How does the Minister justify this incomprehensible situation?

Mr. Neufeld: Mr. Chairman, first of all, February 28, 1988, Mr. Storie was the Minister responsible for the Manitoba Energy Authority and if it should have been done a year ago he should have done it.

Mr. Storie: Mr. Chairperson, the Minister knows as well—

An Honourable Member: I think you missed the point.

Mr. Storie: —as anyone else that the discussions with Alumax were preliminary. In fact they started about the time the Minister referred to, January, February of 1988.

The fact is that since that time negotiations should have proceeded and they do not appear to have proceeded at all. They seem to be stumbling or failing on the Minister's reluctance to get involved in discussions and the Minister's apparent reluctance to

approach the federal Government with a concrete proposal saying this is what we need to do.

My question is why? Why have we waited? Why have we missed this opportunity? What is the rationale? The Minister says, well, we do not know who to talk to. We do not know whether to talk to bureaucrats or who do we talk to. Certainly the Minister responsible and the First Minister of the country would be in a logical position.

An Honourable Member: Start with the boss.

Mr. Storie: I just find it rather bizarre that nothing of consequence has happened at the ministerial level. I think it is a foregone conclusion that we have lost this opportunity. In my opinion and probably in the opinion of many Manitobans we are going to have lost it because of the inability or the unwillingness of this Minister to act like a Minister, to act in the interests of Manitobans. There were no guarantees that this would come to Manitoba in the first place, but certainly we have guaranteed ourselves by inaction that it will not, and that is tragic.

Mr. Neufeld: Mr. Chairman, the negotiations Mr. Storie speaks of are to try to accommodate a demand for a 1.2 cent per kilowatt hour price. That is, compare that to 8.4 cents a kilowatt hour that the next generation is going to cost us, if that next generation is Conawapa. Now I ask the Member where are we going to get that 7.2 cents from? It is to offset that cost of electricity that we want to have assistance from the federal Government on and that in itself may not be within the guidelines of the Western Diversification.

We are not talking about the construction of the aluminum plant. We are talking about subsidizing, if you like, of electrical prices and that is the only thing that is at issue. That is the only area in which we at this point differ with Alumax. They have said, we want 1.2 cents, if you cannot give us 1.2 cents do not talk to us. We cannot at this point give them 1.2 cents, so we are not talking to them, period. We will not sell Manitoba hydro for that price.

Mr. Storie: Mr. Chairperson, in terms of how the support, whether it is provincial or federal, is provided and under what terms is obviously a subject of negotiation. The Minister knows and everyone around this table knows that British Columbia and Quebec have subsidized, along with the federal Government, the establishment of aluminum manufacturing plants in this country. It has been done before. If it was good enough for Quebec and it was good for British Columbia, it should be good enough for Manitoba. I think the Minister should be demanding—yes, that is the word, demanding—that Manitoba be treated fairly. We have received a minuscule proportion of the Western Diversification Fund and we deserve better. This Minister seems to be sitting on his hands, well, we do not know who to talk to. He should be standing up on his haunches and demanding that we get some fair treatment. If it means going to Ottawa and speaking roughly to someone, then that is what he should do. But it is certainly not acceptable for him to sit in his

chair and say, well, we do not know who to talk to and we do not know how it is going to be worked out. That is just not adequate.

Mr. Neufeld: Mr. Chairman, I have never said I do not know who to talk to. We know very well who to talk to and we are attempting to, but we are not going to start a shouting match in public with the federal officials or the federal politicians. We are far better off to negotiate with them and not get into a public shouting match. We are not going to do that.

Mr. Storie: One year of silence has led us to the position where we do not know anything. We have no formal position on the table and we have no prospect of attracting an aluminum smelter. I suggest the Minister adopt a new strategy because his is failing miserably.

Mr. Neufeld: If we cannot meet the price that is demanded we should not sell it. There will be ample opportunity to sell Manitoba's hydro electric power in the future. Do not give it away now.

* (1100)

Mr. Storie: Nobody is asking the Minister to . . .

Mr. Neufeld: If he is not asking you to give it away, what is 1.2 cents a kilowatt hour compared to 8.4 cents of new generation? If that is not a giveaway, what is it?

Mr. Angus: Mr. Chairperson, I guess, through you to the Minister. The most disconcerting revelation is the fact that we appear to not have even gone to the other levels of Government to try and work out a solution to the problem. It seems to me that if we are trying to get a mega project, if in fact you are trying to get a mega project and you believe that it is going to be good for Manitoba, that every effort should be made to cover all of the bases, if you like, and to solve all of the problems. To simply accept a position that you are not going to be able to meet the price demands of the customer without encouraging, making an application and/or going to the federal Government to ask them for what their cooperative position might be in making an application in whatever formal vein, to talking to whomever you have, does represent a major error of omission.

Mr. Minister, if you are going to be making mistakes, I would hope that you would make mistakes of commission. To make a mistake by being too aggressive with the federal Government, of having to face the general public and say the federal Government will not assist us in subsidizing these rates and we will not put this burden on the taxpayers of Manitoba, that is entirely different than saying the company that wants to build here, that is going to create all those jobs and all that extra tax money for Manitoba, demands something that is unreasonable so we are not going to do anything. The argument and the word "bungling" has been used, and it may be bungling by omission. That is indeed tragic because we have closed the door without doing everything that is possible as opposed to doing what

is possible and making a conscious decision. I agree with my colleague from Flin Flon (Mr. Storie) that is unfortunate. Mr. Chairperson, if the Minister would like to respond that is fine. If he does not, I think this is . . .

Mr. Neufeld: Mr. Chairman, Mr. Angus is obviously listening too closely to what Mr. Storie is saying and, even worse, believing what Mr. Storie is saying. I would like to advise him that we are doing what we believe is necessary to encourage the federal Government to participate. At this point in time we have not got anything to announce and we are not going to announce publicly anything that might be detrimental to any negotiations which are or maybe going on.

Mr. Angus: Mr. Chairperson, the sands of time in this project appear to be running out. I hope that the Minister has all of his dominoes in line and all of his facts lined up and done as much hard-ball negotiating as he possibly can with anybody that has an opportunity to contribute to make this happen, so that he is in a position to make a conscious decision as opposed to being forced to lose by default, if you like.

Mr. Chairperson, can I move to another area?

Mr. Neufeld: Well—

Mr. Angus: If you want the last word, okay, I will give you the last word.

Mr. Neufeld: I must respond that we are quite conscious of what we are doing and we are I believe following the steps that we should be following. If we do not get the project, and I have said before that optimism is not very high at this point in time because we simply cannot match the demands that the company has placed upon us. That has nothing to do with inability to negotiate. If somebody wishes to give something away, that is easy. Anybody can sell something if you sell it below cost, but the good negotiator will try to sell something at what it costs him.

Mr. Chairman: With that revealing remark, is the committee ready for the question? Mr. Storie.

Mr. Storie: Mr. Chairman, just this one question following up the Member for St. Norbert (Mr. Angus). If, as the Minister is suggesting, that this project, the way he perceives it, would not be of significant benefit to Manitoba even though that negotiations have not been formalized, that certainly the company comes in their demands to the rather I think pejorative term; they set out their best case scenario for becoming involved in Manitoba's economy. That is their job. The Minister does not seem to have done any negotiations to see where there is softness, where they can make movement to accommodate some of Manitoba's needs. So there have been no negotiations. There have been phone calls and so forth, but there has been no serious negotiation because the Minister admitted today in public that he has no position. He does not really know what might be available from the Western Diversification Fund or anywhere else in the system. He is no position to negotiate, so no negotiations have really gone on.

Then he says, well, we cannot afford to do this. I beg to differ. There may be some benefits and I do not think the Government has taken any time to consider them. Is he telling us that the Province of Quebec who did subsidize the development of their aluminum plant and in Kitimat, the Government of Quebec and the federal Government who have supported in both cases the development of aluminum smelters, that those projects have not benefitted their provinces? Does the Minister know something these other Governments do not? That under no circumstances would the development of an aluminum smelter in Manitoba be good for Manitoba? Could not the Minister conceive of a set of negotiations in which there were two winners, the company and the Province of Manitoba? These other provinces cannot be that foolish. They have, yes, subsidized hydro rates for a given term. Why can we not consider something like that for Manitoba if we can get support from some other level of Government or through some other auspices? I do not think the Minister has thought this through at all.

Mr. Neufeld: Mr. Chairman, I beg to differ. We have thought it through many, many times. We have taken many different scenarios but we always come up with the same conclusion. We cannot offer it at that price. We have calculated the economic benefits expected to be derived by Manitoba from an aluminum smelter. We have calculated the costs of the rates that the company has demanded and, yes, they have demanded, they have said, "Unless you give us these rates, we have nothing to discuss." If that is not a demand, what is it?

The cost to Manitobans will far exceed the cost of the spinoff benefits. We cannot afford that.

Mr. Angus: Mr. Chairperson, as Canadians, it is a decision the Government has to make based on the information they have. The real question at this table was how much money did you need to help meet the corporate demands by the client and what did you do to get that money or to make that assistance?

I fear, Mr. Minister, you have made a judgment with at least information that is not privy to the committee. Could you tell us if there are any other discussions with any other aluminum smelters? In the past there had been some discussions with Alcan Aluminum Ltd. Has there been any ongoing discussions with anybody else in that business?

Mr. Neufeld: The Alcan discussions, as I recall, broke down when the former Government took office, possibly because of bungling on their part. I do not know now, but at this point in time there are no other discussions and we do know what the costs will be and I am not sure that is something that should be public information.

I think you can be assured that the Government is as anxious to bring industry into this province as is any other individual. But we have to make certain that this is not at a cost that is greater to the Manitoba taxpayer than the benefits which will be derived from it.

Mr. Angus: Mr. Chairperson, are there any other developments? I will quote from the Manitoba Energy Authority: ". . . develop an operation within the province of industry and undertakings." Are there any other undertakings and/or industry options being explored that the committee would be interested in knowing about at this time?

Mr. Neufeld: I am not certain there are any others except those that are mentioned in the report, but I will ask Mr. Ransom, the chairman, to answer that question.

Mr. Ransom: We have contacts with various companies about the possibilities for future investment in Manitoba but I do not think, Mr. Chairman, that any of them have progressed to the point where it warrants making an announcement. There is nothing that is today in the same circumstance that we were in with respect to Dow Corning when Mr. Angus asked that question before.

Mr. Angus: Before I turn it over to my colleague, may I tread upon this thin ice. In retrospect, given the pilot project concerning Dow Corning and given the deadline that is projected for June, I do not want to find us either in the House or in a subsequent committee meeting in June finding that we have not made any applications for funding for the federal Government's share to the pilot project. Now I recognize that we are still in the very first stages of preliminary discussions and testing, but can you give the committee some degree of satisfaction that we are not going to lose this one by default?

Mr. Ransom: Mr. Chairman, the Western Diversification Fund managers have been fully involved in this project from very close to the beginning and they have been most cooperative to this point. There has been no indication at this point of any unwillingness on their part to continue to participate in this project although their approach is somewhat different in that they prefer to see all of the results of stage one laid out before they make a formal commitment for stage two.

* (1110)

Mr. Angus: I can appreciate that, Mr. Chairperson. I believe that what he has suggested is that they have got the applications pending that they have been doing the penalty work with the decision-makers in relation to the tests being positive that are being done in Austria now. Is that right?

I guess, Mr. Chairperson, I am a little gun shy now because I do not want to find us having to have missed all of the money that is available in the fund or any other thing simply by not having asked the question, so I will take the chairperson's word that they have done what they have to do in order to qualify for these things if indeed it is pending.

My colleague from Niakwa (Mr. Herold Driedger) had some questions he wanted to ask, Mr. Chairperson.

Mr. Chairman: I think Mr. Storie was first, I am sorry.

Mr. Storie: Just following up on the Dow Corning proposal, the \$260,000 that the province has provided

for the stage one investigation, is that money recoverable under any circumstances?

Mr. Ransom: The \$260,000 expenditure in stage one is at risk if the project does not proceed, if it should fail at that point.

Mr. Storie: I understand the Minister said that the same kind of concept is being considered for stage two negotiations and I understand, if I understood Mr. Davison correctly, the second stage subsidiary agreement has not been flushed out yet.

The question is, if we are talking about investing between \$10 and \$15 million between partners, has the Government, has the Minister considered an equity position? Is that our approach or would this be some sort of forgivable, non-forgivable, loan? What sort of approach might we be taking in the second stage discussion?

Mr. Ransom: In stage two, I think the Honourable Member will have seen from the agreement that there is the opportunity for the province to recover its investment that it would make in stage two if the project is successful and carried out in Manitoba and the Government opted not to have further involvement in it or if the project was successful and was carried out somewhere else. So the taxpayers' investment is protected providing that the project is satisfactory and is able to move ahead.

Yes, the Minister points out that if it goes elsewhere, we collect interest on the money. The actual involvement of the Government in stage three is still an open question, but the Minister may wish to speak to that point.

Mr. Storie: This is just so I understand this perfectly. Mr. Ransom did not indicate what share we might have to put forward in stage two. Is it going to follow the model of stage one so it would be 50, 25, 25, or whatever it was? That would be the kind of model that would follow automatically. Our investment out of the \$10 or \$15 million would be what percentage, 33 percent or 25 percent?

Mr. Ransom: It would be 25 percent, but we also have the possibility of contributions in kind, that there may be some cooperation that can be worked out between Dow Corning and Manitoba Hydro.

Mr. Storie: Not subsidize hydro, I hope.

Mr. Ransom: No, as a matter of fact, Mr. Chairman, the negotiations with respect to power rates are based on published rates. There is some opportunity where we might not be making strictly cash contributions.

Mr. Storie: The chairman of Manitoba Energy Authorities has talked about published rates for Dow Corning and it reminds me of a conversation I had with the president of Alumax who said there is no aluminum smelter built in the world paying published rates, just a piece of information.

Following that, the chairman of MEA did not indicate whether the province had made any policy decision

about the possibility of taking an equity position in the stage three part of this project. Has that decision been made?

Mr. Neufeld: The province has not made a decision as to whether or not they wish to have an equity position. That will depend on negotiations as they proceed and we are not hung up philosophically on being involved in equity. We are more interested in having the province developed and we want to have jobs created and not necessarily have equity. If we can use the same money over again to help somebody else set up shop in Manitoba, we are better off than to keep our money in one spot. Having said that—

Mr. Herold Driedger: My questions at this moment are essentially general on the topic of the mandate of the Manitoba Energy Authority. We had heard that the purpose essentially is to export energy or to attract energy in terms of industries which will use our electricity power.

Now the question that I actually have and it deals with the questions that have just previously been asked here is how does the Manitoba Energy Authority go about identifying an industry that it wishes to attract?

Mr. Ransom: Well, there are certain opportunities that are available here based on the raw materials that are available and of course based on electricity. It is reasonably well-known what companies are involved in processing those metals and in those manufacturing processes, and so the staff of the Energy Authority make contact with those companies and they make contact, especially with the Japanese contacts there. They are with banks, with other financial institutions, with trading companies, who in turn have clients who might be interested in investing in these types of industries and so are able to make contact through those intermediaries as well.

Mr. Herold Driedger: So you just take a look at—I mean the assessment of some of the opportunities that you feel you identify industries that may be interested. I noticed that one of the comments with respect to the annual report, you say in collaboration with the Department of Energy and Mines. To what extent does this collaboration with other departments occur so that you can actually perhaps develop a complete marketing concept with which you then decide to attract industries that may not necessarily be looking to Manitoba?

Mr. Ransom: It is accomplished, I suppose, starting at the level of the board of the Energy Authority, and I am speaking here from my own perspective, and I know from the Ministerial level that there would also be interdepartmental discussions.

On the Board of the Manitoba Energy Authority itself, we have the Deputy Minister of Industry, Trade and Tourism, we have the Chief Executive Officer of Manitoba Hydro and we have the Deputy Minister of Energy and Mines. So we achieve the policy coordination at that level and there is an excellent working relationship between the staff of the Energy Authority and Industry, Trade and Technology. So we

are looking, in the Japanese situation for instance, where the Energy Authority has been further advanced in terms of contacts there. We are trying to serve a role of coordination with other departments of Government as well, even though it may not strictly fall within the mandate, but the Government recognizes that you want to achieve coordination in those kinds of things and not have separate thrusts taking place within the same jurisdiction.

* (1120)

Mr. Herold Driedger: Once you have identified industries and you start pursuing these, how far along advanced in the discussions or in the negotiations with the potential industry must you be before you start involving the Board of Manitoba Hydro in the discussions, because if you are attracting energy-intensive industries, obviously you must be able to speak with some degree of energy quantity that can be supplied in such an instance at either a guaranteed amount or guaranteed prices.

Mr. Ransom: As I pointed out, Mr. Chairman, the chief executive officer of Manitoba Hydro sits on the Board of the Manitoba Energy Authority and so is aware of all the ongoing negotiations. I am chairman of both Manitoba Hydro and the Manitoba Energy Authority and also serve a coordinating role. There is ongoing discussion on a regular basis between the Energy Authority and the people who are looking at the long-term plans within Manitoba Hydro.

Mr. Herold Driedger: Correct me if I am wrong now. The Manitoba Energy Authority essentially has a policy mandate in order to attract industry or to export power. The Manitoba Hydro is in the business of actually growing as a corporate entity. Which of the actual interests are being, shall we say, delivered or being interested or exported at any one particular point in time? Is the Manitoba Energy Authority working on behalf of the Manitoba Government, or is the Manitoba Energy Authority actually doing its work on behalf of Manitoba Hydro?

(The Acting Chairman, Harry Enns, in the Chair.)

Mr. Ransom: It is not working on behalf of Manitoba Hydro, I think, in the sense that the Honourable Member asks the question. Again, if one goes back to the establishment of the Energy Authority, I think it was the view of the Government at the time that it was perhaps inappropriate that Manitoba Hydro, which was the supplier of the power, should also be in the position of, in essence, determining what the demand for power would be on the basis of whether they marketed it aggressively or whether they did not market it aggressively. So the responsibility for marketing of electrical energy was split off from Manitoba Hydro, and so Hydro's responsibility is to meet the demand for electricity within Manitoba. The Energy Authority is an agency that is involved, in effect, creating demand by trying to attract energy-intensive industry here and also at negotiating, along with staff of Manitoba Hydro, export sales that complement the long-term planning of Hydro as it is now projected.

Mr. Angus: The pages are conveniently not numbered—energy-intensive industrial development. You have indicated down here, "Industrial cooperation agreements with several firms have been entered into." I am unfamiliar with what the magnitude of that term is, the cooperation agreements. Are they Letters of Intent or are they deeper and is it possible for the committee to get an indication, a list of them? I am not sure how it works.

Mr. Ransom: We can provide a list of the companies with whom we have these formal arrangements. They simply are agreements on the part of the company to cooperate with us in promoting the interest of Manitoba and distributing information that is made available. We, on the other hand, are providing the information. There are things, I suppose in some circumstances, that would be conducted without written agreements being in place, but in some cases that is the preferred way of doing business that these agreements be in place. But the agreements themselves are not going to lead directly to development—only indirectly to development.

Mr. Angus: My sensitivity bells go off when I see the chair entering negotiations for the value of a potential liquid hydrogen plant in Manitoba. It is just a line in a report but things sometimes happen when Governments get involved and the people say, how did that come about or how did that happen?

I was wondering, Mr. Chairman, through you to either the chairman of the board or to the Minister if it would be possible to get a listing of the companies and a brief discussion, identification of the projects that they are undertaking. Perhaps if there is any financial contribution in them that within the bounds of confidentiality, and I appreciate that, just so that the committee, and me specifically as a critic, have a better handle on what it is the Government is intending to do and what direction they are taking. Is that a reasonable request, Mr. Chairperson, through you to—

Mr. Ransom: This particular one has been discussed before the committee for many years, the issue of liquid hydrogen has been raised. Staff have advised me that discussions on that subject are certainly on the back burner at the moment, that there is nothing that is really intensively being investigated, but we can certainly provide a summary of those contacts that have been made public or for which there is no reason why they should not be made public. I accept Mr. Angus' statement that there are some things that while they are in the course of negotiation that it would be detrimental to negotiations if the company's name became known and their discussions became known, but to the extent that we can, we would be pleased to provide that.

(Mr. Chairman in the Chair.)

Mr. Neufeld: I would just like to add that the Government has no intention of keeping secret anything that might be, as the Member probably suggests, environmentally unsound. Those things will all come forward before the Department of the Environment, and to presumably public hearings, before they came into fruition.

Mr. Angus: If I just may suggest, we had similar problems when I was on the executive board of the Manitoba Development Corporation, whereby there would be companies that would be considering relocating in Manitoba, and we just generally did not want that information to be made public. However, the board felt, and I as a Member feel that it is perhaps the responsibility of the Government to say, here are the projects that we are discussing and if you have to identify them in a confidential fashion you can, vis-a-vis a number or something of that nature. Then I think it is incumbent upon the Government to update the committee on a regular basis, that we are discussing these—this one has dropped off for this reason—they have decided not to pursue it. This one is added to the list. It is a very simple request, Mr. Chairperson. It would allow the committee to be informed as to the types of things you are involved in, especially if we are going to be working in a cooperative vein to try and work in the best interests of the people of Manitoba.

It seems that the hunt-and-peck method of going through these reports and cross-examining the administration to find out what is happening with the hopes of unearthing some major potential tragedy is less productive than a more cooperative method of things we are involved in and forewarned of being put in a position of being the last intelligent manager-type clashes to ensure that we are covering all the bases to the best of our ability. So I would be very appreciative if the Minister would undertake and/or the chairman of the board would undertake to provide that to at least me.

Mr. Neufeld: I see no difficulty, Mr. Chairman, in providing lists of people we are dealing with provided that it does not invade the privacy of the negotiations. That is a judgment that we will have to make.

Mr. Angus: There are a couple of other lines in the report that I would like to explore: sales, potential sales or purchase of electrical energy exported from or imported to the province. Does the Minister or the chairman of the Hydro corporation want to update the committee on activities in this area?

Mr. Ransom: I think the item that would be of most interest to the committee would be the negotiations that are going on with Ontario now for the possible sale of up to 1,000 megawatts of power. The negotiators are actually in Toronto meeting today on that question. Other than that, I think it is fair to say that there has been quite a lot of interest expressed by American utilities, but nothing very concrete at the moment in terms of any change from where we were when the committee last met.

Mr. Angus: I have become a little concerned even broaching the subject with this group of people and that concerns free trade and the negotiations with Ontario and how, if we enter into agreements with Ontario, will that force us to sell our product at the same price into the United States? Have we taken that into consideration in our negotiations?

Mr. Ransom: It is our firm belief that we will be able to negotiate the prices on a basis of what the market will bear.

Mr. Neufeld: I should also add that there is nothing that forces us to sell to the United States. That has been gone through before.

* (1130)

Mr. Angus: I appreciate that and I appreciate the positions, but let me just be sure that I am clear. Mr. Ransom has suggested, the chairman of the Hydro corporation has suggested that he believes, it is his firm belief that the province can negotiate individual and separate contracts with adjoining provinces and purchasers in the United States, that they can have different rates.

I want to make sure I am clear on that because that is the thing that I believe, Mr. Chairperson, is going to have to go to an arbitration type of committee. When the Americans turn around and say "foul," you are selling it to your neighbouring province at a lesser rate than we are. I think that would have gone to a good, dispute settlement type of negotiation committee, but at the current time the Hydro corporation is proceeding on the basis that they can sell it to Ontario at whatever rates they want, and they can sell it separately to the United States at whatever rates they want.

Mr. Neufeld: Mr. Chairman, Mr. Angus is assuming that we are negotiating a price to Ontario that is less than the price that has been fixed for the United States. That is not necessarily so and it never was. Yes, he is right, we do believe that we can sell at whatever price we can negotiate a contract for, a fixed contract. A firm contract is a firm contract.

Mr. Angus: I do not want the Minister to put words in my mouth, Mr. Chairperson. I think if they would take a businesslike approach and attempt to negotiate the best possible price for Manitoba, and it may not be less than what they have already previously negotiated with companies or energy purchasers elsewhere.

My only concern is that I want to be sure the people who are signing the agreement here and now have explored all of the options because I do not want them to come back a year from now or two years from now and say "foul," we have to now roll back our prices and/or make large contributions of either energy or dollars and cents to American consumers who have cried "foul." You have given me your assurance that you have explored all of those options and you believe that you are acting in the right manner. If it needs to be interpreted by an arbitrator, it will. But you have at least, as a board and as a Minister, explored that very, very potentially serious and damaging aspect.

Mr. Neufeld: Mr. Chairman, it is our opinion that all the bases have been covered and that we are in a position to negotiate in a manner that we are negotiating.

Mr. Angus: I would like, if there are no further questions on the sale to Ontario or sale of power, to move to Limestone. I will pass to—

Mr. Chairman: Mr. Storie is in between there somewhere.

Mr. Storie: I would like to follow up on the discussion of hydro sales. Mr. Ransom, in answering a question, indicated that there were continuing discussions with some U.S. interests and I am wondering whether, other than the Upper Mississippi Power Group, there are other discussions going on with other groups.

Mr. Ransom: "Discussions" probably describes it best, Mr. Chairman, that there seems to be an uneasiness on the part of many of the American utilities because of the high demand that they experienced last summer, finding themselves quite advanced on their load growth projections and, as the Honourable Member will be aware, there really are no new generating facilities under construction in the area that we will be marketing into. So I think many of these utilities are feeling out what their possibilities might be.

We are looking at a smaller interconnection from our system into Minnesota that was proposed from the U.S. side subsequent to the Upper Mississippi Power Group deciding not to proceed with the larger purchase that they were talking about earlier. That is being seriously looked at, at this point in time.

Mr. Storie: Am I to infer from that that what we are talking about is a sale then or what could potentially be a sale to an individual utility rather than the group?

Mr. Ransom: Mr. Chairman, I should ask Mr. Derry just to review those discussions and the Members will have the most direct information available on that.

Mr. Art Derry (Vice-President, Business Development, Manitoba Hydro): On the smaller 230 kv line sale that we are talking about right now with two utilities, NSP and United Power Associates, there could be a third or fourth involved in that discussion as well, primarily because the line goes into some of the areas that other utilities serve. The discussions are for a 230 kv line from somewhere around Winnipeg to Winger (phonetic). We are discussing on that line, not really a sale. I said a sale earlier, but it is a diversity exchange of up to about 300 megawatts with the possibility of some summer sales as well.

Mr. Storie: I would wonder, are there any continuing discussions with Upper Mississippi. Do we categorize those as discussions rather than negotiations as well? Is that completely concluded as far as we are concerned as to the original intent of the discussions?

Mr. Derry: I would expect that this group will have a different name. It will not be, because it does not include all the people who were in the Upper Mississippi Power Group.

Mr. Storie: The other discussions that were going on referenced Ontario. The preliminary discussions that were held more than a year ago were confined to a sale of firm power between 400 and 1,000 megawatts. If a sale were negotiated with Ontario in that range at all, I am assuming that that would require major start-up activity for Conawapa. Is that a fair assumption?

Mr. Ransom: Yes, that would be a fair assumption.

Mr. Storie: Is the province considering other options? Has the province considered other options and dismissed them in the event of a sale of 400 megawatts? Does that mean with certainty that options like revamping the thermal generating stations or Wuskwatim would be really uneconomic?

* (1140)

Mr. Neufeld: Mr. Chairman, no options have been excluded at this point in time. They are still all open and we will have to wait and see what happens as time progresses. If the sale should materialize, or if a major sale should materialize, we will have to look at the options in terms of the requirements at that time. We have not set on any particular option at this time.

Mr. Storie: I am just trying to get a hold of the time line for these decisions, because I thought at our previous meeting actually we had discussed the necessity of making a decision to proceed with another generating station by next year, 1990-91. Does that still hold or is Manitoba Hydro doing some things to try and delay making that decision?

Mr. Ransom: We are presently coming up on a period of eight to twelve months when the utility is going to face some fairly significant decisions. As it is projected now, the next source of generation would be required for 1999 for Manitoba's own requirements. As the committee is fully aware, there are these various export possibilities that are there. There are the possibilities of energy-intensive users coming here. We are examining the question of the possible extension of the life of thermo plants. We are looking at the possibility of diversity exchanges, actually in the negotiation for further diversity exchanges. So we are coming into a period of time here where there are going to have to be some decisions made that will then exclude other possibilities, because we cannot cover all of those possibilities within the time frame that would be required.

Mr. Storie: I appreciate those remarks because I think that was the point that I was trying to make at the last meeting of this committee. It seems to me that some of the options, including the option to delay a decision to start a major new generating project, will inevitably mean that we will not be eligible for, we will not be able to accommodate, the introduction of major energy-intensive users into the province. It will put us in a very difficult position unless we stage those decisions in the right way. That is what causes me some concern about the overly conservative approach of the Minister in terms of negotiations of sales, in terms of pursuing sales aggressively, simply because we are going to really be boxing ourselves in if we do not make the appropriate decisions.

I guess that leads me to two questions. No. 1, how would the Minister or Mr. Ransom characterize the discussions with Ontario? Can he give us some background about Ontario's circumstances that would help us determine whether there will likely be a successful sale?

Mr. Ransom: Mr. Chairman, our reading of the situation is that Ontario has also experienced a rather rapid load

growth. They have some problems with respect to nuclear generation and with respect to acid rain from their thermal generators. They are relying rather heavily on their projections on conservation measures and on non-utility generators. Generally it would seem that they are rather concerned about their future supply of electrical energy and that the negotiations that have been initiated with Manitoba are certainly serious negotiations. We are pursuing them in a way that would see that Manitoba ratepayers would benefit from those sales under all circumstances and that they would not in fact be having to pay higher rates as a consequence of the sale.

It is impossible to say at this point just how quickly they will develop, but Ontario is aware of our time rise, that we are looking at making some decisions within the next few months. I think they, because of the select committee that is reporting to their Legislature and the extensive discussions concerning electrical energy in Ontario, also are looking at a similar time rise. So I would expect that we would know within a few months whether or not we could have an agreement for that sale.

Mr. Storie: That is encouraging to say the least. I am glad to hear that both—and that sounds frightful—Ontario and the Midwestern States are in an energy squeeze, because I think it puts Manitoba in a much better position and it puts Manitoba Hydro in a better position. I was wondering whether the Chairman could indicate whether there is any likelihood of perhaps short-term firm sales in the early 1990s, around the time when they would be experiencing some surpluses from the Limestone project. Is that a possibility? Is that one of the issues under discussion?

Mr. Derry: Yes, we do have some negotiations going on right now for the early 90's. One is with Ontario Hydro and that would start in about 1991. It would be for energy, and this energy would be to displace their coal-fired units for acid gas problems at the dam. Also talking with NSP who in the last two years have had a peak of 3 percent or 4 percent above what they invested in for the period '89 to '92, and this would be a summer peaking sale. The other one is with Otter Tail Power.

Mr. Storie: NSP was '89 to '92?

Mr. Derry: '89 to '92, yes, and that would be for up to 300 megawatts in the summertime. With Otter Tail Power, another summer peaking power negotiation is going on for 50 megawatts, and it would start from 1990 to 1996. You can see how the time frame—

Mr. Storie: From 1996?

Mr. Derry: Yes. The time frame for all these are in their early '90s where these people feel they may have the capacity shortage. They cannot get anything.

Mr. Chairman: Mr. Ransom wants to see if we can release a committee member for—

Mr. Ransom: Mr. Chairman, I just wonder if I could ask the indulgence of the committee to release Mr.

Curtis to attend a luncheon that he previously had arranged?

Mr. Chairman: The committee is in agreement.

Mr. Storie: Mr. Chairman, I appreciate that and I hope this approach works. It is certainly something that obviously we foresaw in the previous Manitoba Hydro Board and the MEA Board foresaw the possibility of selling some of that power. I hope this puts to rest for the Minister responsible for Manitoba Hydro any suggestion that the Limestone project was not a good project for Manitoba. This will not only make it profitable but more profitable for Manitoba. I hope it puts to rest the criticisms, rather senseless criticism we have heard from some of the Free Press editorialists and so forth. The fact is that the timing was right and the cost was right for Manitoba. I am pleased to see that these kinds of pieces are being put together to make sure that we get full benefit from the production that is going to come out of the Limestone Generating Station.

An Honourable Member: Do you want to cross the floor?

Mr. Storie: No, it is nice to see they are following through with good policy and practical decisions.

The only other question I had on the negotiations of power sales was one with respect to Saskatchewan. I am wondering whether there are any discussions going on with Saskatchewan for either long-term or interruptible power.

* (1150)

Mr. Derry: Yes, we have had a meeting with Saskatchewan. I cannot remember the exact date, about a month ago. We are talking—the two of us looking at what we might do in the way of purchases and sales between the two utilities, but nothing firm at this point.

Mr. Enns: Mr. Chairman, the subject that has interested the committee in the last little while prompts me to make this observation. I make it seriously, although with the greatest of respect to all those involved in the Energy Authority. I simply want to ask the reason why do we have the Manitoba Energy Authority? Should we continue having the Manitoba Energy Authority and is there indeed a need for it? I sense in the legislators some confusion as to where, particularly responsibilities with respect to energies, lie. Anybody walking into this committee could well assume that he is attending a Hydro Board hearing. Similar questions are asked understandably. Now there is nothing wrong with Members of the Opposition in having two kicks at the kitty, and I do not say that for that reason, but I go right back to the fact that the chairman of the Energy Authority early on this morning alluded to the original and basic reasons for the formation and establishment of the Manitoba Energy Authority. That was of course the energy crisis of the early Seventies.

The chairman also correctly pointed out that the Authority's main function, and it is by far the most

important committee, has subsequently had nothing to do. I am talking about the Allocation Committee. It was I think prudent and perceived necessary in those days, not just by Manitoba, I might say, but indeed by our national Government who undertook similar legislative measures. Other western countries faced with the very real crisis of energy and the very real problem of perhaps having to make some very difficult decisions of allocation as to who was going to get available energy and what sector of the economy was going to get it and which was not. That was part of the mandate for the Manitoba Energy Authority. There were other reasons, but the point of the matter is that we heard it from the chairman this morning that this main function of the Manitoba Energy Authority has never been called into play. Thank goodness, I say. The energy crisis has evaporated and I would say that any reasonable reading of the future—although doing so on energy matters is extremely difficult—would lead us to believe that we are not facing those kind of situations that were the rationale or the reason for the formation of this agency of Government.

I go on further to say that we have also in the meantime created a ministry of energy, who is by title and by definition, I would assume in most circumstances, charged with the kind of responsibility that we find housed under The Manitoba Energy Authority Act. I do not for a moment overlook the importance of what the Manitoba Energy Authority is doing and/or the separation that evolves, although that causes me some difficulty because I am somewhat familiar with The Manitoba Hydro Act. The Manitoba Hydro Corporation is very basically and fundamentally mandated to do certain things—provide electrical energy for Manitobans under certain conditions, under most economic conditions and so forth. Manitoba Hydro is a responsive organization that appears and has traditionally, quite frankly, probably been put under more scrutiny by the representatives of the people than indeed many other organizations, partly because of the very substantial portion of the economy and required dollars that Manitoba Hydro involves itself with but also because of the nature of the projects that they have engaged in: their very scale, their scope, their impact on the environment, their impact on social questions.

So, Mr. Chairman, I really would invite the chairman of the Manitoba Energy Authority to see if he could not talk himself out of a job this morning. I say this prudently. I know that with his background as a former Minister of Finance in a fiscally responsible provincial administration that he has some understanding of where I am getting at. I do not put this forward as simply a cost-cutting measure. I believe that, as I have already stated, the Manitoba Energy Authority has undertaken in the past, would continue to be undertaken, either in the Department of Energy or as my feeling very often is it is currently being duplicated within Manitoba Hydro, but making it all the more difficult for us legislators, and particularly Opposition legislators, from freely coming to grips with who and where the final responsibility and authority for energy matters lie and I think that is demonstrated by some of the questions that have been asked even this morning of the Authority.

Now, Mr. Chairman, I simply put it to the committee and to you, Mr. Minister, through the Chair, and to the

current chairman of the Manitoba Energy Authority. In my mind several things have happened that have considerably altered the original reasons why the authority was created. No. 1, we do not have an energy crisis in the Western World, in the world. No. 2, the purpose for which this Energy Authority was fundamentally created to allocate energy has, as I say, thankfully, never been called into play.

The Reallocation Committee has not met. There has been no need for the heavy arm of Government through this agency and, as the chairman quite correctly pointed out, this Manitoba Energy Authority has probably the most massive powers of Government of any agency of Government.

It could make, under its right conditions, very substantial, major decisions that were granted to it, all in the feeling of the necessity if indeed the nation faced, the province faced, an acute energy shortage. We have created a whole new ministry of energy.

Mr. Chairman, it seems to me that prudent re-examination of those agencies that we create from time to time for all the best reasons ought not to stand there on their pedestal without being challenged from time to time, particularly if, at least in the judgment of some Members, I fail to see the significance of its very being. Thank you, Mr. Chairman.

Mr. Chairman: Okay, we will have a couple of brief comments now, Mr. Angus.

Mr. Angus: Mr. Chairperson, if the Honourable Member is indicating some form of a self-fulfilling prophecy, or is trial ballooning a suggestion, I think he is treading on very, very thin ice. As a matter of fact, I think that exactly the opposite should be happening with this committee, as opposed to disbanding the committee. I think that it should be, by legislation, meeting quarterly, at a minimum, during the course of a year, to review some of these very, very major implications.

When I look at the mandate that is set out in the legislative mandate, the responsibility for formally carrying out energy policies, designed to assure a continuing and adequate supply, obviously that has got to be very, very important to the citizens of Manitoba, Mr. Chairperson. I grant the Member from Lakeside (Mr. Enns) to alleviate the threat of energy shortage that may occur is one of the mandates that has been indicated. That is not one that is necessarily immediately required today.

To disband the committee with the feeling that you may be able to bring it in some time in the future, but the development and operation within the province of industry and undertakings that are energy dependent is a very, very strong mandate. When I look through at the Energy Allocation Committee as not active in the past year, I would suspect that the mandate and the charges that this committee -(Interjection)- well, there may be some counter—Mr. Chairperson, the Energy Allocation Committee has established an investigative review respecting the supply and demand for energy. If this committee does not pull these resources together at a single focal point, then we run

even a greater risk of not having the right hand knowing what the left hand is doing. There is even less information to the Legislatures, to the decision-makers, to the general public, as to a coordinated effort.

That is just a preliminary feeling, but I find this committee and the structure very, very informative and, as the Minister has indicated earlier, it is perhaps the most responsible in terms of the number of employees, the magnitude of the investment of dollars, and the importance to generations and the future of Manitobans, of any of the legislative committees that are appointed. This one is by far the most important and should be maintained.

Mr. Enns: Just on a point of order, the Honourable Member keeps referring to the committee, I was not speaking about any questioning of the committee that he and I are both Members at this time. We are talking about the Manitoba Energy Authority.

Mr. Angus: Which reports to the committee, or should report to or through the committee, Chairperson.

Mr. Chairman: Mr. Storie had some comments?

* (1200)

Mr. Storie: Yes, Mr. Chairperson, the Member for Lakeside (Mr. Enns), as he is wont to do, has sparked I think a useful debate by his comments. I do not agree with his comments in any way, but I think it is an important debate. The Member for Lakeside and I may differ in one very important respect and that is that the current malaise that appears to have overtaken the MEA certainly, if we are to sort of represent their activities and the comments of the chairperson of MEA, or the Minister, reflects the attitude of the Government, not the potential for the MEA to do things for and on behalf of Manitoba.

I think that MEA—and I was not part of the Government that established the MEA—the Manitoba Energy Authority is nicely separated from, and appropriately separated from, the responsibility of Manitoba Hydro. The unfortunate part is that the Manitoba Energy Authority does not appear to me as being as aggressive in the last little while as it should have been, nor perhaps, and this criticism would fall on this Government and perhaps the previous, have they expanded themselves to take full advantage of their legitimate mandate.

The fact is that the Manitoba Energy Authority has not been involved in the larger question of what energy policy should be in place in Manitoba. They have not dealt with the question of natural gas, alternate energy forms. I do not think they have been involved in questions of how we might use municipal waste to create energy for the province.

There are all kinds of questions out there that may and should be approached by someone in Government.

Mr. Enns: That is why we have a Department of Energy.

Mr. Storie: The Member for Lakeside says that is why we have a Department of Energy and that is quite true.

The question is where do those activities take place? In my opinion they are not taking place currently in the Department of Energy.

The fact is that the Manitoba Energy Authority is now part of the line department. The Manitoba Energy Authority shows up in the Estimates of the Department of Energy and Mines, and that is as a requirement or request from the Provincial Auditor. The Energy Authority has a legitimate function. It does coordinate the activities of Manitoba Hydro and the policies of Government and its independence I think is a good thing.

It can be much more aggressive; it can act more quickly. Certainly the experience over the last five years in terms of dealing with the Limestone Training, which fell under the responsibility of MEA, was handled extremely capably because of their ability to act, to act quickly, and because they were really the interpreter of Government policy in terms of, I guess, implementing Government policy.

I think that they should be charged with greater responsibility and some new life breathed into the MEA rather than having it dismantled as the Member for Lakeside (Mr. Enns) would suggest. I believe, and I think our caucus believes that we should be more aggressive both in pursuing the potential sale of our hydro-electricity and developing our potential to produce electricity and into looking into other energy questions whether it is natural gas, distribution of natural gas, oil and gas, alternate energy forms.

All of those things are going to weigh heavily on the province in the coming decades and we need somebody who is addressing those questions and I think the MEA is the appropriate one.

Mr. Chairman: What is going to happen is we want to consider these reports that we have reviewed this morning and I would entertain some brief comments from Mr. Driedger and Mr. Taylor if that would get us towards that end. It is now almost lunch time. If we do not consider those reports today, we are going to have to reschedule again for way later on in March because Thursdays and whatever is taking up the rest of March is with the Hazardous Waste deal.

Mr. Storie: Mr. Chairperson, on a point of order. The committee under normal circumstances would sit until 12:30.

Mr. Chairman: Oh, I see, I am sorry, but I just wanted to point that out.

Mr. Storie: I appreciate that there are many other activities that are going to be coming for this and other standing committees, but we certainly do not want to pass the reports until such time as every Member feels that they have asked the appropriate and the necessary questions. There are still questions here, so let us proceed with the questions.

Mr. Herold Driedger: Well, I was just basically going to follow up a little bit on some of the previous commentary with respect to the mandate of the

Manitoba Energy Authority. It was indicated that we do now have the two aspects of policy making, almost one policy making one interpretive, one policy making being the Department of Energy, the policy interpretive being Manitoba Energy Authority and essentially the Manitoba Energy Authority, as the Member for Lakeside (Mr. Enns) pointed out, closely aligned to the role actually of Manitoba Hydro.

I am just wondering whether or not, as he asked, and I believe the question should be asked, whether or not the particular authority at this moment in time is serving the function for which it was originally designed to do. We do have other areas of Government that might be more appropriate to establishing policy and questioning policy than actually an interpretive or of another Crown corporation, which is essentially acting on behalf or with another Crown corporation.

So I would suggest with those comments that I do intend to consider this question at a more reflective moment and will pass on to the consideration of the report as it is on the table, but I do not intend to leave the topic indefinitely.

Mr. Harold Taylor (Wolseley): I found it interesting this morning to look at the role of the authority, the legislative mandate, to hear the comments from the chairman, Mr. Ransom. It still leaves me with questions as to the role of the Authority today in the non-energy shortage context that we find ourselves in, but with the concern that we have today that maybe we did not have to the same extent in the '80s, as to the wisdom of looking at other energy sources to be compatible in the total energy solution for Manitoba, and maybe energy sources that are also safer for the environment.

My question to either the Minister or Mr. Ransom, as they see fit to respond, would be what sort of linkages are there between this Authority and the Department of Energy in looking at new and alternate sources of energy and their applicability and desirability for Manitoba usage?

Mr. Ransom: The Energy Authority, as such, is not examining those questions. It concerned me when I took over as chairman of the Energy Authority that there were certain features of the legislative mandate that were not being fulfilled by the Energy Authority, and so we are examining some of the very questions that the Member for Lakeside (Mr. Enns) brought up. What should the Energy Authority be doing? What can it best do? We will make some recommendations to the Government, whether they should, for instance, remove the allocation responsibility from the Energy Authority or whether they want us to proceed to develop a plan and have the framework of an emergency allocation plan in place. Has, in fact, the Department of Energy taken over the policy function? Because again, as the Member for Lakeside pointed out, there was no Department of Energy in existence until fairly recently.

* (1210)

I think we need to define those areas of responsibility that the Energy Authority can carry out and take away from it those responsibilities that it is not appropriate

for it to do any longer. There are different ways of accomplishing the same ends. I am sure that the things the Energy Authority does could be done elsewhere, but in fact they are presently being done through the Energy Authority. Unless the Government perceived some administrative or strategic reason to change and have those things done elsewhere, then I think it is functioning effectively in the areas that it is functioning in. It is the areas that it is not functioning in that I think we have to decide, either pick up the ball and go with it or give it to somebody else.

Mr. Neufeld: I would just like to add, Mr. Chairman, that there may well be some overlap between the Department of Energy and the Manitoba Energy Authority, as well as an overlap between the Manitoba Energy Authority and the Manitoba Hydro. We have been and we will be examining the roles of the various authorities and we may well refine the roles of the various authorities, but that can only come with time. We recognize that there may be some changes necessary and there may be some definitions necessary, but that will come with time.

Mr. Taylor: I thank Mr. Ransom for that candour and the point that he puts on the table that he has . . . the mandate as it is now stated, given the traditional role and the role is continuous, which is concentrating in one particular area which is electrical energy. The comments of the Minister seem to go in hand with that.

The question I have for the Minister is that given what Mr. Ransom is saying about the Manitoba Energy Authority and the fact that it is appropriate to do, I believe I am hearing him say, a mandate review and maybe set up a revised mandate that more properly reflects today's context and the traditional role. What is the Minister doing to do the same thing within the Energy Department itself so that you have a compatibility between those two major organizations and has he got the same mandate review dovetailing exercise under way within the Energy Department? If he does not, why not?

Mr. Neufeld: I think I just finished saying that we will be reviewing, we will be defining, we will be refining both the authorities of the Energy Authority and the authority of the Department of Energy. That will happen, that is happening and will continue to happen.

Mr. Taylor: Mr. Chairperson, I hear what the Minister is saying philosophically, but I am not sure what I am hearing here in the sense of hard results. The Minister has been in place the better part of 10 months. We are coming into a new fiscal year now, in another month's time. Is it one of the objectives of his department in fiscal '89-90 to do a mandate review of the Energy Department, particularly in the context of its relationship with the MEA and its mandate? What I want to know is, is it to be work done immediately or is it going to be sort of piecemeal and just follow over a number of years. Because if that is the answer, I think that is highly inappropriate and ineffective. So if we can get a clarification, I would very much appreciate it.

Mr. Neufeld: I think we are proceeding in the direction that Mr. Taylor has suggested. We have been for some

time concerning ourselves with the overlap and we have been discussing the ways which we might proceed and we are proceeding in that direction.

Mr. Taylor: I will be looking for some solid results and saying, I am looking at the—in a committee of this fashion—mandate studies of the Manitoba Energy and the Department of Energy juxtaposed, analyzed, and synthesized and come out with what hopefully will be a more common-sense solution than what we have now. Bearing that in mind then, my question is to the Minister: can he clarify if the MEA is not looking at things other than electrical authority, which by its mandate you would think it would be? Who is looking at things such as alternate energy sources, such as sawdust, wood chips, bark, straw, peat, algae, alcohol, along the lines of Alberta Solar and Wind Studies specifically for application in their jurisdiction. They have the program in Ontario, small dams generating electricity, dams some of which are new, many of which are revamped that were pulled out of service in the '40s and the '50s when the big dams came on. What sort of thing along that line is being done because everybody says that the biggest is good but the small and new may be even better? So where is this going on if it is not in the MEA or is it going on at all?

Mr. Neufeld: The Department of Energy is looking at alternate sources of energy. They are looking at energy conservation. They are looking at all the kinds of energy savings that we might be able to do. It is going on, I can assure the Member, and we are continuing and will continue to work in that direction.

Mr. Taylor: A last point, Mr. Chairperson. Given that Mr. Ransom's admission that the Authority previous to his time never did take on those other roles and it would appear they are not his recommendations that they do get into those areas even though the present mandate allows for it, I will be looking forward to the Minister's presentation in more detail about some of these new and alternate sources of energy and their applicability to Manitoba. I also will be looking for the results in short order on the review of the mandates of both the Energy Department and the MEA.

* (1220)

Mr. Neufeld: I am sorry that the Member did not attend the Department of Energy hearings and asked the same questions. He might have got his answers.

Mr. Angus: I am not sure if we can get done in 10 minutes, but we will certainly give it our best shot. You have some questions? I have some questions. Mr. Chairperson, the Member opposite forgets what it was like to be in Opposition, when you get limited kicks at the can, as it were, to try and ferret out information.

I would like to ask about the Energy Foundation. Let us have an accounting of it. I would like to have the statement of operations.

Mr. Ransom: With respect to the Energy Foundation, it is certainly my recommendation to the Government

that they repeal that legislation. The reason being that all that it would really accomplish is to put taxation on the users of hydro rather than applying taxation through the regular tax system, which one assumes is more sensitive to individual circumstances than it is by simply taking revenue away from Manitoba Hydro and consequently resulting in larger increases to the ratepayers of Hydro than would otherwise have been the case.

Mr. Angus: If I remember correctly, the hidden tax through the Foundation was to be Manitoba's answer to the Heritage Fund. Are you suggesting that it simply has not worked or is not working? Perhaps you can enlighten me on that.

Mr. Neufeld: If it is true that Manitoba Hydro is operating at a break-even level right now and if again it is true that they require annual rate increases in order to meet its operational obligations, and if it is true that they also have to increase the rate in order to fund the unfunded pension liability, as well as build a reserve, then it stands to reason that if we are going to fund a Heritage Fund, we have to increase the rates even more. So it is only through rate increases that we can fund the Heritage Fund.

Mr. Angus: You guys have got it all over me, you people have it all over me in terms of information and history. I am going by what limited memory banks are operative at this stage. It seemed to me that the establishment of this fund—the Energy Foundation—was to benefit from some of the revenue that was going to be generated from mega contracts that were going to be kicking in in 1991 or 1990. So, again, it may not be working right now but, if there is no money to fund the foundation, then it does not have any money to distribute; but, if there is in fact going to be revenue generated from mega projects such as Limestone and the sales in the contracts they have entered into, and if indeed that this has turned out to be such a good investment, this hydro energy in the future, why is it not working?

Mr. Neufeld: If there were money available for the Heritage Fund, then the first thing we should do is not raise the hydro rates as much as we do. Our projections indicate that hydro rates will have to be raised for the next 10 years. If it were true that there was going to be so much money generated through these sales to enable us to start a Heritage Fund, then we should not have to raise our rates. If we have to raise our rates for operational reasons, we will have to raise the rates even more if we want the Heritage Fund. Where else can the money come from?

Mr. Angus: Again, I certainly do not have the accounting expertise or the background that the Minister has, and I am only going by information on page 18 which says the foundation will be financed with 50 percent of the net revenues from designated long-term electricity export sales, and the remaining 50 percent of that revenue will be allocated at Manitoba Hydro. In my mind, if there are no sales and you are not getting any revenue, then that is 50 percent of

nothing, and if you are suggesting that you are investing something that is a loss leader and it should be shut down because it is costing us money to run it, then that is different. I am not sure whether the cash flows, the pro formas or the projections that you have made or that they made, our members from the third (sic) Opposition Party, indicated are real. Mr. Chairperson, is there a cap on the amount of money that is required to be maintained, a minimum cap, or a minimum amount of information, money, that was to be kept in that fund?

Mr. Neufeld: Mr. Chairman, if 100 percent of the revenue from the sale were to be kept by Hydro, we would still have to raise rates. Therefore, it stands to reason that if 50 percent of the proceeds of the sale go into a fund then the rates would have to be raised in order to generate that 50 percent and that would come from our regular customers.

Mr. Storie: The argument that Mr. Ransom made, and I guess the Minister buys, is that provinces like Alberta should not be charging royalty on the production of gas or oil in the Province of Alberta because the consumers would be paying a lower price and it is not fair. They should not be taxing it.

The Minister knows that the Heritage Fund was established based on after the cost of production was accounted for and then only 50 percent of the profit.

The fact of the matter is that the operation of Manitoba Hydro, and everyone accepts this, the provincial operation of Manitoba Hydro increases in costs every year. Manitoba consumers know that. The approach that was taken is to say that we are now exporting power. These sales are not to Manitobans to the extent that there is profit. Half of the profit would go to reducing the rate costs for Manitoba ratepayers and the other half would be put into a fund, a heritage fund, to do the same kinds of things that other provinces have used their heritage fund to do. Whether it is to maintain the road system, or health care or other economic development initiatives, whatever, it is a very simple concept. The Minister is trying to say that somehow the concept will not work to the benefit of Manitobans in the long run. It will. It has in other provinces, it will here. If there is any inclination to repeal The Heritage Foundation Act, it will be ideological and nothing more.

Mr. Neufeld: I think Mr. Storie well knows that the monies that come from sales all go into the Manitoba Hydro coffers to start with and if a part of that money is to be withdrawn it has to be raised elsewhere. If we have to raise rates some 4 percent to 5 percent a year going into the future, that is more than the rate of inflation, and we take away 50 percent of the revenues, whatever that may be, those monies have to be raised elsewhere. Where is it going to come from?

Mr. Storie: Mr. Chairperson, the mandate of Manitoba Hydro was to provide power electricity at cost. That was its original mandate. It was not like other private utilities that offer power to their customers and make a profit on top of it. So Manitobans have always received good benefit for the operation of Manitoba Hydro.

What we are doing here, what the intent was and this Minister seems to object to it, was to say that the profit that can be made from extra-provincial sales should be put aside, at least 50 percent of it, for some other benefit that will accrue to Manitoba through obviously some sign of selection process. There is nothing wrong with that concept. It has worked for other provinces and other jurisdictions and has worked well.

* (1230)

The fact is that the original mandate of Hydro has been accounted for in the establishment of The Heritage Foundation Act, so I do not accept the Minister's argument, and philosophically he is opposed to it. I think it is very short-sighted. At least the Minister is being consistent. He is short-sighted when it comes to the foundation, he is short-sighted when it comes to the importance of developing our energy resources. He is short-sighted.

An Honourable Member: Now, now, now.

Mr. Storie: I noticed he has got new glasses, and perhaps that has corrected some of the problem, I do not know.

Mr. Neufeld: These are my old ones. Mr. Chairman, surely Mr. Storie can understand that if you take 50 percent of revenues from a certain sale out of Manitoba Hydro and we are working on a break-even budget, we must make that money up from somewhere else. Mr. Storie must realize that from 1981 to 1987 hydro rates had to increase by some 42 percent. Mr. Storie must also realize that from '87 to '92 when Limestone comes on line, we have to increase it another 27 percent. So from '92 on, we have to increase it 4 percent to 5 percent a year in order to meet operational costs. If

we are going to put monies aside for a Heritage Fund, that has to come over and above the monies we are now making. Surely he can understand that. He may be able to stretch money but I cannot.

Mr. Storie: Mr. Chairperson, the Minister continues to interpret I guess Manitoba Hydro's original mandate to his own liking, but the fact of the matter is that argument can be made, as I already have made, with the establishment of the Heritage Fund in Alberta, wherein they put in royalties collected by the province into a fund instead of reducing the cost of gas to Alberta gas consumers. I also think the Minister should recognize, and we had an inkling of it from the chairman of the Manitoba Energy Authority, that the future in fact looks good for the sale of Manitoba energy to Ontario, to the States. It will become increasingly profitable over the next decade, two decades, to sell Manitoba hydro. The fact is it may in fact be more and more profitable, so the prospects for developing a Heritage Fund are going to improve, not diminish. The direction that the Minister is taking is short-sighted. It shows no vision of what we can accomplish by tapping our resources.

Mr. Neufeld: Mr. Chairman, Mr. Storie finally agrees that our market is getting better and therefore we should save our energy until we have a better market and not give it away like he wanted to.-(Interjection)- You gave it away.

Mr. Chairman: Shall the Annual Report of the Manitoba Energy Authority for the fiscal periods ending March 31, 1987, and March 31, 1988, pass? (Agreed)

Committee rise.

COMMITTEE ROSE AT: 12:33 p.m.