



First Session - Thirty-Fifth Legislature
of the
Legislative Assembly of Manitoba

STANDING COMMITTEE
on
PUBLIC UTILITIES
and
NATURAL RESOURCES

39 Elizabeth II

Chairman
Mr. Ben Sveinsen
Constituency of La Verendrye



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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Fifth Legislature

Members, Constituencies and Political Affiliation

| NAME | CONSTITUENCY | PARTY |
|----------------------------|--------------------|---------|
| ALCOCK, Reg | Osborne | Liberal |
| ASHTON, Steve | Thompson | NDP |
| BARRETT, Becky | Wellington | NDP |
| CARR, James | Crescentwood | Liberal |
| CARSTAIRS, Sharon | River Heights | Liberal |
| CERILLI, Marianne | Radisson | NDP |
| CHEEMA, Gulzar | The Maples | Liberal |
| CHOMIAK, Dave | Kildonan | NDP |
| CONNERY, Edward, Hon. | Portage la Prairie | PC |
| CUMMINGS, Glen, Hon. | Ste. Rose | PC |
| DACQUAY, Louise | Seine River | PC |
| DERKACH, Leonard, Hon. | Roblin-Russell | PC |
| DEWAR, Gregory | Selkirk | NDP |
| DOER, Gary | Concordia | NDP |
| DOWNEY, James, Hon. | Arthur-Virden | PC |
| DRIEDGER, Albert, Hon. | Steinbach | PC |
| DUCHARME, Gerry, Hon. | Riel | PC |
| EDWARDS, Paul | St. James | Liberal |
| ENNS, Harry, Hon. | Lakeside | PC |
| ERNST, Jim, Hon. | Charleswood | PC |
| EVANS, Clif | Interlake | NDP |
| EVANS, Leonard S. | Brandon East | NDP |
| FILMON, Gary, Hon. | Tuxedo | PC |
| FINDLAY, Glen, Hon. | Springfield | PC |
| FRIESEN, Jean | Wolseley | NDP |
| GAUDRY, Neil | St. Boniface | Liberal |
| GILLESHAMMER, Harold, Hon. | Minnedosa | PC |
| HARPER, Elijah | Rupertsland | NDP |
| HELWER, Edward R. | Gimli | PC |
| HICKES, George | Point Douglas | NDP |
| LAMOUREUX, Kevin | Inkster | Liberal |
| LATHLIN, Oscar | The Pas | NDP |
| LAURENDEAU, Marcel | St. Norbert | PC |
| MALOWAY, Jim | Elmwood | NDP |
| MANNES, Clayton, Hon. | Morris | PC |
| MARTINDALE, Doug | Burrows | NDP |
| McALPINE, Gerry | Sturgeon Creek | PC |
| McCRAE, James, Hon. | Brandon West | PC |
| McINTOSH, Linda | Assiniboia | PC |
| MITCHELSON, Bonnie, Hon. | River East | PC |
| NEUFELD, Harold, Hon. | Rossmere | PC |
| ORCHARD, Donald, Hon. | Pembina | PC |
| PENNER, Jack, Hon. | Emerson | PC |
| PLOHMAN, John | Dauphin | NDP |
| PRAZNIK, Darren, Hon. | Lac du Bonnet | PC |
| REID, Daryl | Transcona | NDP |
| REIMER, Jack | Niakwa | PC |
| RENDER, Shirley | St. Vital | PC |
| ROCAN, Denis, Hon. | Gladstone | PC |
| ROSE, Bob | Turtle Mountain | PC |
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| STEFANSON, Eric | Kirkfield Park | PC |
| STORIE, Jerry | Flin Flon | NDP |
| SVEINSON, Ben | La Verendrye | PC |
| VODREY, Rosemary | Fort Garry | PC |
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| WOWCHUK, Rosann | Swan River | NDP |

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON PUBLIC UTILITIES
AND NATURAL RESOURCES
Thursday, November 8, 1990

TIME — 10 a.m.

LOCATION — Winnipeg, Manitoba

CHAIRMAN — Mr. Ben Svelnson (La Verendrye)

ATTENDANCE - 10 — QUORUM - 6

Members of the Committee present:

Hon. Mr. Cummings

Messrs. Alcock, Carr, Evans (Brandon East),
Laurendeau, Maloway, Mrs. Render,
Messrs. Reimer, Rose, Sveinson

APPEARING:

George Hickes, MLA for Point Douglas

Mr. J. W. Bardua, President and General
Manager, Manitoba Public Insurance
Corporation

Mr. Harold Thompson, Chairman, Manitoba
Public Insurance Corporation

MATTERS UNDER DISCUSSION:

The Manitoba Public Insurance Corporation
1988 Annual Report for the fiscal year ended
October 31, 1988.

The Manitoba Public Insurance Corporation
1989 Annual Report for the fiscal year ended
October 31, 1989.

* * *

Mr. Chairman: I call the Standing Committee on Public Utilities and Natural Resources to order to consider the Annual Reports of the Manitoba Public Insurance Corporation for the fiscal years ending October 31, 1988 and 1989.

I would invite the Honourable Minister to make his opening statement and to introduce the staff present today.

Hon. Glen Cummings (Minister charged with the administration of The Manitoba Public Insurance Corporation Act): Mr. Chairman, I am pleased to have an opportunity to bring back the '88 and '89 Annual Reports.

First of all, I would like to introduce Mr. Thompson,

Chairman of the Board; Mr. Bardua, the President of the corporation. The gentlemen at the back—if you would just raise your hands when I give your names—Mr. Kidd, Vice-President of Insurance Operations; Mr. Galenzoski, Vice-President Finance; Grahame Newton, Vice-President of Community Relations; Jack Zacharias, Vice-President Claims, and Mr. Peter Dyck.

As was indicated earlier, this committee has had a chance to have a go at the Annual Report earlier in this year. I guess I am hopeful, as I am sure the rest of the committee is, that we can begin to move some of these Annual Reports forward. I think the committee then would have an opportunity to concentrate on more recent operations. At the same time, I would be prepared to respond to any questions pertaining to both fiscal years, and I do not intend to restrict the scope of those discussions in any way.

Mr. Chairman, I would invite the committee to direct their questions to me, or I also am quite prepared to have members of the corporation respond directly as well.

Mr. Chairman: I would appreciate some guidance from the committee. Will you consider the reports page by page or otherwise?

Mr. Leonard Evans (Brandon East): Mr. Maloway is our lead critic now of MPIC, but I do not think we have any problem in dealing with this as a whole, because it does not prevent us from going to any specific page or any number that we want anyway.

Mr. Chairman, I would like to get clarification. We have '88 and '89 before the committee; we are discussing '88, although I imagine the issues relate to either year.

Mr. Chairman: That is what I am asking right now, for guidance. How do you want to do this?

Mr. Reg Alcock (Osborne): I believe the Minister is undertaking that he is prepared to respond to all questions, a range of questions. He is not going to limit himself, whether on a particular page or not, so

therefore I would be quite prepared to deal with it report by report, deal with the substantive policy questions that people have, and pass them in order.

Mr. Cummlings: That is correct, and I have no hang-up about whether we pass '88 immediately. Certainly I think it would be appropriate to get that one off the table as soon as possible, and hopefully '89 as well, but the questions I am sure will be of a general nature. As we reach the end of our discussions, I would hope the committee would pass them as a whole.

* (1005)

Mr. Jim Maloway (Elmwood): I would like to say at the outset that I believe that Mr. Bardua and the staff have done a very good job for the last year or two, and I wanted to begin my questioning in the area of the PUB and the area of the GST. I was very interested in knowing what the situation is at the present time with the MPIC as it relates to the GST. First of all, could you give me a definition of zero-rated, because I understand that is what your current standing is, versus tax exempt. That could be very confusing to a lot of people.

Mr. J. W. Bardua (President and General Manager, Manitoba Public Insurance Corporation): Under a zero-rated status, Mr. Chairman, the corporation's expenses are actually reduced for the coming year by approximately \$4 million, whereas under a tax exempt status, our expenses would increase by about \$8.5 million. The swing between the two comes out to around \$12.8 million, so as one of the Members indicated, it is good to be zero-rated, it is not so good to be tax exempt.

Mr. Maloway: At what point were you aware that you were zero-rated? How did you know that?

Mr. Bardua: We are still not sure that we are zero-rated. In fact, our status has not been clarified. It was suggested to us that the position of the provincial Government in their negotiations with the federal Government on the goods and services tax was that as a Crown corporation we ought to be zero-rated, and therefore we were instructed to file our rate application with the Public Utilities Board as though we were in fact zero-rated.

Mr. Maloway: Is there any correspondence on file though that would give us an indication as to how one came about with a zero-rating?

Mr. Cummlings: Yes, I think there is a time frame here that the Member might be interested in as well.

The corporation has to apply—in this case in June I believe was when the PUB was looking for a rate application for 1991 for implementation at the end of February, so you can appreciate that we were seven months in advance of December when GST was to become effective. The Province of Manitoba has been quite involved in discussions with the federal Government, and still is, as to whether or not certain operations are subject to the GST, and there was some extreme lack of clarity as to whether or not Crowns would be included. There was a position taken by this Government that we needed to not prejudice the position of the province in terms of those negotiations by assuming that something would be GST rate and that it would not be subject to GST until shown otherwise, and there were communications from the Minister of Finance (Mr. Manness) and myself to that effect.

Mr. Maloway: Mr. Chairman, I am interested in the process though as to whether or not there is any correspondence between the corporation, the Minister, the Minister of Finance and the federal Department of Finance regarding this point, or are you simply making a judgment independent of the federal tax department?

Mr. Cummlings: The Department of Finance has been in ongoing negotiations with that particular item, and it is a very strongly held opinion within the Department of Finance about Crowns being exempt—bad term, zero-rated—in terms of the GST. If you are asking if I am involved in negotiations with the federal Government, I am not. The Department of Finance is, and that is the conclusion that they reached, and I think a correct one, that we want to make sure that we are not collecting and making the assumption that we are going to be collecting until we have had a determination. This was put in front of the PUB in that context.

Mr. Maloway: At what point, what specific date, will you know what your status will be?

Mr. Cummlings: We are still unclear in terms of a Government. As I understand it, we have received no clear direction. The PUB and the corporation have reached an understanding as to when the corporation needs to know, and I will let Mr. Bardua respond to that.

* (1010)

Mr. Bardua: Mr. Chairman, we have indicated to the Public Utilities Board that we need to know about

GST in order to send out our renewal forms for the coming year no later than the beginning of December, but we have received no indication from either the provincial Department of Finance or the federal Government as to whether or not that is a realistic date.

Mr. Maloway: If you do not receive the indication by that date, then am I to take it that you will not charge GST, or not build in a factor for GST in the upcoming rates?

Mr. Bardua: That is a decision that the Public Utilities Board will have to make. We have put forward a position to them, and we have had no response at this point, although we anticipate an order any day now.

Mr. Maloway: Your submission to the PUB does build in a component for GST, does it not?

Mr. Bardua: The original rate application was based on a zero-rated status. Therefore it includes the benefits of the reduction as a result of no federal sales tax, and there is nothing in the original application to allow for the goods and services tax or the impact of it. However we did put forward a position during the hearing which we believe will allow the Public Utilities Board to make a ruling based on whether or not we get a decision.

Mr. Maloway: At this point it is unclear as to whether or not there will be any GST component reflected in the rates this year.

Mr. Bardua: Sorry, that is correct, sir.

Mr. Maloway: Mr. Chairman, the Member for Osborne (Mr. Alcock) has a few questions on this point.

Mr. Alcock: Mr. Bardua, could you detail this \$4 million benefit for me please?

Mr. Bardua: I cannot take you through the exact calculations. In a broad sense the goods and services tax contemplates the elimination of the current federal sales tax. The elimination of that federal sales tax results in certain aspects of our business being less expensive, the purchase of office furniture, for example, so our administrative expenses would be somewhat less, and a reduction perhaps in the cost of parts for repairing vehicles, just as an example. There is a flow-through benefit from the elimination of the federal sales tax.

Mr. Alcock: If I understood you correctly, that is just over \$4 million in benefit that you have indicated to the PUB should be taken into consideration in the

establishment of rates for this year. What impact will that saving have on the rate setting for this year?

Mr. Bardua: It is \$4.2 million to be precise, and the impact has already been taken into account in our rate application.

Mr. Alcock: What impact has that had? Do you mean that rates are not going to go up, that they are going to go up a lesser amount overall? What will that mean to the average consumer?

Mr. Bardua: The rate application is for an across-the-board 5.5 percent increase with experience adjustments going beyond that. The impact of the \$4.2 million, which has been factored into that, is a reduction of approximately 1.2 percent.

*(1015)

Mr. Alcock: If I understand you correctly, you would have been asking for 6-point-some percent or 7 percent, but as a result of this \$4.2 million estimated benefit from the elimination of the MST, you can go with the lower rate. Do you have any assurances from manufacturers or suppliers that they will indeed pass through the tax reduction?

Mr. Bardua: No, we have no direct assurances, only what we read in the newspapers and what we are given to understand, but our people have done some fairly in-depth research into what we think the impacts will be, and we have to go on the scenario that we have developed from that.

Mr. Alcock: Mind you, some of those things that you would read in the paper would include statements from the manufacturers' association that they will not be able to pass on some of those reductions, and I am just wondering whether there was any discussion as people were doing this analysis with people in the businesses supplying you, to establish levels at which these reductions would occur.

Mr. Bardua: I am not aware of any direct contact, but I believe that their estimates are pretty accurate.

Mr. Alcock: If I understood you correctly, you mentioned that this application to the PUB asked for a particular increase with experience adjustments, so I might understand that should this \$4.2 million not materialize, you would go back to the PUB and ask for a further increase to compensate for that.

Mr. Bardua: There is no provision for us to go back to the Public Utilities Board in time for the next renewal. Perhaps there is a misunderstanding in terms of what I meant by experience increases. Experience increases are based on the loss ratio of

a given class of vehicles or a group, and they would go beyond the 5.5. For example, if the loss ratio was 110 percent, in an effort to bring the loss ratio of that particular class into line, there would be an additional experience adjustment factored into our rate increase.

Mr. Alcock: To the Minister, if I understand it—this is a position that we have heard from the Minister of Finance (Mr. Manness) on a number of issues—you now, some seven weeks before the imposition of this tax, do not yet know whether or not it is going to be applied to this corporation, and if I understood what you have said, you have taken a position that the corporation is to be zero-rated, but that is simply at this point a Manitoba position. It is kind of like King Canute in the water. You are just going to assume that this is going to happen, or do you have any assurances yet that you are indeed zero-rated?

Mr. Cummlings: Well, we are not going to roll over and play dead. We think that there is a point to be made. I suspect that one of the problems that is associated with getting some clarity from the federal Government right now is the change of Government in Ontario, the potential changes in the insurance situation there, and the impact that will have on the revenues to the federal Government. We would like to think that they would be flexible, but perhaps they are looking at that and their flexibility is not there. We believe that there is more than the flexibility issue here. We believe that they cannot charge another level of Government. The Crowns therefore are zero-rated.

Mr. Alcock: This is not a concern that is specific to this particular entity. It is one that affects all businessmen in the province as they look at what regulations are going to be in effect come seven weeks from now, and I suspect Mr. Bardua has some concern about this December 1 deadline. Are there any assurances that you are going to receive a decision by December 1?

Mr. Cummlings: No, there are not, and that is why the corporation was very careful in its presentation to the PUB, to point out what some alternatives might be. No matter how unpalatable some of those alternatives were, they were presented there, and the PUB, having access to the full breadth of the corporation's responsibilities and finances, will be able to provide some direction and therefore allow them to get on with their rate setting for the coming year.

*(1020)

Mr. Alcock: I appreciate the position that the corporation is caught in. If the Government has taken the position that the entity is zero-rated, we reach December 1—and if I understand Mr. Bardua right, you are saying you have to send out renewal notices and establish whatever the rate is going to be—we proceed with the assumption that the organization is zero-rated, and it should turn out at the end of December that the organization is going to be tax exempt instead, that is going to have a significant impact on the expenses of the corporation. Is the Government prepared to subsidize that cost for the first year, or are we going to see a rate adjustment?

Mr. Cummlings: I will not get into a long philosophical argument about that. I think the Member can assume that the Minister is not going to agree with him on the point that he just raised, if he is implying that is what should be done.

The fact is however, you can look at the Kopstein report, you can look at a number of things that I have said, that the Premier has said and what we have said as a Government about MPIC and reserves and rate shock, and I think there has to be ways and means to mitigate rate shock for the motoring public in the province. That is one of the things that the PUB will be able to examine and what they put forward to the corporation. We have said that the PUB would set the rates in a hands-off manner from the Government, and that holds.

Mr. Alcock: But the Government is taking a position, if I understood the Minister correctly, that the corporation is indeed zero-rated, and should the corporation turn out not to be zero-rated, that will have an impact. If I understand Mr. Bardua right, that is an impact in the order of \$12 million.

Mr. Cummlings: Well, you could draw another parallel if you wish when you talk about premium taxes. The Province of Ontario, in order to try and protect its motoring public, removed premium taxes, so again that was Government intervention. You could apply anything that Government does here as having some impact on a Crown. Even income tax affects the employees who effect their demands for settlements, which ultimately has impacts as well. This is a broad position of the Government relating to the GST, and it does not seem to me to follow, as the Member for Osborne has indicated, that the Government should then go to the taxpayer to deal

with a mitigating problem. That will be something the PUB will have to consider as part of their ruling in terms of rate setting.

Mr. Alcock: Perhaps I misunderstood, when are we going to receive that ruling?

Mr. Cummlings: The corporation has asked for it at the 1st of December. Mr. Bardua advises me that they expect it quite shortly. The corporation cannot direct PUB to give them a ruling. They have indicated their time frames needed to set their rates for the coming year, and I am sure that the PUB will be able to make sure the corporation will be in a position to set their rates in adequate time.

Mr. Alcock: Okay, then back to the original question: Unlike when the Government makes a policy change and the organization has to reflect that change as a tax or whatever in its submission, if the organization is acting on Government policy, which is that this organization is zero-rated, the Government has taken that position, which I understood the Minister to say it has, the corporation has acted in good faith upon that policy, has applied for certain rates, and has taken account a \$4.2 million savings, and that turns out not to be true, the Government in fact has miscalculated and is wrong in their negotiations with the federal Government, what happens then?

Mr. Cummlings: The Member uses the term that if we do not win this argument, we have been wrong. Maybe we are right, but cannot make it stick. He could also take that position.

Mr. Alcock: Okay, let us take that position. So what? What happens? We have a \$12 million difference.

Mr. Cummlings: The PUB will take that into consideration in giving them an order for rates for the coming year. The Member for Osborne would like me to either (a) suggest that the Government should be subsidizing as a result of GST impacts, or (b) direct the rate setting for the corporation, both of which he knows I will not do.

Mr. Alcock: If the PUB is making a decision now and the corporation is making a request based on a policy decision taken by the Government that will go into effect in the rate announcements on December 1, and if the Government, for all the right reasons, does not achieve its admirable goal, there is a \$12 million difference. What happens? Do you go back to the PUB and get a second set of rates and put it forward for the year?

* (1025)

Mr. Cummlings: Perhaps the Member is asking me to indicate what the PUB should do.

Mr. Alcock: Oh, no.

Mr. Cummlings: The PUB will make that decision. He knows full well that if the corporation is going to be paying GST, there is a significant impact. I would hope that in their deliberations they will consider that impact. If in fact there is no ruling by the time the corporation has to set its rates, then the PUB will have to make a judgment whether or not the corporation will be able to continue with their present rates and not be able to deal up front with the GST. That is the decision the PUB will have to make, and I am not going to publicly or privately get into the discussion on what they will decide.

Mr. Alcock: I will just make a final statement, and then I will let Mr. Maloway go on. I shall not rag this too much further. It just does seem to me, Mr. Minister, that if the corporation has acted in good faith on a policy decision taken by this Government, and that turns out to be incorrect and leaves them holding \$12 million, there is a problem. If they are acting on advice from the Government, the Government should take some responsibility and not simply keep side-stepping and throwing it back at the PUB if the PUB has already made a decision, and you just indicated that you are not going to go back to the PUB.

Mr. Cummlings: The Member is suggesting that the Government should at that point step in and subsidize insurance rates. I suggest he is wrong.

Mr. Alcock: You support their policy.

Mr. Maloway: Mr. Chairperson, I will just ask a couple of questions and then defer to the Member for Brandon East (Mr. Leonard Evans). Further to the GST, if the deadline of December 1 passes without word from the federal Government on the GST, then I assume that the corporation will proceed without a GST component. Is that not correct?

Mr. Bardua: Mr. Chairman, that will depend on the ruling we get from the Public Utilities Board.

Mr. Maloway: It seems to me that it is rather unlikely that the PUB will give you permission to charge the GST if you have not heard anything about it from Ottawa at that point. Would that be a fair assumption?

Mr. Bardua: I am not sure it is a fair assumption.

We have given the Public Utilities Board some options, and we are simply waiting for them to decide which one they like the best.

Mr. Maloway: That is correct. Mr. Chairman, what was the option that you gave them? Assuming that there is no GST legally in force in Canada at the time, what is the option that you gave them, and what percentage does it amount to in terms of the GST?

Mr. Bardua: What we have said to the Public Utilities Board is that if there is no decision on the GST prior to their being ready to make their ruling, we could do one of two things. The impact of being tax exempt is 4.6 percent on our rates, so we have suggested to them that they could allow us to increase our rate application by 4.6 percent to cover off the worst-case scenario of being tax exempt.

On the other hand, in the event that there is no decision from the federal Government and not likely to be one prior to our having to send out the renewals, we have suggested that they compromise and allow us to increase our rate application by 2.3 percent, which is half of the impact of the GST on a tax exempt basis. If they choose that route and we do find ourselves to be zero-rated, we will not have taken a vast sum of money unnecessarily. Conversely, if we find ourselves in the position of being tax exempt, we will not be so far behind the eight ball that we cannot catch up in the following year.

* (1030)

Mr. Maloway: What we are really looking at here then, in a worst-case scenario, is the possibility that the PUB may grant a 4.6 percent increase in the rates due to a potential tax exempt status under GST, assuming it passes. If they were to grant that increase and if we were to add that increase onto a potential 13 percent for a large number of motorists in this province, would that not amount to a 17.6 percent increase in the rates?

Mr. Bardua: It could for some motorists, but on average the across-the-board increase would be around 10 percent.

Mr. Cummings: Despite the best efforts of Mr. Maloway, I think it should be also put on the record that he is referring to the rate class and the experience of certain drivers. We have long taken the position on a policy basis—the corporation has been working on this in the last two and a half years—that those drivers who are the careless

drivers who are creating the accidents, who are driving up the rates for the other drivers, will see a resulting rise in their insurance costs. While it is correct to identify that there are some drivers who will see the type of increase that would exceed 10 percent, those are the drivers who have had the accidents, those are the drivers who have identified themselves as being a higher risk. Unless he believes that we should all pay the same rate no matter how we drive, then I think he should not be too excited about the fact that there are some bad drivers who are going to have to pay an increase in their premiums.

Mr. Maloway: Mr. Chairperson, to respond to the Minister, the Minister should be aware that I did not take the absolute extreme case that could have been taken here, because he is probably aware that there are, I believe, a minuscule number of motorists, not a large number, who will be receiving a 29 percent increase without any adjustment on GST. If we were to add a GST on those people, they would be looking at a 33 percent increase, but I did not introduce that concept at all. I simply took the broadest group that I could and the highest increase that would apply to that broadest group, so I am not certain what percentage would be paying 29 to 33 percent increase, and I did not want to dwell on that.

What I am interested in knowing is how large is the group that could be paying 17.6 percent? How many drivers are in that group that will be paying the 5.5 percent general increase, plus the experience rating that would bring it to the area of 13, which has been a public figure—the Free Press reported on it in July—and then add the 4.6 percent to the 17.6? How many drivers, what percentage of the drivers in Manitoba will be potentially looking at a 17.6 percent increase?

Mr. Bardua: I am having somebody try to dig that information out, because I certainly do not have it in my head.

Mr. Maloway: Perhaps the Member for Brandon East would like to ask a few more questions at this point.

Mr. Leonard Evans: Mr. Chairman, I think pretty well all of the detailed questions have been asked, at least some of them that I had. I share the view that, with regard to the manufacturer's sales tax coming down and consumers benefitting from that, I am rather skeptical. Some companies might certainly pass on the benefit, others may not,

depending on the commodities involved. Recalling our discussion in the Finance Department Estimates, the GST has many impacts on the provincial Government, and one, I guess you can say, is impacting on us now as a collector, because this is really what the corporation is being forced to become.

I guess one could imagine, if we really wanted to fight the GST, we refuse as a province to collect taxes on, whether it be automobile insurance premiums or whether it be hunting licences or fishing licences or medical licences or whatever else the Government of Manitoba charges by way of fees and all kinds of licences and so on that we have.

At any rate, I wanted to ask this question. I do not know whether the Minister or his staff could answer it, and that is I was sort of curious in the response to all the detailed questions that have been asked. Just how are the other publicly-owned corporations responding? In other words, ICBC, as it is called, and Saskatchewan Government auto insurance are in the same boat, I would suspect, and how are they reacting? Can we learn from what their response has been?

Mr. Bardua: Both SGI, Saskatchewan Government Insurance, and the Insurance Corporation of British Columbia are indeed in very much the same boat, the major difference being that they do not have a Public Utilities Board and therefore they have not yet had to determine their rates for the coming year. They are certainly waiting for a decision from the federal Government, and their provincial counterparts are negotiating with the federal Government on the same basis as Manitoba's are. I think it would be fairly safe to assume that the decision that comes down will apply not only to one but to all three.

Mr. Leonard Evans: This is causing me to ask a related question. Do we know what jurisdictions in Canada require the auto insurance companies to go before a public utilities board or an equivalent thereof? Mr. Chairman, I believe the president just said that neither ICBC nor Saskatchewan Government Insurance has to go before a public utilities board for rate approval. I am not trying to put words in his mouth, but I think that is what he said. Given that, what about the balance of the country? Is there a requirement that the insurance companies get some kind of approval by a Government regulatory agency, whatever that happens to be called?

Mr. Bardua: There are other Government agencies that pass judgment on rates set by private sector companies, but none of the provincial Crown corporations have a public hearing process other than Manitoba. Ontario has a rates board. That is not a public process the equivalent of the Public Utilities Board. Beyond that, I would have to do some research, but I do not think there is anything that is similar to what we have here.

Mr. Cummings: The Member for Brandon East raises a good point and indicates one of the things that we have been grappling with in terms of having the corporation in front of the PUB. First of all, they are there very early in the year. They are there probably eight months in advance of when they actually start imposing the rates that they are applying for, so to some extent there are forecasting difficulties involved.

Something that the Members should be aware of, it is on the public record, it is the result of PUB rulings, but since the corporation has begun to go before the PUB on its rates, the PUB took some exception to the fact that the basic insurance in this province was not paying for itself, and the corporation has been under an order to make sure that they begin to move their basic insurance to a break-even position.

To some extent, that demonstrates the conundrum that the corporation is faced with in terms of rate setting as a result of the PUB and the Kopstein report looking at the rate structure in this province, that the extension rates are not subsidizing the basic rates, or not to an undue extent, and therefore the corporation is dealing with the basic side of the rate structure here.

Mr. Leonard Evans: Just a couple more. Just on the point that the president raised, as I understand it, just taking Ontario as a case, the private insurance companies may have to file their rates with some Government agency, but they do not have to get approval as such, authorization, from any Government agency in Ontario. Can the president answer that?

Mr. Bardua: As I understand the process there, Mr. Chairman, it is a monitoring process as opposed to an approval process.

* (1040)

Mr. Leonard Evans: This comes to the point that I guess Mr. Kopstein made. My impression is that he felt monitoring the rate-making policies and

practices of MPIC was appropriate, but I think he had some doubts about the role that the PUB should actually play in setting the rates. I do not think it has the knowledge and the information that the corporation has, for example. I think it stands to reason. You have the staff, you are at the front line, you have to make some pretty important decisions as to what your rate adjustments have to be.

Given the fact, as the Minister himself has said, that you have to go pretty early in the year in order for PUB to review it, I think the whole process, admirable as—the Minister wants to absent himself as much as possible from any rate increases, the rate decreases, fine, but they never occur. We want to stay away from that, even though Mother Nature may be the one to blame, who knows. I can see that, but nevertheless, what we have in Manitoba, we have a rather awkward set-up. We have a system—monitoring is fine, it is always good to have checks and balances, but really to require the PUB to be the rate setter I think is causing difficulties, real difficulties.

The Minister himself said well, you have to do more forecasting, you have to file with the PUB well in advance and so on. You may have more information as you get closer to the year-end when the final decision has to be made on rate changes. We may have had a horrendous storm, a catastrophic storm or whatever in the province, and it would have a major bearing on the next year. I think we have got ourselves into a very awkward set-up. Monitoring, yes, but rate setting I think is really hamstringing the effectiveness of the corporation.

Mr. Cumplings: I think the Member is having a little twinge of guilt there, but the fact is we believe that we are answering the public concern, that the decisions, i.e., the PUB rulings, do give some separation from secondary agendas, if you will, and deal directly with the issue of what is the best means of establishing that the rates are being set fairly within this jurisdiction. Where you have a monopoly, you do have a responsibility to the public to show clearly that that is being done fairly and that they are not (a) being gouged or (b) being manipulated. Reverse those in priorities if you wish, because I think the public mood today is that they are far more resentful at the thought that they might be manipulated more than almost anything else.

The PUB has a burden, and I am not for one minute minimizing the fact that this causes some

considerable amount of work for the corporations that are required to go there, but I do not think the Member would—if you draw the parallel even to the Hydro. The examination of their capital projects in front of the PUB provides an open forum for the public. Interestingly enough, there was not a great deal of public interest when the corporation was at the PUB. Mr. Maloway attended and showed some interest, but beyond that there was not a lot of public interest. That indicates one of two things, either the public feels comfortable with that process, or they feel very comfortable with the corporation. Either way, that is a good sign. To that extent, the system is working, and I want to see it continue to work.

Mr. Leonard Evans: Just one last point. I do not want to rag this around. I think we all want to have openness of Government. I think we should do everything we can to give our people, the citizens of Manitoba, an opportunity to question the corporations. As a matter of fact, we brought in the legislation back in '87-88 which has been put into effect since, maybe in modified form, among other things, requiring the Crown corporations to go around the province—this is beyond the PUB process—allowing citizens to express their views about the operation of the corporations. I would suspect normally if things go well, you will not get much attendance. It is only when something goes wrong that you get any attendance. That is the way it is in just about every public issue that I have ever heard about over a number of years.

I just want to make the comment that normally when you have a monopoly, if it is a private monopoly, there is a definite need for the public to have a board or a regulatory agency to make sure that there is not a rip-off, but if it is a publicly-owned monopoly, you are in a different ball game, because ultimately that publicly-owned monopoly is responsible to the people of Manitoba. It is not taking the money and dishing it away into Swiss bank accounts or anything like that. If it has rates that are higher than warranted, and I am not suggesting they should, but if for whatever reason it provides them with additional revenue, then those monies are available for investment in hospitals and schools and so on.

As it is shown in the report, there are monies available for investment by the corporation, and the corporation ultimately is a servant to the people of Manitoba, just as Manitoba Hydro is and the Manitoba Telephone System. There is a difference,

I would submit, there is a big difference, but having said that, we could spend maybe a long time just debating the philosophy and so on. I do not want to take the time, because I know other Members have some specific questions.

Mr. Cummings: I will not spend a lot of time rebutting what the Member has said. I know he means it in the sense of free advice, but I would suggest that he is on thin ice if it is interpreted that he might be opposed to using the PUB system for rate setting for our major Crowns in the province. The public has come to expect and trust that process, and I am not going to be part of a Government that would do something to change that.

Mr. James Carr (Crescentwood): Mr. Chairperson, I cannot help but chuckle just a wee bit, because I can remember the pas de deux between the Minister and the Premier (Mr. Filmon) on the issue of rate setting at the Public Utilities Board when the decision was finally taken, and the Minister was skating like Wayne Gretzky and being bumped off the puck by the Premier. Now he acts as if this wisdom was known to him all at once. It was known to him the moment the Premier told him about the wisdom, so we all have long memories around this place.

There has been a change though since we last debated the Annual Report of MPIC, and that one change at least is the Crown Corporations Council. I would like to focus on the relationship between the corporation and this super Crown Corporations Council which has now been in effect for some year and a half with a mandate to review the mandates and the Crown corporation capital plans. The controversial link right now is not with MPIC but with Manitoba Hydro, but I am interested in the relationship that the MPIC board has developed with the Crown Corporations Council and how the Minister fits in on all this. I would like to ask the chairman, if possible, how many meetings he has had with the Crown Corporations Council, what the nature of the discussions have been, and whether or not he is of the view that it is a useful exercise.

Mr. Cummings: Well, he asked two questions, one of me and one of the chairman. If I understood the question correctly, whether I had had any involvement, I have had an opportunity to sit down with the chief executive officer of the council and have discussions, and I am sure not only in this area but in other areas of responsibility that I have, the

Hazardous Waste Management Corp. I think that while the role is evolving, it has already shown that it is useful in some areas more than others. That is obviously also a function of how well the Crowns are operating and what basic philosophy and management they have in place. I am comfortable enough with the process. We would all like to see it go faster I think, if that is what the Member is asking, but you have to be sure you have the right people in the right place.

Mr. Harold Thompson (Chairman of Manitoba Public Insurance Corporation): There has been one formal meeting with the Crown council at which the corporation presented to the full board of the council for about two hours an explanation, treated basically as an education process, in order to get them informed in terms of the operation. We went through a presentation by the president and by each of the vice-presidents in their own areas to let them know what was going on. In addition, the president has had individual meetings with the president of the council, and there has been a modest amount of written correspondence, requests from the council for information on a regular basis so that they could be informed. My understanding is that with so many Crowns that they are responsible for, it is taking them time to go through to get proper perspective of all.

* (1050)

Mr. Carr: Since the Crown Corporations Council was established by statute 18 months ago, there has been one two-hour formal meeting with MPIC, is that correct?

Mr. Thompson: Yes.

Mr. Carr: Mr. Chairperson, I am interested, in that case, to explore for a moment the role and the mandate of the Crown Corporations Council, and I would address these questions to the Minister. It was established amidst fanfare and considerable debate as a necessary oversight for the operations of the Crowns, in the wake of all kinds of accusations of political interference in the rate setting for MPIC. There was controversy at the time, and now I can see why. We are spending money, we are establishing a parallel level of approval and bureaucracy in order to give the Government comfort that the operations of the Crowns are what they want it to be, yet there is virtually no contact between the board of the MPIC and the Crown

Corporations Council. Are we getting our money's worth?

Mr. Cummings: I think the Members may have picked up on the nuances of what Mr. Thompson said in one context when there was more to it than just that one meeting. There is a great deal of staff work going on as well, as I know there is with my other responsibility which is the Hazardous Waste Corp. That is where the rubber hits the road, as it were, to have informational meetings. Obviously you could say well, if that was all that was done, nothing is happening, but also the Crown accountability council has some responsibility to prioritize areas that they have identified that they want to zero in on. That has implications as well.

I think that the Member may be unfairly categorizing the amount of activity that is going on. I could ask Mr. Bardua or other members of the corporation here to expand on some of the other work that is being done in connection with the corporation, if that is your desire, but I think that from the Minister's perspective, I am sure that you could elicit comments from people all through Government that the connection of having an accountability council is something that they would rather deal with directly rather than have to deal with another body in terms of accountability. It provides a resource. It is not just a guard dog, if you will, to move in and bite when it sees something that needs to be examined. It is also a resource for smaller Crowns. In times when they may be seeking advice or have areas that they are looking to deal with specific problems, the accountability council provides a resource to them. Given the connection of the people who are working there, I think that is an invaluable asset.

Mr. Thompson: Mr. Chairman, perhaps I could add to what has been said by—I indicated that there has been correspondence and paper exchanged. We have from the council an outline of their mandate as it applies to the Crowns, and we have supplied them their basic mandate as does to ensure that the Crown has a proper understanding of its mandate and mission, to ensure that there is a monitoring process for seeing that these things are done, and we have provided them with that information from the corporation, because the corporation has a mission and a mandate.

The corporation has a five-year plan that they want to be able to understand and therefore monitor. That has been provided to them, and we have had

no comment back from them as yet as to their concerns about it. They are not in the process of approving, no authority to approve rates, benefits, primarily a monitoring to ensure that there is a strategic plan in place and that there is a monitoring process that they are aware of and can see is working. We provide them with our financial information regularly.

Mr. Carr: Mr. Chairperson, I am not going to belabour this point. I have a lot more questions about the relationship between the Crown Corporations Council and the Crowns, but I will not take the time of this committee to explore it. In The Crown Corporations Public Review and Accountability Act, I believe it is mandated explicitly in the Act that the Crowns have quarterly public meetings. I would like to ask the president or whoever wants to answer if MPIC has honoured that statutory commitment. Has it had quarterly public meetings, where have they taken place, and have they been well-attended?

Mr. Bardua: I believe The Crown Corporations Public Review and Accountability Act requires us to hold one meeting annually in Winnipeg and two outside of Winnipeg, and since the Act came into force, we have held meetings in Brandon, in Thompson and here in Winnipeg. Were they well-attended? No, they were not. I am not sure what the rest of the question was, sir.

Mr. Carr: I just have one final question. The last time we debated MPIC, at least when I was the critic, we got into a fairly long conversation about public service for the corporation and the way it treats its customers, and one of the best measurements of how the public responds to the treatment it gets from the corporation is the number of complaints on the customer service line. I can see that members of the staff may have anticipated this question. Can the president give us an idea of how the trends are moving? Are there more complaints? Are there fewer complaints? Have the nature of the complaints changed dramatically? Would he please let us know just how many complaints there were in the years that are being considered by this committee?

Mr. Bardua: There are a number of different aspects to this question, and I hope you will bear with me as I try to go through them. First of all, it has only been fairly recently that we started keeping track of complaints, as you call them. We keep track of both complaints and inquiries. We have inquiry

lines and they are extremely busy. The number of inquiries has indeed gone up rather dramatically. That is due in large measure to the number of resources that we have applied to answering inquiries. In other words, as you put more telephone lines on and more people to deal with inquiries, you get fewer abandoned calls and fewer people getting busy signals. As a result of that, we are getting more inquiries. I can tell you, for example, that in 1988-89 we received 61,000 inquiries on those lines. In 1989-90 we received 78,000.

In terms of complaints, the nature of complaints has not varied very much over the years, and generally speaking complaints consist of concerns over the assessment of liability, delays in processing refunds or claims cheques, the evaluation that we might put on a total-loss vehicle, and some things like claims procedures and so on that people might not like. I do not think those complaints have changed very much, and I would not expect them to change very much, because that is the nature of our business.

To July 31, 1990, that is for the calendar year, we received a total of 902 complaints. We have categorized those complaints into three distinct categories: those which are substantiated and serious, those which are substantiated but relatively minor, and those complaints which we have not been able to substantiate. The breakdown on those three categories would be 566 unsubstantiated, 312 which were substantiated but minor, and serious complaints, 24. I hope that gives you some background into the information.

Mr. Maloway: I wondered whether Mr. Bardua had the information available now that I had asked before as to the percentage of motorists who potentially would face a 17.6 percent increase in Autopac rates this year, plus the percentage of potential motorists who would have increases of from 29 to 33 percent.

Mr. Bardua: Motorists who will be getting, under our current application, a 12 to 13 percent increase constitute about 13 percent of the population. Those are the ones I believe you referred to and wanted to know about specifically. I should point out that under our current application about 70 percent of motorists will receive the basic 5.5 percent across-the-board increase, and so if you add the 4.6 to that, the 70 percent will still remain the same. The large increases you referred to, about 28 percent result from the application of a \$15 minimum. While the

percentage seems quite large, the dollar value of those increases is not great, but I am sorry, I do not have a percentage of those people for you.

Mr. Maloway: The maximum number of people who would be receiving 13 percent increases—that is without any adjustment now for GST—would be roughly 13 percent of all the motorists in Manitoba.

Mr. Bardua: That is correct.

Mr. Maloway: At this point, I wanted to ask a few questions regarding the whole concept of no-fault insurance. As you are aware, this has been a subject that has been debated for years, and there are various ways of looking at the whole area and various ways of proceeding with the whole area.

* (1100)

Recently the corporation did a study based on the Quebec plan which I understand is the only true no-fault plan in the country, one that was brought in, I believe, by the Levesque Government, Parti Quebecois Government a number of years ago. The Public Insurance Corporation did a study on that recently, and it would indicate that if we adopted a Quebec style plan, we would save perhaps \$63.5 million, which I believe could result in a 21 percent reduction in Autopac premiums. I may be out a little bit. I thought it was 21 percent, the figure that was used before.

The study also went on to conclude that if we were to adopt Ontario's new partial no-fault plan, we could have a \$30 million decrease which could reduce the premiums for Manitoba motorists by as much as 17 percent. In light of that study and in view of the fact that there is a lot of evidence around that a no-fault system would be beneficial to Manitobans and would also serve to reduce our insurance premiums substantially, how far has the Minister gone to making a political commitment to proceed with a no-fault system in Manitoba?

Mr. Cummings: The Member knows the answer full well. I have said that it is a policy decision that Government would make if they were convinced that this was a policy that should be imposed in this province. The Member has conveniently not looked at some of the other things that are impacts as a result of no-fault, and that is why it needs to be considered in a very broad sense. The study that he has in hand was an actuarial study that simply examines dollar over dollar what is expended. It makes a comparison of what is on the chart, if you will, affectionately referred to as the "meat chart"

under the no-fault system, as to what people would receive without going to litigation. -(interjection)- Well, that is a "meat chart," and I do not exaggerate by using that term. It is not a term that I invented.

I talked to lawyers in Quebec who will indicate very clearly, and public-advocacy people who indicate very clearly that no-fault takes the argument away in the public eye about settlements. There is a small group of people who are severely impinged by that type of system, but that is not part of the argument that I use to substantiate my position. My position is that the corporation has a mixed system today. It has a number of tools that it can use to make sure that, No.1, we adequately insure the public, and No.2, they are able to receive adequate reimbursement for the injuries that they receive.

The Member when looking at the figures as a result of a dollar-over-dollar comparison, does not look at the fact that under no-fault systems, people very often seek other insurance coverage to supplement insurance that they cannot get under no-fault. Those who do not have that additional insurance very often have to be picked up by the social networks that are out there. There is a cost that is picked up through the provincial taxpayer in many other ways. Frankly, I dismiss the Ontario program as being one that I think the Member might, if he closely examined it, be embarrassed to use as a standard by which to judge this one.

Being a Member of a Party that was former Government that implemented the insurance system in this province, I think that he is doing a disservice to the fact that over the years, despite what we saw as political interference in rate setting, we have a relatively stable and competent insurance coverage system in this province, and my debate with the corporation is always that we have adequate insurance because it is mandatory, but we make sure that we use whatever tools are available, No.1, for reimbursement and, No.2, for keeping the costs within reason.

Mr. Maloway: The fact of the matter is, Mr. Minister, that we are approaching a difficult period here with bodily injury claims increasing each year with a potential for a minimum of 13 percent of the Manitoba motorists receiving a 13 percent increase in their rates this year, and I think that if you juxtaposed that against a potential 21 percent reduction in rates that could be achieved by adopting the Quebec no-fault model, then I do not

think there is any question as to where the majority of Manitobans would want the corporation to go.

Now, we have a lot of information, the Minister has access to information on the New Zealand accident and sickness plan which has been around since 1973 or 1974. In fact I believe it was a conservative Government that brought it in. Certainly there was a labour Government that had some involvement in it as well, but I believe it was actually implemented by a conservative Government. In that particular plan, what we see is a collapse of workers compensation benefits, Autopac benefits, private insurance company individual policies and so on into one system, so that if a person is hurt, has an accident or becomes sick in this province, they will all be treated equally.

Right now there are a lot of people falling through the cracks in our various plans. For example, students are not able to get coverage, homemakers are not able to get coverage from private industry, so right at this current time, if you are injured in an automobile accident, you get a certain type of treatment, if you are injured on the job, you have a certain type of treatment under Workers Compensation, if in fact you are covered under Workers Compensation. If you are lucky enough to have a group plan at work, then you have a different type of coverage. If you are not lucky enough to have any of those programs, then you must go out and buy an individual policy on the market from any number of companies, and the coverages will vary and the premiums will vary.

I think you have to take a long-term view of the insurance corporation to the view that perhaps all of these benefits would be better serviced under one plan similar to what we have in New Zealand. In the short run, perhaps the Minister would be well served by following the recommendations of the Kopstein report. A considerable amount of effort was spent by Judge Kopstein to look into that area, to follow the recommendations of the Tilling Gas Report which his corporation has just spent a lot of money coming up with. I understand that the Public Utilities Board is certainly interested in this particular area, and for him to simply hide his head in the sand and say well, we are okay, things are fine now, we do not want to rock the boat, God forbid that I should get into any trouble with this corporation, we are just going to keep the status quo, I think is the wrong way to go at this time.

Mr. Cummings: The Member has just revealed his

great socialist plan for cradle-to-grave support across the province. The fact is he has chosen in his remarks to look only at gross figures. I can operate any business showing less expenditures if I have less responsibility. The fact is there are a number of things that are severely impacted.

Something else, if the Member wants to talk about principles and responsibility, it comes down I think as well to a matter of responsibility in terms of driver responsibility. I firmly believe that in terms of premiums, those who have put themselves in the position of being high-risk drivers are being penalized. I think also there is an element of responsibility out there in the driving public as to the responsibilities that they assume.

There are statistics and statistics, I will readily grant, and I hope the Member will admit the same, because he is trying to use a statistical approach to his argument. Statistics can be twisted both ways, but there is a body of argument out there that would show that where no-fault systems have been brought in, there actually is a dramatic increase in accidents. Now, you could always say why would people go out and deliberately drive carelessly because they know there is a no-fault system. The fact is that there is a body of statistics that will show that there was an increased number of incidents under no-fault coming on stream. You can go through a number of pros and cons.

* (1110)

My responsibility as I see it is to make sure that all information that is available out there is used in decision making as it relates to policy. I am keeping my mind and my options open, but as you can understand, your original question, I have not made a policy decision, nor am I recommending a policy decision to the Government that we would immediately move to a no-fault process. We do have elements of no-fault in our present system. That is being reviewed. As a matter of fact since I became Minister I think the corporation recommended some increased coverages in that area.

To compare the no-fault that is listed in the Tilling Gas Report to the no-fault that is in Manitoba is like comparing apples and eggs. There is absolutely no resemblance to what is being referred to there, because the total amount that people can collect under the no-fault system is what is listed on that "meat chart." In Manitoba, there is no balance of what people are able to pick up through the tort

system to balance them out, and this becomes very critical for those who are dramatically injured in automobile accidents. The truly dramatically injured person, the survivor, needs to have some assurance that there is a system out there that would allow them to go beyond the "meat chart" in terms of being able to protect them.

Mr. Maloway: Mr. Chairperson, perhaps this behaviour comes with the job and the longevity of the job, but it seems to me that the Minister has become comfortable and has basically become an apologist for the status quo here.

I had great hopes for him when he was first appointed. Just shortly thereafter the Kopstein report was published, and one of the cornerstones of the Kopstein report was a no-fault insurance system. What we have seen from this Minister since then has been a backtracking of it, basically an apologizing for why this cannot be done.

I would prefer that he would be a little more pro-active and start exploring ways to reduce the costs of the insurance system, reduce the premiums to the motoring public, as opposed to sitting back and throwing up his hands and saying well, I will look at it a little more. In fact he has really no intention of doing anything about it, and that is what scares me most.

Mr. Cummings: Is there a question there?

Mr. Maloway: Mr. Chairperson, I have many more questions, but I sense that the Member for Osborne (Mr. Alcock) wants to ask a few right now.

Mr. Leonard Evans: I share the sentiment expressed by my colleague from Elmwood, because as I gather, this is one of the main recommendations of the Kopstein report, the report of the Autopac Review Commission.

I think expectations were raised in the public's mind that this was a system that could benefit everyone, except lawyers maybe, that we could keep rates down and improve the benefits. Quoting from page 3 of the summary of the Kopstein report, this is in Volume I, he says, "Together with the deficiencies of the tort system, the present no-fault benefits are inadequate, particularly for those who are seriously injured and permanently disabled.

"On the advice of a reputable actuarial firm, I believe that increased benefits, including substantial benefits for non-economic losses such as compensation for pain and suffering, could be

offered at lower cost if the tort system were to be eliminated and a pure no-fault system implemented.

"In my opinion the implementation of a pure no-fault automobile insurance system is the issue which requires the most urgent consideration by the Government of the Province of Manitoba, because that system offers the greatest opportunities to reduce costs and increase benefits."

I say that expectations are, on the part of the public, that the Minister, the Government and the corporation will look seriously at implementing some version of a no-fault system. He suggests a pure no-fault system. The Minister has given some reasons why he does not want to move at the present time.

Is he telling us that this proposal is just being put aside and there will be no action at any future time by the Government? This is the main recommendation of the report. What you are saying, you are going to cast aside the main critical recommendation of the report and virtually carry on as though it never existed.

Mr. Cummlings: Mr. Chairman, we are not casting aside either the Kopstein report or any other information that can be brought to bear on providing a sound insurance system within the province.

The Member makes an assumption that using the Quebec plan, \$60 million would suddenly become available to the injured parties in Manitoba. The fact is that probably it would be something like about \$45 to \$50 million that would no longer be available to the injured public, because where do you think the corporation is spending its money? It is going to the injured public.

Mr. Leonard Evans: Mr. Chairman, my understanding was it was the lawyers and the whole system we have in the courts, that it was the judicial process and the legal profession that were benefiting by the present system. Somewhere in this report I believe Judge Kopstein makes reference to the amount of savings that could occur, and indeed to the amount of improved benefits that would occur, that both the consumers, the policyholders, would benefit generally. Those who were in the accidents would get better compensation, and there are numbers in here.

I appreciate you had a subsequent study, but nevertheless the only one, it seems to me, that there is supposed to be a real saving, from my reading of

this report, is in terms of not having to pay out a horrendous amount of money for legal costs.

Mr. Cummlings: I do not think there is any actuarial way of demonstrating what percentage of those savings are totally the legal bill. I am certainly not an apologist for the legal community, but the sum that is being referred to is the amount that would be saved in payout. A good portion of that is money that would be paid to the legitimately injured in the province.

Those are the kinds of broader discussions and broader policy decisions that are part of this Government, or should be part of any Government, in talking about whether or not you are going to take away people's rights to the tort system. Improvements year by year on the system that we have here need to be watched closely and if they can, meet adequately the demands of the public and the concerns of the public.

* (1120)

I think, you know, the two New Democratic Critics have continuously referred to the fact they believe the public mood is there, that the demand is for no-fault. If that is the case, it has not been manifest to me. The only advocates of the no-fault system that have approached me in any manner are sitting across the table from me right now.

Mr. Leonard Evans: I would say that it is not only the two people here. I would suggest anyone who studied this report, if the public of Manitoba were made more aware of the contents of this recommendation, you would find that demand being demonstrated. It is not just the Members of the New Democratic Party. This is a report of His Honour Judge Robert L. Kopstein.

I just want to conclude by stating I would gather from the—

Mr. Alcock: Was he not a Member of the Party too?

Mr. Evans: I do not know, I honestly do not know. I would get the impression therefore, from all of the Minister's remarks, the bottom line is that this Government will not move on the no-fault system. There is absolutely no way that we are going to get a no-fault system with the present Government. It is put aside. The decision has been made.

As long we understand where you are on this, we will note it and have it for reference for the future, that this Government—see, I look upon the automobile insurance—I agree with the Minister. I

think we have a good system. We brought it in about 20 years ago. It is not perfect, but I think it is the best that you will find anywhere, among the best. The people of Manitoba generally like it. They would definitely oppose privatization.

This is another question I was going to ask the Minister, if the Government was ready to privatize the company, because I know they are ideologically inclined toward privatization, as they privatized part of it already.

I want to get it on the record. I am not trying to put words in the Minister's mouth, but I would say the conclusion, from what the Minister has said, is that no-fault system is dead. The corporation has evolved over the years, it has made improvements and so on. This is another step forward in our opinion, and this Minister is not prepared to bring the system another important step forward. If that is the case, fine.

Mr. Alcock: I thank the Member for Brandon East for his brief remarks.

Mr. Leonard Evans: You should hear my long remarks.

Mr. Alcock: I was sincere in my thanks. I have heard your long remarks.

I just have a couple of questions, because I actually share some of the concerns that the Member for Brandon East (Mr. Leonard Evans) has mentioned to this extent. There was an independent review done that did look in great detail. I would just like a couple of questions for clarification.

When I look at the schedule of expenses, I see a figure here of \$33,458,000 for something called claims expense. What is that in particular?

Mr. Bardua: Claims expense, Mr. Chairman, includes all of those expenses necessary to settle claims, including the salaries of our adjusting staff, the facilities that they are in, legal fees that might be incurred and so forth.

Mr. Alcock: Could we pick out of that the actual figure for legal fees?

Mr. Bardua: There are actually two numbers that impinge on that. The cost of operating our in-house legal department is about \$1.6 million for the fiscal year 1990. In addition to that, there are those expenses which are charged directly to claim files for outside legal help when we need to retain that, and that runs just under \$1 million for the last fiscal year available.

Mr. Alcock: Am I to understand that the total legal costs involved in operating the division right now are about \$2.6 million?

Mr. Bardua: Yes, those are defence costs. Of course, we have no idea what the plaintiffs' costs are.

Mr. Alcock: I understand. I am surprised frankly, given the arguments that are made about one of the major advantages of no-fault being to eliminate that sort of process and thereby produce some decrease in cost. That does not strike me as a huge amount of money, given the overall size of the corporation.

Did the Minister say in his response to the Member for Brandon East that his concern about no-fault was related to a concern about the severely disabled? Was that the gist of your concern?

Mr. Cummings: That is one area I would want to make sure I was very clear on my understanding of no-fault implications. One of the things that raises that flag is, under a settlement under no-fault, you would have a monthly amount. There are examples under no-fault systems that have been brought to my attention where there is no adequate reimbursement for some of the traumatically injured.

Now, no-fault system has often been put forward as a protector of the injured. It also has been put forward as where it takes off some of the less—the minor injuries are stroked off the bottom end as well, but in terms of recognition, for example—and the Member for Osborne (Mr. Alcock) I think would have some feeling for this—a "meat chart" process does not acknowledge the circumstances of the injured party prior to the injury. As I have often said, my arm is not as valuable probably as that of a surgeon whose only means of making a living is as a surgeon.

Those types of comparisons are not allowed for in a no-fault system, and that is where additional insurance comes into play. That is why in Manitoba I would think that the Government of the Day—aside from all the arguments they made about cost, one of the arguments of going to a mandatory system is so that it is a social approach. That person must have the insurance not only to protect the public but so no one is left out there holding the bag. In many ways that is very difficult to deal with under a chart type settlement.

Mr. Alcock: Mind you, having seen the Minister use his arms in debate, I am not certain I agree with his premise. Just stepping back from the ideological

debate that does tend to go on at this table, has the Government ruled out an examination of no-fault entirely in the foreseeable future?

Mr. Cummings: Basically, I was being cute when I did not answer the Member for Brandon East (Mr. Leonard Evans) in his statement, because I was tempted to accuse him of putting words in my mouth, but the fact is I am clearly saying that I am not tying the hands of myself or the Government in saying irrevocably that no portion of these types of reports and information will be considered.

I am prepared to recommend at any time that I can be shown the complete value, that we will modify, change, enhance. Because we have a mixed system today, I think we have the opportunity to do that, much more than in other jurisdictions.

* (1130)

When I referenced the proposed plan in Ontario—and I cannot give you all of the different aspects of it, I am not even sure that somebody in Ontario could give them to you very readily—in a sense what happened there was that Government ended up foregoing revenues, for example, premium taxes and things of that nature, in order to come up with a package that said see, we can get you cheaper insurance. Somebody was going to end up paying for that, because now we see Ontario is headed into a deficit position which is very new for them. Every draw on the treasury, including what they are doing in the insurance field, is going to have an impact.

We came through that here. We have seen write-offs to our public insurance system. That is why it needs to be run carefully, and there should be no options put aside. If we are going to be faced with uncontrollable costs, the corporation will have to use whatever tools are available to them. It is our job under policy to make sure they have those tools, regulatory changes, et cetera.

Mr. Bob Rose (Turtle Mountain): I hesitate to bring this up, but at such a high level, but it is probably one of the 78,000 minor inquiries you were talking about earlier on there. We do have some concerns about the claim forms on glass, and perhaps they are no different than other claim forms, I do not know.

To use a specific instance, a friend was driving down a residential street in Brandon last summer, and one of the city lawn mowers tossed up a small rock or boulder and took out the back window. When

he went to file his claim, the adjuster insisted on knowing why he was on that street at that particular time of the day. My friend is kind of a feisty individual, and he was pretty much of the opinion that it was nobody's business why he was on that street at that particular time of the day.

In a more general nature, we live in a rural area and drive on gravel roads. We pretty much use the approach that when the windshield gets so bad you cannot see through it, you go and get a new one. We have become accustomed to preparing our fairy tale beforehand as to where we were driving, at what time of day and what the weather conditions were, et cetera, in order that we can have our claim made out.

We would not mind doing these things if we knew there was a reason for them. Is there some statistical information gathered from when a windshield was taken out, or is this just part of the form that has to be filled out?

Mr. Bardua: Mr. Chairman, one of the criteria for determining the correct rate for a vehicle is its use. Consequently, when people present claims, our adjusters are obliged to determine what the vehicle was being used for at the time of the loss. It is not so much a matter of why someone was driving down a particular street at a particular point in time, as was the vehicle being used for business or pleasure, or was it being driven to and from work, when it might only be insured for pleasure use? It is necessary for our adjusters to make those inquiries, because that is the nature of their job, and yes, we do keep statistics on those things, so that we know what to charge for the various use classes.

Mr. Maloway: I wanted to draw it back for a second and deal more with the no-fault system. The Minister had made some comments just a few minutes ago regarding the no-fault system. I wanted to make it clear that the Workers Compensation system, as we know it across this country, is what is known as a no-fault system.

Years and years ago, because of the tort system, a worker who was injured would have to sue the employer, and the worker might be dead before he or she saw anything out of it, so Governments of all political stripes in the early 1900s set up Workers Compensation Boards to allow for a quick settlement. As well, the employees had to waive their right to sue.

That system has worked rather well over the

years in that the employee does not have an interruption of salary, is allowed to feed him or herself, and in recent years certainly Workers Compensation plans have allowed for rehabilitation. I know that when a big award is made, it gets all the press, so there is a report of a certain individual who received \$4 million for such and such a type of accident, but what the public does not see in reality is it sometimes takes six, eight, 10 years for that settlement to be made, and the individual has to suffer through that period of time not knowing what is going to happen. Many people have died not knowing what the final resolution was going to be, and throughout that process the public is paying for all the inherent costs of the legal system and so on.

I think it bears repeating that a no-fault system can be constructed and should be constructed in a very humane way to allow for people to not be interrupted in their normal life and to allow for, as quick as possible, a rehabilitation program, because I can give you lots of evidence of people who have private insurance plans who only find out what the hell it is they bought after they have had an accident, and more often as not, they find out they do not have what they thought they had. That is a further argument for a no-fault system. I know that we could go on all day on this particular point and probably on several others as well, but I would suggest that if the Government had the will and was prepared to explore the no-fault system, a system could be devised that would counter all the arguments that he is raising himself.

Given that the Minister and the Government have no intention at this time of exploring a no-fault system, are there any other areas that this particular Government is looking at to reduce the cost of the Autopac system so that the motorists of this province do not have to pay excessive increases in the coming years?

Mr. Cummings: Mr. Chairman, the Member ignores the fact that even under our present system there are no-fault benefits and ignores my comments that we are quite prepared to use in the present system any other information that we can acquire and management techniques, in order to make sure that we have all the requirements for proper insurance coverage in this province. The Member says, "What other directives or what other approaches might be used."

I do not think that I can get into a debate on specifics in that area, simply to acknowledge

however that there are a number of things that the corporation could do. It would be entirely speculative to suggest any direction that could be used, but as the Member knows, when the corporation was set up, its regulations are there for them to operate by. The benefits and the expenditures have to be watched closely, and there are a number of things that they can do. To discuss specifics either from me or from any member of the corporation would do nothing more than generate discussion on pure blue-sky theorizing, and I do not think it would be beneficial to the understanding of the people of the province.

Mr. Alcock: Actually I just have one follow-up question on the question I asked Mr. Bardua earlier about the legal fees, which he detailed at \$2.6 million in round terms. Would it be fair to assume that, given those are the defence costs, the people who are proceeding with those claims, the prosecution costs if you like, or the plaintiffs' costs, would be roughly equivalent to that?

* (1140)

Mr. Bardua: No, I do not think that is a fair assumption. I would suspect that plaintiffs' costs would exceed that by some margin. It would be speculation as to what it would be, but plaintiffs' costs are most frequently paid out of the settlement on a contingency fee basis, where the lawyer would agree to take the case based on some percentage of the final settlement, depending on how far he had to pursue the settlement. It is anybody's guess as to how much of the money going to the injured party actually ends up in the hands of his lawyer.

Mr. Cummings: A piece of information I wanted to add that I think is relevant to the discussion here is that the no-fault benefits paid in 1989 were \$19 million under our present system and in '88 were \$15 million.

Mr. Alcock: I would like to move into a different area if I may. It has to do with the claims policy, and I was interested in Mr. Rose's raising the question of glass. Mr. Bardua may recall an exchange of letters we had a year or so ago on a particular case, and I do not necessarily want to get into the specifics of that case other than to deal with the policy question that, for me, arises from it. It was the position of the corporation that it somehow is able to ascertain fault, to apportion responsibility for accidents over and above the decisions of the court.

In the case involved, the corporation originally

assigned responsibility for a particular accident based on a police report which had the police charging the one driver with having violated a statute. That driver went to court, he was judged innocent, and the corporation nonetheless refused to change its apportionment of fault. I to this day do not understand how the corporation can place itself in a position above or beyond that of the court.

Mr. Bardua: Of course we try not to do that, but charges arising from violations of The Highway Traffic Act and failure of the police to gain a conviction on those charges does not necessarily absolve the person charged of civil liability.

Let me give you an example if I can, because that is frequently the best way to deal with these things. Frequently at intersections controlled by traffic lights, when a collision occurs, someone has gone through a red light. If there are no independent witnesses, the police will frequently lay a charge based on the best information they can ascertain at the scene. One of those individuals will find himself before the court charged with violating a traffic signal. In order for the police to gain a conviction, they must prove that point beyond a reasonable doubt, and so very frequently, because of the lack of other evidence or the failure of another witness to show or the failure of the police officer to properly prosecute the case, the charge will be dismissed.

Nevertheless, based on the preponderance of evidence available from the scene, it is our determination that the person did in fact violate the traffic signal and therefore is 100 percent responsible for the accident, notwithstanding that the charge under The Highway Traffic Act has been dismissed. We therefore find that way. The avenue of appeal for that person is that he can take the other party to small claims court and have liability adjudicated in that forum if he believes that we are incorrect in our assessment. We try not to place ourselves above the courts, and there is always recourse to the courts when people believe that we are incorrect.

Mr. Alcock: If I understand you then, you are saying that the recourse is to go to small claims court to try to claim from the other party. Is there not an appeal course through the corporation itself? Is there not some way for an individual, within the corporation, to appeal decisions of this sort?

Mr. Bardua: We have internal mechanisms, yes. If a person is not happy with an adjuster's decision,

he can speak to the adjuster's supervisor or the claims centre manager. If he is still not happy with that, we have our customer inquiries line where we have customer service representatives who will investigate on behalf of the complainant. Those avenues of appeal run all the way up to appealing to myself. I frequently get letters from people saying they do not agree with liability decisions, and we make every effort to research those and ensure that the decision was proper, but failing all that, there is still the independent avenue of going to small claims court.

Mr. Alcock: Mr. Bardua directed my attention to small claims court to claim from the other party in the accident. Does one also have recourse to go to small claims court against the corporation? Is there a means of appeal beyond the corporation?

Mr. Bardua: The small claims court rules were changed recently to permit people to go purely for the purpose of having liability adjudicated. It is no longer necessary to make a claim against another individual, but simply to go and have liability adjudicated, so that avenue is open, yes.

Mr. Alcock: I have another issue that I want to bring to the attention of Mr. Bardua, and he may or may not choose to comment on it. This does not quite fall into the category of gratuitous comment, but I have been approached by two individuals, both of whom I know, and feel that the information is reputable, that had teenagers who were involved in hit-and-run accidents, that is that one of them had her car hit in a parking lot. It was at the Winnipeg Canoe Club, as a matter of fact, and she came out and found the car was damaged, a young girl of 18 at this point. The other circumstance, it was a boy of 19 who had his car damaged in front of his house. The windows were broken and that sort of thing. In both cases, when they approached the corporation, took the cars in and went through the process, both of them were threatened with being charged with fraud. They said "why?" and they said the adjudicator had made that particular determination from the evidence at hand. In both cases, these kids were a little taken aback, got hold of their parents, brought the parents in, and the adjudicators immediately backed off.

The gratuitous comment that was made was that it is routine because teenagers do it all the time. If it is simply gratuitous comment, then I think the corporation should look at its practices or speak to its adjudicators about it, but it comes to me from two

very reputable sources. I was a little surprised by it, frankly.

Mr. Bardua: I would appreciate it if the Member would provide me with specific information so that I could look into those two cases.

Mr. Alcock: I will do so.

Mr. Cummings: In reference to your earlier question, Mr. Alcock, some of the rationale, as I understood it, behind the adjustment to small claims court was to accommodate just the type of issue that you are raising, to make sure that it was easier to adjudicate fault.

Mr. Alcock: I would like to address this to the Minister, because I do not think it is fair for Mr. Bardua or the corporation for us to get into a banter on this now. I will proceed with that question, not this one with the kids, but with the earlier case. I think I will go a little further with that now.

(Mr. Marcel Laurendeau, Acting Chairman, in the Chair)

I want to ask the question to the Minister, because it strikes me that when you have a monopoly in place and you have only one source to go to, the corporation has to be additionally vigilant in ensuring that it is as fair as it can be. Certainly I appreciate the position that the corporation is in, because anybody who gets a claims adjustment is going to want to get the best possible adjustment, and nobody likes to be adjudicated against, so you are in a position of making difficult choices all the time.

I will confess to being surprised by this case where the adjuster's report did indicate that they were making the determination of responsibility based on the police report and the police decision to charge, that the individual was told that if he went to court and got a different judgment, and that is in writing, the corporation would review the case. He went to court, he was found not just not guilty for failure of evidence—he presented evidence and brought witnesses in—he was found innocent, in fact the way the situation had been described was not possible—and was absolved of any responsibility by the court.

* (1150)

He went back to the corporation saying okay, I have fulfilled your requirements, and the corporation has still refused to relieve him of that responsibility. I have been through the file rather carefully. I will

have the debate with Mr. Bardua privately if he prefers. I do not want to take advantage of this position to do that, but it just strikes me, Mr. Minister, that there is a need here to—because at that point a person is faced with a really difficult decision to incur significant cost to go further. This was a very small matter; it was not a major accident. We are talking of some few hundred dollars worth of body damage to a van I believe, but the person was so offended by the attitude of the corporation and felt so powerless in the face of this corporation that to this day they bear a considerable amount of resentment.

Mr. Bardua: I wonder if I might just clarify one thing, and it is probably just a question of semantics or terminology, but when the individual you are speaking about appeared in court, he was not absolved of all responsibility for the accident, he was absolved of the charge which was laid against him for violation of The Highway Traffic Act, and there is considerable difference between those two things. That probably is something we should talk about off-line so that you and I can perhaps understand each other better.

Mr. Maloway: I have some questions concerning the investment schedule of the corporation, and I guess there is someone here who could answer those questions. I was really interested in knowing what the total value of the investment schedule was to date and what the average interest rate was on these investments. If it is not possible to give me that, that is okay. I will go through some on an individual basis.

Mr. Cummings: It will be available in a minute.

Mr. Maloway: Mr. Chairman, I will ask the Minister a political question then while that information is being drawn. We have an investment, the corporation has an investment in the Government of Canada—I assume it is Government of Canada bonds or Government of Canada paper—of about \$45 million. I wonder if the Minister would entertain the idea perhaps, in protest against the GST, of the corporation cashing these in and perhaps reinvesting them somewhere else. Has the Minister ever thought of that?

Mr. Cummings: That is the investment of the corporation, which I think would amount to a considerable amount of intervention on my part. At the same time, they are responsible for managing a portfolio to make the most money for the corporation

in order to protect the insured in this province, so I would suggest in the management of that portfolio that we do not deliberately take money away from them.

Mr. Maloway: Perhaps the Minister could tell me what the guidelines are regarding investments, because the Minister is certainly aware that in today's environment, people are concerned about ethical mutual funds and environmentally safe and friendly products and so on, and I wondered whether the Government has any guidelines for the investments of its corporations such as the MPIC.

(Mr. Chairman in the Chair)

Mr. Cummings: The investments as outlined here are handled by the Department of Finance for the corporation. I do not have the background, and I do not suppose anybody at this table has the background as to the rationale when each investment was made, but the basis of any investment, the same applies to where we borrow, as to what is the best return on the investment, what the prognosis is for the future of that investment, and to give the best possible return and balance to the portfolio. If the Member wishes to get further information, I could acquire that, but that is the limit of my background on these investments.

Mr. Maloway: I believe Mr. Bardua has an answer for me.

Mr. Bardua: The effective yield in 1989 of our investment portfolio was 11.8 percent, and the total investments at the end of 1989 were \$538 million.

Mr. Maloway: I assume then that since a lot of the money is invested in Manitoba hospitals, Manitoba schools, in municipal Governments and so on, regardless of that fact though, the Government does get a market yield for those investments. Is that not the case?

Mr. Bardua: We feel that our investments perform very well for us, and as the Minister pointed out, we have no direct control over those investments other than to indicate to the Department of Finance what our short-term and long-term needs are, but the investments are all done on our behalf by the Department of Finance.

Mr. Maloway: I understand that the Department of Finance does make the investments, but surely the corporation does have some say or can make some recommendations to the Department of Finance. I had another question, actually two. One I asked several years ago concerning Ontario Hydro. We

had a large investment in Ontario Hydro, and at the time Ontario was involved in nuclear power stations and so on. I asked at that time whether or not the corporation might not ask the Department of Finance to withdraw the investment from Ontario Hydro because of its involvement in nuclear development. I do not think I received an adequate reply at the time, but nevertheless I am prepared to ask the question again. -(interjection)- Well, it was Liberal Ontario then.

Mr. Cummings: Is the Member asking that we withdraw our investments from Ontario as a result of the recent turn of events?

Mr. Maloway: No, I am asking the Minister whether or not there are any guidelines that the province has for ethical investments or investments of an environmentally sound nature.

Mr. Cummings: Mr. Chairman, obviously the Department of Finance has a responsibility to make sure that they have a secure investment, that we do not invest in high-risk areas, and that we get the best return. What other criteria are applied beyond that I do not have at the top of my head or I do not have direct experience with, but let us make it very clear. The critic has often said that we need a public insurance corporation here in order to support the hospitals and the schools of this province, but do not forget that it is a portfolio. Somebody is paying for that money.

If those facilities can get their money cheaper somewhere else, they probably will. The investments that are here are made also to make sure there is a return for the corporation, or you are going to have the car drivers of this province subsidizing the hospitals and the schools. Is that what he advocates?

Mr. Maloway: Mr. Chairperson, I never at any point suggested that we should be giving a reduction or we should be letting out our investments for any less than market. I have never suggested that. I asked the question as to whether or not the hospitals, schools, municipalities were paying a market rate. I was assured they were. I know from the past that they have been paying a market rate for some time.

What I am asking the Minister is—and he has already informed me that to his knowledge the Government has no guidelines. The Minister should also be aware in the market today there are ethical mutual funds that perform as well or better than the market that invest in proper equities, in proper

areas—do not buy cigarette stocks and liquor stocks, and do not invest in South Africa and so on.

I see here a number of investments in Ontario Hydro. I see Quebec Hydro. Quebec Hydro at the current time I believe is involved in some nuclear plant development. It is also involved in building a huge plant up in northern Quebec where the natives are very, very upset about what it is going to do to the environment. This Minister is also the Environment Minister.

I had also suggested that in view of the province's supposed opposition to the GST, perhaps it should consider withdrawing its investment in the Government of Canada.

*(1200)

If you withdraw these investments, there are a lot of other markets that are willing to take your money. There are a lot of ethical places that one can put this money, so just because it is an ethical place does not mean you are going to get a lower investment.

Mr. Cummlings: The Member is groping. The fact is that the people of this province will expect a balanced portfolio with a reasonable investment. If he is trying to link Ontario Hydro and nuclear reactors, then I that presume he is very much in support of the fact that we are selling them hydro under a more reasonably developed process from Conawapa.

He would not want, I do not think, to make that comparison. I think what should be clarified is, however—he implied that I said there were no criteria. I am telling him I do not know of any other criteria. If he wishes to pursue that question further, other information can be acquired, but if he is asking me on what basis investments are made that are shown here, as with all other investments in the province, we have to examine the stability of the portfolio on one side, along with certain things when you get into foreign investments which also are a different matter. You are a lot better off to be investing in Canada and Manitoba than to be looking to Zurich and even to the Eastern Rim to get money for investments when we have a good opportunity to develop a portfolio here.

Mr. Maloway: Perhaps the Minister could get back to me at the next meeting then with an explanation of what the Government policy is regarding the investments.

Mr. Cummlings: No problem.

Mr. George Hlckes (Point Douglas): I just have a few questions. As a lot of people are aware, Point Douglas has a very high crime rate in the constituency, and I would just like to ask the Minister what the policy of the Government is for break-and-enter and theft insurance. I will give an example where an individual had moved into the area, had insurance for 18 years, had two break-ins in one year and the following year had another break-in, and now it is impossible for him to get insurance coverage anywhere. I am just wondering, is that a standard policy?

Mr. Cummlings: I presume you are talking about a residence, not a car.

Mr. Hlckes: It is for household goods.

Mr. Cummlings: The MPIC is no longer selling household insurance. There are a number of times during my experience as Minister when we have refused insurance. Very often, where there are multiple break-ins or vandalisms, it very often is a situation that I have seen where insurance may be denied by one company and picked up by another. There are a number of times that that has happened as well, both between public and private insurance.

Mr. Chairman: I would like to remind all Members that the business before the committee today is the Annual Reports for the Manitoba Public Insurance Corporation for the fiscal years ending October 31, 1988 and '89. I would ask that all line of questioning be relevant to the two Annual Reports being considered today.

Mr. Leonard Evans: Mr. Chairman, there are a number of questions we would like to pursue in general insurance, but I will not do it at the present time. There are some other basic questions that we would like to pursue as well, more general questions, but I would like to spend a bit of time on some specifics.

One is with regard to the whole question of dismantling, the possibility of dismantling automobiles and selling the parts. This is something that was considered years back, and it has often been said that the corporation could earn some additional revenue and thereby have an income that would help to contribute to keep the rates down, which would therefore benefit everyone.

In other words, what the corporation would then do would be acquiring the write-offs and actually dismantling them, in effect getting into the, not directly necessarily in the used parts business, but

to disassemble them and then maybe wholesale them to the private sector or whatever, but the point being to utilize this system as a means of earning additional revenue or additional income for the purpose of keeping the rates down. There has been criticism, Mr. Chairman, of write-offs being somehow or other back on the road later on, and this leads to unsafe vehicles being on the highway, on the roads, when they should not be.

Mr. Bardua: First of all, with respect to our salvage operations, this possibility of us engaging in the dismantling the vehicles and selling the parts has been studied on more than one occasion in the past, and particularly we compare our current salvage operations to those offered by the Saskatchewan Government Insurance where they do have what they would refer to as a stripping mill. Our operation, the way we currently operate it, is more profitable than theirs in the sense that we auction vehicles off as an entire vehicle, and the private sector tears them apart and sells the parts to the body shops to put back on vehicles. That system seems to be working quite well.

We would like to see more used parts available, and we are working with private industry to try and computerize their inventories and make their inventories more available to us so that we will know what is out there when we get a wrecked vehicle, but generally speaking, we are trying to avoid a large capital expenditure which would be involved in getting into the stripping business.

Mr. Leonard Evans: I can appreciate the need for some capital expenditure, but hopefully it would be an investment that would provide an adequate return. It seems to me selling a wrecked vehicle through an auction gives you a certain amount of money, but the people who acquire these wrecked automobiles make many times that value by simply selling the individual parts, a good door, a good wheel, some parts. When you add up the parts, here is a case where the sum of the parts is greater than the whole. It is a reality. Someone who buys a wrecked vehicle for \$500 or whatever can make many times that in stripping it and selling the individual parts. I am surprised that this would not be an area for the corporation to get into in order to earn additional revenue.

Mr. Bardua: Our studies in the past have indicated that, taking all things into account, our current method provides us a greater yield. For the year ending October 31, 1989, for example, the net return

on operations from our salvage division was just over \$9 million. We do not think we can improve a great deal on that.

Mr. Cummings: I guess I am a little bit concerned by this line of questioning. The Member is encouraging that we expand Crown corporation involvement. The last time we saw, in recent history, expansion of a Crown corporation in order to make money was expansion into general insurance which we are now writing off some \$20 million, \$25 million, so let us not dwell on this too long. I think there are probably other more pertinent questions the Member might want to ask.

* (1210)

Mr. Leonard Evans: Mr. Chairman, if you want to take the Minister's logic to its conclusion, he would ultimately be advocating the complete removal of the Government from the automobile insurance business. That is the conclusion of your logic. I would be interested in knowing whether that is the Government's position. -(interjection)- We will. We will get into this issue another day. -(interjection)- I am in favour of the corporation earning as much revenue as possible to keep the rates down as low as possible for the people of Manitoba.

There is a specific recommendation in the Kopstein report on page 13 related to salvage recycling in regions, and I will just quote the sentence here, "that MPIC investigate the feasibility of establishing regionally located salvage recycling operations where it may be economically sound to do so and where no privately owned salvage facility exists." I was wondering whether the corporation has studied that and if they have anything to report.

Mr. Bardua: Could the Member give me the specific recommendation number?

Mr. Leonard Evans: Recommendation No. A13. It is shown on page 13.

Mr. Bardua: Mr. Chairman, that recommendation is under study by the corporation and we anticipate the initiative will be concluded sometime during January 1991.

Mr. Leonard Evans: I thank Mr. Bardua for that information. I am pleased that they are following up on the recommendation. It seems to me there is a side benefit here to be involved in the salvaging business. I am talking about various outlying areas in particular, certain rural areas where frankly you have the question of proper recycling. We are very conscious in this society today to recycle, whether

it be aluminum cans or newspaper or whatever, and certainly cars have traditionally fallen into a recycling pattern, and I think whatever we can do to improve the landscape as well. It seems to me that we have unsightly areas of the province, particularly I notice in some rural areas, you go down a lovely road, a lovely countryside and, bingo, you hit this group of cars, and it seems to spoil the scenery.

Regardless, the president has said they are studying this and we will get a report by a year from now, or I am sorry, was it January 1991 or '92? Will the corporation make the report public, or will there be a comment made on it at that time? Will the chair of the board release a statement or something to that effect? I guess it depends on what decision is made.

Mr. Bardua: It will depend totally on what the decision is. If we decide to change our current course of action, we will release the information in due course.

Mr. Leonard Evans: Okay, I would like to go on to some other specifics of the Kopstein report. Recommendation A.02, through the Special Risk Extension department, "and jointly where necessary with the division of Driver and Vehicle Licencing, the corporation develop a greater flexibility to design insurance products or features for special cases." What action, if any, has been taken in that connection?

Mr. Bardua: Mr. Chairman, I do not have any specific information related to our actions on that, but we do have a strategic initiative under way in that area. I would also add that we really have all the flexibility we need in terms of our SRE products, and where there is market demand we, generally speaking, come up with a product immediately to meet it.

Mr. Leonard Evans: I will not dispute what the president is saying, but I find it rather strange that the commission's report talks about the need for greater flexibility as though that were not possible. I do not know what was involved there. He specifically states through the Special Risk Extension department, the corporation develop a greater flexibility, sort of implying a criticism there that maybe we have not been imaginative enough in coming up with different packages to offer to the driving public.

Mr. Bardua: I think the specific concern that led to that recommendation had to do with large trucks,

which last year we exempted from the Autopac program and are now able to insure under SRE. I think that was the specific.

Mr. Leonard Evans: That was it? I see. Thank you. Although Judge Kopstein does not make specific reference at least here to the kind of vehicle -(interjection)- I thank the president for that information, although there is no specific reference made to any type of vehicle in this recommendation.

Another recommendation was A.06, that the MPIC Act "be amended to relieve the corporation of the responsibility to defend an insured who is sued in the small claims court for the recovery of a deductible on a vehicle repair claim." I do not recall if the Minister has brought in any amendment to the corporation Act in this respect. I would like to ask him if he could update us on that.

Mr. Cummings: No, but I think there is an issue there as to what is the general practice in the insurance industry, and in the light of that I have not brought in an amendment as this point.

Mr. Leonard Evans: Is the Minister then inferring that he does not ever intend to bring in an amendment on this, or that there is a possibility that he will do so within the next year or so?

Mr. Cummings: I think I provided a response to Members of the Opposition back in the spring, where I indicated that we have responded to a vast majority of the Kopstein issues. Some of them are still under consideration, and this is one of them.

Mr. Leonard Evans: Being under consideration then means that it is not totally out of the question, that there is still a possibility of it coming forward. I would imagine Mr. Chairman, that the Minister may be guided by the recommendations of his staff and the board of MPIC in this respect.

Another recommendation, A.07, maybe the Minister can answer this, "That the provincial Ombudsman be promoted as a resource for information to people who feel aggrieved by the decisions or directions of an adjuster for bodily injury claims concerning the no-fault benefits." Has the Minister any comment on that?

Mr. Cummings: There were a number of recommendations regarding the Ombudsman in the Kopstein report, and interestingly enough the Ombudsman has the capacity and can be used at any time by the public under the circumstances that are referred to in the report. Certainly we agree to continue with that practice, but it did not require any

amendments in order to make that capability available to him.

Mr. Leonard Evans: I was not suggesting that it required any amendments of the Act. The reference is to promoting the Ombudsman as a resource for information. It seems to me that many an MLA gets inquiries from various policyholders who are concerned with the corporation generally, with a decision made by the corporation generally, whatever it may be. I am sure probably every MLA around this particular table has been phoned by a constituent with a complaint, feeling that they have not been treated fairly or whatever. I think the intent of this, even beyond this particular point of bodily injury claims re no-fault benefits, in the generality there may be some value in being able to tell the public that if they are not satisfied with the decision of the corporation or directions of an adjuster, they would have an appeal mechanism.

* (1220)

People often phone and they feel very frustrated. They do not know where to go, so they end up going to their MLA, who in turn usually writes to the corporation or whatever conveying the item and asking for review. It would seem to me that if there was greater knowledge of a review process, whether it be the Ombudsman himself, which tends to be rather complicated in a sense, because the Ombudsman, once he or she gets the complaint, has to make a decision of whether it warrants the research, the time of that office. If they do it, it usually requires a lot of time and energy. It seems to me that a public knowledge of some review mechanism might make it easier on everyone, including MLAs who get these specific inquiries and are then feeling obliged to assist their constituent by going after the corporation and asking the corporation to review the matter. I believe there is some kind of a review set-up in the corporation, but I do not know whether the people are knowledgeable of this. I guess what I am asking is whether there should be promotion of the idea that there is an appeal mechanism that people can go to if they feel aggrieved.

Mr. Bardua: Whenever people indicate that they are dissatisfied with any aspect of our operation, we ensure that they are aware of all the appeal mechanisms available to them, including their access to the Ombudsman. We frequently point out his availability to those people who are not satisfied with our internal review processes. I should also mention that we are currently examining all of our

internal review mechanisms to ensure that they are adequate, so that we can put in place anything additional if it is in fact necessary.

Mr. Leonard Evans: I am not clear on how the corporation advises its clients re review mechanisms. At least the people who phone me with complaints do not seem to be aware that there is a review mechanism in place. They have been given a decision, and they may be wrong in their views, they may be right, I do not know, I am not judging, and I think by and large the corporation is fair, I really do. By and large, I think it is very fair, but nevertheless, people are usually very irate as well by the time they want to phone their elected representative. I am sure the Minister has had cases himself over the years where people phone about a particular complaint over the way they have been handled, the decision of the adjuster -(interjection)- I do not know what lesson that tells us. I do not know what lesson there is in that. Nevertheless, is it common then to hand out a piece of information to someone who has just been given a decision on the claim to say if you do not like this, you can go to this review office within the corporation? Just how do you handle that?

Mr. Bardua: We have a brochure that deals with appeal mechanisms, and it is available in all our claims centres and in all our agents' offices. It is usually prominently displayed on the counter along with a number of other informational brochures. That appeal mechanism brochure goes through all of the various steps that a person can follow, depending on the nature of his unhappiness, if you will. I will be happy to send the Member a copy.

Mr. Leonard Evans: Mr. Chairman, I would welcome a copy of that brochure. For the number of calls that I have had, it seems to me that a lot of people are not aware of it. Regrettably, you would think that they would want to follow those steps. Maybe most do, but perhaps it is those who are not familiar with the procedure who end up phoning their MLA. Certainly many MLAs are phoned, and in effect are looked upon as some sort of walking Ombudsman to handle this. Is the president telling us he is satisfied that they are providing enough information—brochure, fine, but we are all flooded with all kinds of material, printed material in particular these days through the mail and other ways, and sometimes people lose sight of information or do not pay attention to it.

Mr. Bardua: I am satisfied we are doing the best we

can in that regard, yes. I would agree with you that we are all flooded with information and generally people tend to disregard information until they need it, and then it is sometimes not around, but certainly anybody who arrives on our doorstep has available to them all of that information including the brochure that I just mentioned.

Mr. Leonard Evans: Mr. Chairman, I have a number of questions I want to ask, but I believe the Member for Crescentwood (Mr. Carr) would like to ask a couple of questions, so I leave the floor to him.

Mr. Carr: I am looking at page four of the '89 Annual Report, and I see nine well-dressed men who represent the corporate officers of MPIC, nary a woman executive in the picture. I would like to ask the president of the corporation why that is so and how employment equity has been administered within the corporation.

Mr. Bardua: The group that you see on page four I inherited, so I cannot comment on why they are male or female. In terms of employment equity, we follow the Government's employment equity policy, and we have a policy on employment equity. I do not have it in front of me, but it is available to you, and I can send it to you.

Mr. Carr: Mr. Chairperson, are women rising within the ranks of the corporate offices of MPIC? I would be interested in knowing what percentage of clerical jobs, middle-management positions and senior positions are occupied by women, and to get some sense if the corporation is trending along the line of more representation for women in senior offices of the corporation.

Mr. Bardua: We are trending along that line, but I do not have any specific information available.

Mr. Leonard Evans: Out of curiosity, I am sure this has been made public, but who is the MLA now on the Board of MPIC?

Mr. Cummings: Eric Stefanson.

Mr. Leonard Evans: Okay, thanks. I see a lovely picture of Mr. Gilleshammer here. I presumed he was no longer and has been replaced—(interjection)—okay, the unlovely picture of Mr. Gilleshammer.

Another recommendation of the Kopstein report: Recommendation 1.13: That a component of MPIC be established to conduct comprehensive internal audits of each function within the organization.

They mention specific functions to be audited, rate making and underwriting, claims administration, information systems, financial administration, general administration, marketing and product distribution. Can the Minister or the chair or the president indicate what action if any has been taken in that respect?

Mr. Maloway: I move that we pass the 1988 report. I do not know whether you want to deal with that before you answer the Honourable Member's question.

Mr. Chairman: Shall the Annual Report for the Manitoba Public Insurance Corporation for the fiscal year ending October 31st, 1988 pass—pass.

Mr. Leonard Evans: It is up to the Minister if he wants to answer it today or start off next day with that answer.

Mr. Bardua: Since the Autopac Review Commission report was handed down, the corporation has hired a manager of internal audit, and we have begun the process of auditing all internal departments.

Mr. Leonard Evans: I have a number of other questions I prepared at start, but I guess it is twelve-thirty.

Mr. Chairman: Okay, being it is twelve-thirty, this committee will rise.

COMMITTEE ROSE AT: 12:31 p.m.