



Third Session - Thirty-Fifth Legislature  
of the  
**Legislative Assembly of Manitoba**

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

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39-40 Elizabeth II

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*Chairperson  
Mr. Bob Rose  
Constituency of Turtle Mountain*



**VOL. XLI No. 5 - 8 p.m., TUESDAY, MAY 5, 1992**



**MANITOBA LEGISLATIVE ASSEMBLY**  
**Thirty-Fifth Legislature**

**Members, Constituencies and Political Affiliation**

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<b>NAME</b>	<b>CONSTITUENCY</b>	<b>PARTY</b>
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
ROSE, Bob	Turtle Mountain	PC
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  
PUBLIC UTILITIES AND NATURAL RESOURCES**

**Tuesday, May 5, 1992**

**TIME** – 8 p.m.

**LOCATION** – Winnipeg, Manitoba

**CHAIRPERSON** – Mr. Bob Rose (Turtle Mountain)

**ATTENDANCE - 10 – QUORUM - 6**

*Members of the Committee present:*

Hon. Messrs. Cummings, Manness

Messrs. Helwer, Lamoureux, Laurendeau, McAlpine, Neufeld, Rose, Storie, Ms. Wowchuk

**APPEARING:**

Douglas Sherwood, President and Chief Executive Officer, Crown Corporations Council

Kevin Kavanagh, Chairperson, Crown Corporations Council

**MATTERS UNDER DISCUSSION:**

Annual Report of the Crown Corporations Council for the year ended December 31, 1990

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**Clerk of Committees (Ms. Patricia Chaychuk-Fitzpatrick):** Order, please. Will the Standing Committee on Public Utilities and Natural Resources please come to order. We must proceed to elect a Chairperson. Are there any nominations?

**An Honourable Member:** I nominate Bob Rose.

**Madam Clerk:** Mr. Rose has been nominated. Are there any other nominations for the position of Chairperson?

**An Honourable Member:** I nominate Mr. Helwer.

**Madam Clerk:** Mr. Helwer has been nominated.

All those in favour of Mr. Rose for Chairperson, please raise their hands—four.

All those in favour of Mr. Helwer as Chairperson—four.

I am unable to break a tie vote because I do not have a vote or any position of responsibility for this

committee. Would the committee care to reconsider the nominations?

**Mr. Marcel Laurendeau (St. Norbert):** I will nominate Mr. Rose.

**Madam Clerk:** Mr. Laurendeau has nominated Mr. Rose. Are there any other nominations? Seeing as there are none, Mr. Rose, you have been elected Chairperson.

**Mr. Chairperson:** Order, please. Will the Standing Committee on Public Utilities and Natural Resources please come to order.

This evening the committee will be resuming consideration of the 1990 report of the Crown Corporations Council. Just prior to resuming consideration of this report, I would like to remind the committee that there is no legislative requirement for this report to be referred to a standing committee. Hence, the committee is not required to pass this report.

Committee members will have ample opportunity to address questions pertaining to the report and to the business of the Crown Corporations Council. When the committee has exhausted its consideration of the matter, the committee rises without passing the report.

Do members of the committee have any comments or questions that they wish to raise?

**Mr. Jerry Storie (Flin Flon):** Mr. Chairperson, I understand Mr. Kavanagh has another pressing function that he would like to attend. I think probably we can wrap up in an hour. I think that is possible. I have not consulted with my colleague from Inkster, but if the member for Inkster (Mr. Lamoureux) has questions that he would like to ask, I will certainly give the floor. [interjection] You can go for as long as you want.

Mr. Chairperson, I think we had concluded the last portion of this standing committee by reviewing the role and mandate of the Crown Corporations Council. I would like to just spend a few minutes this

evening going over a number of the issues that were raised in the report.

I guess one relates to the addition or the deletion of Crown corporations to the list that are considered part of the mandate of the council. I had mentioned yesterday, or our previous meeting, the fact that there had been a number of corporations deleted and others added.

One of the ones that was deleted was the Manitoba Energy Authority. It was eliminated and we did its final annual report earlier today. I am wondering whether the MEA or its role as a Crown corporation was discussed at all as part of the Crown Corporations Council's mandate or agenda.

**Hon. Clayton Manness (Minister responsible for the administration of The Crown Corporations Public Review and Accountability Act):** Mr. Chairperson, certainly not under my direction. Indeed, if council on their own volition discussed it, they are welcome to address that point. I invite Mr. Kavanagh to more specifically answer the question if he so wishes.

**Mr. Storie:** Mr. Chairperson, we covered some of this ground last week, but I am just wondering whether Mr. Kavanagh has an opinion that he would be willing to share with the committee on the relative merits of having a group like the Crown Corporations Council with a body that consists of high-profile, experienced individuals reviewing the role of a Crown corporation prior to its creation or its dissolution?

**Mr. Douglas Sherwood (President and Chief Executive Officer, Crown Corporations Council):** I need to better understand your question. What is our role relative to the various Crowns that we monitor? Is that your question?

\* (2005)

**Mr. Storie:** Yes, it is in terms of your role vis-a-vis the Crowns that are in sort of the stable but, also, the question of when the government decides that it wants to add or delete Crown corporations.

Do you believe that the Council should have a role in assessing that, the relative merits of the Crown corporation or providing the government with some sort of independent report on the success, the utility, the drawbacks of that particular operation?

**Mr. Manness:** Mr. Chairperson, before Mr. Sherwood answers, I remind Mr. Storie, certainly

there is a schedule of Crowns which the council is mandated to monitor and review.

I think, as I recall the question and the discussion that occurred the other day, there are probably reasons, good reasons as to why the Crown Corporations Council, if indeed we were to add to that stable of Crown corporations, why they may want to, in having an opportunity to assess and evaluate that Crown at first evaluation or first analysis, they may want to comment as to whether or not that should be put into the fold, so to speak. I have no trouble with going that course. We have not to this point other than through the Manitoba Lotteries Foundation, which was added before Mr. Sherwood came—certainly Mr. Kavanagh was in the position then—I believe the former president at that time, Mr. Emerson, did look at the Lotteries Foundation and tried to get an assessment of it and to help me ultimately make the recommendation to government that that should be included in the schedules of Crowns and possibly should come under the purview of this act.

**Mr. Kevin Kavanagh (Chairperson, Crown Corporations Council):** The only other item is not as consequential as the Lotteries Foundation—

**Mr. Chairperson:** Excuse me, Mr. Kavanagh, could you bring your microphone in, please.

**Mr. Kavanagh:** Oh, I beg your pardon—was, in respect to Communities Economic Development Fund, the addition of the fisheries loans program.

Prior to the assumption of that, you know, the council's natural reaction was to review the loan portfolio and to have a particularly intensive scrutiny of it before it was brought into the company.

So other than to carry out sort of a responsive role, if the particular ministers want to have an evaluation as to the suitability of a particular Crown enterprise being included in the Crown Council, our protocol on the matter is to evaluate our capability to add to the intensity of the surveillance of the thing, and that is best reflected in the assumption of the Lotteries Foundation.

We have not been nor do we feel it is part of our terms of reference to proactively examine the totality of government enterprise and build our empire. It has been more responsive in those terms.

**Mr. Storie:** Mr. Chairperson, I appreciate that and Mr. Kavanagh I guess dealt with part of the question. That was the assumption of additional

responsibilities for the council, and that is I think a good response to that question.

The government has indicated, the minister has indicated that has already been done in at least one case and possibly a couple of others. I point out that one, two, three—the Channel Area Loggers, Manitoba Development Corporation, Manitoba Energy Authority, possibly Moose Lake Loggers at some indeterminate time in the future have been eliminated.

What I was asking was whether there is not a role for an independent body such as the council to assess the relative merits of that company's operations, aside from the government's concerns about perhaps continuing losses, for example, in Channel Area Loggers' case, to look at the other side of the equation to say, well, yes, but this operation was providing these benefits, these real net economic benefits.

\* (2010)

The reason I think that has merit is that these decisions, it seems to me, at least it seems to the opposition, having not been party to the discussions that went on before these Crown corporations were dissolved, that they are political decisions in many respects and the whole purpose of the council's creation was to depoliticize those decisions.

The question is: Why should the council not provide some advice? Is that not a legitimate role to expect from the group of people who are assembled and the mandate that has been given the council?

**Mr. Manness:** Mr. Chairperson, I hear the question and I must intercept it in this respect.

I have no difficulty when the government is trying to decide ultimately, again, representing the taxpayer and the ultimate shareholder, because that is where the ownership lies. Government, in calling forth and seeking additional information from the Crown Corporations Council as a resource, I think that we have done that in the past and will continue to do it.

There is nothing static in government, regardless of what time frame or over what time period you look at it. I say that some will come and some will go. I still claim that the final determination of a decision whether to add or to subtract is that of government.

I am welcoming the remarks I hear Mr. Kavanaugh make with respect to being a resource

and to providing some assessment from their point of view, from the council's point of view as to whether or not a particular Crown should be added under the accountability act. I still say though that the final decision rests with government. The value-added approach that the member seeks to see included into the equation as to whether or not government ultimately makes a decision, I say still has to be done within the area, in my view, of policy.

The member might say, well, that is too political, but I still say that policy tends to look at the value-added side. Yes, there may be political determinants that come and override the value added, but at least the value-added position and analysis will be done and be presented to Executive Council as one of the many factors to be taken into account.

I still say that that should be better done at the policy level rather than the Crown Corporations Council.

**Mr. Storle:** Mr. Chairperson, the minister and I are going to disagree. I do not believe, for example, that there was any real long-term kind of net-economic-benefit consideration applied to the sale of Manitoba Data Services. It has made us \$30 million plus since—pardon me—probably more like \$60 million, about \$3 million a year, Manitoba Data Services.

If the minister can provide me with a shred of evidence that the benefit, the net economic benefit of that corporation to the province was considered when the sale was finalized, I would be glad to apologize to him. The fact is, a decision was made to privatize it, and it was done.

It does not seem to be out of line to ask whether the Crown Corporations Council could not be providing independent advice. I recognize that the government has the right, maybe the obligation, to make the decision, ultimately, based on its own priorities and its own perception of the interests of the province and the taxpayers.

My question was whether this council, since we have one, would not be used appropriately in that way.

\* (2015)

**Mr. Chairperson:** No further questions?

**Mr. Storle:** Yes, Mr. Chairperson, I have some specific questions.

Was the Crown Corporations Council asked or is it considering, has it been asked to consider any privatization of the Manitoba Telephone System, any issues relating to privatization of any aspect of the Telephone System?

**Mr. Manness:** Mr. Chairperson, I am sorry, I will have to answer that question. Specifically, no, by me.

Obviously, the Crown Corporations Council is very much aware of the developments and the technological advances within that field. I will just state that from my point of view, but I know Mr. Kavanagh or Mr. Sherwood certainly have much more to add to that question. I think Mr. Storie would like to hear their points of view.

**Mr. Kavanagh:** As a matter of fact, we have currently what the council staff refer to as a staff examination of MTS, which is done on several Crown corporations each year, and MTS is on the agenda currently.

Mr. Sherwood is much involved in a personal assimilation of their circumstance and the strategic issues that confront that particular Crown. That report is impending, but there has been no preoccupation on the part of the council with respect to a preconception that privatization is the answer out ahead for the Telephone System of Manitoba.

I must say that as a personal matter I have wanted to try to understand the Alberta story and to review their performance, because that after all is a phenomenon that did take place in recent times in the telecommunications business. So in my own homework in anticipation of the staff examination, I have done things like dig out the prospectus of Telus.

In instructing the staff, we have asked them to be much more comparative oriented in their examination of MTS' circumstance, that is to say, compare them with other Canadian telecommunication systems, whether public or private. So, nothing very doctrinaire. I have never said or anybody on the council said, we ought to rule out privatization of anything, but there has been no orientation in that direction.

**Mr. Sherwood:** Just to add to what Mr. Kavanagh says and to specifically answer the question, we have not been asked to look at that, but I would add that the focus of our staff examination review is one of looking at the strategic plans for MTS and satisfying ourselves that they are being executed in

as appropriate and businesslike a manner as is possible.

We are just in the middle of that exam and it would be premature to comment on our findings at this point in time. I would say we have not seen anything that would suggest there are major issues there.

**Mr. Kavanagh:** The overwhelming strategic issue confronting MTS management is the question of the possibility of competition in long-distance transmission. Whether or not that has implications for the cost of local and intraprovincial transmissions, that is not an issue of public or private ownership. That is an issue that has to be gotten at regardless of the form of ownership. It is an issue of great importance to the people of Manitoba.

We have tended to be preoccupied with that as a business issue. There would be no intelligent reason to link that, the solution and the appropriate sort of management approaches to it to the question of ownership. I think that the management of that issue has to do with all sorts of different things.

**Mr. Storie:** I am wondering if the council, and I appreciate that that is the preoccupation, and I suppose, given the reality of a situation and the inevitability of increasing competition for that market that MTS will have to deal with it.

I guess the other question I have is the council, besides looking at the immediate financial implication, the long-term implications, for local telephone rates and intraprovincial rates, has the council done any review of I guess what steps the government or MTS might take to protect its interest in that? Have you gone a little further afield and said what, for example, are the implications of the federal government's latest moves, and what are they likely to do next, how can we stall that, or do we want to, those kinds of questions?

**Mr. Kavanagh:** No, in our analysis of it, what we are addressing is the possibility that the CRTC and a new regime of regulation will dictate possibly, we do not know, but possibly. It is a real enough possibility to address. Perhaps I am wrong, but council endeavours to influence the direction of a regulation in that respect we have assumed, I have assumed as being sort of beyond our province and beyond our effectiveness.

\* (2020)

We are not in the business of advocacy one way or another in this particular group. We are in the

business of trying to identify the strategic issues, of trying to anticipate difficulty, of trying to conceive of the approaches that management can take to improve the quality of the results. The answer is no, but I think it is an appropriate sort of posture for us to take.

**Mr. Storle:** I think Mr. Kavanagh has keyed in on the right phrase, and it is identifying strategic issues. It seems to me that sometimes the issues lie outside of the purview of the Telephone System itself, quite often deal with other levels of government and the federal government in this case, in particular.

What they are doing does have implications, so I am unclear on whether you feel that is within your jurisdiction to comment on regulations because clearly it does have an impact and somebody should be thinking about it. Obviously, the Telephone System is but, in this case, a body who is to protect the financial integrity of the Crowns as well.

**Mr. Kavanagh:** I would just underscore again that we have not seen it as being an effective or desirable sort of activity on our part to enter the debate as to the character or regulation that may come about. I for my part assume that the government of the day is much taken up with the character of the movement from exclusively a provincially regulated business to one that is national.

There are other players here that I think are more suitable to address that issue than we. I take note that Bell Canada's Mr. Cyr in recent days has been speaking with concern about the local call cost implications. There are a number of different major interests involved in this debate.

I think the Crown Council would be an inappropriate and ineffective participant in that kind of debate. I really do. I think that they should spend their time and resource on preconceiving that possibility and participating in the reflection and invention of ways to cope with it should it come.

**Mr. Kevin Lamoureux (Inkster):** I just have a few relatively specific questions and a general comment on towards the end.

As we know, Conawapa and the development of Conawapa has been somewhat of a controversial football, if I may say that, in the Legislature for the last year, year and a half in particular. I know the council has done an extensive review and in fact brought a report to the Minister of Finance (Mr.

Manness). I would ask Mr. Kavanagh to comment on the review and to tell us what came of that review.

**Mr. Kavanagh:** It has been some months now that we had a go at it. Our focus was very significantly to review the submissions on the part of Hydro to the Public Utilities Board and to then thereafter review the published findings of the PUB. We reported to government that having done all of that we did not see reason to change a previously proffered point of view, which was one of suggesting that the project, in our best judgment not as hydroelectric engineers or experts of a variety of stripes, did make sense.

As a personal matter, I approached my studies in preparation for a discussion at the council by looking at things in the only way I know how to look at them, which is from a business derivation of looking at a very major, for example, real estate project. Therein the risks for a huge building are usually to do with the financing risk, the construction risk and the marketing risk.

\* (2025)

Parenthetically, and I express it as a personal view, my analysis there was that we were not confronted with a significant financing risk. There was much, through expert testimony, to suggest that out ahead the financing would be an acceptable factor in the public debt markets. Secondly, in respect to the construction risks, there was much to suggest that Hydro, because of its experience in previous projects of a very similar character, had a track record that suggested a degree of comfort in respect to that particular risk.

My preoccupation, and indeed in subsequent discussion at council, there was a good deal of preoccupation with what I would have characterized as the marketing risk. Visualize building a \$100-million or \$200-million building or a \$6-billion one at Canary Wharf, the marketing risk there emerges as the primary issue.

So the preoccupation then of my focus was on the terms of the arrangement with Ontario Hydro, because they are, if you use the analogy of a building, the proposed initial primary tenant.

The tenancy, so to speak, of Manitoba in the initial forecast was really quite modest. The Ontario arrangement was constructed on a basis that sought and did capture within the price of the space, so to speak, the depreciation of the asset, the debt service in respect to its capital and all of the direct

costs associated with each unit of electricity to be sold.

The pricing of that was really quite solid. So the primary tenant had undertaken to pay what appears to be a very appropriate and economically attractive price.

Now, in respect to the issue of the emergence of the initially minor tenancy of Manitoba in the building, at the PUB there was a very considerable preoccupation with sensitivity testing, examining scenarios in which demand-side management, for example, could be greatly expanded to two and three times the initially targeted levels, that in one fashion or another technology might facilitate the extension of certain of the existing power facilities, so forth and so on.

Within the context of all of that sensitivity testing there was an array of points at which Manitoba domestic demand would emerge, 2001, 2005, 2009 and so forth and so on. The thing about it is that the primary tenant for that building is Ontario, initially. I forget what it is. I think it is 1,000 megawatts out of 1,290 or something thereabouts.

\* (2030)

You have this major tenant for this major building undertaking to pay a price that services the debt, allows for appropriate depreciation and pays the direct costs. So whether the minor tenant comes in at 2001 or 2005 or 2009 did not, in the sensitivity analysis, impair the attractiveness of the deal.

Though there was movement around those potential dates, I must say that some of our conversation was along the lines that all of that is very important stuff, but the real jugular here is: Who is the main tenant, is he paying the right price, and is he ready to go when it is ready?

I must say that I personally struggled with the mounds of information on the stuff, and I do not have at all any great mastery of it, but one of the background considerations for some of our reflections was the Tritschler Report of the early '70s that did a retrospective in respect to the '60s.

One of the things that you get out of that is you sure get in tremendous strength the advice of a variety of people that the pricing of whatever you will not use initially really has to be sound. You have to have that contract made before you build.

Then a second thing is that northern development is of a character in this province that it comes on in

huge pieces. You cannot possibly, sort of, time the relatively modest, annual increments of domestic demand to fit with the production of a northern-based hydroelectric facility.

It just comes at you in a peculiar way, so you really have to have things together. You have to have a major customer for the unwanted piece and to sort of fit in with the rest of it, and you have to have the right price.

I must say that at the end of it I felt that Hydro was proceeding with much evidence that they had understood what was in the Tritschler Report and had benefitted from some of the lessons of the past. So anyway, that is an unrehearsed recollection of our discussions some months ago.

I must say that in observing Ontario, where their stuff is going up, and observing Manitoba, where we have the possibility, a very real possibility, that ours can be controlled at increments less than inflation, that is to say, a scene in which the real cost of electricity will come down over time in Manitoba, against Ontario, where it is clearly going up and has already reached a point where it is far less competitive than it was, it seemed like it was not a bad strategic track to be on.

**Mr. Lamoureux:** Mr. Chairperson, I want to touch on those three points, the financing, construction and marketing.

In terms of the financing, I am wondering if Mr. Kavanagh can tell the committee that if we are unable to find another tenant and Manitoba's demand does not increase as the original Public Utilities Board was told it was going to, can the Crown Council assure Manitobans that they would not have to subsidize in any fashion any construction of Conawapa, that in fact the Ontario deal alone will pay for all of the construction, operational costs and so forth down the road if we do not have the demand for it in the province of Manitoba?

**Mr. Manness:** I have to interject at this point in time. The member puts forward a hypothetical question, and I know these standing committees, we are not prohibited, any of us, from answering hypothetical questions, but I think I want to state clearly for the record that even if one were to assume the hypothesis as presented by Mr. Lamoureux right now that ultimately those decisions again would be made by government.

To ask whether the Crown Corporations Council could guarantee something or not guarantee in my point of view is way off the mark. Crown Corporations Council is not in a position to guarantee today into the future, no more so than the government today is in a position to guarantee into the future.

If the member were in business, had he been in business, he knows that he steps up to the firing line and bases his best estimate of assumptions in a business plan. The world is not known with certainty from this day, this moment forward, so there are no real guarantees.

I guess I reject a little bit the manner in which he has asked the question of Mr. Kavanagh. Indeed, the question would probably be more properly directed probably to the government, certainly not the Crown Corporations Council.

**Mr. Lamoureux:** Well, Mr. Chairperson, I see the government chose to respond to the question.

**Mr. Kavanagh:** I would be much happier if you asked me how to guarantee life insurance premiums. I can handle that.

**Mr. Lamoureux:** Well, maybe if I asked that question I might in a roundabout way get an answer that I would have possibly been looking for.

Not necessarily wanting to leave the financing as of yet, I would ask Mr. Kavanagh if he can then tell us, in regard to the Ontario deal, there were some hard numbers that were given for the construction, for the purchase of this power. Do we come out on the plus side with those numbers that he has before him?

**Mr. Sherwood:** Mr. Chairperson, if I can respond to that, the answer is absolutely. On the basis of the numbers that we have seen at this point in time, the Ontario contract will pay for Conawapa.

**Mr. Lamoureux:** Mr. Chairperson, I was going to move on to the construction aspect.

Mr. Kavanagh has said, in terms of the construction, Manitoba has a good track record. There have been some concerns in terms of flood damage and so forth that were not foreseen, but that does not necessarily have anything to do with the construction and the building of the dam itself.

There is one element that really has been somewhat overlooked by this government. That is, of course, with respect to the environmental studies. The government has said that they will respect or

they will have as many environmental studies done as is deemed necessary, when in fact they have allocated out monies for capital construction, whether it is roads or so forth, prior to environmental studies being completed.

We have seen in Saskatchewan where environmental studies on the Rafferty-Alameda project, when everything was done and said, the Alameda, one dam project was 95 percent done, and then they found out, well, maybe it is not that good for the environment, especially here in the province of Manitoba.

As a businessman, when we speak about construction and you say that it has a good track record, one does not question that, but one will question in terms of investing the number of dollars that are being invested right now towards the construction of Conawapa only to find out a year from now that because of environmental reasons we should not be going ahead with it, whether it is the dam or the bipole.

I would ask for his opinions on that. Is that a good way of going about doing business, because you are spending a huge amount of money prior to knowing if in fact you can even go ahead with it?

\* (2040)

**Mr. Kavanagh:** The last sentence—there are some monies being expended. I used to marvel at the reports, because they were always \$150 million or something like that, and I analyze them myself, and they are much less than that in terms that more than \$100 million takes up the allocation of prior engineering studies and so forth and so on. When you really get down to any kind of expenditures that are directly related in the current period for the preparation of it, they are somewhat less.

I really find this tough to answer. You know, for one thing, Conawapa will flood four square kilometres. The Great Whale project in Québec will flood 4,400, and we are at four. Most of the four, as I understand it, is in the embankments that are in the location.

At the site—when I talked about construction risk, I will tell you what my mind was focused on, was the discussion in the Tritschler Report that had to do with the difficulties that were experienced in respect to the Hydro equipment that had been manufactured in the Soviet Union for one of the very earliest project—was it Jenpeg?—and that was a risk and it

created problems in the shorter run and some expense to get it back on track.

In respect to the risk of environmental reverses, I thought it a reasonable case that the project would survive pretty rigorous environmental review. That was the reasoned and studied point of view of the Hydro people.

I really come down to this, that no great project can ever be carried forward on a risk-free basis. It is just impossible to guarantee the emergence of domestic demand on a particular afternoon in February of a particular day in the next century. It is just impossible to control every aspect of a great project.

What is possible is to define all of the risks and subject them to very effective management techniques. I think that in coping with the character of northern development, that is, the big piece that becomes available abruptly when you construct something, and coping with the peculiar characteristics of the project, I think the risks were well defined and brought down to the point where they were being well managed and that the risks implicit in the project, environmental included, were worth taking.

I express that latter point more particularly I suppose as a private view, but I think that generally speaking the Council held that view.

**Mr. Sherwood:** Just to add to what Mr. Kavanagh says as well, I personally talked to the chair and president of Manitoba Hydro and they have assured me that there would be nothing approaching anything significant whatsoever in the form of direct expense on this project until environmental clearance had been obtained.

In a project that is as massive as this one, one of the biggest difficulties the project managers face is trying to keep it within their budget limitations. They have indicated quite strongly that any significant slippage in the project schedule deadlines—as you know, it takes place over a period of years—will cost Manitoba Hydro and ultimately the ratepayers enormous dollars.

The minor—and I emphasize, minor—expenditures that they have made to this point in time on any developmental work are undertaken with a view to staying within their budget limitations while still not embarking on any development whatsoever that would conflict with environmental guidelines and

approvals. In other words, they will not proceed without those environmental approvals.

**Mr. Kavanagh:** You know, it interested me in the PUB review that the testimony of the aboriginal people was to the effect that they would not support any other project than Conawapa, and there were a number of people who gave evidence. I recall a municipal politician and others, you know, who spoke about the impacts of the project in the North. I must say that they were generally quite favourable, I thought.

I just add this final thing, that the problems associated with northern development in earlier projects tend to sort of invade the Conawapa project. They are sort of baggage to it, in my head, but I do not think that if you look at it at least from a business perspective and a logical perspective that they do violence to the merit of the Conawapa project. If you do have problems to address that have been created from developments in the '60s and the '70s, you are far better off as a province to go at those from a position of strength.

The idea of missing out on Conawapa, which will add, I think, strength to our overall picture, facilitates addressing problems from the past. Going at problems from the past without that additional strength might be a pretty heavy thing, but I am launching into a personal view, so I better shut up.

**Mr. Manness:** I will only be very brief, Mr. Chairperson.

I hear the question, and I say to members of the opposition parties that bring forward environmental concerns, it is right and proper for you to do so, and that is your role, but I say to you, you have allies. Whereas opposition parties in the past may not have had allies, you have strong allies outside of the environmental movement. Your allies now are the investment bankers of the world. You see, whereas 15 years ago the Minister of Finance, who guaranteed the loan of the day, probably could do so on the basis of the wealth of the province. That today in itself will not suffice.

Even though we are deemed to be very good managers, this present government, and that has gone a long way to help, that in itself will not suffice. When you are talking about a \$6-billion project and you are talking about committing in debt to a Crown corporation an amount beyond the debt that exists right now, you can bet the bankers of the world are going to have the final say.

They are not going to put money at risk unless somebody, given the environmental realities of today, nobody is going to put \$6 billion at risk unless all of the processes, indeed all the potential court challenges are indeed addressed.

So I say to the member, Mr. Lamoureux, he will have allies in studying and making sure the environmental processes are conducted in a proper fashion and that they will meet all of the tests as required.

\* (2050)

**Mr. Lamoureux:** Mr. Chairperson, the last point was one on the marketing, the whole question of marketing. The board has met with Manitoba Hydro, it has met with the public utility council, with the Public Utilities Board. They said that they had reviewed the submissions that were given to the Public Utilities Board, that in fact the decision that was made from the Public Utilities Board in support of Conawapa or giving Conawapa the green light, was based on information that was supplied to them which very shortly after the decision a number of different opinions and views and reports came out saying that in fact what the board heard was not necessarily accurate information.

I must apologize for not having the exact figures on hand, but I know that we are talking about decades of demand for power.

At one time it was felt, and again I am not too sure of the exact years, that Manitoba would require the additional power from Conawapa prior to the turn of the century. Mr. Chairperson, that is what the Public Utilities Board was told.

Then it was found out, well, they are not going to require the power that they had initially been told. Well, this is something on which the council met, discussed, heard the submissions, and I wonder if the council could comment on the validity of the Public Utilities Board making the decision that they made, given that that decision was based on information that was inaccurate.

**Mr. Kavanagh:** Actually, the PUB publication and the Hydro submission really did address the possibility that the Manitoba demand would not emerge in 2001. How they did it, and I alluded a little bit to it earlier, was that they cast a number of different scenarios.

Domestic demand in Manitoba depends on how successful Hydro is in their program of demand-side management, how successful they are in extending

the lifetime of certain thermal power-producing facilities and also in terms of the forecast economic growth and consequential demand for power in Manitoba.

The PUB must have blown their minds out examining the myriad of combinations of this and the consequent year at which domestic demand could emerge, whether it was 2001, 2006, 2009 or whatever. They tested this to see whether the project stood up in terms of its economic viability and attractiveness. They really did get into the issue that you are talking about.

The council was not much preoccupied when, subsequently, Hydro recast their anticipated date of domestic demand emergence. They had already subjected themselves to that array of possibilities in the PUB hearings. The analysis that the PUB retained, in terms of expertise, had reinforced the view that, under those scenarios, it continued to be an attractive and viable project, that is to say, that it was by far the best approach to controlling the cost of power in this province.

The council did not view the emergence in the newspaper of a change in the emergence of domestic demand because it had slogged through all this stuff at the PUB and it was pretty persuasive stuff. I think it still is.

**Mr. Lamoureux:** Mr. Chairperson, I will ask a question for the minister then, in regard to development of Conawapa and its mandate, if you will.

I can recall back in my university days where we talked about mandates and we did talk about Manitoba Hydro and the reason why it was necessary to have Manitoba Hydro. Many Manitobans felt and still believe that, in fact, the primary reason was to supply power to the residents here in the province of Manitoba. That is, if you are going to have a monopoly on power, that monopoly is best in the hands of the government to provide that particular utility service.

In fact, when the government first started to talk about Conawapa, they talked about the need for the power. The reason why it was coming on stream was that Manitoba was going to need the power. Then, we entered into an agreement with the Province of Ontario, which is turning, or at least on the surface appears to be, the saving grace for this government, because they use the argument that

Ontario is going to cover the cost of this and Manitoba, ultimately, will be able to use the power.

We see that the demand from the province of Manitoba is not what was anticipated when the government had made the announcement in terms of going ahead and entering into the deal with the Province of Ontario. Now we have Ontario itself or different groups within Ontario that are calling into question the need for the power and the sale.

Mr. Chairperson, for the minister responsible: What is it he feels is the mandate of Manitoba Hydro? Is it to build dams for a profit for Manitobans? Is it to supply power to Manitobans?

**Mr. Manness:** Mr. Chairperson, this is not the time or the place to get into that debate.

I can tell the member though, I have thought, and this will be a revelation to him and other members around this table, long and hard, and I have not talked to the Premier (Mr. Filmon) about this, but I have thought long and hard about bringing forward a resolution, a government-sponsored resolution, to the House to debate the issue. We do not debate issues enough.

The question would be, notwithstanding the mandate of Manitoba Hydro and really what it was in the past and maybe what it is now and the perception of what it should be now and into the future, maybe the legislators of this House should talk about Manitoba Hydro and the export of power as a tremendous economic development potential and tool. I think we could have a good, interesting debate on that issue.

All I want to assure, and I know the former Minister of Hydro would love to enter this discussion, and I do not blame him, I do know that under the conditions when you can be in a win-win position, given that environmental concerns are in place and the three areas which Mr. Kavanagh talked about, the risk associated with marketing, the risk associated with construction escalation and the risk associated with determining or finding capital, if you can address those issues and you can have a win-win situation, then maybe, not maybe, then obviously your risk is greatly reduced.

If the question falls then as to the forecast, and remember, as I said in the House the other day, I know for every forecast I make I am almost sure I am going to be wrong. I would say that load demand forecast made with respect to Manitoba Hydro are in no different position. I think Mr.

Neufeld said this several times, as soon as you put a number down to paper, you know a week, a month or a year later it is going to be wrong, and consequently—or a day.

\* (2100)

Now I am in trouble, now I put words in the mouth of my colleague. The reality is, I think we should have this discussion, but not tonight, and on the floor of the Legislature.

**Mr. Lamoureux:** Yes, Mr. Chairperson, I concur with the minister that the debate is needed and hopefully we will see that debate on the floor of the Legislature sometime in the near future as opposed to the long term.

Mr. Chairperson, I did want to wind up in terms of commenting on the process itself. I had somewhat commented on it earlier. I would have liked to see as an MLA, had an opportunity in which I walked into a room—as the Chairperson pointed out at the onset of the meeting, there is no obligation for us to pass the report. I feel that one of the biggest single factors that is missing in terms of budgetary, the way in which tax dollars are spent, is our Crown corporations.

Even though we believe very firmly that it is important they keep that arm's distance away from this Chamber, if you will, I still believe that we have responsibilities as elected officials to keep up to date and informed in terms of what it is that the boards, the corporations are doing because we field questions from our members.

I would suggest to Mr. Kavanagh and the Crown Council to think about those comments and think in terms of how they might be better able to serve the Legislature as a whole so that we as elected officials and ultimately the ones that are held accountable for all of the expenditures are better informed.

I would suggest that one of the things that would help, I know, myself, is in the form of, when we go to a committee like this, I can ask the question in terms of, well, MTS, what can you tell me about MTS?—that the Crown corporation, as I said the other day, has a bias. We are not going to ask for top secret information that is going to put them at a disadvantage competitively on the international market or anything of that nature. I think there is a role for the council to better educate the elected officials so that we can ensure that the accountability that is so essential be there.

I was very pleased, in fact, that the minister suggested that we meet again to discuss this issue. I look forward to the Crown Council continuing its work in an apolitical fashion and possibly expanding, as I say, to enlighten more members of the Legislature.

**Mr. Manness:** Mr. Chairperson, just one comment—the member talks about an opportunity to go into the Crowns in detail. I do not know if the member forgets, but he has an incredible opportunity to do that under The Loan Act. I dare say, if the member wanted to commit 30 or 40 hours of the 240 Estimates hours he has in Committee of the Whole on The Loan Act, going at the minister's and, indeed, I would even say the senior officials of the Crowns with respect to where the dollars are going and what is the rationale for which they are being spent.

All of us, when we were in opposition, indeed I dare say, when the present opposition—I mean, you are afforded as legislators incredible opportunity by way of discussion on The Loan Act to get right into the guts of every Crown corporation, because you, as a legislator, have an opportunity to pass judgment by way of your vote as to what these Crowns are granted by authority of the Legislature on the capital side.

I dare say to the member, The Loan Act gives you the opportunity, not retrospective after the fact, but before the capital dollar is spent. None of us can say as legislators in the House, we do not have an opportunity to go at the Crowns as to what they are going to spend on the capital side, in great detail, before they spend a dollar. The Loan Act affords us that opportunity.

**Mr. Lamoureux:** Mr. Chairperson, the minister missed out on one of the points that I said, that in fact, we could carry the argument further, not only during The Loan Act, but also each Crown

corporation report. Most Crown corporations, MTS and so forth, do report in terms of the legislative committees.

When we are in The Loan Act, I am not convinced that you have the president or the chairperson of every Crown corporation at hand's reach. Once again, I would go back to the point that they bring along with them a natural bias.

Yes, we can ask extensive questions and, if we wanted to, we could go to 30 hours and so forth. It still does not provide us the opportunity that this council could provide us, because it is the one that is going in an independent fashion and can report back.

**Mr. Chairperson:** Are there further questions?

**Mr. Storie:** Well, Mr. Chairperson, I understood there was sort of a gentleman's agreement that Mr. Kavanagh—that we would adjourn at nine. I have learned a valuable lesson—never trust a Liberal. Fifteen minutes, a gentleman's agreement, fifteen minutes, and he uses up—

**Mr. Manness:** Mr. Chairperson, if there are other questions of myself, I would like Mr. Kavanagh to be released. I certainly will call this committee again, probably in a month, maybe middle of June, Kevin, when you are back.

If there are other questions that can consume the time of those of us who are left, Mr. Sherwood and myself and other members of the committee, until ten o'clock, certainly we will stay. If it is the desire to rise, we will do that too.

**Mr. Chairperson:** Thank you. I understand that we have not concluded the examination, and it is the will of the committee to rise.

Committee rise.

**COMMITTEE ROSE AT:** 9:06 p.m.