



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

Standing Committee
on
Public Utilities
and
Natural Resources

Chairperson
Mr. Frank Pitura
Constituency of Morris



Vol. XLV No. 5 - 10 a.m., Thursday, November 2, 1995

MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Sixth Legislature

Members, Constituencies and Political Affiliation

<u>Name</u>	<u>Constituency</u>	<u>Party</u>
ASHTON, Steve	Thompson	N.D.P.
BARRETT, Becky	Wellington	N.D.P.
CERILLI, Marianne	Radisson	N.D.P.
CHOMIAK, Dave	Kildonan	N.D.P.
CUMMINGS, Glen, Hon.	Ste. Rose	P.C.
DACQUAY, Louise, Hon.	Seine River	P.C.
DERKACH, Leonard, Hon.	Roblin-Russell	P.C.
DEWAR, Gregory	Selkirk	N.D.P.
DOER, Gary	Concordia	N.D.P.
DOWNEY, James, Hon.	Arthur-Virden	P.C.
DRIEDGER, Albert, Hon.	Steinbach	P.C.
DYCK, Peter	Pembina	P.C.
ENNS, Harry, Hon.	Lakeside	P.C.
ERNST, Jim, Hon.	Charleswood	P.C.
EVANS, Cliff	Interlake	N.D.P.
EVANS, Leonard S.	Brandon East	N.D.P.
FILMON, Gary, Hon.	Tuxedo	P.C.
FINDLAY, Glen, Hon.	Springfield	P.C.
FRIESEN, Jean	Wolseley	N.D.P.
GAUDRY, Neil	St. Boniface	Lib.
GILLESHAMMER, Harold, Hon.	Minnedosa	P.C.
HELWER, Edward	Gimli	P.C.
HICKES, George	Point Douglas	N.D.P.
JENNISSEN, Gerard	Flin Flon	N.D.P.
KOWALSKI, Gary	The Maples	Lib.
LAMOUREUX, Kevin	Inkster	Lib.
LATHLIN, Oscar	The Pas	N.D.P.
LAURENDEAU, Marcel	St. Norbert	P.C.
MACKINTOSH, Gord	St. Johns	N.D.P.
MALOWAY, Jim	Elmwood	N.D.P.
MARTINDALE, Doug	Burrows	N.D.P.
McALPINE, Gerry	Sturgeon Creek	P.C.
McCRAE, James, Hon.	Brandon West	P.C.
McGIFFORD, Diane	Osborne	N.D.P.
McINTOSH, Linda, Hon.	Assiniboia	P.C.
MIHYCHUK, MaryAnn	St. James	N.D.P.
MITCHELSON, Bonnie, Hon.	River East	P.C.
NEWMAN, David	Riel	P.C.
PALLISTER, Brian, Hon.	Portage la Prairie	P.C.
PENNER, Jack	Emerson	P.C.
PITURA, Frank	Morris	P.C.
PRAZNIK, Darren, Hon.	Lac du Bonnet	P.C.
RADCLIFFE, Mike	River Heights	P.C.
REID, Daryl	Transcona	N.D.P.
REIMER, Jack, Hon.	Niakwa	P.C.
RENDER, Shirley	St. Vital	P.C.
ROBINSON, Eric	Rupert's Island	N.D.P.
ROCAN, Denis	Gladstone	P.C.
SALE, Tim	Crescentwood	N.D.P.
SANTOS, Conrad	Broadway	N.D.P.
STEFANSON, Eric, Hon.	Kirkfield Park	P.C.
STRUTHERS, Stan	Dauphin	N.D.P.
SVEINSON, Ben	La Verendrye	P.C.
TOEWS, Vic, Hon.	Rossmere	P.C.
TWEED, Mervin	Turtle Mountain	P.C.
VODREY, Rosemary, Hon.	Fort Garry	P.C.
WOWCHUK, Rosann	Swan River	N.D.P.

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

Thursday, November 2, 1995

TIME – 10 a.m.

Committee Substitutions

LOCATION – Winnipeg, Manitoba

Mr. Chairperson: First, I understand, we have a couple of committee changes.

CHAIRPERSON – Mr. Frank Pitura (Morris)

Mr. Ben Sveinson (La Verendrye): Mr. Chairman, I would ask for leave from the committee to make one committee change.

ATTENDANCE - 11 – QUORUM - 6

Members of the Committee present:

Mr. Chairperson: Is there leave? [agreed]

Hon. Mr. Cummings

Mr. Sveinson: I move, with leave of the committee, that the honourable member for Gladstone (Mr. Rocan) replace the honourable member for Sturgeon Creek (Mr. McAlpine).

Messrs. Ashton, Evans (Interlake), Kowalski, McAlpine, Penner, Pitura, Reid, Mrs. Render, Messrs. Sveinson, Tweed

Substitutions:

Mr. Chairperson: Is that the will of the committee? [agreed]

Mr. Rocan for Mr. McAlpine at 10:03 a.m.
Mr. Dewar for Mr. Ashton at 10:03 a.m.
Mr. Mackintosh for Mr. Reid at 10:04 a.m.
Ms. Cerilli for Mr. Clif Evans at 10:04 a.m.

Mr. Clif Evans (Interlake): Leave for a committee change?

APPEARING:

Mr. Chairperson: Is there leave? [agreed]

Mr. Ian Wright, President and Chief Executive Officer, Manitoba Hazardous Waste Corporation

Mr. Clif Evans: Mr. Chairperson, I move, with the leave of the committee, that the honourable member for Selkirk (Mr. Dewar) replace the honourable member for Thompson (Mr. Ashton).

MATTERS UNDER DISCUSSION:

Annual Report of the Manitoba Hazardous Waste Management Corporation for the year ended December 31, 1993

Mr. Chairperson: Agreed? [agreed]

Annual Report of the Manitoba Hazardous Waste Management Corporation for the year ended December 31, 1994

Mr. Clif Evans: I move, with the leave of the committee, that the honourable member for St. Johns (Mr. Mackintosh) replace the honourable member for Transcona (Mr. Reid).

* * *

Mr. Chairperson: It is moved that the honourable member for St. Johns replace the honourable member for Transcona. Agreed? [agreed]

Mr. Chairperson: Good morning. Will the Standing Committee on Public Utilities and Natural Resources please come to order.

Mr. Clif Evans: I move, with the leave of the committee, that the honourable member for Radisson

(Ms. Cerilli) replace the honourable member for Interlake (Mr. Clif Evans).

Mr. Chairperson: It is moved that the honourable member for Radisson replace the honourable member for Interlake. Is that agreed? [agreed]

I just want to inform all members that the same substitutions will also be moved in the House, to be properly recorded in the official records of the House.

* * *

Mr. Chairperson: I would like to welcome everybody here this morning. This morning the committee will be considering the Annual Reports of the Manitoba Hazardous Waste Management Corporation for the years ended December 31, 1993, and December 31, 1994.

Does the minister responsible have an opening statement, and do you wish to introduce the officials in attendance from the Manitoba Hazardous Waste Management Corporation?

Hon. Glen Cummings (Minister of Environment): Mr. Chairperson, I will begin by introducing the people I have with me this morning from the corporation. To my immediate left is Ian Wright, who is the chief operating officer. Next to Ian is the Chairman of the Board, Richard Gallant. At the table behind us, first of all, I have Roger Barnabe, who is the financial officer for the corporation.

I invited the next two gentlemen to be with us as a resource. They have been assisting in the agreement to sell a portion of the corporation's interests. I have Mr. Ed Warkentin from Pitblado & Hoskin, and Gordon McFarlane from Doane Raymond. If necessary, I will be asking them for information if there are questions asked that I may not be able to respond to.

It will also be my intention that both Mr. Gallant and Mr. Wright will be asked to assist in responding to questions this morning.

First of all, I think I should directly respond to what may be one of the questions that will be an

obvious one this morning, and that is that it would be appropriate to say that we are about one signature away from having an agreement with Miller Paving to acquire a partnership arrangement with the Manitoba Hazardous Waste Corp. They are a corporation that has been continuously in business for 76 years under private ownership.

In the last 20 years, they have been becoming increasingly active in the recycling issue. They see hazardous waste as one of the next logical steps in recycling and reclamation activities. They have informed us that they see the opportunity to invest in Manitoba as an opening to western Canada for them and an opportunity to expand their recycling capabilities and their interest in this whole area of reclamation and reuse of products.

During our discussions and during the number of years that this corporation has been lodged at St. Jean in the Municipality of Montcalm, we have enjoyed a very good working relationship with the community. The members will recall that the community had a vote and by majority invited the corporation to proceed with a siting process within the R.M. of Montcalm.

At that point—well, beginning before that point, there was a community liaison committee that was established. I want to take this opportunity to put on the record how much that has been appreciated, how much it has assisted the corporation in its siting and in developing its business plans and at the same time acknowledge and point to with some pride that this is probably one of if not the only process of this nature that has worked and worked successfully in North America in terms of being of ability to site a location for a hazardous waste treatment facility.

The community liaison committee has taken a tremendous amount of responsibility in speaking to their community and to the R.M. about matters that are associated with the operation of the corporation. They have been active participants in developing comanagement agreements. I want to acknowledge and thank them for their input and certainly ultimately their support.

I would also be less than candid if I did not say that this also leads to a process that is very, very open and public. I do not think there is any other process that I can think of where there would have been as much public discussion, as much public information. To some degree, people would argue that that has created the situation where very often a lot of proceedings are discussed in the media. I am talking about local media as well as provincial media. In the end, it has been extremely useful to everyone because I do not think anybody can say that there have been any hidden agendas or that there has been anything that the corporation has undertaken or that the department has undertaken that has not been available to the public for their scrutiny and their comment.

* (1010)

In closing, I would just like to direct the committee to the principles and the objectives that the province had as we entered into this phase of the life of Manitoba Hazardous Waste Management Corporation in discussing with potential private-sector partners what their involvement might be. We did lay out our objectives, and I would like to put those on the record at this time.

First of all, we want to ensure the ongoing development of a hazardous waste management system for the province without further expenditure of public funds. We want to secure private-sector participation in the continued development of the centralized waste management facility known as the Manitoba Environmental Centre. We want to provide industrial development benefits to the municipality through enhanced employment opportunities and increased local sourcing. We want to maintain compliance with the letter and spirit of the various agreements between Manitoba, the corporation and the municipality. We want to foster the local development and commercial expansion of waste management technology—in this case, local means provincial—as well as by developing the capability within the R.M. of Montcalm. We want to recover the maximum amount of system development investment while recognizing the commercial realities of the hazardous waste management business and the considerable value that

we placed on the objectives that I mentioned earlier.

I think we also wanted—I know that we wanted to make it very clear from the start that the province has always acknowledged a responsibility in the larger sense of making sure there was capability within the province to manage our waste appropriately, and in the end if there was going to be a corporation of this nature operating in Montcalm or anywhere else in the province, depending on how far back in the process you were looking, that Manitoba was always prepared to be there to assure that no community, large or small, where any future partner or corporation itself might invest and work, need have any concerns about the level of security and level of guarantee that was behind the operations to make sure that the environmental aspects of the operation and corporation were always adhered to and responsibilities lived up to.

With that, Mr. Chairperson, I would be prepared to answer questions.

Mr. Chairperson: I thank the minister for those remarks. Did the critic from the official opposition party wish to make an opening statement?

Mr. Gregory Dewar (Selkirk): I want to thank the minister and members of the Hazardous Waste Management Corporation for their attendance here today. I drove in from Selkirk, and it was a hazard to my well-being just to drive in on those roads this morning.

But there are a number of concerns we will be raising this morning: our concern about the changes in management over the past number of years; we are concerned about some of the issues brought forward by the Provincial Auditor in terms of the tendering of contracts and so forth; the Crown Corporations Council has been critical of the corporation over the past numbers of years, and the corporation has been critical of the Crown Corporations Council.

We are also going to be addressing the long-term trends in this industry. It is our understanding that companies now, and I believe even the Hazardous Waste Corporation is stressing that companies with hazardous waste on their property treat those wastes on

site. We are interested in what the government feels is the long-term trend in that particular industry.

The minister also mentioned the issue of a private investor. Obviously, that will be one of the major areas we wish to explore this morning with concern. The Crown Corporations Council raised some concerns about some previous arrangements that the government was entering into in terms of the corporations having little or no knowledge of this particular industry.

But, as well, I think it is very important for us to raise the issue of the substantial amount of money that has been put forward by the taxpayers of the province in the corporation over the last number of years. We are deeply concerned about whether or not taxpayers will be able to recover their investment.

Those are just some of the issues that we will be dealing with. I know that my colleague the member for Radisson (Ms. Cerilli) has been following this issue for years, and I believe she may have a few points to raise. With those few comments, I would suggest that we get on with the proceedings this morning.

Mr. Chairperson: Thank you, Mr. Dewar. Did the committee wish to consider the reports on a page-by-page basis or in their entirety?

Some Honourable Members: In their entirety.

Mr. Chairperson: In their entirety. Is it agreed?

Mr. Cummings: I have no problem with that approach. We do have two reports to deal with. I would hope that when we reach the end of this period we would be prepared to at least pass '93.

Mr. Chairperson: The question is, shall the reports be considered separately or together?

Ms. Marianne Cerilli (Radisson): I was thinking that we could consider them together, but I think that there is a willingness on our part to pass the '93 report by the end of the committee today.

Mr. Chairperson: Is that the will of the committee? [agreed]

Okay, the reports will be considered then together.

Is the committee willing to indicate how long it is willing to sit this morning to consider the business before it?

An Honourable Member: Twelve o'clock.

Mr. Chairperson: Twelve o'clock? [agreed].

We will begin now with the questions.

Mr. Dewar: Mr. Chairman, I want to begin with some general comments or ask some general questions regarding the financial health of the corporation. Will the minister tell us how much public money has been invested to date?

Mr. Cummings: It would be in excess of \$19 million.

Mr. Dewar: How much has been invested this year alone, 1995?

Mr. Cummings: I am quite prepared to answer the question, but I want to make sure that it is put in context. The additional investment this year would be about \$3 million, but, of that, there are recognized interest costs, a major portion of it is recognized interest costs, which are returned to the government in an attempt to correctly reflect the cost of investment that was made over the years.

So your day-to-day operations have been pretty much on a break-even position, but there is no way that the corporation has been able to carry its interest cost.

Mr. Dewar: Could you explain that process to us? How would the corporation—does it approach the government and say, well, we are having some difficulties here in our ability to pay our bills? How is that done?

Mr. Cummings: In the broadest sense, the corporation has loan authority that is granted to it by the

government. They may or may not use it during the course of the year. For example, the loan authority used this year is not loan authority from this year. This is old loan authority. The dollars that were requested by the corporation through the loan authority is authority that was acknowledged previously.

* (1020)

But the part that is hard for the corporation to deal with is that we made the accounting decision—we being government—that this should be treated in the purest sense to recognize the real cost of money, going back to the beginning when the corporation was first put in place, all of the dollars that have been invested. That means that the corporation is therefore put in a position of either produce the revenue stream that would acknowledge those interest costs as any regular operating company would be required to do or put itself in a position where it becomes fully operational and the developmental costs can then be dealt with as developmental.

The member would appreciate that the history of the developmental side of this goes back to the previous administration. The concept was put in place of a Manitoba hazardous waste corporation, and I think it is fair for debate that at that time the concept of the corporation would be that it might well be a public-service monopoly or public-sector monopoly in terms of providing service for pickup, treatment or disposal of hazardous waste across the province.

I recall seeing discussion about whether or not there should be northern freight assistance, distance recognition and all of those things. We have spent upwards of \$10 million in terms of development and site preparation, all of which was laid out under the act which was implemented by the previous administration.

Certainly I am not attempting, in going through this, to lay blame. I am attempting to put on the record, however, the process upon which we embarked, where the dollars were spent and why they were spent; the literally hundreds of meetings that were held over a number of years across the province; the development of the engineering and the concepts—hundreds of

thousands of dollars went into that as well, for a process and specific possibilities that the corporation may be able to invest in and certainly will be part of the assets that a co-investor may want to use that information that has been gathered.

I would also indicate that over those years the corporation did a lot of work which might otherwise have been lodged with the Manitoba Department of Environment. So, when the member for Radisson (Ms. Cerilli) occasionally chose to criticize the amount of money that was being spent by the Department of Environment or for the Department of Environment budget, we were in fact able to call on the corporation from time to time to provide services that might traditionally have been provided by the Department of Environment.

Respect to studies across western Canada for the western Premiers, for the National Council of Ministers, these dollars were expended through the corporation, are part of their developmental costs, but could also have been recognized as expenditures in other parts of government if that had been the wish at that time. Very useful information, by the way, but not dollars that show up at the end of the day that would provide a revenue stream for the corporation.

Mr. Dewar: I would just like to ask the minister, in his opinion, when can Manitobans and the taxpayers of this province expect to recover their \$19-million investment?

Mr. Cummings: Starting in about two months, Mr. Chairperson.

Mr. Dewar: Well, can you explain that further? How much can we expect, and when can we expect that?

Mr. Cummings: I suppose I should apologize for being a little flippant in my response. If the member does not want me to, he can stop me, but what he is asking me to do is to elaborate on the nature of the agreement that we are entering and the Memorandum of Understanding that we have with Miller, and I am quite prepared to do that.

At the time that Miller will begin to become the operating partner, they will begin to pay. First of all, they will agree to an up-front additional investment of some \$3 million, additional investment of \$5 million after the first three years on conditions. At the same time, the corporation will start to receive revenue based relative to profits. I am using gross or very rough calculations here for the purposes of discussion, but potentially up to half a million dollars a year lease payments. You can calculate that any way you like, I suppose, based on projections. They have made their calculations and indicated as a share of profits that they believe they will eventually come up to that level.

Obviously, that will not on Day One start to flow at that level; it will be as a percentage of profits but capped out at that price. Their projections show and our projections show—and that is why I have solicited the input from Mr. McFarlane from Doane Raymond to calculate what the net present value of the future lease payments could be, because that is his level of expertise in terms of being able to provide a knowledgeable opinion about what we could potentially enter into or what we now are entering into, and we are looking at present value in excess of \$6 million. So those are the ways in which the province will begin to recoup its dollars.

As I indicated earlier, the member and his colleagues in the NDP caucus have every right to question the expenditures of the dollars, but I would think that they would also be the first to acknowledge, given that they put the act in place that started this process off, that the developmental costs are not likely to be recovered on a dollar-for-dollar basis. What you are going to end up with in Manitoba is a facility, a competent operation, that brings a capability to the province that I believe provides security for future investments of other companies that may have need of a service such as this corporation would have the ability to produce.

Even though the borders are falling everywhere we look, you would appreciate that it is only in the last six months or less that Alberta has acknowledged a willingness to have hazardous waste come into their jurisdiction for treatment or destruction. So my point

is that there is no guarantee that American borders, for example, or Ontario borders would stay open for ultimate disposal of Manitoba waste.

So having that capability here was one of the first objectives of the corporation, because if you do not have the capability and you depend on out-of-province operations you may well not have a competitive situation. If you do not have a competitive situation because of freight and because of the competence of companies to operate in your jurisdiction, then you have a competitive problem that may be passed on to those who wish to operate in your jurisdiction.

So, in the broadest policy sense, that was the impetus that kept us continuing to invest in, first of all, the siting process and secondly to encourage the corporation and now its partner to continue to invest in the capability within the province.

I would also point out that by comparison we have done rather well. Ontario, for example, under Premier Bob, has spent \$170 million and really only has a large archive of papers, no site and no capability produced as a result of that work. I certainly would not want to be in the position that Alberta has found itself in where they have invested half a billion dollars in their site.

I say that in terms of the dollars, but I think that if we were to analyze the value-for-dollar invested, Alberta has a tremendous capability and they have the industrial and developmental infrastructures that result from being able to have that capability on site or within their jurisdiction.

* (1030)

Thirdly, I suppose I would like to put on the record, too, that something that has happened environmentally in Manitoba that I thought would have been banner headlines and certainly would have been banner headlines in 1989 is that Manitoba is now rid of in excess of 80 percent, I think up to 90 percent possibly now, of our PCB material. We simply would not have been able to accomplish that if we had not had the Manitoba Hazardous Waste Corporation in place working in conjunction, particularly with Manitoba

Hydro but with all of our generators across the province.

When Alberta advertised for—they did not advertise, they approached their adjoining jurisdictions as a test burn for one of their new incinerators, they wanted specified materials delivered for the test. None of the adjoining jurisdictions could respond in view of the volume or the catalogued and organized fashion that Manitoba Hazardous Waste Corporation was able to respond.

So, even though we were not across their border, which in a sense was a violation of the guidelines that they were putting forward, we were able to access their market.

I see some anxiousness on the face of the member for Radisson (Ms. Cerilli). I am quite prepared to limit my comments, but the fact is that you asked where has the money gone, and this is where it has been spent.

The ability to deliver those materials was in fact based on an awful lot of work and organization done by the Department of Environment and Manitoba Hazardous Waste Corporation, money which you are not going to recover, but the fact that you have got 90 percent of your PCBs gone is good news.

Mr. Dewar: I thank the minister for that very detailed answer. I think the question we were asking was: When will we as taxpayers of this province be recovering the investment of \$20 million that was placed in this corporation by this government?

Mr. Cummings: I just spent some considerable time responding, first of all, beginning by pointing out the revenue stream that we see developing from the corporation and pointing out that the developmental costs are not costs that are going to be repaid by cheque so much as they are being repaid already as evidenced by the one example that I gave you, which was the PCB removal. How much do you pay to have the PCBs lined up and taken out of our province under the system that the Hazardous Waste Corp. and the Department of Environment, along with the generators, were able to put in place? I do not think there is another province in the country, except possibly

Alberta, that can point to that type of an achievement, and I certainly just indicated that we are looking at a net present value of some \$6 million.

I think that you could put together a defensible position that would demonstrate that almost all of the capital investment will be returned over the lifetime and arrangement with Miller. What will not be returned, however, is the interest which is about some \$5 million, but that money has already been paid back to the government. It shows as a debt against the corporation so that they could acknowledge it for bookkeeping purposes.

I see nods of agreement from my critics, and I appreciate that, because it is one of the more difficult things that I have to explain, and that is that the corporation has been in effect using its loan authority to pay interest back to the Province of Manitoba for the time, value of the money it was using, which is only appropriate. I truly appreciate the nods of agreement across the table because that is a good accounting mechanism, and it puts the pressure on the corporation to perform at the same time.

Mr. Dewar: In terms of the investment from the Miller Paving/Waste Systems company, what is their total investment? You said it is going to be \$3 million up front and another \$5 million next year? What will be their total investment in this project?

Mr. Cummings: Mr. Chairman, the nature of the investment is that they have agreed to a \$3 million investment in the first three years of the project. They are prepared to make an additional \$5 million available for investment, but that will also have to be backed up by a successful start-up period of the partnership. I think that is the only difference really between this—I should not say it is the only difference, but it is one of the major differences between this agreement and the one that we had previously struck with IEI.

I guess I will address the second part of the question that I am sure is going to come, and that has to do with the competence of the operators.

IEI brought considerable expertise to the table in terms of their knowledge, their background in

hazardous waste, but they did not bring as much operating experience to the table. In this case, we have a company that has a very long record of very capable demonstrated operational competence. The criticism, as the member used the word, that Miller might not be acceptable to Crown Council, I think, is not quite accurate. Crown Council laid down the requirement for some competence in the operation and experience in hazardous waste treatment facilities.

The fact is that the two finalists for this position, one of them was operating for this coinvestment; one of them already was involved in hazardous waste management, but the Crown Council—and I can demonstrate it if absolutely necessary, I suppose—did make the observation that they supported both of the proponents. In the end, they were quite satisfied with Miller, given their due diligence and the very degree of competence and fiscal responsibility that Miller has demonstrated over 76 years. So, while the member can have a little fun at my expense because of published statements from Crown Council, the fact is that they are quite comfortable with this agreement at this point.

Mr. Dewar: The minister mentioned that there was another company interested. Can you expand upon that? Who was that? Was their offer richer?

Mr. Cummings: Excuse me. I will consult with the officials to make sure I can release that, and I will.

Yes, there were, in fact, six. The other company we proceeded some direction with before we chose Miller was Falcon Environmental, also an Ontario firm, young aggressive operation, not as well—obviously not with 76 years of operation under their belt though.

Mr. Dewar: The Crown Corporations Council, one of their recommendations was a private-sector investor to acquire 50 percent equity interest. That is clearly not done here.

Mr. Cummings: Yes, that goal is achieved in the sense that what is invested on site, capital structures or assets that we have, their investment balances what we have on site. If you want to balance off all the developmental costs, we just went through that

discussion. The fact is that, as I started to explain about the difference between this and IEL arrangement, they talked about an enormous up-front investment coming to \$15 million.

* (1040)

By the time you go through the work that Miller anticipates putting into this site, their investment may well approach that level as well, particularly when you consider that they will be paying a significant lease to what is the existing Manitoba Hazardous Waste Corporation for the ability to operate on that site.

Bear in mind that that is based on the fact that the Province of Manitoba has always committed to the community that we would be the final backup, if you will, for the site, so the community was not in any way left with a question. This was offered to all communities, by the way. The community would not in any way be left with a question about whether or not there would be an ongoing environmental liability left if in fact there was a poor operator on site.

Mr. Dewar: I just want to quote from the Crown Council report. It says, partner expected to invest an amount of approximately the province's accumulative investment at the time of purchase, estimated to be approximately \$20 million. I do not see how eight equals 20.

Mr. Cummings: I just explained that. If you are talking about the value of the assets on site and the future investment of the corporation, you would be well in excess of eight. We are talking about the first two stages. You are not allowing for any net present value extension on what we will be earning in a lease on the site.

Also, it should be very clear that this is all based on the very important aspect that they are able to establish a profitable operation. That is why you want a company with deep pockets and with a commitment that will not waiver in the face of what can sometimes be predatory pricing by companies in this business. This is a very high-profit business run right; run poorly, a very high-loss type of enterprise, and the competition in this area can be fierce.

If you think in any way that contradicts what I said earlier about having provincial capability, the biggest damage that we could do to competitiveness in this province would be to have a monopoly control the flow and the treatment of hazardous waste in the province. When that occurs, pricing can go berserk. I think you will find, by any valid comparison of pricing, that Manitoba has right now a very competitive operating regime, but one of the reasons that it is competitive is because Manitoba Hazardous Waste Corp. is operating.

If they were not operating, my candid view is that we very likely would revert to a private-sector monopoly which would potentially do irreversible damage to the competitiveness into the heart of the country. You have only so many directions to go and north certainly is not one of them in terms of being able to treat hazardous waste.

Mr. Dewar: What will be the relationship between the Hazardous Waste Management Corporation and Miller Paving/Waste Systems in terms of the operations of the Manitoba Environmental Centre? Who will actually operate that centre if it is built?

Mr. Cummings: It will be a new corporation which is known as Miller Environmental. Essentially, though, cut to the chase, the operators will be Miller. That is what we want.

Mr. Dewar: So it will be Miller or who will be actually doing the construction and the work of the Manitoba Environmental Centre?

Mr. Cummings: The correct reference to the entity would be Miller Environmental. Perhaps I could explain the potential structure a little bit if that would be useful to the member. I guess what I wanted to point out is the Manitoba Hazardous Waste Corp. as it presently exists would be used as the authority that would appoint members to the new operating board jointly with Miller. Miller would also appoint, by agreement, the chair of that new board.

Also in the agreement there are tenets to assure that certain key decisions cannot be made without unanimous agreement. Therefore, the interests of the

Hazardous Waste Corp, the province and the community are respected in that process.

Just to the community interest, they will have a direct representation as well as part of that board of directors so that we maintain the integrity of having community involvement, the provincial involvement and leverage the expertise and the business acumen, if you will, but also the financial management of Miller and all of their associated interests that can be brought to bear on the future development of this corporation.

Mr. Dewar: Miller will be operating the MEC and the province will own the site. So Miller, they pay a commission to the government? How does that work?

Mr. Cummings: They pay a rental to Manitoba Hazardous Waste Corp. for the site.

Mr. Dewar: What will that be based on?

Mr. Cummings: Profitability.

Mr. Dewar: So, if they do not make a profit, they will be returning no money back to the corporation?

Mr. Cummings: That will be in the long run the criteria of any business. They will not survive if they do not make a profit. Quite simply, I can tell you from my observation of Miller that they are not a company that lightly invests 50 bucks, let alone \$3 million or \$5 million. They are here to make a buck, and Manitoba will receive return on the work that we have done to bring the corporation along this far.

The member—and even myself when I first looked at this, I said, so what does this mean to the province? But when you look at the fact that we have—I have referenced this as a matter of fact over the last three years in reference to the corporation. It has to become a practical operating business entity, with a profit picture and a future potential or we cannot continue.

Miller is confident that they can respond to those needs. They are so confident, they are willing to put up \$3 million, followed by \$5 million, and they are prepared to put forward some of their chief operating officials as board members and as advisers and integral

part of the management team, I guess would be a better way to describe it, of the new entity. So we are acquiring a number of assets in the partnership. It all has to be based on profitability or they and we will not be operating.

Mr. Dewar: Is there a profit-sharing arrangement with Miller, between the Miller company and the corporation? If they make excessive profits, will we see our return expand?

Mr. Cummings: There is also a dividend structure. I am not able to table the details, but I am giving you the general approach to how the corporation will be able to return its investment.

Mr. Dewar: What is the background of Miller when it comes to dealing with hazardous waste management?

Mr. Cummings: I realize why the member is asking the question, but I think it is a pretty unfair angle to approach this company on in terms of the narrow question of managing a hazardous waste facility. They have considerable experience that also applies to this entity, plus their intention is to continue with the operators and the knowledge base that we have at the corporation, and to expand, I will ask Mr. Wright to expand a bit on the background of Miller.

They are a wholly owned, privately-owned company and one with a long track record of success. I think that when people have derisively and otherwise referred to them from time to time as just another paving company, that is pretty much of an understatement of the management capability of this organization.

I will ask Mr. Wright, because he is more familiar with them, to expand on that.

Mr. Ian Wright (President and Chief Executive Officer, Manitoba Hazardous Waste Management Corporation): Thank you, Mr. Minister. Miller, as the minister has already indicated, is a company that has been in business for 76 years. They have been in the waste management business for over 20. Their focus primarily is on the three Rs: reduction, recycle, reuse.

* (1050)

I suppose in a way we could have been associated with a company with broad experience in the hazardous waste management business that would have had a sunk investment in a capital infrastructure based on old-fashioned philosophies, if you will, of burn or bury. I think we are much better off associated with a company that does not have that extensive capital infrastructure that they have to use, who can change the philosophy, if you want, of the business because that is what is going on in the industry now. It is a change from that notion of either burning or burying waste to one that more correctly might be described as a notion that says that one company's waste is another's raw material.

That is what is making the economics of the industry change, too, that you can take a used material, whether that be, for example—let me give you an example. Of the many—I think of them as metal-bashing—companies we have in Winnipeg, farm implement manufacturers, bus manufacturers and so forth, we take used paint and solvents from those companies. We recycle them now wherein we separate the solvent from the paint sludge. The paint sludge is then used as an alternative fuel to create energy in plants. We now have in our system what I think of almost as a closed loop of recycled solvent.

That is the kind of thing, I think, that we have to look forward to. So in the sense that, yes, there is not a lot of kind of sunk experience in some capital in hazardous waste with Miller, I think they are a company whose philosophy is on the leading edge of change, and I think it is much more appropriate in that sense.

Mr. Cummings: Just so there is no misunderstanding about what we are saying, a good example, without pointing directly to the names of the corporations in case they take some umbrage at my comments, a number of corporations who might operate this facility might well have significant investments in landfill operations where these are still licensed in other jurisdictions, or they might have investments in incinerators where they are licensed in other jurisdictions.

Specifically landfilling of the old style and incineration are prohibited on this site. There is a reference to a landfill, but it is not the type of landfill that is operated anywhere else in the country except at Swan Hills, where you have the further processing of material before it goes into a secure landfill. So the problem we were faced with is that you could have a company that was more than anxious to become involved with the corporation and not a bit interested in developing the capability in the long haul in this province.

As in so many government and business decisions, you have to ask yourself, do I take the fast buck now or are we in this for the long haul? We saw Miller as being in this for the long haul.

Mr. Dewar: From what little we were able to find out about this company, it seems to us that their record indicates that they have dealt with household recycling consisting mostly of nonhazardous material.

The Crown Corporations Council, one of their recommendations, and I quote: A qualified, private-sector partner will have demonstrated technical capabilities and a history of success in the management of hazardous waste operations. The partner should have a well-established reputation as a leader in the industry and the resources necessary to meet all its financial obligations.

I think the minister has stated that this company does have the resources in terms of its financial needs, but I do not think it has convinced us that it is a well-established leader in the industry.

Mr. Cummings: I will take my chances with the Crown Council in terms of being able to defend these people as appropriate investors. I do not dispute what the member has just said. They are not long and experienced in the management of hazardous waste, but they are going to use the existing management. Therefore your question has to become, is the existing management competent? They are. Therefore, we have a company with competence backed now by a competent investor who brings other management strengths to the table.

So I am not going to even attempt to argue the member's statement in terms of the prospective investor as we envisage them. We agreed with the Crown Council in terms of their guidelines, but, as I referenced earlier, we have made the decision that we also see it as very important from public policy perspective that we have someone who is in for the long haul, and the existing large hazardous waste operations across the country that expressed interest—and there were six interests expressed. There were not just two; there were six companies that responded to our request for RFP. They all had varying views of how the corporation might evolve.

I would suggest that one of the bidders who is very large and very competent probably saw this site as nothing more than a glorified transfer station, but they were willing to pay a significant buck up front.

Now, I had to ask myself, government has to ask itself, the opposition has to ask itself, is that your preference? I would think probably not. So then you have to look at other choices that are available to you. In conjunction with good advice from the gentlemen who are with us here today, along with Crown Council, the decision was made that this was one we should pursue.

Mr. Dewar: What is the trend in terms of the handling of hazardous waste across this country, across North America?

Mr. Cummings: I will make a couple of comments but I will invite Mr. Wright to comment at greater length on this. He touched on it a couple of minutes ago in terms of—in my view, landfilling is rapidly becoming a travesty in terms of lost resources, in terms of potential risk that is associated with it. Well, my back-of-the-shoebox accounting might say that incineration and destruction by that means would be adequate. We know there are environmental concerns. Certainly, in this community and in others, incineration of hazardous materials is simply not considered an acceptable approach, so recycling and reuse is becoming very much the approach that is being considered acceptable environmentally and from a business point of view becoming very profitable.

But there are linkages, transportation linkages, there are specialized approaches that I think Mr. Wright would be better to respond to.

Mr. Wright: In terms of trend, I guess in one way you think of trend perhaps as you mentioned earlier. Onsite treatment of waste, that certainly is a trend. There is no question about that.

Let me back up one step from that and try and take you through it this way. I guess the fundamental drive now is to the reduction of waste. That means basically, do not produce it in the first place, and that is quite apparent when you see new facilities being built. They are much more energy efficient. For example, they do not produce these kinds of waste, because they design the plant differently. They use different input materials and so forth. It clearly is a trend.

* (1100)

There is another trend, too, and increasingly the thought processes in the industry are to design plants that you can produce certain types of waste that can be used for something else. So that too is a trend. It seems to be counter to the do-not-produce-it-in-the-first-place trend but, again, it is kind of a fundamental of sustainable development in that there is an economic tradeoff and there is an environmental tradeoff all the time and different companies are playing that equation.

The other part of that trend is the onsite treatment of waste now. The corporation, as part of its mandate, has been engaged in that too. People do think the corporation was established just to treat waste at a centralized facility. That is not the case, and we have some examples currently of business deals wherein we treat waste for clients on their site. We would continue with that and I think that in fact is a significant trend in Manitoba and one that I am sure Miller will pursue very actively.

Downstream from that, if you want to think about it, this way is the idea of continuing to focus on being able to recycle and reuse waste, particularly when it comes to energy recovery. I guess the other issue is that that leads to certain overcapacity in certain

facilities. In that case, we might point to incineration, for example, and a lot of documentation suggests that there is considerable overcapacity in incineration. That is another case where the answer is yes and no.

There exists in the world a lot of surplus capacity for what I would call destructive incineration, that the sole purpose of which was to destroy the material, but there is lots of ability that we have to find outlets for incineration that is used to recover energy, in other words as an alternative fuel to something else.

Mr. Dewar: Could the minister provide us with some examples of companies or industries that are doing onsite treatment now?

Mr. Cummings: Yes, I can, but I do not have a list at my fingertips. Perhaps Mr. Wright can probably add to this. I know that we have paint companies who were managing their waste far differently than they used to, sometimes by the manufacturers of the product.

This strikes me as a golden opportunity for me to remind the opposition and anyone else who is interested about how it is that the corporation spent some \$10 million during the developmental phase of its life. It is related very much to what we are just talking about. Part of the mandate that the corporation had was to work with industries. You might think this would be counterproductive to the profits of the corporation, but it certainly was productive for the industries operating within this province.

One of the mandates that the corporation was struggling to carry out over the course of the years was to consult with and work with industries to help them reduce their waste destruction or removal costs. That was a mandate that could have also been carried out by the Department of Environment and is carried out to some extent, but the department as a regulator is not easily in the position of being the advisor on what is the best route to use in terms of reducing the amount of waste that you are producing. They can make regulatory comments and they can make suggestions, but they do not dare be caught recommending processes or equipment. The corporation in this case performed a significantly useful service to the province that might have been lodged with our pollution

protection branch in the Department of Environment and written off as a cost to government.

If you really want to press where the dollars have gone, this is one area where the dollars have actually been spent in a manner that has reduced costs within government to a significant level. I am not sure if there is any proprietary interest, but perhaps Mr. Wright could demonstrate a couple of companies that are doing much more onsite reduction than they used to.

Mr. Wright: Refer to the Yellow Pages—without trying to be facetious, just about everybody. The largest contract we have right now is with CN Rail, wherein we take waste water—well, take the Transcona Yards, for example, when a locomotive comes in for repair, the first thing that happens is that it gets washed with a caustic solution. That caustic solution becomes hazardous because it picks up greases, oils, chrome, zinc and various leachable metals and so forth. We run a waste water treatment plant there that takes that water and treats it so that it meets the City of Winnipeg sewer by-law for levels of contamination and then we take the sludge and dispose of it.

That is an example of what happens. I suppose when you think about how much volume we shipped out of the province it indicates how this is kind of a learning curve that not only us but I think everybody else is on here. When we first entered into that agreement back in '92, we were exporting about 200,000—I stand to be corrected on the number—litres or so a month of waste water type material. We have gotten our treatment ability up now to the point where I do not think we do 15,000 litres every six weeks in terms of what we take away from the site.

Mr. Dewar: When you work with a company, the CN or any of the ones that you work with, do you charge a fee? Is there a commission paid? What does that mean in terms of revenues for the corporation?

Mr. Wright: The business works in the reverse of what most businesses work. It is the only business I know of that you realize your revenue before you incur your costs. In a simple example, where we might pick up a few drums of waste, we may charge that customer \$200, to pick an example, for a 45-gallon drum, to

dispose of it. If we dispose of it internally, there is a cost associated with that or, more often, we dispose of it to other waste management companies. Currently, we do not have the treatment facilities on site to do that so we seek out somebody who might take it off our hands. We consolidate, bulk up the load and so forth, and they may take it off our hands for \$150, in which case our gross profit on that transaction was approximately \$50, so that is the way it works.

In the case of a wastewater treatment plant at CN, there is a throughput fee. We have staff on site all the time. There is a throughput fee which covers those costs and delivers us a little profit.

In terms of volume reductions, volume of waste reduced, there are I think a number of examples, but once again because Winnipeg generates about 80-odd percent of the hazardous waste generated in the province, our focus tends to be there. It also tends to be, again, in what I think of as those metal-bashing industries, the companies that produce farm implements and buses and so forth. There are lots of examples in that sector of the economy where we have helped individual companies reduce the amount of waste they produce. Another sector which is important to us is the aerospace sector, and we work closely with those companies as well.

Mr. Cummings: Perhaps the member does not want to dwell on this too long, but Mr. Wright's last comment, Bristol, for example, I believe it was a contractual arrangement. In the end, the corporation, through a contractual arrangement with them, as I recall, and with other companies, they reduced their volumes of waste enormously and also eliminated their potential to cause a repeat of the damage that the member has discussed previously.

* (1110)

Mr. Dewar: Getting back to the arrangements with the Miller company, has the corporation or has Miller done any type of a market analysis of the future of the handling of hazardous waste? If so, is that available to the committee?

Mr. Cummings: Well, absolutely. In terms of its availability, some of Miller's projections are confidential. The corporation also has projections for its business plan, but the whole basis for Miller's investment and the proposal for partnership is based on their analysis of the market. I think the member would appreciate that that is confidential, very competitive information.

It is also something that the Department of Environment struggles with a lot because they have regulatory responsibility and a knowledge of where business is, frankly, in many respects. So the corporation and the department have a working arrangement, but this type of information, because of its confidentiality, cannot be readily exchanged even between the corporation and the department.

Mr. Dewar: When the corporation was dealing, or the government was dealing with the Industrial Ecology Incorporated proposal, there was an expenditure of \$257,000, of which I believe most of it was recovered. What was the expenditure of the corporation so far to come to an arrangement with Miller?

Mr. Cummings: Well, I will consult for an update, but I think you are almost ahead of us because we are not able to—we are just now, as I said, finalizing the last of it, and I am not sure that we have even got all the bills in at this point.

A ballpark figure would be \$100,000. Perhaps I could expand on the IEI question that the member raised. That was protracted, a lot of travel, a lot of work done on our part to try to consummate the arrangement. But we had a quarter of a million dollar deposit by the corporation to back up its agreement that it would be able to fulfill its obligations in that agreement. They were unable to fulfill the obligations, so we kept the deposit which paid for the expenses.

Mr. Dewar: Does this corporation have any other competitors? Who are your competitors in Manitoba?

Mr. Wright: In terms of companies that handle waste, I guess about 10 competitors in total, the chief of which

is Laidlaw. The market really roughly divides 45 percent for the Hazardous Waste Corp. and 45 percent for Laidlaw in very rough numbers, with the other 10 percent of the market being handled by smaller companies, some of whom are local and some of whom are owned by those primarily in Alberta.

I guess I could add that those companies often focus their efforts on one particular waste stream, such as lead batteries, for example, or used crankcase oil, that kind of thing.

Mr. Dewar: Who are the major customers of the corporation?

Mr. Cummings: I am not sure that this is highly confidential, but I think that is, to some degree, competitive information. I mean, our competitors can go and ask, but I am not sure that it is fair for you to ask us to list them on the record—in a general sense, perhaps. And perhaps I am being overly sensitive, but unless it is critical, I do not think I am inclined to respond at this point.

Mr. Dewar: I would believe that there is a mix of both private and public corporations. Who, then, are your public customers?

Mr. Cummings: For clarification, you mean Crowns? Is that what you are referring to as public?

Mr. Dewar: Yes, or government departments.

Mr. Cummings: That information certainly should not be hard to find out.

Mr. Wright: In terms of any government department or Crown corporation, we are treated like any other supplier, so the only reason they are our customer is that we win a tender. So we do have at any point in time, but not always all, Crown corporations or government departments, both provincially and federally, I may add. We recently coveted some business with the Coast Guard that went to a competitor, for example. So it does vary. Similarly, with municipal governments, we do occasionally have municipal governments as customers.

There is one other level of business that we do that you might be interested in which involves a wide variety of municipalities across the country, and that is the Household Hazardous Waste Program that we have. We do have a permanent depot here in Winnipeg, but we do have hazardous waste days in a variety of communities around the province.

You might be interested in knowing that so far this year about 10,000 vehicles have come through our various household hazardous waste depots that we have operated throughout the province, and there is a growing interest in that area, I think, on behalf of the communities.

Mr. Cummings: I just would like to elaborate a little bit on the household hazardous waste operations that the corporation is involved in. The opposition from time to time has raised questions about household hazardous waste and what provincial programs are available.

We are, in fact, facing a dilemma, one which we have been dealing with the last couple of years via contract between the Department of Environment and Manitoba Hazardous Waste Corp. to at least in part reimburse for these operations. Household hazardous waste operation is not profitable, but it is something that needs to be done in terms of getting those materials out of the sewer and other places.

The real issue is that people are not going to bring their old paint cans and their used oil to a depot and leave \$5 behind at the same time to pay for it. So the real dilemma is, how much of this is going to come out of the tax base? Again, in defence of the dollars that have been invested in this corporation over the years, they have run this for about 10 years without any support from the tax base. That is part of where some of those dollars have been expended.

As we move into this next phase, we are going to be looking for some advice on whether or not tax dollars should be supporting household hazardous waste collection.

Mr. Dewar: This has been an issue that has come up recently, and it concerns all Crown corporations—that is,

the remuneration of the board of directors. I just want to ask the question if there has been a recent increase in the remuneration of the board of directors of the Manitoba Hazardous Waste Management Corporation.

Mr. Cummings: No.

Mr. Dewar: What is the current level, sir?

Mr. Cummings: Off the top of my head I cannot recall. I can tell you that Mr. Gallant is paid on a per diem, as are the other board members, I believe. Obviously, as we go into the next phase of this corporation, the work of the existing board will be dramatically reduced and therefore the cost will become quite low. Some of those board of directors will be undoubtedly appointed to the new co-owned company, but, in terms of the corporation, that is a declining issue.

I am sorry I do not have the answer. [interjection] Can you tell me the per diem? It is \$198 a day less the equivalent of the Friday off.

* (1120)

Ms. Cerilli: I want to ask some questions as well. One of the concerns that we have had with respect to the privatization of the Crown corporation dealing with the management of hazardous waste is that, with its becoming private, the profit motive will take over, and it will lose its service capacity. That will mean that there will be a change in the mix of the kind of services, the kind of waste management, that has been conducted, that there would be creaming, if you would. The most profitable wastes would be managed, and some of the other services that the corporation has provided to the public that have not been as profitable like the Household Waste Management Program or the public waste management program would be discontinued.

I am wondering if there is a condition of the agreement with Miller that there would not be a loss of these programs and if there is going to be a change in the kinds of wastes that are going to be managed by the corporation with the new management.

Mr. Cummings: There is an undertaking in the agreement that they would provide a complete range of services. Now that leads to the next question, however, which is, that does not mean that they will develop a treatment capacity for 20 different waste streams, but they will have a complete range of services.

The point you make about creaming is one that already exists. In fact, that is one of the reasons we need an aggressive partner involved in this operation because what is happening very often is that the competitors, during the period of uncertainty that we have gone through with the Hazardous Waste Corp., are coming in and attempting to cream by certain pricing structures to try and weaken the position of the corporation.

So a private-sector partner will probably provide some very beneficial results in that respect as opposed to the downside, which, I agree, is a legitimate question.

Ms. Cerilli: Would the minister or his staff then put on record the types of waste that are now being treated by the corporation, that are now being managed by the corporation, either directly or with any kind of agreements they have in subcontracting with other companies? That seems to be the implied direction that the private corporation would go to. There would be more subcontracting, so I am wanting to just get on the record the types of major capacities that the corporation has now. If that is outlined in the reports, you can direct me to that.

Mr. Cummings: I will ask Mr. Wright to respond to the details of that. But we must be careful not to interchange management with treatment. The corporation provides service in many cases—and today, of course, does not have the capacity—but I want to reemphasize that in the end the difference between the hazardous waste management business between today and 10 years ago or even five years ago is that there is very much a change in the delineation of certain waste streams and the profitability of them, and where and how they might be managed on site or in a broader sense. I also suspect that we are not going to be able to give you a complete list.

I mean, I will ask Mr. Wright to give you as much of a response as he can, but I assure you that the corporation will continue as I understand the agreement with Miller in a very aggressive manner.

Mr. Wright: I am sorry. I do not have a list that would give you every type of waste that we currently have treated or managed by volume. In the annual report, it points out some of the broad categories of treatment, and I could refer you to that. It is in our 1994 annual report.

The minister makes an important distinction between treatment and management. Currently we do not have any facilities to treat waste, but we do manage all waste streams. It would be our intention in the future, or Miller's intention, to invest in facilities that will treat waste on site, and it would be my strong recommendation to them that they consider an approach which would offer the management of all wastes to every customer.

I think it is an important part of a business strategy to be an integrated waste management company. We can allow the smaller companies if they wish to cream, as you suggested, or focus in on single stream wastes, but it is certainly Miller's intention insofar as I know it, and that is what they have said in their documentation, to treat or be an integrated waste management company, which means treating all wastes or at least managing all wastes if not treating it.

Ms. Cerilli: Specifically in terms of the public and household waste programs, I just want to clarify the response to the question about continuing on with those programs, or if the government is going to make a commitment to continue on with those programs in some other fashion, or if that is going to be turned over in another way to the private sector as well.

Mr. Cummings: I indicated that the last couple of years, for reasons of clarity, this has been managed by contract with the Manitoba Hazardous Waste Corp., the contract paid for by the Department of Environment. That will continue in the immediate short term with Miller.

As I indicated to the members, this is an interesting dilemma in which there is no philosophical answer to provide guidance to any of us, in my view at least. That is the concept of managing household hazardous waste and how it becomes, if there is any way of making it user pay or if there is a way of simply getting more of it collected. Availability is part of that, but I am committing to continuing that system while we examine, and I am willing to hear input from the opposition on this while we examine our existing system and other ones. Fortunately, what we are probably going to find is that Manitoba has one of the more progressive ones right now, but it is a cost to the tax base.

Mr. Gary Kowalski (The Maples): Biomedical waste, is the Hazardous Waste Corporation doing any work with biomedical waste?

Mr. Cummings: I am sorry, would the member repeat the question?

Mr. Kowalski: I was just curious as to what work the Hazardous Waste Corporation was doing with biomedical waste from hospitals, clinics. Is it handling any of that type of waste?

Mr. Cummings: The corporation is not doing that, nor would I anticipate that Miller would be involved. In fact, I am looking to the corporation here. I believe they are not licensed in any way, nor do they intend to be licensed in any way, for that capability. That is part of their agreement for that site's specific licence.

Mr. Kowalski: So, in Manitoba right now, who is handling biomedical waste?

* (1130)

Mr. Cummings: The hospitals themselves are directing how they deal with that. There are onsite destruction systems, some of them more competent than others—I acknowledge that. But they are all licensed by the Department of Environment. There is no relationship between that and the Manitoba Hazardous Waste Corporation.

Mr. Chairperson: Are there any further questions?

Ms. Cerilli: There are still a couple of issues. I notice in this year's annual report that for the first time there has been a separation of the assets into Capital Assets and then System Development. I think that is a good separation.

I am interested to see that the capital assets for '93 net were \$1,456,974. From that, I wanted to ask the minister, if we go back to 1989 when investment first began into the corporation: Could we get a breakdown of the amount of that investment that has gone into salaries; the amount that could be shown to have gone into capital assets just at the outset; and the major breakdowns like that so we could start to get a clearer picture of where the investment from the taxpayers of Manitoba has gone into the corporation?

Mr. Cummings: Mr. Chairman, I guess the member is saying that she is not satisfied with the balance sheets as they are laid out in the annual reports. I can assure her that the vast majority of it has gone into salary—salary, some studies. I can tell you that there was a large engineering bill that was paid in relationship to developing a plan for the nuts and bolts of a treatment facility.

I think we could provide a summary that would help clarify that, but I have no qualms about saying the majority of it would have gone into salary, which is really development.

I mean, we spent, as required under the act, literally millions going across the province, searching out sites, public meetings. You can argue that that was all the responsibility of the corporation, or you can argue that there was a significant educational process going on at the same time, because the member will recall the corporation was almost physically kicked out of a few communities after their first informational meeting or two, even though they had already done a lot of work on researching soils and so on.

One asset we have that the corporation has no way of evaluating very well is a province-wide mapping reality in terms of where acceptable soil types are available for certain industries. In fact, we have referenced it a few times already in the last year, last

six months particularly, with companies that are interested in moving to this province. There has been quite a burst of interest. It turns out that this is one of the things that we have been able to use to demonstrate to them: where areas of the province are available to them with certain soil types and certain assets that would not have been identified without the work done by the corporation.

Ms. Cerilli: I notice that, for this year, the wages and benefits are \$708,589 for 1994, which is the most recent annual report, and we could multiply that over the years of the operation of the corporation.

One of the questions I have with respect to the privatization is if there is an agreement that the staff are going to be maintained, if there is a collective agreement that is going to transfer to the new company and if the staff, which I think all of us would agree are assets, if they have been with the company, they have a lot of expertise, if those staff are going to be remaining with the company, and if part of the conditions of the privatization are that there will be a maintenance of those staff.

Mr. Cummings: The corporation has moved over in recent months, years, actually. It is a process that took some time, but almost all of the staff are on contract as opposed to a union arrangement, as the member I think was referencing.

We have a lot of people with a high degree of specialization. As we discussed at this committee a year ago, there were staff who were attached to the corporation who were there for a very real need, provided a real service and were an asset to the corporation, but they were during the developmental stage. You cannot make a planner into a chemist, as an example, so there has been some considerable change in the make-up of the staff as I read it. At the same time, there is an agreement in the Memorandum of Understanding for severance where necessary.

Ultimately, because we want to have the managers manage, the new agreement will allow for the new entity to keep the staff that they need for the purposes

that would best serve the corporation, and if there are some who do not stay with the corporation, that they are appropriately supported. But that is not, in my view, a downside—a very positive aspect, because all of the staff are aware of the position that they are in. There have been some that of their own volition over the last couple of years, because of the uncertainty, have decided to leave the corporation. There are others who were terminated.

The corporation has, as I said, made changes because of the reasons that I just mentioned. I think that this actually brings some certainty and some confidence to the staff. I am sure it brings some certainty and confidence to the community, which again is reflective of how many staff are employed and what their job descriptions are.

Ms. Cerilli: I just want to confer with my colleague here for a moment.

I know that earlier there were discussions with respect to the new agreement and the way that the money was going to flow, starting off with the \$3 million up-front investment and after that, I think it was within—that was over the first three years and then there was, I think, another three to five years and there would be an additional \$5 million.

I am wanting to have some explanation of what the conditions are on both sides for that additional investment.

Mr. Cummings: I will have to think about the question a little bit. I indicated the dollars are correct. The member is asking conditions. I indicated earlier, obviously the first criterion is profitability. The next five are not going to be invested on a losing basis. I think we are all confident that that will not be a problem, but let us face reality; the corporation has to turn the corner and, I think, will, because we have already demonstrated that we can make money on operations. It is the interest that is making the corporation's balance sheet unacceptable at this point.

I think it would be fair to say, by memory, trying to describe conditions, that Miller, given that they will be putting up the money. First of all, the decision, as I

said, will be based on the profitability. Some of the investment will have to flow from that profitability, but if your question is about ongoing liability for the province, the province is not going to have to come up with more money to get the additional leverage. I think that was one of our base criteria.

Ms. Cerilli: I am wondering if we could get into the scenario where, after the initial \$3 million agreement and keeping in mind that that is over three years, if there is not the profit margin that the company needs to pay back the government, and I understand that that is going to be on some sort of profit-sharing sliding scale, is what it sounds like, that the new company could walk away. At that point, what would be the total amount that the taxpayers would receive back?

* (1140)

Would it just be a portion of that initial \$3 million investment for Miller? Plus, there would be the—what was the number I just referenced in terms of the capital assets? But it looks like this is going to take a number of years for the investment to be recovered, so I wonder if that is the other thing that the minister could clarify is the number of years compared to the profitability that we are going to see the money from the initial investment of Manitobans. A two-part question.

Mr. Cummings: I do not mean to imply to the member that this is without risk in terms of future investment. Let me repeat, I do not mean to imply that this is without risk for future investment. I think there is considerable confidence that a company of this nature, given their long-track record of sound investment and management of those investments, that they are not here to become losers. They want to make this a significant portion of their future expansion of their company which has been very cautious and very well managed over the history of the company.

So the member's question about the next \$5 million worth of investment, if she is asking, is there zero risk in terms of whether or not it will occur? Of course, there is never zero risk in this type of a situation, but is there additional liability that might occur to the province if Miller decided not—[interjection] Wait a minute. Let me finish my comment. If Miller decided

not to operate, would the province be left with some kind of latent liability was what I understood from her question. The answer there would be no, other than the liability we have already acknowledged with the land, in the operational land.

If the question is: What is the risk of the \$5 million not being made? I would say that it is a very high probability of it proceeding, given the projections that we have on market, projections that Miller provided in terms of their business plan, my expectation is that this will proceed, but let us not forget the competitiveness of the business.

Ms. Cerilli: In the business plan that was presented, what were the projected number of years to repay that additional \$12 million after the \$8 million that would take five years at least to be invested by the new company?

Mr. Cummings: I have a schedule in front of me, and I guess the member is going to have to trust me at this point, but I have a schedule in front of me—there it is, see—that lays out what it is that they will do over the next six years, what comes to a total of \$8 million. So it is not a shot in the dark or it is not somebody's pipe dream, it is based on their best projections to date.

But, look, in the business world it is not much different in some cases than the world that we operate in around here. Do you know where you are going to be two years from now? Do I? That is the reality of expecting the dollars to be guaranteed. We have a guarantee of the first three, that is unavoidable on the part of Miller, that that investment will be made.

An Honourable Member: Three out of 20.

Mr. Cummings: Wait a minute. The member asks, are we going to be paid? We are not being paid the \$3 million or the \$5 million. They are investing that to match and we are getting 50 percent, so that sounds like, to me, two to one in our favour, if you want to play fast and loose with the figures. Let us just acknowledge that there is a risk associated and that risk is the profitability or lack thereof.

The province will not stay in it and lose money, and I do not think you would ask any private sector of a company to do it, but they have three million bucks at risk that says they are not going to walk away from that if they can avoid it. The next stage of profitability will be the further investment in stabilization equipment and laboratory equipment, tank farm equipment, additions to the transfer facility, phys chem treatment. One of their major investments will be additional phys chem treatment capability, and that is scheduled right here in year three.

Ms. Cerilli: I am sure that the minister was presented with a few projected scenarios based on projected profits, and I am wondering if he will tell us the number of years in even one of those scenarios that it would take giving reasonable projections of profits for a new company in the hazardous waste management field to recoup the additional \$12 million to the government, to the taxpayers of Manitoba.

Mr. Cummings: They presented their estimates of profitability and in projecting the lease payments, in projecting the investments. We have in fact a six-year projection here that says they will be making that investment, so then I guess that is about as direct as I can be, given that I cannot table the agreement.

Mr. Dewar: I would like to revisit the government's deal with Industrial Ecologies Incorporated.

Mr. Cummings: I answered the last question.

Mr. Chairperson: Going back to the last question, the honourable minister.

Mr. Cummings: The member said over—I think you said \$12 million and you asked about projections. We have projections by the corporation and by Doane Raymond that in terms of rent and return on equity, confirm that this will be a profitable operation and that we will receive a significant return.

You could extend—like a 30-year projection, how accurate can it be? It is an assumption, assumptions which can change. If the member wants assumptions from people who are investing their money and supported by people who make their living evaluating

those projections, and whether or not they are valid, that we will receive all of our money back by the end of a 25- to 30-year projection, but let us not downplay the risk.

Mr. Dewar: As I mentioned, I would like to revisit the deal with IEI. What is the difference between their proposal and the proposal of the Miller company in terms of financing, in terms of up-front money?

Mr. Cummings: IEI promised significant capital investments from Day One. They were asked to put up verifiable guarantees so that commitments would not be made and then partially expended and then —bingo—bankruptcy or whatever might happen or no more money was made available to complete the project. The province would then have been faced with a partially completed facility and a liability, but then you are into the glue so far that you would probably end up having to complete it.

They were unable to, in the end, confirm their financing in a manner that we were completely secure that it could be accessed in case of a default here in Canada. There is no doubt they had discussions and had verification, but in a different currency and in banks—we want verification here in Canada. In terms of Miller, there is less up-front guarantee of dollars, but there is absolutely no question about the guarantee they are providing on those dollars. The future projections are locked into a Memorandum of Understanding, which does acknowledge profitability and opportunity.

But, when you get out into the projections, you also have that backed up by the reputation and the capacity of the company you are doing business with. We have nothing but the highest regard for this company.

* (1150)

Mr. Dewar: I would like to ask a few other questions related to the storage of toxic waste at the corporation's Fort Garry sales office. I understand that it was a practice without an environmental licence or formal approval. Has this situation been remedied?

Mr. Cummings: Would you repeat the question, please?

Mr. Dewar: It was my understanding that the Hazardous Waste Management Corporation has stored toxic waste at its Fort Garry sales office without an environmental licence or formal approval. I am just asking if that was the case, and, if so, has that situation been remedied?

Mr. Cummings: The short answer is yes, but I get very aggravated by that view of what occurred. I appreciate that the member sees that in print in other places, but it is simply not true. It is not true. It is no different than the way we would treat any organization that asked permission and received it, after review of the site, to leave a loaded vehicle parked in a certain location overnight. I mean, that is not storage of material, and there is no risk to the community. That was the basis upon which the decision was made.

Certainly, the corporation and others in the province operate very often under those same permissions from the Department of Environment. It was all fully agreed to and understood by the Department of Environment.

When I say it has been addressed, there is now a formal arrangement in place that you could call a licence, if you will, to do that. Take a look around, however. Where did you see the last gasoline tanker parked? Just think about the risk associated with that gasoline tanker.

Mr. Dewar: Another issue is the fact or a question I want to ask: Has a fence been constructed around the St. Jean facility as was required?

Mr. Cummings: Again, the issue that was raised around the fence of the site is based entirely on the fact that the licence was for a far more significant operation at that site to occur. The Department of Environment did the same as they would have done with any other organization, which was to apply the judgment of reasonableness as to what should be required to provide adequate safety for the environment and for the public.

That site is very, very well secured and alarmed. There is no risk in the opinion of the department by not having that fence entirely in place at this point. The fact is that the facility is not in place. We have a transfer facility and a soil treatment facility. We do not yet have a treatment facility for hazardous waste.

Mr. Dewar: Have there been any accidents or near misses in the transportation of hazardous waste to the site? On a day like today maybe?

Mr. Cummings: The corporation has not had an accident. If you want to look at the big picture, we had one of Hydro's trucks roll over not too long ago. When you have thousands of tons of goods on the road, the fact is—in that case, all that happened, even though there was an evacuation, was that there was a small safety valve that was weeping. It was decided that safety was of paramount importance, but it was not because of any particular volume of leakage.

Mr. Dewar: Does the corporation work with local emergency responders, so they would be prepared to act in case of an accident in that area?

Mr. Cummings: The corporation responds when requested. The Department of Environment and/or other appropriate agencies are the first responder, but the corporation also works with, I am told, various organizations, probably on as per requested basis. If you want further detail, ask Mr. Wright to reply. Do you have other questions in that respect?

Mr. Dewar: I am just concerned, obviously. I am concerned about the transportation of the waste to the site, obviously. I am concerned about the possibility of an accident, and I just wanted to know if the corporation is working with the local responders. They would probably be some of the first on the accident site. What expertise do they have? Do you work with them to develop a system?

Mr. Wright: We, too, are concerned about safety. We start with specially designed vehicles. We have a regular training program for all our staff. We do work with the Department of Environment, the Department of Transportation, Workplace Safety and Health, and I suppose, most importantly, because of where the

facility is located, with the local volunteer fire department. We meet with them regularly. As a matter of fact, as it happens, one of our senior operational employees is a member of that fire department, and through that mechanism we are constantly in touch.

For example, before the last person leaves every night, there is an inventory list of material that is stored there, that is in a box near the gate, so that if there was an incident those responding would know exactly what is on site. Those kinds of things are taken care of. There is a foam fire suppressant system, various alarm systems, and so forth.

Mr. Dewar: What is the payroll of the corporation? How many employees are there currently?

Mr. Wright: Twenty-six full time.

Mr. Dewar: And the payroll is?

Mr. Wright: The payroll, if you include part-time people, including those people who work in our household hazardous waste depot and so forth, is approximately a million dollars currently.

Mr. Dewar: How many of those employees are from the local area?

Mr. Wright: About—let me count them—eight people are employed full time that are residents of the area, I believe.

Mr. Dewar: Has there ever been a time when the corporation had problems meeting its payroll?

Mr. Cummings: If the member is asking, was there ever a time when the Province of Manitoba was insolvent, the answer is no.

Mr. Dewar: Obviously, I am pleased that employees will be paid for the fine work they do at this corporation, but there has never been a problem with the corporation in terms of meeting its payroll?

Mr. Cummings: The president assures me, no.

Mr. Dewar: I just want to ask one more question, if I might. In the 1993 annual report, 1994 estimate of sales was \$5.92 million. Were those sales realized?

Mr. Cummings: While we are pulling that answer together, the question was, did we realize the \$5-million projection of income for '94?

Mr. Wright: Page 13 of the annual report—an unlucky page to have it on. You see the various revenues; these are sales revenues. As you will see in 1994, the total revenues were \$5,923,555. Right on projection.

Mr. Dewar: Just in closing, I do want to thank the corporation staff for being here this morning to answer our questions.

Mr. Jack Penner (Emerson): Just very briefly, I just wanted to express my appreciation for the way the corporation has dealt with the issues and concerns that have, from time to time, been raised by the community and the absolutely professional manner in which the corporation has dealt with all respective matters and how they operate the corporation within the community. I think they are an exemplary type of an asset to the community. That cannot be overstated. Thank you.

Mr. Chairperson: The time is now 12 p.m.

Shall the December 31, 1993, Annual Report of the Manitoba Hazardous Waste Management Corporation pass—pass.

One more question: Shall the December 31, 1994, Annual Report of the Manitoba Hazardous Waste Management Corporation pass?

Some Honourable Members: Pass.

Some Honourable Members: No.

Mr. Chairperson: It is not passed at the present time.

The time is now twelve noon. What is the will of the committee? Committee rise.

COMMITTEE ROSE AT: 12:01 p.m.