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of the
Legislative Assembly of Manitoba

STANDING COMMITTEE

on

ECONOMIC DEVELOPMENT

39-40 Elizabeth II

*Chairperson
Mr. Bob Rose
Constituency of Turtle Mountain*



VOL. XLI No. 5 - 8:00 p.m., WEDNESDAY, APRIL 29, 1992



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
CARSTAIRS, Sharon	River Heights	Liberal
CERILLI, Marianne	Radisson	NDP
CHEEMA, Gulzar	The Maples	Liberal
CHOMIAK, Dave	Kildonan	NDP
CONNERY, Edward	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, Hon.	Assiniboia	PC
MITCHELSON, Bonnie, Hon.	River East	PC
NEUFELD, Harold	Rossmere	PC
ORCHARD, Donald, Hon.	Pembina	PC
PENNER, Jack	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
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SANTOS, Conrad	Broadway	NDP
STEFANSON, Eric, Hon.	Kirkfield Park	PC
STORIE, Jerry	Flin Flon	NDP
SVEINSON, Ben	La Verendrye	PC
VODREY, Rosemary, Hon.	Fort Garry	PC
WASYLYCIA-LEIS, Judy	St. Johns	NDP
WOWCHUK, Rosann	Swan River	NDP

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT

Wednesday, April 29, 1992

TIME – 8 p.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Bob Rose (Turtle Mountain)

ATTENDANCE - 9 – QUORUM - 6

Members of the Committee present:

Hon. Messrs. Cummings, Stefanson

Messrs. Alcock, Ashton, McAlpine, Reimer, Rose, Storie, Sveinson

APPEARING:

Ted Chiswell, General Manager, Manitoba Development Corporation

MATTERS UNDER DISCUSSION:

Annual Reports of the Manitoba Development Corporation for the years ended March 31, 1990, and March 31, 1991

* * *

Mr. Chairperson: Order, please. Will the Standing Committee on Economic Development please come to order.

This committee will consider the Annual Reports of the Manitoba Development Corporation for the fiscal periods ending March 31, 1990 and 1991. If anyone wishes a copy of the annual report they are available on the back table.

Before we proceed, what is the will of the committee as an approximate adjournment hour?

Mr. Jerry Storie (Flin Flon): Mr. Chairperson, I do not expect that we are going to be too long, but I do not think we should put arbitrary deadlines in front of the committee. Let us simply begin, and perhaps we could begin with the minister giving some sort of an overview of the operations in '90 and '91 and I guess the current status of the corporation as of April '92.

Mr. Chairperson: Then we will consider an hour of adjournment if it is appropriate at a later time.

Does the Minister responsible for the Manitoba Development Corporation have an opening statement for 1990 and 1991?

Hon. Eric Stefanson (Minister responsible for The Development Corporation Act): Yes, I do, Mr. Chairperson, a very brief opening statement. I thank members of the committee for their attendance this evening.

I would like to introduce the General Manager of the Manitoba Development Corporation, Mr. Ted Chiswell, with me here this evening. Other members of the board who are not in attendance, but I will just quickly name them, although they are in the front of the report: Mr. Marcel Taillieu is the Chairperson; Mrs. Grace Gillespie is the Vice-Chairperson; Mrs. Lorette Courcelles, Mr. Arnold Morberg, Mr. Aaron Redekop and Mr. Lorne Sharfe are the other members of the corporation; Mr. Eldon Ross of Winnipeg resigned from the board in March of 1991.

Current officers of the corporation are Mr. Ted Chiswell, the General Manager; and Mrs. Shelagh Russell, the Corporate Secretary.

Under Part I, a substantial portion of the corporation's efforts are directed to administering the ongoing warranty resulting from the sale of Flyer Industries Limited. In addition, there are several Flyer lawsuits outstanding. As a result, we have incurred considerable amounts in legal fees. We believe the provision for warranty as at both year-ends is more than adequate to cover any future obligations.

The old Part I loans are operating satisfactorily and are being collected in an orderly manner.

Under Part II of The Development Corporation Act, MDC administers loans on behalf of other departments, mostly Industry, Trade and Tourism. During the fiscal year, the corporation provided consulting, credit administration, interest calculation and loan payment supervision. The total outstanding loans, net of allowance, was slightly less than that of the previous year.

I would like to take this opportunity to thank the board of directors for the diligence and knowledge that they applied to assist the Manitoba

Development Corporation to experience two successful years.

Mr. Chairperson, I would now be pleased to answer any question that the committee might have.

Mr. Chairperson: I would like to welcome Mr. Chiswell to the meeting this evening.

Does the critic for the official opposition have an opening statement?

Mr. Storie: No, Mr. Chairperson, I do not.

Mr. Chairperson: Does the critic for the second opposition have an opening statement?

Mr. Reg Alcock (Osborne): Mr. Chairperson, in the absence of an opening statement from my colleague from Flin Flon, I will keep this very short.

I am going to be interested, however, in the activities—I see the Development Corporation has become involved with the Industrial Opportunities and Business Support Programs and with the Vision Capital Fund. I am going to be particularly interested in the activities of the corporation relative to those two initiatives, if that is of any help in terms of the preparation that you might want to undertake.

I think this could turn into a rather lengthy discussion given that there is a fair bit of activity that has been pretended at by the government. I would be interested in seeing what substance there is, given the various pronouncements that have been made by the Minister of Finance (Mr. Manness) relative to those two initiatives.

With that, I will pass the mike back to the member for Flin Flon and let us get at it.

Mr. Chairperson: Before we proceed, what is the wish of the committee? Do you wish to consider each report separately, or just a general approach?

* (2005)

Mr. Alcock: Yes, I would like to consider both reports at once and the corporation in its entirety, and then I am prepared to pass both things together.

Mr. Chairperson: Is that agreeable with the committee? (Agreed)

Mr. Stefanson: In terms of the issue raised by the member for Osborne, I think we should maybe discuss that initially. I am certainly prepared to discuss both aspects to a certain extent this evening. When I refer to aspects, I mean the Vision Capital and the Manitoba Industrial Opportunities Program.

I do want to point out, and I am sure the honourable member for Flin Flon knows this, that the Manitoba Development Corporation for all intents and purposes acts more like a financial institution in terms of being a conduit for decisions made by our government and in terms of decisions made on individual Industrial Opportunities Program loans. In terms of the decisions made on the Funding Provision Capital, they are made through my budget process, through Industry, Trade and Tourism.

I would be more than prepared and pleased to discuss those in as much detail and length as honourable members wish. I did not come here this evening with staff from Vision Capital or from my department because of the function that Manitoba Development Corporation performs in terms of, as I say, basically like a financial institution, a regulatory function, that I outlined very briefly in my opening comments.

I am not averse to discussing those in as much detail as members wish. I know the honourable member for Osborne has requested some information on the Vision Fund in particular, which my department is compiling and I anticipate will be ready within the next short period of time, a couple of weeks. We will be tabling that in the Legislature.

In terms of getting into a great deal of detail, I would think the more appropriate would be within the Estimates of Industry, Trade and Tourism, Mr. Chairperson.

Mr. Alcock: Well, just in response, I trust when figures in the order of \$1 million or \$6 million are referenced here, conduit or not, that we could get some detail on what those sums are attached to and why they have been advanced to the various recipients.

Mr. Stefanson: As I indicated, the decisions made in terms of the funding for Vision and in terms of the reporting relationship, Vision also reports directly to my office. One of the conditions of the funding support for Vision was at the midway point in terms of advances of \$15 million that a detailed audit be conducted, which is in the process now.

As I indicate, certainly in terms of getting into the details, I did not bring staff. If that is the wish of this committee at some point, then we will have to adjourn and reconvene to have me bring staff. I do not think this is the appropriate forum to do that. I

am prepared to do it in great detail under my Estimates at that time.

This is not the normal forum to get into that, in my opinion.

Mr. Alcock: Mr. Chairperson, well let us get underway, and we will see what the minister can answer and what he cannot.

Mr. Storle: Mr. Chairperson, I recognize that the member for Osborne has not necessarily been a part of these committees, particularly this one, before, but the minister is quite right.

Normally there has not been a lot of review of individual loans and the criteria used for those loans. It is simply a matter of, I guess, sort of a holding company for all the loans in the province and the administration of the loans.

I would like the minister to outline for us which Part I loans are yet outstanding. There is no breakdown, at least that I can see, unless it is in one of the schedules at the back that I have not reviewed or something.

We are talking about revenue from the Schedule 1 loans of significant dollars. I just wondered if we could have those Part I loans. What is it?—1990 it is \$799,995 and it is almost a million in '91.

Mr. Stefanson: Mr. Chairperson, in terms of the more recent statement that we are dealing with, the Part I loans, which are really the loans made prior to 1977, total some \$5,349,673 to be exact. That is represented by five outstanding loans at that date.

The first one to W. Dunlop for \$16,769; the next one to IXL Industries Limited for \$171,761; the third one is to McCain Foods Limited for \$4,899,844; the fourth one is Russell Inns Limited for \$48,387; and the fifth one is to Joe Stemkoski for \$212,912. Those should total \$5,349,673.

*(2010)

Mr. Storle: So if those loans were pre-1977, are they close to the principal being paid off? I assume these are all still loans in good stead or good account?

Mr. Stefanson: The five loans we refer to are meeting their payment schedules and the simplest might be to give the honourable member the expiry dates, the dates when it would be paid in full. Following the same sequence as I listed the companies, the first one is July 1, '92; the next one is March 1, '92; the next one October 1, '98; the third one July 1, '92; and the last one July 1 '94.

So three out of the five will be paid in full this year.

Mr. Storle: Mr. Chairperson, that is obviously significant revenue for the corporation.

So those five are in Part I. In Part II, the various programs, some of those will be old tourism agreement loans? I am just wondering how many of the loans that are mentioned in here are pre-1985?

Just for clarification, Mr. Chairperson. Prior to 1985 there was an agreement called Destination Manitoba. A lot of small loans were given, and I wondered if MDC carried any of those?

Mr. Stefanson: As you suggested I think, it is certainly an appropriate situation, it is just as well for Mr. Chiswell to respond directly on some of the specifics rather than my being a conduit myself. On that particular question, I think, Mr. Chiswell?

Mr. Ted Chiswell (General Manager, Manitoba Development Corporation): Mr. Chairperson, yes. We do administer the old Destination Manitoba loans. All of them are performing satisfactorily except for two or three.

Mr. Storle: Could you perhaps just share with the committee what the normal rate—I assume there is some consistent interest rate applied to those loans. How does that compare to the interest loan that was applied to the tourism agreement that followed in 1985?

Mr. Chiswell: I believe that the interest rate was half of the Royal Bank prime, and there was also a forgivable element. For example, someone might get a \$25,000 loan with interest to be paid in a \$25,000 forgivable portion.

Mr. Storle: Could we quantify the degree of repayment? You said, other than a couple. Are we about a talking 85, 90, 95 percent completion rate? How much did we have to write off from the—I believe it was '79 to '84 for the Destination program.

*(2015)

Mr. Chiswell: Mr. Chairperson, I was wondering if the member was asking for each year or both years or in total.

Mr. Storle: In total.

Mr. Chiswell: I am sorry, I do not have the in-total figure. I can give you the number of loans and the number that are not performing at that date if you like.

Mr. Storie: Yes, please. I am not anxious to have these numbers. They are not instrumental in some devious plan I have to sandbag the minister. I am simply interested in the numbers. If they can be provided at some future date by letter or through the minister's office that would be completely satisfactory.

Mr. Stefanson: I think the kind of detail—I am going back to an agreement from '88-85. We will undertake to do that. I did not expect that the member for Flin Flon had any devious plan at hand here.

Mr. Storie: Oh, I do.

Mr. Stefanson: Well, that is what I meant, but not on this issue.

Mr. Storie: The Destination Manitoba program had a kind of a different focus. What I was trying to find out was whether in fact the money that was spread out through literally hundreds of different proprietors, tourism operations, whether those were successfully paid off, whether the amount of money that we put in there ended up encouraging, supporting the business versus the kind of projects that we followed with in the tourism development agreement that followed which tended to be much larger projects?

Perhaps, the minister's office can provide, or staff, a sort of comparison of the loss ratio between that agreement and the subsequent one, which concluded in March 31 of '90, just so we can see some sort of comparison.

Mr. Stefanson: We can certainly do that, keeping in mind that under both programs some aspects were forgivable loans and some were repayable. You are saying on the repayable loan portion under both agreements, how successful were we in terms of collections and repayments and so on of those repayable loans.

Mr. Storie: Mr. Chairperson, moving on to the other programs—some of the newer programs that the government has announced, including the Vision Capital Fund, were absorbed, the Small Business loans program, and it is not referenced in here. I am just wondering how they were broken down or were there actually any loans given out under the Small Business Loans program?

Mr. Stefanson: Well, possibly the member could be more specific with what he has requested.

Mr. Storie: If the minister will turn to Part II, Schedule 2, it talks about the Vision Capital Fund. If I recall right, when I read the minister's departmental annual report, it said that the Vision Capital Fund had sort of absorbed the small business—no, not the Venture Capital program, Vision Capital. The Venture Capital program was actually wound down. I do not think the province—in fact, in 1989 the province wound down the Venture Capital program.

* (2020)

Mr. Stefanson: Mr. Chairperson, looking at Schedule 2 that the honourable member refers to, that first item, the original cost, the \$1,250,000 was the amount advanced to the Small Business Growth Fund. Vision took it over, which was a combination of some investments in cash at that time.

Mr. Storie: When the program was announced, it was a \$10-million program, and the minister is saying that out of that \$10-million program, \$1.25 million was transferred to MDC, or was taken up through Small Business loans?

Mr. Stefanson: I take it the honourable member is referring to the original fund announced as being the Small Business Growth Fund being a \$10-million fund and that is correct. At that particular point in time, \$1.25 million had been advanced and was rolled into this Vision Capital Fund—as I say, that combination of investments and cash.

Then, as the honourable member knows, Vision Capital has been structured with different financial commitments and so on.

Mr. Storie: Accidentally or otherwise, the minister has conveniently avoided the question of whether in fact there were any loans given out. This money, you are saying, was transferred as part of an assumption that some loans would be applied against this money.

Mr. Stefanson: I think the confusion is that the honourable member for Flin Flon has been referring to advances and loans. I have been referring to taking equity positions.

Out of that \$1.25 million, some amount of that money was used as, I believe, equity investments, not loans to companies. We could undertake to get the details of what companies were invested in. The remaining balance out of the \$1.25 million became cash for Vision Capital to then invest in future investments. We could certainly provide the details to the honourable member of what those

original loans and/or investments were out of the \$1.25 million.

Mr. Storle: The minister is saying that there are some outstanding loans. There was some loan money provided to some small businesses somewhere, and MDC is still collecting on those loans, and that forms a part of its revenue somewhere.

Mr. Stefanson: The only difference from the comments the honourable member made is that Vision Capital is still collecting. I believe there are actually some equity investments, not loans. We will confirm whether they are equity or loan, but in terms of any repayments, any return, it is going to Vision Capital on those advances.

Mr. Storle: Just moving to the Vision Capital Fund, is the Vision Capital Fund supposedly an equity program or is it an equity and/or loan program? There is that kind of flexibility?

Mr. Stefanson: Mostly, if not all, equity.

Mr. Storle: This may be sort of an esoteric question, but how does it differ then from the old Venture Capital program other than that the Venture Capital program was really a shared equity in that the province and an investor or investors put in the money?

* (2025)

Mr. Stefanson: There are probably at least two fundamental differences and, as I said at the outset, I would gladly get into more of the details during the Estimates of Industry, Trade and Tourism.

The Vision Capital Fund has a contribution from both government and the private sector, so the pooling of the resources is coming from both government and the private sector. Again, the administration of the Vision Capital is being done by, to a certain degree, an arm's-length board reporting back into my ministry.

Mr. Storle: Mr. Chairperson, the minister just described the Venture Capital program as well. Venture Capital, there was an independent board. Albert DeFehr was the chair of that board actually. It was also both private and government investment.

However, I am interested in just how successful it has been. If there are no loans, if it is strictly an equity program, that is fine. Perhaps we could see when the minister's Estimates come up which companies have received the benefit of that equity infusion.

I guess more worrisome, Mr. Chairperson, is the write-off provision. In 1990, approximately \$190,000 was allowed for write-offs and losses. That has ballooned shall we say to \$1.17 million. That is like—what is that, a 1,000 percent increase? I am just wondering how the minister can explain that.

Mr. Stefanson: Once again, certainly when my Estimates come up, I will be pleased to provide details of investments and so on, equity positions taken.

In terms of the write-off and allowance for losses, allowance for doubtful accounts, we have adopted an accounting approach, because equities tend to have sometimes a significant risk element attached to them. For accounting purposes we are allowing approximately 20 percent allowances.

Certainly we do not intend that to be the case. We intend ultimately for all of these to be sound investments and give us a return. The reality of any government equity positions over the years has shown that there on occasion are losses. We have adopted a conservative approach in terms of our internal accounting practice in terms of allowing for them so that we do not get any surprises down the road.

We also do a detailed review of specific advances. In terms of creating an allowance for doubtful accounts, that is the reason for the significant increases. The amount of advances, as you can see, have gone from \$1,250,000 in 1990 to \$7,460,000 certainly because of that significant increase in the allowance for doubtful accounts.

Mr. Storle: I guess, Mr. Chairperson, I am not sure whether the minister assumes that 20 percent is sort of a normal figure. I am sure that if he would speak to Mr. Coffey from the Royal Bank, he would find that certainly other institutions would find that an unusually liberal or, I guess, pessimistic may be a better word, provision.

I am wondering whether some of that pessimism is based on uncertainty with a specific project or is it just an accounting procedure that was deemed appropriate or is there something that is a little shaky here?

Mr. Stefanson: There is nothing that is a little shaky. It is purely an accounting approach when dealing with equity as opposed to loans. Again, when we have some of our other programs where there are loans we take back security and so on.

These are equity positions, and my understanding is that some other provinces have even higher allowances when it comes to equity positions. Certainly Alberta apparently does and I believe others do. It is an accounting practice to be cautious when taking equity positions.

Mr. Storle: Just generally, what are the guidelines for this program? Are retail ventures eligible for equity investment? Are we talking about manufacturing, tourism?

Mr. Stefanson: Mr. Chairperson, there are no restrictions in terms of most sectors other than I believe agriculture, but that really the focus is job creation and that some of the sectors the honourable member touched on are not restricted.

Mr. Storle: Well, I guess again the minister can, when he provides some of the other information that he has agreed to provide, give us a list of companies that have benefited from this. It will certainly save some time when we go through his Estimates as well if we just have the list, I guess, an up-to-date list. The last departmental report is for ending March 31, '91. Unless there is a more recent one that is going to be on our desk in the next couple of days, it would be useful to have a report up to the end of the last fiscal year at least.

* (2230)

Mr. Stefanson: Mr. Chairperson, I will undertake to do that and, of course, when we are dealing with my Estimates we are dealing with '91-92 previous, '92-93, so again there will be with more current numbers than we have here today.

Mr. Storle: Just changing the topic, the MDC obviously is still recovering interest payments and generating interest. I think last year we passed a bill that allowed MDC to pay the government interest.

Floor Comment: A dividend.

Mr. Storle: A dividend, pardon me. I am wondering whether—if it is in here I did not see it, but what kind of dividend did MDC pay the government last year and where does that money go? Is that part of general revenue? Does it come back to the department? How do we treat that?

Mr. Stefanson: Mr. Chairperson, the honourable member is correct in terms of the legislation we passed last year. No dividends were declared in the two year-ends we have before us. A dividend has been declared on the March 31, 1992, year-end,

which is not before us, but certainly to share the information, it is \$750,000 to be paid on July 1 of this year. I believe that becomes general revenue to the government of Manitoba.

Mr. Storle: Moving on to our other favourite topic, Flyer. In the fiscal year ending March 31, '91, the introduction suggests that the final obligations, the outstanding obligations of the sale agreement expired in July of last year. I gather that means that all of the outstanding liabilities that were undertaken or part of the agreement have been covered and the only thing remaining is some lawsuits. Where do those come from? How significant are they in terms of provincial liability?

Mr. Stefanson: Mr. Chairperson, rather than my being a flow-through here, Mr. Chiswell will respond to that.

Mr. Chiswell: Mr. Chairperson, all of the warranty contracts except for one expired last year, and that one we negotiated our way out of two years ago. The only items that are outstanding now are lawsuits, mostly civil suits. For example, we are being sued by a bus driver in Chicago for a spinal injury. In fact, he is suing the seating company but, as you know, those suits, they put out a net and enclose everybody, and we are included in that net.

There are really only two active cases that could result in substantial liability at this point. I cannot tell you what they would be, but we have still a provision of \$498,000 in our financial statements even to date, which we think is more than adequate to cover any potential losses and the legal fees associated with them.

Mr. Storle: Perhaps Mr. Chiswell can just clear up how those liabilities were covered. What amount was originally set aside as sort of a contingent liability or whatever the term is, and how have we done? It was certainly unclear to me what the cost of fulfilling those warranties might be. How has that turned out? Was it worse or better than anticipated?

Mr. Chiswell: We have done quite a bit better than we had anticipated as you can see. For 1990-91, on Schedule 3, there is a reduction in the divestiture costs of \$1,870,000. The previous year was around \$3 million.

Mr. Storle: That is explained by the fact that there were not as many calls on the provincial responsibility or our responsibility as a result of the sale agreement to fulfill those warranties or meet those warranties? Is that essentially it?

Mr. Chiswell: That and the board and our staff were able to make some favourable negotiations that helped reduce the cost.

Mr. Storie: We are on statement 3, is it, or Schedule 3? I am on the wrong one. What is the bottom line for the divestiture costs? I am not referring to the previous losses, the write-offs prior to the conclusion of the sale.

Mr. Stefanson: Mr. Chairperson, I would like clarification then, because the financial statements Schedule 3, and then if you go to note 7 on page 4 of the notes, show the overall accumulated loss as being \$104,036,091.

Mr. Storie: That is an up-to-date figure; that is not—

Mr. Stefanson: This is as at the March 31, 1991, year end, so again the most recent financial statements we have before us this evening.

Mr. Storie: Mr. Chairperson, my Schedule 3 shows a net accumulated loss and divestiture costs of Flyer at \$91 million. Where is the \$104 million?

Mr. Stefanson: Mr. Chairperson, that is the 1990 figure. I am wondering which financial statements—

Mr. Storie: Oh, I see. I am sorry.

Mr. Stefanson: If you look in the '91, Schedule 3, shows \$89,971,091, but if you go to note 7, on the very last page of the financial statements, it shows the combination of the loss by Manitoba Development Corporation and the Province of Manitoba as being \$104,036,091.

Mr. Storie: That is the sad and sorry history in total from the time that the province got involved. That would go back to Western Flyer in '66 when the province innocently provided the first \$400,000 loan. What a tale.

Anyway, Mr. Chairperson, other than the two outstanding sort of court cases, this is the history of Flyer.

Mr. Stefanson: Mr. Chairperson, that is correct.

Mr. Storie: Mr. Chairperson, the other issue that I would like to pursue is on Schedule 4. Under Part II of The Development Corporation Act a loan was given to Macleod Stedman Inc. of \$1.5 million, and a couple of times I have received assurances that this loan was fully guaranteed, that it is secured. I would like just for the record for the minister to indicate—

Mr. Stefanson: Mr. Chairperson, again, in terms of details of these, it is more appropriate, I think, to deal

with my Estimates but, in terms of this particular advance, I can inform the honourable member that the actual cash advanced was approximately \$1,250,000 and that that amount, as of today, has been repaid in full along with all accumulated interest.

Mr. Storie: Mr. Chairperson, was that done by the receiver who managed MacLeod Stedman during the interim period before Cotter and Co. purchased it, or was that provided by Cotter and Co.?

Mr. Stefanson: Mr. Chairperson, it came as a result of the sale to Cotter and Co. In terms of the flow of the cash, I would have to go back in our records as to how it flowed directly to us, but it came as a result of that sale. It was not paid in advance of the sale by the receiver.

* (2040)

Mr. Storie: In other words, Mr. Chairperson, this \$1.5 million would have been down the toilet had the province not been extremely lucky in finding this.

I want to know from the minister how he could provide the kinds of assurances he provided to the Legislature given the fact that of course there would be many other people who had secured loans against the property of Macleod Stedman? I just need some clarification on how that operated.

Mr. Stefanson: Mr. Chairperson, no, we did not get lucky. We were well secured in terms of the advances we made to Macleod Stedman in terms of standing second on the land and building with the warehouse and, as well, having security for an additional vacant piece of land that was provided as first charge. We felt all along we had reasonable security in terms of fixed assets. That ultimately was reflected through the decision of Cotter and Co. in terms of the whole acquisition and the payment of this outstanding amount to the Province of Manitoba.

Mr. Storie: That is certainly surprising, that someone could go into a company that was already that deeply in trouble and still have available assets that you could secure—certainly interesting—certainly interesting that they would not have already remortgaged some of that property for cash. That is quite remarkable.

Mr. Stefanson: Well, as I have indicated, we stood second on the land and building, and we stood first on a piece of vacant land, and we all along felt that was reasonable security. I do not know where the honourable member is heading with this, whether

he is disappointed that we were paid back in full and would have preferred to see us have to write off a loss or where this questioning is heading but, clearly, we were pleased to have it paid in full, and it looks as though Cotter and Co. are going to do very well in our province.

Mr. Storie: Mr. Chairperson, we are certainly pleased. I was just wondering whether the minister had been incredibly lucky or incredibly astute. He is assuring me that he was incredibly astute, and I certainly have to congratulate him. I certainly was worried about the province's investment when the company went into receivership. That is why I asked whether in fact they got it from the receiver or Cotter and Co. and the minister has certainly explained why Cotter and Co. felt obliged, I guess, to return the funds. Anyway, that was my other question on this operation.

The only other one I had was: Is the government's latest investment in a loan to Apotex, will that also be through the Industrial Opportunities Program, or does that fall under some other programs?

Mr. Stefanson: Mr. Chairperson, we are well outside now of the issue before us, which is the two financial statements but, in terms of the answer to that question, it is to be provided under the Manitoba Industrial Opportunities Program.

Mr. Storie: Okay, I did not want details, I just wondered where it was going to go.

I guess the other program that is part of Schedule 4 is the Manufacturing Adaptation Program, and I am wondering, first of all, is that program still operating, and how many loans have we provided since this report was prepared?

Mr. Stefanson: The answer is yes. As the honourable member knows, on Schedule 4 of each financial statement it shows the advances made under that program for that particular fiscal year, and I know the question was the next fiscal year. I do not have that information in front of me and can either undertake to provide it or deal with it when we deal with Industry, Trade and Tourism Estimates.

Mr. Storie: Can the minister or Mr. Chiswell tell us whether in fact these ones listed on Schedule 4 are satisfactorily making the terms of their loans, repayment is on schedule, et cetera, for all of the companies?

Mr. Stefanson: Yes, they are all meeting their repayment schedules.

Mr. Storie: I guess, I do not have any further questions on this issue. I had undertaken to keep going for approximately half an hour, which I have done, but my colleague is not here. I did as I was told. Shall we pass it right out from under him?

No, my colleague from Thompson does not have any questions either. I have one other one.

The board of directors, this corporation obviously is not one of the most active, and I am wondering how often the board meets. What kind of remuneration is allowed for this board? Is it a volunteer board, out-of-pocket expenses? How does this board operate and who appointed it?

Mr. Stefanson: Mr. Chairperson, I hope the honourable member is not sitting there just trying to come up with questions but, in terms of that, that is a good question. Since I do not attend the meetings, Mr. Chiswell will answer that.

Mr. Chiswell: Mr. Chairperson, the board meets every month, and their remuneration is \$750 per quarter.

Mr. Steve Ashton (Thompson): By MLA standards that is a lot, actually. I do not want to distract from my colleague the member for Flin Flon.

Mr. Storie: I do not have any further questions. I am all out of questions.

Mr. Ashton: Perhaps I can just ask the minister what directions he sees for the corporation in the future other than being essentially a holding operation, a conduit operation. Is that basically his vision of the corporation in the future, because obviously it has increasingly moved into that sort of role in the last period of time?

Mr. Stefanson: Mr. Chairperson, that is a good question, and I thought we might end up discussing this during the Estimates in my department. A decision has been made at the end of March of this year that the board members will no longer be in place and that this function will be pulled internally to the department.

As I said in my opening remarks, really in the last short while, while it has played a valuable role, the kind of function that it is performing is one that I think honourable members know is capable of being performed in-house by the people we have in financial programs and so on. That is to occur at the end of May of this year. There will be a change, and the question about the board, the board size, the

board remuneration will no longer be in place after May 31 of this year.

Mr. Ashton: Of course, that funding has been freed up. That is an interesting thought. I am just wondering though, obviously in terms of that policy decision, whether the minister has perhaps considered the fact that there is an advantage sometimes to having the advice and expertise of outside individuals.

In this particular case, I know at least one of the individuals quite well, Arnold Morberg. We do not always agree on everything, but certainly I feel he has a very good perspective on business, owning and operating Calm Air as he does, probably one of the most competitive industries that we have currently in the province, in a great deal of flux, the airline industry.

I am just wondering if the—and we sort of facetiously said earlier that the remuneration question should be raised, et cetera, but really to my mind the expertise the board was providing, to my mind, was cheap relative to the talents of certainly the one individual I am aware of directly and would far be outweighed in terms of what it would cost if you were to go into the private sector in terms of consultants, et cetera, to get that kind of expertise. I am wondering if perhaps the minister does not have some concern that that relatively inexpensive expertise is going to be lost.

* (2050)

Mr. Stefanson: Mr. Chairperson, again a good comment and a good point. I had an opportunity to meet with the board recently and the suggestion that some, in fact in my opinion all, of the individuals on this board are outstanding and have done a good job for the province of Manitoba.

The administration of MDC has done a good job as well, but when they looked at the level of activity that is now occurring in the Manitoba Development Corporation, and again, the kinds of functions that it is performing of late in terms of the interest calculation, the loan payment supervision and so on, comparing the type of activity today to what it used to be and the level of activity, we felt that that is a function that can be performed in house and that the talents and capabilities that these individuals have to offer, including both our board members and our staff complement there, can be better put to use on behalf of our government and the citizens of Manitoba in other areas.

So, it certainly in no way is a reflection of the abilities of any of the people, but more a view of the function that the corporation now performs today as compared to what it might have performed in previous years.

Mr. Ashton: Sorry, I am not in any way, shape or form criticizing the department. I am not the member for Portage here. I know he has been somewhat critical of the department, and he may have some legitimate concerns, but I am not expressing those here.

I am not trying to transpose the board as opposed to the department taking on those activities, but I guess I to some extent am a little bit surprised with what the government, with its expressed appreciation of the value of private business, would have perhaps seen some ongoing value in getting that kind of private business expertise. I am not, once again, criticizing the public servants, but theirs is a different kind of expertise.

I am just wondering how the minister proposes to keep that kind of feedback from individuals as we see on the board who have that direct private sector expertise, something that is quite a bit different from the expertise he has within his department.

Mr. Stefanson: Mr. Chairperson, well, again, as I have indicated, we see most if not all of the current members of the board ending up, hopefully, serving the government and the taxpayers on other boards but, in terms of the kind of expertise on economic development issues and so on that we are looking to draw from the public, there are clearly other avenues available to us which we will be drawing on.

As I have indicated, in terms of the level of activity of this corporation today, if you look at, as the honourable member for Flin Flon (Mr. Storie) has scheduled for, the number of advances under the MIO program, the number of advances under the Manufacturing Adaptation Program, the level of activity and the kinds of functions currently being performed, we feel we are not maximizing the expertise that these people have to offer through this particular board at this time and that the function can be more economically and just as efficiently provided to government by doing it internally and, as I have indicated, free up the individuals to serve the public in other hopefully more productive areas.

Mr. Ashton: In terms of the board and other boards, and perhaps we do not give credit where

credit is due until, in this case, a board is essentially being dissolved, I think we might wish to reflect sometime that despite the debates that we sometimes get into in how people are appointed to boards and commissions, and obviously sympathy with the policies and politics of the government has always been a factor in Manitoba with various different governments, it has been the same federally, and people sometimes, I think, tend to portray these boards as being patronage plums.

While there may be patronage plums in government, I don't think \$750 a quarter, given the time involved just simply in terms of travel and meeting commitment, in any way, shape or form could have been called a plum.

So I think certainly from myself and other members of the committee, we would perhaps express to members of the board and other previous board members our appreciation for their efforts, which certainly go far beyond any remuneration received.

I just have one further question in terms of the effect of the wind-down, and that is in regard to staff. As my colleague the member for Flin Flon (Mr. Storie) pointed to, obviously there have been reductions already.

What has happened to the reduction in terms of staff, in terms of the individuals involved, and what will happen with the wind-down? In that sense, were these people laid off, reassigned? How was the staff situation dealt with?

Mr. Stefanson: As noted in I believe the comments, I am not sure if they are in Mr. Chiswell's comments at the front of the report, but the Manitoba Development Corporation currently employs two people—Mr. Chiswell, who is with me this evening; and a woman, Shelagh Russell, who performs obviously various functions on behalf of the corporation. We are looking for re-employment opportunities within government for Shelagh Russell, and Mr. Chiswell will be retiring and receiving severance as at the end of May.

Mr. Ashton: What happened to others then, the previous reduction?

Mr. Stefanson: I am not sure how far back in history we go on the staffing of the Manitoba Development Corporation but, going back to the start of the first fiscal year, I guess March 31 or April 1 of '89, at that point in time there were five

employees. Two retired; one was severed and since, I believe, has gained employment with the federal government.

Mr. Ashton: I did not realize Mr. Chiswell was retiring, so perhaps I could express my best wishes to him for his years of service and our thanks.

Mr. Alcock: Just to follow up on the comments the minister had earlier given that my colleague from Flin Flon has certainly dealt with the operations of this corporation this year, is the minister saying that he is prepared during his Estimates to entertain questions on the relationship between this corporation and the program decisions that have been made by his department and the economic board of cabinet, et cetera, that are then directed to this corporation for administration?

Mr. Stefanson: Yes, Mr. Chairperson.

Mr. Alcock: And is the minister prepared at that time during his Estimates to entertain some questions relative to this corporation should such a need arise as we look at the decisions that have been taken by his department in cabinet?

Mr. Stefanson: Yes, and probably more productively in terms of some of the questions the honourable member might have because, technically, the two reports we have before us, the most recent one ends on March 31, 1991, whereas when we deal with my Estimates, we will be dealing with '92-93.

Mr. Alcock: Well, in light of that perhaps what I could begin by doing is adding my best wishes to Mr. Chiswell and then suggesting that we pass the reports.

Mr. Chairperson: Shall the Annual Report for the Manitoba Development Corporation for the fiscal year ending March 31, 1990—pass.

Shall the Annual Report for the Manitoba Development Corporation for the fiscal year ended March 31, 1991—pass.

* (2100)

That concludes the matter under discussion for this committee. I would like to thank the minister and Mr. Chiswell too for his presentation, and good luck in your retirement. I also thank the members of the committee for their contribution this evening.

Committee rise.

COMMITTEE ROSE AT: 9 p.m.