



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

STANDING COMMITTEE

on

ECONOMIC DEVELOPMENT

42 Elizabeth II

*Chairperson
Mr. Jack Reimer
Constituency of Niakwa*



VOL. XLII No. 21 - 7 p.m., TUESDAY, JULY 6, 1993

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
CHOMIAK, Dave	Kildonan	NDP
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
GRAY, Avis	Crescentwood	Liberal
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
ORCHARD, Donald, Hon.	Pembina	PC
PALLISTER, Brian	Portage la Prairie	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
<i>Vacant</i>	Rossmere	
<i>Vacant</i>	Rupertsland	
<i>Vacant</i>	The Maples	

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT

Tuesday, July 6, 1993

TIME — 7 p.m.

LOCATION — Winnipeg, Manitoba

CHAIRPERSON — Mr. Jack Reimer (Niakwa)

ATTENDANCE - 9 — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Downey, Ducharme, Enns, Stefanson

Mrs. Render, Messrs. Edwards, Pallister, Reimer, Storie

MATTERS UNDER DISCUSSION:

Manitoba Development Corporation - Annual Report for March 31, 1992

* * *

Mr. Chairperson: Will the Economic Development committee please come to order.

This committee will consider the Annual Report of the Manitoba Development Corporation for March 31, 1992.

For the committee's information, copies of the annual report are available on the back table. I would appreciate some guidance from the committee when we consider the report page by page. Otherwise, on the whole, I would invite the honourable minister to make his opening statement to introduce his staff.

Hon. Eric Stefanson (Minister of Industry, Trade and Tourism): Mr. Chairperson, I will introduce staff. I have Mr. Jim Kilgour with me from our financial programs, and Mr. Bill Kinnear, who should be joining us in one minute, who was formerly with the department now with Government Services, but because of continuity has had some involvement with Manitoba Development Corporation.

Mr. Chairperson: I thank the minister for his opening statements. Does the critic for the official opposition have an opening statement?

Mr. Jerry Storie (Flin Flon): Mr. Chairperson, this is one of the corporations that were stand-alone, I guess that is essentially wound down.

Could the minister tell me who is on the board?

Mr. Stefanson: They are listed at the front of the annual report, about the third or fourth page in. Those individuals are still on the board in terms of winding down of this corporation but have really not had a need to be very active in the last year or so.

Mr. Storie: Has there been a board meeting in the fiscal year where we are looking at?

Mr. Stefanson: The last meeting was held in June of 1992 to ratify these financial statements that we have in front of us, and I anticipate a meeting will be held probably this July to deal with the March 31, 1993, financial statements.

Mr. Chairperson: I have noticed that the member for Flin Flon is asking questions in his opening statement.

Mr. Storie: No, I have no opening statement.

Mr. Chairperson: No opening statement.

Mr. Storie: That will be already passed.

Mr. Chairperson: Okay, then I will ask the member for the second opposition whether he has any opening statement. Mr. Edwards?

Mr. Paul Edwards (Leader of the Second Opposition): No.

Mr. Chairperson: Okay, Mr. Storie to continue asking questions.

Mr. Storie: The portfolio within MDC increased to \$50 million. How did that occur?

Mr. Stefanson: Could you repeat that question?

Mr. Storie: Mr. Chairperson, the general manager's report says: During the year our staff complement reduced to two, despite increasing our overall portfolio from \$45 million to \$50 million. What additional responsibilities did you take on?

Mr. Stefanson: Mr. Chairperson, that increase of approximately \$5 million is really made up in two areas. If you go to Schedule 1, you will notice that the assistance under the Manitoba Industrial Opportunities Program went up by close to \$2 million. If you go to Schedule 2, you will see that the financial advances to Vision Capital Fund went

up by about \$2.5 million. So it is really those two areas which again we deal with the specifics of those two programs under the Estimates of Industry, Trade and Tourism, but those two are roughly the \$5-million increase in the portfolio.

Mr. Storie: Does MDC only handle like the larger ones? What happens to the other business development loans? Who manages those now?

Mr. Stefanson: Mr. Chairperson, basically MDC handles all financial programs under Industry, Trade and Tourism that have a repayable component, so it would be the MIOP, Manitoba Industrial Opportunity, the Manitoba Industrial Recruitment Initiative, the Manufacturing Adaptation Program and any repayable loans under any tourism agreements.

Mr. Storie: Mr. Chairperson, where are the—Manitoba Industrial Opportunities Program, there are a list of projects, Royal Trust, for example? Where are we with that? I gather Royal Trust is no longer proceeding with their agreed-upon job creation exercise.

Mr. Stefanson: Mr. Chairperson, what is reported in this report is assistance that either is granted or to be granted, that is, programs that have been approved. When we dealt last evening in part with Industry, Trade and Tourism, we talked about the actual advances under the Manitoba Industrial Opportunity Program, the specific advances. So what we have here are some that have actually been cash flow and some that have been approved.

The specific question about the Royal Trust advance, that is still outstanding pending the whole issue of the takeover by the Royal Bank. We are in continual dialogue with the principals at the Royal Bank and continue to work towards seeing what opportunities can occur here in Manitoba as a result of previous commitments made by Royal Trust.

Mr. Storie: I am just not clear. Has that million dollars not been recovered, or it has not flowed?

Mr. Stefanson: The latter, it has not flowed.

Mr. Storie: Is the same true of the Apotex?

Mr. Stefanson: Yes.

Mr. Storie: The only other question is how much interest did MDC, how much did they expect to—I think I saw that there was a number here earlier from the '92 fiscal year earlier—what do you expect

as of '93 to be able to provide by way of dividend to the province?

Mr. Stefanson: Mr. Chairperson, the interest should be similar to what is reported in the 1992 financial statements, which is approximately \$2.2 million. The dividend of course would be decided once receipt of final financial statements in terms of the actual amount of income that is derived, but an estimate would be anywhere in the \$200,000 to \$400,000 range at this point in time.

Mr. Edwards: Perhaps, because I have not studied this document in detail that I might have prior to this meeting, but I would like to ask, Schedule 2, Manitoba Development Corporation Schedule of Equity Investments, Part II, shows a write-off and provision for losses, \$2.5 million.

What is that attributable to?

Mr. Stefanson: Mr. Chairperson, traditionally we deal with that under the Estimates of Industry, Trade and Tourism, because that represents the advances to the Vision Capital Fund, but we create an allowance against the advances of 20 percent.

But, as the member for Flin Flon (Mr. Storie) said, it is an estimate of what future losses might be, and any actual losses are applied against that allowance.

Mr. Edwards: On Schedule 3, Schedule of Accumulated Losses and Net Divestiture Costs of Flyer Industries, it shows there the Investment Losses, \$34.4 million, and the write-off of the loan receivable, March 31, '86. What does that relate to? What is the explanation for that?

* (1910)

Mr. Stefanson: Mr. Chairperson, the top line is a write-off of shares and the write-off of the loan as at March 31, 1986. They were the result of, at that point in time, the sale to the private owners, the den Oudstens, and represented the write-off of the investment that the Province of Manitoba had at that time.

If you go down to the bottom of the schedule, the net accumulated losses and divestiture cost to Flyer Industries, you will see that the total accumulated costs of divestiture for the year ending March 31, '91, are \$89,971,000 and then March 31, '92, they go up slightly to \$90,006,000.

They go up by about \$35,000, and that is what I referred to very briefly at the outset. The \$35,000 is the cost of professional fees to settle some

outstanding warranties that still exist going back to the time of the divestiture.

Mr. Edwards: Just so I get this straight, the divestiture of Flyer Industries cost the taxpayers \$90 million.

Mr. Stefanson: The short answer, Mr. Chairperson, is yes, that is the accumulated cost over time of the original investment by the government of Manitoba in Flyer and then accumulated costs incurred in terms of some settlements subsequent to, in terms of some liabilities that remained with the province as a result of divestiture, the most notable being, as I referred to them, the costs of settlement on some outstanding warranties from products produced.

Mr. Edwards: The total cost there—and I am looking now at page 4 in the last part, the notes, note 8—is about a hundred and four million. The sale of the shares has netted \$1 million and now they are going to receive revenues further, I gather. The sale agreement to BV—I will not try and pronounce the rest of that name—resulted in us having some future profit-sharing agreement. Are there other revenues we are likely to receive for this or we sold it for a million dollars?

Mr. Stefanson: Mr. Chairperson, the answer is there are no future revenue opportunities, and the point that the member just referred to, point No. 8, shows a total of \$104 million. If you look at the breakdown, the \$90,006,000 ties into the schedule we were just looking at. Fourteen million is costs incurred directly by the Province of Manitoba for a total between the Manitoba Development Corporation and the Province of Manitoba of \$104 million, but ultimately it is one and the same.

Mr. Edwards: I notice from the opening statements that there are still some outstanding

warranty and personal injury claims. What is the estimate of the additional cost? Do those relate to New Flyer, firstly, and secondly, even if they do not, what is the estimated cost? Are we going to be back here in a year discussing that?

Mr. Stefanson: Mr. Chairperson, all of these settlements pertain to what we would call old Flyer, which is pre-1986. There are as many as approximately a dozen claims still outstanding. The member for St. James (Mr. Edwards) is a lawyer. He realizes for us to put a firm dollar amount is impossible at this time, but probably it could be as much as \$3 million or \$4 million, depending on final settlements.

Mr. Edwards: Will there be another annual report necessary to deal with those, or will this be folded into I, T and T as a line in the budget? Will we keep dealing with this until those are wrapped up?

Mr. Stefanson: There will continue to be financial statements. MDC will continue to exist until all of this is wrapped up. We will be receiving the 1993 financial statements in the next several weeks I believe.

The estimate for 1993 is that in settlement costs it was approximately \$245,000. That is the bad news. The good news, I guess, is that it is against claims of about \$1.3 million or \$1.4 million.

There will continue to be financial statements, and MDC will stay in place until all of these warranties are settled.

Mr. Chairperson: Shall the Annual Report for the Manitoba Development Corporation for the fiscal year ending March 31, 1992, pass? The annual report is accordingly passed.

The time being 7:20 p.m., committee rise.

COMMITTEE ROSE AT: 7:20 p.m.