

**Third Session - Thirty-Eighth Legislature**  
of the  
**Legislative Assembly of Manitoba**  
**DEBATES**  
and  
**PROCEEDINGS**  
**Official Report**  
**(Hansard)**

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**MANITOBA LEGISLATIVE ASSEMBLY**  
**Thirty-Eighth Legislature**

| <b>Member</b>            | <b>Constituency</b> | <b>Political Affiliation</b> |
|--------------------------|---------------------|------------------------------|
| AGLUGUB, Cris            | The Maples          | N.D.P.                       |
| ALLAN, Nancy, Hon.       | St. Vital           | N.D.P.                       |
| ALTEMEYER, Rob           | Wolseley            | N.D.P.                       |
| ASHTON, Steve, Hon.      | Thompson            | N.D.P.                       |
| BJORNSON, Peter, Hon.    | Gimli               | N.D.P.                       |
| BRICK, Marilyn           | St. Norbert         | N.D.P.                       |
| CALDWELL, Drew           | Brandon East        | N.D.P.                       |
| CHOMIAK, Dave, Hon.      | Kildonan            | N.D.P.                       |
| CULLEN, Cliff            | Turtle Mountain     | P.C.                         |
| CUMMINGS, Glen           | Ste. Rose           | P.C.                         |
| DERKACH, Leonard         | Russell             | P.C.                         |
| DEWAR, Gregory           | Selkirk             | N.D.P.                       |
| DOER, Gary, Hon.         | Concordia           | N.D.P.                       |
| DRIEDGER, Myrna          | Charleswood         | P.C.                         |
| DYCK, Peter              | Pembina             | P.C.                         |
| EICHLER, Ralph           | Lakeside            | P.C.                         |
| FAURSCHOU, David         | Portage la Prairie  | P.C.                         |
| GERRARD, Jon, Hon.       | River Heights       | Lib.                         |
| GOERTZEN, Kelvin         | Steinbach           | P.C.                         |
| HAWRANIK, Gerald         | Lac du Bonnet       | P.C.                         |
| HICKES, George, Hon.     | Point Douglas       | N.D.P.                       |
| IRVIN-ROSS, Kerri        | Fort Garry          | N.D.P.                       |
| JENNISSEN, Gerard        | Flin Flon           | N.D.P.                       |
| JHA, Bidhu               | Radisson            | N.D.P.                       |
| KORZENIOWSKI, Bonnie     | St. James           | N.D.P.                       |
| LAMOUREUX, Kevin         | Inkster             | Lib.                         |
| LATHLIN, Oscar, Hon.     | The Pas             | N.D.P.                       |
| LEMIEUX, Ron, Hon.       | La Verendrye        | N.D.P.                       |
| LOEWEN, John             | Fort Whyte          | P.C.                         |
| MACKINTOSH, Gord, Hon.   | St. Johns           | N.D.P.                       |
| MAGUIRE, Larry           | Arthur-Virden       | P.C.                         |
| MALOWAY, Jim             | Elmwood             | N.D.P.                       |
| MARTINDALE, Doug         | Burrows             | N.D.P.                       |
| McGIFFORD, Diane, Hon.   | Lord Roberts        | N.D.P.                       |
| MELNICK, Christine, Hon. | Riel                | N.D.P.                       |
| MITCHELSON, Bonnie       | River East          | P.C.                         |
| MURRAY, Stuart           | Kirkfield Park      | P.C.                         |
| NEVAKSHONOFF, Tom        | Interlake           | N.D.P.                       |
| OSWALD, Theresa, Hon.    | Seine River         | N.D.P.                       |
| PENNER, Jack             | Emerson             | P.C.                         |
| REID, Daryl              | Transcona           | N.D.P.                       |
| REIMER, Jack             | Southdale           | P.C.                         |
| ROBINSON, Eric, Hon.     | Rupertsland         | N.D.P.                       |
| ROCAN, Denis             | Carman              | P.C.                         |
| RONDEAU, Jim, Hon.       | Assiniboia          | N.D.P.                       |
| ROWAT, Leanne            | Minnedosa           | P.C.                         |
| SALE, Tim, Hon.          | Fort Rouge          | N.D.P.                       |
| SANTOS, Conrad           | Wellington          | N.D.P.                       |
| SCHELLENBERG, Harry      | Rossmere            | N.D.P.                       |
| SCHULER, Ron             | Springfield         | P.C.                         |
| SELINGER, Greg, Hon.     | St. Boniface        | N.D.P.                       |
| SMITH, Scott, Hon.       | Brandon West        | N.D.P.                       |
| STEFANSON, Heather       | Tuxedo              | P.C.                         |
| STRUTHERS, Stan, Hon.    | Dauphin-Roblin      | N.D.P.                       |
| SWAN, Andrew             | Minto               | N.D.P.                       |
| TAILLIEU, Mavis          | Morris              | P.C.                         |
| WOWCHUK, Rosann, Hon.    | Swan River          | N.D.P.                       |

**LEGISLATIVE ASSEMBLY OF MANITOBA**

**Wednesday, June 1, 2005**

**The House met at 1:30 p.m.**

*PRAYERS*

**ROUTINE PROCEEDINGS**

**PETITIONS**

**Ambulance Service**

**Mr. Ron Schuler (Springfield):** I wish to present the following petition to the Legislative Assembly of Manitoba.

These are the reasons for this petition:

In May 2004, 46-year-old Peter Krahn suffered a heart attack while exercising in East St. Paul and was pronounced dead just under an hour later after being transported to the Concordia Hospital in Winnipeg. Reports show that it took nearly 18 minutes for an ambulance to arrive for Mr. Krahn.

The Interlake Regional Health Authority claims that 21 minutes is an acceptable emergency response time, whereas the City of Winnipeg uses a benchmark of 4 minutes.

Ambulance coverage for East St. Paul is provided from Selkirk, which is almost 25 kilometres away.

The municipalities of East St. Paul and West St. Paul combined have over 12 000 residents.

We petition the Legislative Assembly of Manitoba as follows:

To request the provincial government to consider providing East St. Paul with local ambulance service which would service both East and West St. Paul.

To request the provincial government to consider improving the way that ambulance service is supplied to all Manitobans by utilizing technologies such as GPS in conjunction with a Medical Transportation Co-ordination Centre (MTCC) which

will ensure that patients receive the nearest ambulance in the least amount of time.

To request the provincial government to consider ensuring that appropriate funding is provided to maintain superior response times and sustainable services.

Signed by R. Taylor, Barbara Taylor, Travis Taylor and many, many others.

**Mr. Speaker:** In accordance with our Rule 132(6), when petitions are read they are deemed to be received by the House.

**Coverage of Insulin Pumps**

**Mr. Kelvin Goertzen (Steinbach):** I wish to present the following petition to the Legislative Assembly of Manitoba.

These are the reasons for this petition:

Insulin pumps cost over \$6,500.

The cost of diabetes to the Manitoba government in 2005 will be approximately \$214.4 million. Each day 16 Manitobans are diagnosed with this disease compared to the national average of 11 new cases daily.

Good blood sugar control reduces or eliminates kidney failure by 50 percent, blindness by 76 percent, nerve damage by 60 percent, cardiac disease by 35 percent and even amputations.

Diabetes is an epidemic in our province and will become an unprecedented drain on our struggling health care system if we do not take action now.

The benefit of having an insulin pump is it allows the person living with this life-altering disease to obtain good control of their blood sugar and become much healthier, complication-free individuals.

We petition the Legislative Assembly of Manitoba as follows:

To request the Premier (Mr. Doer) of Manitoba to consider covering the cost of insulin pumps that are prescribed by an endocrinologist or medical doctor under the Manitoba Health Insurance Plan.

Signed by Alan Gutoski, Daniel Harbour, Rebecca Melnyk and many others, including some in the gallery here this afternoon.

\* (13:35)

### **Generally Accepted Accounting Principles**

**Mr. Kevin Lamoureux (Inkster):** I wish to present the following petition to the Legislative Assembly of Manitoba.

The background to this petition is as follows:

Manitoba's provincial auditor has stated that Manitoba's 2003-2004 budget deficit was the second highest on record at \$604 million.

The provincial government is misleading the public by saying they had a surplus of \$13 million in the 2003-2004 budget.

The provincial auditor has indicated that the \$13-million surplus the government says it had cannot be justified.

The provincial auditor has also indicated that the Province is using its own made up accounting rules in order to show a surplus instead of using generally accepted accounting principles.

We petition the Legislative Assembly of Manitoba as follows:

To request the provincial government to consider adopting generally accepted accounting principles in reporting Manitoba's budgetary numbers.

Signed by Tommie Tan, Kim Tardiff and Jeff Hrymak.

### **Fort Garry Hotel**

**Mr. Denis Rocan (Carman):** I wish to present the following petition to the Legislative Assembly of Manitoba.

The background of this petition is as follows:

In 1987, the City of Winnipeg seized the Fort Garry Hotel from its owner, Harvard Investments Limited, a family-owned Manitoba corporation, in what has been characterized as a miscarriage of justice.

Due to deliberate actions of the City of Winnipeg, errors by the Municipal Board of Manitoba and a lack of clarity in provincial legislation, Harvard was denied the due process and natural justice that are fundamental to the property tax assessment and appeal process in Manitoba.

As a result the company was unfairly burdened with a grossly excessive assessment and tax bill that in turn precipitated a tax sale and mortgage foreclosure, effectively bankrupted the company and caused Harvard shareholders to be dispossessed of their business and property.

The background to this petition was outlined more fully in a grievance presented to this Assembly by the honourable Member for Carman on May 18, 2005.

We petition the Legislative Assembly of Manitoba as follows:

To request the Minister of Intergovernmental Affairs and Trade (Mr. Smith) to consider conducting a review of the circumstances outlined and to consider making a recommendation for redress to the Government of Manitoba.

Signed by Nancy Perrin, A. J. MacIver, W. J. McCartney.

### **TABLING OF REPORTS**

**Hon. Gord Mackintosh (Minister of Justice and Attorney General):** Mr. Speaker, I table the report of The Discriminatory Business Practices Act.

### **INTRODUCTION OF BILLS**

#### **Bill 51—The Labour-Sponsored Investment Funds Act (Various Acts Amended)**

**Hon. Jim Rondeau (Minister of Industry, Economic Development and Mines):** Mr. Speaker, I move, seconded by the Minister of Finance (Mr. Selinger), that Bill 51, The Labour-Sponsored

Investment Funds Act (Various Acts Amended), be now read a first time.

***Motion presented.***

**Mr. Rondeau:** Mr. Speaker, we are introducing this bill to respond to recommendations outlined in the Auditor General's Report on the Crocus Investment Fund to provide for good governance, streamlined administration, empower the common shareholders and better protect shareholders' interests.

**Mr. Speaker:** Is it the pleasure of the House to adopt the motion? [*Agreed*]

\* (13:40)

**Introduction of Guests**

**Mr. Speaker:** I would like to draw the attention of honourable members to the loge to my left where we have with us today Mr. Binx Remnant who is a former Clerk of the Manitoba Legislative Assembly.

In the public gallery we have with us from Winnipeg Mennonite Elementary 19 Grade 5 students under the direction of Mrs. Marlene Wagner. This school is located in the constituency of the honourable Official Opposition Leader (Mr. Murray).

In the public gallery we also have from St. Ignatius School 30 Grade 4 students under the direction of Mrs. Carol Noonan. This school is located in the constituency of the honourable Member for River Heights (Mr. Gerrard).

Also in the public gallery we have from Pierson School 34 Grades 3 to 6 students under the direction of Mrs. Mavis Halls. This school is located in the constituency of the honourable Member for Arthur-Virden (Mr. Maguire).

Also in the public gallery we have 11 visitors from the Red Hat Society, the Red River Rowdies from Lions Place under the direction of Ms. Jean Duncan. This group is located in the constituency of the honourable Member for Wolseley (Mr. Altemeyer).

On behalf of all honourable members, I welcome you all here today.

**ORAL QUESTIONS**

**Crocus Fund  
Government's Inaction**

**Mr. Stuart Murray (Leader of the Official Opposition):** Mr. Speaker, my office received a phone call from a Crocus unitholder who was devastated to hear that this NDP government ignored red flags and internal warnings from departmental officials. The reason she was particularly upset is because knowing that the opposition raised concerns about Crocus in 2002, before she and her husband invested more of their hard-earned money in Crocus, she wanted assurance from this government that everything was okay at Crocus. She called the Finance Department in 2004 and was assured by the Department of Finance that everything at Crocus was okay.

Mr. Speaker, will the Premier, who is the highest political authority in the province of Manitoba, tell this Manitoba Crocus investor why his government ignored critical warnings that he was aware of?

**Hon. Gary Doer (Premier):** Mr. Speaker, the highest political body in this province is this Legislature and all members of this Chamber.

Secondly, the member references comments made about the Crocus Investment Fund. I would want to put on the record his comments referring back to 2002. Mr. Speaker, I was definitely asked about the press conference that was going to be held by the then-critic of Crocus and asked whether he should apologize, and I said I did not know the facts. If you go through the record, there is not comment on valuations whatsoever. The only person who actually commented on valuations was the Leader of the Opposition on February 15, 2002.

I have always felt that whether it is ENSIS or Crocus, we have to act consistent with the legislation. The issue of performance and valuations is outside obviously of the jurisdiction of the Premier. This was set up, as the Auditor General said in 1998, to be a mutual fund, a risk capital fund. The member knows I was out of the country at the time. I did not give him any assurances, and I really resent the fact that he implied that yesterday with his answer, Mr. Speaker.

**Mr. Murray:** Mr. Speaker, what we are seeing at Crocus is the consequence of strong personal relationships that have taken place at the highest level between this NDP government and labour leaders. We are seeing strong personal relationships that have taken place between the highest levels between this NDP government and the labour leaders in Manitoba, relationships like those between former labour leaders like this Premier, Eugene Kostyra, Peter Olfert, Rob Hilliard and others, and those relationships date back over a quarter of a century.

Mr. Speaker, it is now so patently obvious that, as a result of these incestuous relationships, the fund had the implicit support of this NDP government to spend flagrantly and to make business decisions outside of solid business cases.

Mr. Speaker, I want to quote from the Auditor's report where it says, and I quote, "In mid-2001, Crocus Investment Fund outlined in a presentation to Industry officials its vision for the next 10 to 15 years. Industry officials indicated that these plans gave rise to policy and practical matters that were discounted by the Crocus representatives by indicating that the plans had already been cleared by those in a higher authority."

Mr. Speaker, my question to the Premier is who was the higher authority that prevented these plans from going forward.

\*(13:45)

**Mr. Doer:** Let me say as clearly as I can that the so-called business plan never, ever was presented at any point or time to the Cabinet of Manitoba. Second point, the whole issue of the relationship that was established with the labour movement was contained in a memorandum of agreement signed in 1992 between the Federation of Labour and Mr. Eric Stefanson. That was the genesis of the legislation that was passed. That will be obviously part of the legislation we will be dealing with today.

I would point out to the Leader of the Opposition when he was so-called shaken down, he not only kept quiet about this issue, Mr. Speaker, but, more importantly, he went beyond what anybody in the Legislature has said and said that valuations were handled appropriately at Crocus. That is beyond what anything any member of this government stated.

Having said that, I think he did so in good faith and he has already said in hindsight, in 20/20, he may have not have said that, but we are all accountable, Mr. Speaker. I am responsible for the issues raised in the Auditor's report. I take that responsibility very seriously.

**Mr. Murray:** Mr. Speaker, in 2001 this NDP government had a red flag, according to the Auditor General, brought forward. In 2002, another red flag was brought forward to this Premier.

Mr. Speaker, I want to again refer to the Auditor General's report where he states in his report that in mid-2001, Crocus investors outlined a presentation to Industry officials its vision for the next 10 to 15 years. Industry officials indicated that these plans gave rise to policy and practical matters that were discounted by Crocus representatives by indicating that the plans had already been cleared by those in higher authority.

My question to this Premier is who is the higher authority that prevented these concerns from being raised. Who is that higher authority?

**Mr. Doer:** The highest authority, Mr. Speaker, is the 57 members that are elected in this Legislature.

Secondly, Mr. Speaker, members of Cabinet and the Cabinet itself did not receive the business plan, and members of this Legislature in keeping with the consistency did not receive any proposed legislation dealing with the so-called business plan.

There have been questions asked about the super fund. The only occasion on the super fund was the '99 proposal. The Auditor General has been critical of some of the ministerial approvals in that. We accept that responsibility. We will be dealing with the other legislative—

**Some Honourable Members:** Oh, oh.

**Mr. Speaker:** Order.

**Mr. Doer:** Thank you, Mr. Speaker, and just following the question raised about business decisions and government, one of the areas that we are very proud of is the MIOP situation when we saw Isobord, Westsun, Winnport and Shamray. We have got a lot of criticism from members opposite about the Motor Coach investment. We had a lot of

criticism about the Flyer bus. I think if you compare the losses of up to \$30 million in MIOP, again, we are not perfect, but we think the MIOP decisions we have made, the business decisions and the due diligence we have used have been very solid and compare very favourably under any objective test.

### **Crocus Fund Government's Monitoring Process**

**Mr. Gerald Hawranik (Lac du Bonnet):** In 2001 the minister stated it is important that the government monitor the operation of labour-sponsored funds to ensure that they are adhering to the provisions of the legislation.

It is clearly within the responsibility of the minister to monitor compliance with legislation, yet we see numerous examples in the Auditor's report which clearly show that Crocus did breach the legislation. I ask the Minister of Finance why did he fail to monitor Crocus. Why did he fail to protect the more than 33 000 unitholders of Crocus who lost more than \$60 million? I ask the minister why.

**Hon. Greg Selinger (Minister of Finance):** Mr. Speaker, the Auditor General's report gives an explanation for what happened. It argues, it makes the case that the monitoring authority created in 1997 in the Department of Industry and Economic Development had role conflict. It had too many hats in terms of the responsibilities that it had to fulfil. It put its promotional hat on more often and more frequently than its monitoring hat and that was the reason that the monitoring was not as strong as it should have been which is why the legislation was approved in 2001.

We, in response to the Auditor's report, have accepted that recommendation and we are going to change that in the legislation we will bring forward today. We will separate the monitoring role and place that in the Department of Finance from the promotional role which will remain in the Department of Industry.

\* (13:50)

**Mr. Hawranik:** Mr. Speaker, the Auditor's report also states that clearly it is the minister's responsibility and his duty to monitor Crocus's compliance with legislation. The legislation requires returns under the Income Tax Act to be submitted to

the minister. The reports were not submitted by Crocus for 2001, 2002 or 2003. The Department of Industry acknowledged that they could have intervened but they chose not to.

I ask the Minister of Finance why did he not monitor his Crocus's compliance with legislation. Why did he not intervene and what prevented him from doing so?

**Mr. Selinger:** Mr. Speaker, the monitoring responsibility was in the Department of Industry and Economic Development. The Auditor's report explains that, in addition to the role conflict, there was too much reliance placed on trust that the monitors and the promoters were trying to build what they called a trusting relationship with the fund in order to get compliance of information. We have accepted the Auditor's report that relying on trust just does not do it. The bill that we bring forward today has more intrusive measures, more requirements to report not based on trust, based on stronger law.

**Mr. Hawranik:** Mr. Speaker, by failing to ensure that Crocus complied with the legislative requirement respecting returns under the Income Tax Act, the Auditor General states that this NDP government relied on information that may have been inaccurate, incomplete and irrelevant, yet the minister did nothing. He chose instead to turn a blind eye to all the unlawful activity of Crocus and, as a result, more than 33 000 Crocus unitholders lost more than \$60 million of their retirement funds.

I ask this Minister of Finance why did you ignore the breaches of the legislation. Why did you hang the 33 000 unitholders out to dry?

**Mr. Selinger:** Mr. Speaker, the Auditor's report suggests that there was ambiguity with respect to understanding what the legislative requirements were for reporting and that there was role conflict and an overreliance on a relationship basis for getting compliance in the legislation. We have accepted those recommendations. They are legitimate recommendations. We are going to have stronger legislation that does not rely on relationships. It will rely on the rule of law—

**Some Honourable Members:** Oh, oh.

**Mr. Speaker:** Order.

**Mr. Selinger:** Thank you, Mr. Speaker. We will have stronger law, we will have a separation of the monitoring and promotion functions, and I have to point out that the Crocus prospectus states none of the securities administrators or any department or agency of government has assessed the merits of an investment in the fund. The securities administrators and the government make no recommendation concerning such an investment and assume no liability or obligation to any investor of the fund. That is stated in the prospectus, far less assurance than—

**Mr. Speaker:** Order.

### **Crocus Fund Government's Inaction**

**Mrs. Bonnie Mitchelson (River East):** Mr. Speaker, it is clear in the Auditor's report that officials in the Department of Finance did their job and rang alarm bells in 2002 when they had concerns around Crocus. But it is clear that a higher authority, the Premier (Mr. Doer) and his ministers, ignored their officials.

Mr. Speaker, I would like to ask the Minister of Finance what he did with the memos that were prepared by his officials in the Department of Finance. What action did he take?

**Hon. Greg Selinger (Minister of Finance):** The report of 145 outlines the course of activities. The memo prepared by the Finance official was directed to the Department of Industry. It indicates very clearly in the report that there was no indication that IEDM seriously considered this suggestion until October of '04. The members opposite in '97 put the monitoring responsibility in the Department of Industry. Clearly that monitoring responsibility was crowded out by the promotional responsibility. That is why I said yesterday that they created this problem by putting all the roles in one place. We are going to solve this problem with the legislation we are bringing forward which will separate the roles.

**Mrs. Mitchelson:** Mr. Speaker, the Minister of Finance did not answer my question. Officials in his department raised red flags to this minister. What did this minister do with memos that were prepared by his Finance officials? What action did he take as the minister responsible for taxpayers and the finances of the Province of Manitoba?

**Mr. Selinger:** Again, Mr. Speaker, the memo was from the Finance official to the monitoring authority that was placed inside the Department of Industry and Economic Development. The Auditor's report is very clear that there was no follow-up on that.

What we did at the ministerial level is we brought in the strongest legislation in the country for the Auditor General which gave them a specific provision unique in this country to investigate labour-sponsored venture capital without any interference. This officer of the Legislature had the strongest Auditor General's legislation in the country to be able to go in and do the report that we are debating today. That is what we did to have accountability and what members opposite failed to do when they were in government.

\* (13:55)

**Mrs. Mitchelson:** Mr. Speaker, but, again, the Minister of Finance refuses to answer the direct question. We have seen the Premier quoted in the paper as saying officials ignored the red flags. He is blaming officials in the Department of Industry, in the Department of Finance for ignoring the red flags when it was their political masters that ignored the red flags that were being raised by officials in those departments.

Mr. Speaker, will the Minister of Finance stand up now and say that the officials who did their job within government were ignored by their political masters, the NDP government, because of the direct link and the direct contact by the labour leaders in government and the labour leaders at Crocus.

**Hon. Gary Doer (Premier):** The member opposite, just to put the full statement of what I said on Monday on the record, I basically and completely took full responsibility for all of the areas that we are accountable for. We believe, Mr. Speaker, the report speaks for itself. We take full responsibility for the issues raised in the report. We are fully accountable for some of the legislative changes we have made. We are fully accountable for the changes in legislation in 2001 that did not help the situation, and we are fully accountable for the legislative changes that we will bring in today.

Some of the issues that have been raised dealing with pacing, liquidity, which were in compliance, we have not got legislative proposals here today, and

that has been the source of some questions in terms of monitoring, but we take full responsibility.

### **Crocus Fund Government's Inaction**

**Mr. John Loewen (Fort Whyte):** Mr. Speaker, this Premier (Mr. Doer) and this government should take full responsibility for the mess we are in. Red flags were raised by officials within the Department of Industry and the Department of Finance in 2001 and 2002. When someone comes and tells you that you have a liquidity problem staring you in the face at the fund that is a sure indication. When they say you should conduct an independent review then the minister should conduct an independent review.

It is not the department, it is not the officials that were conflicted. It was the Premier who was the promoter, it was the Finance Minister who was the promoter. It was the officials who did their job. It was the elected officials on that side of the House that let Manitobans down.

I refer the minister back to his statement earlier today. Is he trying to tell the people of Manitoba that the memo that was written by an official in his department in January 2002, is he saying that it never got to his desk, that he was never aware of it?

**Hon. Greg Selinger (Minister of Finance):** Mr. Speaker, the Auditor's report is quite clear. There was an awareness by government that there was a liquidity issue within the labour-sponsored venture capital fund in question here. That is made very clear here, and there was active discussion about what happens when a number of people put their investments into a fund and they have an eight-year hold period. As that hold period comes to an end and those funds are starting to be eligible for redemption, there is the potential for a liquidity problem. Those issues were being actively discussed and nobody, in any way, ever suggested otherwise. The member is completely wrong by suggesting people were not aware of that. We were aware of it. It is stated in the report. The facts are as stated by the Auditor General.

**Mr. Loewen:** I guess in a roundabout way I can take the minister's answer for a yes, the memo did reach his desk. The question remains why he did nothing about it.

Mr. Speaker, when it was indicated to his department and to the Department of Industry that there were liquidity problems, when there were problems with the fund coming continually asking for legislation over and over again to help make their life easier, legislation that would put shareholders and unitholders at further risk, this government did nothing to pay attention to those red flags. They did nothing to investigate the fund. The question remains why. Is it simply because they are incompetent, or is it because of their close connections to the labour movement that they were afraid to ask these questions?

Now that the minister has admitted that this memo got to his desk, that the red flags were raised with him, will he please explain to those unitholders out there who are suffering why he did nothing, why he did not act in a timely fashion?

**Mr. Selinger:** Mr. Speaker, the Auditor's report itself explains why the monitoring function was not carried out as vigorously as it should be. It explains that too many functions have been put in the hands of a small group of officials inside the Department of Industry. That location of responsibility was done by the members opposite when they were the government. They confused the monitoring role and the promotional role by putting them in the same department.

It also indicates that there was an overreliance on a co-operative and trusting relationship to get the information they needed. We have accepted that those weaknesses existed in the way the monitoring with the legislative objectives, the public policy objectives was carried out and we are going to correct them.

Now the member opposite seems to want to suggest that it was because there was some relationship between labour and government why this information was not followed up on. I suggest to him it was his statement that the valuations were okay in '02 because of the pressure he was under, why he clammed up.

\* (14:00)

**Mr. Loewen:** I would remind the minister, Mr. Speaker—

**Some Honourable Members:** Oh, oh.

**Mr. Speaker:** Order. The honourable Member for Fort Whyte has the floor.

**Mr. Loewen:** —that he was warned by those inside government within his department, officials in his department, officials in the Department of Industry and by others externally that there were problems with this fund. He only needs to look at himself to answer the question why the investigation was not done and why it was not done thoroughly. His government had total access to all information within this fund and they decided that they would not avail themselves of the legislation.

The promotion was not done by the bureaucrats within the system, by the civil servants. It was done by the Premier (Mr. Doer) and his ministers. The trust relationship was not with the department. It was with Sherman Kreiner and it was with the Premier of the Province of Manitoba on whose Economic Advisory Council he served. The fault lies with the elected officials on the other side of the House, not with the civil servants, who, when they tried to do their job were told to go away and be quiet, we do not want to know about it.

Why, Mr. Speaker, did this minister shut them up? Why did he not follow up and do the study that he was asked to do?

**Mr. Selinger:** Mr. Speaker, I have explained very clearly, and I will not repeat the structural problem that was created by putting the monitoring and the promotional functions in the same department. I will say this. The prospectus requires and states very clearly that there is no recommendation by government or any other body of government as to the idea or as to the merits of investigating these types of funds. However, the member opposite himself said, "We received the information this morning and that satisfies us that the share price they are selling at today is, in fact, a fair valuation." The member opposite is the only person that put on the public record that the valuations were fair. He went way beyond what government ever did, and he was the one who gave public assurances that the valuations were fair after he was shaken down.

**Some Honourable Members:** Oh, oh.

**Mr. Speaker:** Order. The honourable Member for Russell has the floor.

### **Crocus Fund Government Awareness of Problems**

**Mr. Leonard Derkach (Russell):** Mr. Speaker, the wilful blindness of this Premier (Mr. Doer) has cost 33 000 ordinary Manitobans over \$60 million. This Premier chose his labour-leader friends over ordinary Manitobans.

My question is to the Minister of Industry, Economic Development and Mines. Section 4.7 of the Auditor's report says that officials of IEDM raised concerns regarding liquidity, monitoring, legislative amendments, et cetera, to the Minister of Industry, Economic Development and Mines. My question to the minister is when did this minister, when he found out about this, inform his highest authority, the Premier, about the problems that were raised to his attention?

**Hon. Jim Rondeau (Minister of Industry, Economic Development and Mines):** Mr. Speaker, the member opposite knows that there have been discussions about liquidity issues and pacing, and they were done from both ENSIS and Crocus to this government. But what happened was the problem with the fund was not liquidity or pacing, the problem was with valuation. If you note that the Auditor said, and he was quite clear, that we did not recommend the fund, we did not control the fund. He also said that we did not have any effect on the valuation of the fund.

We monitored for pacing and liquidity reserve and that was part of the social mandate of the Crocus act. That is what we did. In hindsight we could have done more, but what we did is we monitored those things that were established in 2001. Before 2001 there were no reporting requirements. We put in reporting requirements. In hindsight they could have been better, but we put in the requirements to report to government. Prior to 2001 it was not necessary.

**Mr. Derkach:** Well, Mr. Speaker, the Minister of IEDM puts himself, or I guess in his professional life says he is a financial manager. We are not talking to somebody here who does not understand financial statements.

I want to ask this minister, because of his knowledge in terms of the economics and in terms of financial management, whether or not he did not inform his Premier when he was told by his department that there were problems that, in fact, Crocus was facing some serious issues regarding its affairs.

**Mr. Rondeau:** Mr. Speaker, when we met with Crocus they talked about the problems with liquidity. What that meant was they invested in long-term financing, and they were having troubles after an eight-year hold of making sure that they got rid of the investments at a profit. They were talking about liquidity and that is the flow of money in and out of business investments. They commented that we do not hide the fact that they talked about liquidity. Liquidity and valuations are two separate things, and members opposite who profess to know business should be aware of that fact.

**Some Honourable Members:** Oh, oh.

**Mr. Speaker:** Order. The clock is ticking and we are trying to get as many questions and answers in this Question Period.

**Mr. Derkach:** Mr. Speaker, how much more brilliant can the red flags become? I ask the minister, who has responsibility to ensure that the proper monitoring takes effect in his department with regard to responsibilities he has, why has he told the public of Manitoba that he did not know anything about this until after December 10.

**Mr. Rondeau:** Mr. Speaker, the question was whether I knew of the valuation issues or the problems on personnel in the fund. I did not know before December 10 about the valuation issues or the problems with personnel in the fund.

If you are asking about whether there were questions about liquidity, the Premier (Mr. Doer), the Minister of Finance (Mr. Selinger) and myself have been clear. We had discussions with both Crocus and ENSIS regarding liquidity and pacing. Those are not hiding. What we did was we talked about liquidity and pacing which means they put the money into companies and they were having a hard time where they would dispose of their interest at a profit taken. That is what we were told. We accepted them at their word. We accepted the trust and information that they provided to my department and that is where we

were. Now we accepted it, and there is a big difference between valuation, liquidity and pacing.

### **Crocus Fund Government's Inaction**

**Mr. John Loewen (Fort Whyte):** Well, Mr. Speaker, the Finance Minister has just accused me of going further on this file than anybody on that side of the House. He is right and that is because they did nothing.

Mr. Speaker, they assured us everything was fine in 2002, and yet they knew in January of 2002 there were liquidity problems. In December 2002, when the Crocus Fund announced that they were going to be the recipient of a \$10-million so-called investment that carried an interest rate of 10 percent, a further 10 percent in penalties and that it was going to help investment in Manitoba, this government stood by and said nothing. This is despite the fact of being warned by their departments that there was a liquidity problem and being told by an official in the Department of Finance that they should conduct an independent review.

The question is, when the announcement was made about the fund, Mr. Finance Minister would actually have to tell the public why he did not stand up and ask some questions then.

**Hon. Greg Selinger (Minister of Finance):** Mr. Speaker, the member opposite jumped up into the public and said we received information this morning that satisfies us that the share price they are selling at today is, in fact, a fair evaluation. That is what the member said. The member was telling the public—

**Some Honourable Members:** Oh, oh.

**Mr. Speaker:** Order.

**Mr. Selinger:** Mr. Speaker, the member from Fort Whyte was basically telling the public that, in his opinion, the evaluations were fair. We never ever said that. We never put that on the record. What we did do was we increased the accountability and reporting requirements in 2001. We strengthened The Auditor General Act to have the independent and unfettered ability to investigate labour-sponsored venture capital in this province. Members opposite never did any of those things.

\* (14:10)

**Mr. Loewen:** Mr. Speaker, again half-truths from this minister. What he does not say is that the Auditor General had the authority to go in at any time and look at the fund. He could have sent them in at any time, but instead the Premier went on and on about how things were okay.

The Finance Minister said things were okay but the real issue is why did they not act. Why, when in December 2002 Crocus came forward and said we have received a \$10-million so-called investment that carries a 10% rate, did they not go to the fund? They had the authority to ask for any and all information. Why did they not go and say give us the details of this \$10-million investment? Tell us what is behind it. Tell us how that is going to help Manitoba. Tell us how that is going to be repaid by the unitholders. Why did they not conduct an investigation then? They had the warnings.

**Mr. Selinger:** Mr. Speaker, the Auditor's report, again, is very clear on this. They make the point that the investment from Solidarity Fund was not really an investment. They make the point it was represented as an investment, but, really, in effect, it was a loan with a 10% interest rate. This was the very item, one of the items that the member opposite said is in fact a fair evaluation. This was one of the things that the Leader of the Opposition (Mr. Murray) said is the bottom line, is we are satisfied with the evaluations.

These are the things members opposite said when they were told that if they did not play ball they would not get any more donations to their political party. This is what they did after they were shaken down.

**Mr. Loewen:** Mr. Speaker, this minister is not only arrogant, he is wrong, wrong, wrong. I would remind him my statements and his warnings came in early 2002. This loan was made in December of 2002. It was his job. He had had the warnings both internal and external that there was liquidity problems and other problems at Crocus. He refused to act.

The question remains that he has to be accountable for and his government has to explain to Manitobans why did they refuse to act in the face of these very, very serious allegations and red flags that were raised internally by members and officials in his own department.

Will he stand up today, please, and explain to the citizens of Manitoba, to the unitholders who have been fleeced of \$60 million, where has he been for the last three years? Why did he not conduct an investigation as his official recommended? Why has he been sitting around doing nothing on this file?

**Mr. Selinger:** After the member went public and said the valuations were fine, he went silent for three years. I would like to know where he has been. The explanation, Mr. Speaker—

**Some Honourable Members:** Oh, oh.

**Mr. Speaker:** Order. I want to take this opportunity to remind members that we have guests in the gallery, we have the viewing public and they came here to hear questions and answers. Also, I need to be able to hear the questions and answers in case there is a breach of a rule. I ask the co-operation of all honourable members.

**Mr. Selinger:** Thank you, Mr. Speaker. The '97 arrangement put in place by the previous government clearly created role conflict. That is why we are going to fix it in the legislation today. The '97 relationship approach to compliance which relied on trust, the Auditor has clearly recommended as being insufficient. We are going to strengthen the law and the reporting requirements.

We accept that these public policy reporting requirements were not strong enough and we have taken responsibility for that which is why we are going to bring in new legislation today. Those measures will be brought forward in legislation. The House will have a full opportunity to debate it. If we wish to we can strengthen that law as quickly as the Legislature is prepared to do it.

#### **Crocus Fund Premier's Involvement**

**Hon. Jon Gerrard (River Heights):** Mr. Speaker, thousands of Manitobans have seen their retirement dreams evaporate because the NDP looked the other way when, as the Auditor General said, "red flags were flying everywhere." When the Industry Department spent more time promoting than monitoring Crocus was this due to direction from a higher authority?

Mr. Speaker, the Auditor General says that in 2001, despite the concerns of some industry representatives over its long-term plan, Crocus gave assurances that everything had been cleared by a higher authority. People who have been watching this government know well that a higher authority usually refers to the Premier's Office.

I ask the Premier this: Was the Premier the person referred to in higher authority?

\*(14:20)

**Hon. Gary Doer (Premier):** Mr. Speaker, I have already said clearly the so-called business plan did not go to Cabinet or to myself. Secondly, the member raises the issue of monitoring and promotion. We stopped the promotions in pay-cheques. We acknowledge—

**Some Honourable Members:** Oh, oh.

**Mr. Speaker:** Order.

**Mr. Doer:** We acknowledged that the 2001 legislation that we brought in did not correct the 1997 change where the promotion and monitoring, and along with five other roles, by the way, in the Industry Department was a sign. We acknowledged that because it went from the initial Crocus Fund that was administered by the former Premier. Its secretary and also board member was Mr. Bessey. They set up the fund, they hired the staff. We acknowledged that in 2001, in hindsight, we should have changed that section of legislation.

**Mr. Speaker:** Time for Oral Questions has expired.

#### Point of Order

**Mr. Speaker:** The honourable Member for River Heights, on a point of order?

**Hon. Jon Gerrard (River Heights):** I would ask for leave to finish the supplementary questions.

**Mr. Speaker:** Does the honourable member have leave to finish his supplementary questions?

**Some Honourable Members:** Leave.

**An Honourable Member:** No.

**Mr. Speaker:** No. I heard a no. Leave has been denied.

#### Point of Order

**Mr. Speaker:** The honourable Official Opposition House Leader, on a point of order.

**Mr. Leonard Derkach (Official Opposition House Leader):** Mr. Speaker, I clearly did not hear a no. Could you canvass the House one more time, please?

**Mr. Speaker:** For information of the House, it is to the satisfaction of the Speaker. If the Speaker hears a no, and I have heard a no, and the leave had been denied.

#### MEMBERS' STATEMENTS

**Mr. Speaker:** We will now move on to members' statements.

#### Town of Neepawa

**Mr. Glen Cummings (Ste. Rose):** Mr. Speaker, after a Question Period like that I certainly want to indicate that my announcement and my comments in this statement are of a much more pleasant variety because I want to congratulate my home town, the town of Neepawa, which was recently selected by the *50Plus* magazine as one of the top 20 places to live in Canada.

In May of '05, their article said that Neepawa was a small town, has a small-town feeling with lots of big-city amenities. Neepawa is only one of two cities selected by *50Plus* in this province. The other Manitoba community is Winkler, which I am sure my colleague who represents that area is equally proud, because these are indeed two of the finest communities in this province.

The article also noted the quality educational and medical facilities in my home town of Neepawa, in addition to citing several recreational and cultural events such as the Lily Festival, the Margaret Laurence Home, as highlights of cultural activity in the community.

It is not the first time Neepawa has been honoured in such a way. In the '02 edition the *National Post* named Neepawa as one of ten of the prettiest towns in Canada. Earlier this year, Manitoba Good Roads Association singled out Neepawa as the most beautiful town in Manitoba in the 2001 to 7500 person population category.

So, again, Mr. Speaker, I want to congratulate the town and the people of Neepawa for their tremendous accomplishments as a result of their unwavering commitment to the community and, frankly, it exceeds in both the quality of life and the quality of the people.

#### **BIBAK Association of Manitoba**

**Mr. Cris Aglugub (The Maples):** Mr. Speaker, I rise today to highlight a special fundraising event which I attended on the evening of Saturday, May 28, 2005, at the Masonic Memorial Centre in Winnipeg. This was a fundraising event hosted by the BIBAK Association of Manitoba. The highlight of the event was a Cañao, an ancient traditional Filipino ceremony that is similar to Pow-Wow ceremonies celebrated by North American Aboriginal groups.

Mr. Speaker, the BIBAK Association of Manitoba is a Filipino cultural association of indigenous peoples who have roots in the Cordillera mountain regions of the Philippines. This region has remained primarily untouched by Spanish colonization throughout the centuries and consists of approximately five different groups that are maintaining the traditions indigenous to this area. The name BIBAK is an acronym consisting of the five provinces in that region, that is, Benguet, Ifugau, Bontoc, Apayao and Kalinga.

Mr. Speaker, BIBAK is a non-profit group that unites Filipinos together to preserve and celebrate the culture of these indigenous groups. BIBAK chapters include those in Toronto, Vancouver, Chicago, Los Angeles, San Diego, Melbourne and others.

I am proud to say that the proceeds raised from the BIBAK fundraising event on Saturday night will go towards preserving traditional indigenous roots by educating Filipino-Canadian children with their culture and heritage.

Mr. Speaker, I want to thank the president, Enrico D. Ancheta, and the officers and members of BIBAK Association of Manitoba for hosting this fundraiser. I also want to thank the MLA for Wellington (Mr. Santos) and the Member of Parliament for Winnipeg North for attending this event. Lastly, I commend the BIBAK Association of Manitoba for working to preserve Philippine culture

and heritage. I wish them continued success in the future. Thank you.

#### **Memorial Drive**

**Mrs. Leanne Rowat (Minnedosa):** There is no way we can repay the great sacrifice of Canadian veterans. The best tribute we can give these brave men and women is to remember their sacrifices and the lives lost.

In this Year of the Veteran, it is only fitting that the Lake Road just outside of Rivers has been renamed Memorial Drive. It was a proud and inspiring day when a group of nearly 40 veterans and Legion members were able to march down the newly renamed Memorial Drive.

Veterans are individuals who represent the best in all of us: integrity, sacrifice and selflessness. I would like to take this opportunity to thank all veterans in the Minnedosa constituency and across Canada. I take comfort in the fact that those I love enjoy freedom and safety because of our veterans.

As the Canadian Armed Forces continue to help others throughout the world, I know they follow in the commemorative footsteps of these veterans who walked down Memorial Drive. This roadway will serve as a daily reminder to residents of Rivers and area about the contributions of our veterans.

Mr. Speaker, I would like to recognize Mr. Nick Kamula of Rivers for bringing this proposal before the town council, the commitment of Mayor Dave Oakey; Reeve of Daly, Evan Smith; councillors from the respective municipalities; legion members and the residents of Rivers who made this project a reality.

This is a proud accomplishment for Rivers and I praise everyone involved. Thank you.

#### **Philippine Heritage Week**

**Mr. Conrad Santos (Wellington):** Mr. Speaker, the Philippine-Canadian community in Manitoba will be celebrating Philippine Heritage Week from Saturday, June 4 to Sunday, June 12.

Philippine Heritage Week begins with a flag raising and opening ceremony on Saturday, June 4 at 9:30 at the Philippine-Canadian Cultural Centre of

Manitoba located at 737 Keewatin Street. The week ends with a picnic at the Little Mountain Park in Winnipeg. The event is scheduled for Sunday, June 12 starting at 9:30 a.m.

A number of other events open to the public will be taking place also. All events between Saturday, June 4 and Saturday morning, June 11 will be taking place at 737 Keewatin Street, Philippine-Canadian Centre. The events include the Share of our World event on Monday, June 6, 7 p.m.; cultural presentation hosted by the Manitoba Association of Filipino teachers on Tuesday, June 7 at 6:30 p.m.; Sama-Sama Night II on Wednesday, June 8 at 6 p.m.; Bagong Dating on Thursday, June 9 at 6:30 p.m.; A Celebration of Faith on Friday, June 10 at 6:30 p.m.; Philippine-Canadian Centre open house on Saturday, June 11, 10 a.m. to 2 p.m. Also, the Philippine-Canadian Independence Ball will be taking place on Saturday, June 11. This event starts at 6 and takes place in the Grand Ballroom of Fort Garry Place.

Other events include artwork displays in the lobby of the Philippine-Canadian Centre, Filipino games on Tuesday, Wednesday and Thursday afternoon and children's program on Monday to Friday.

I want to thank all the organizations and individuals involved in the Philippine Heritage Week. I encourage all members of the public to attend these festivities. Thank you, Mr. Speaker.

\*(14:30)

### **Crocus Fund**

**Hon. Jon Gerrard (River Heights):** Mr. Speaker, when they say that Industry and Finance officials knew of problems at Crocus in 2001 and 2002, Manitobans ask was there a higher political authority which was paying attention.

The Auditor General says indeed there was a higher authority, but instead of asking for an investigation, the higher authority, we are told on page 146, prevented the officials from doing their job. When the Industry Department spent more time promoting Crocus and monitoring Crocus, we ask was this due to direction from a higher authority. When the Industry Department officials filled out the required information returns for the Crocus Investment Fund for the fiscal years 1999 and 2000, did the direction come from the higher authority? The

government had many, many opportunities to rein in Crocus's questionable activities, on both the investment side and respecting internal operations, like expense control. They did not, and they claim they still do not understand where they went wrong. The red flags Mr. Singleton refers to would have been investigated and acted on by a regular junior accountant or entry-level manager. On the government's side, the Minister of Industry (Mr. Rondeau) has skilled employees. Why were they not allowed to do their jobs? Why were they overruled by a higher authority?

Mr. Speaker, millions of dollars have been lost because of the inaction of this government. Thousands of Manitoba taxpayers are left without money they counted on to be comfortable in their golden years. Why? Because this government and the Premier (Mr. Doer) repeatedly ignored serious warnings about trouble at Crocus.

### **GRIEVANCES**

**Mr. Speaker:** The honourable Member for Turtle Mountain, on a grievance?

**Mr. Cliff Cullen (Turtle Mountain):** Yes, Mr. Speaker.

**Mr. Speaker:** Okay, the honourable Member for Turtle Mountain.

**Mr. Cullen:** It certainly is with some regret that I rise today. We certainly have quite a bit to grieve about today. Clearly, in the last couple of Question Periods this week, we have been focussing on the Crocus Investment Fund. Clearly, there are some very substantial issues and issues of mismanagement on behalf of this government. I think, obviously, we speak for the 33 600-some-odd Manitobans who have lost money in the fund. To date, over \$60 million is unaccountable.

Obviously, it is quite interesting to see the government of the day bring forward Bill 51, The Labour-Sponsored Investment Funds Act. Clearly, the government of the day has probably had some issues with reading their past legislation, so we are going to be curious to find out who is actually going to be reading and adhering to this particular piece of legislation.

*Mr. Conrad Santos, Deputy Speaker, in the Chair*

**An Honourable Member:** Three years too late.

**Mr. Cullen:** As my honourable colleague from Steinbach points out, it is three years too late. Obviously, there is a lot of mismanagement on that side of the House. It has been pointed out on a number of occasions. Red flags were raised within the corporation to the government, and the government has failed to do anything about it. Members on this side are clearly very, very disappointed in what has transpired here over the last three years. In fact, I guess nothing has transpired in the last three years is the way things have come together.

I think when the government of the day set up the Crocus Investment Fund in the early 1990s, it certainly was with great intention that it would benefit all of Manitobans, both through the business community, obviously with the labour-sponsored fund that there would be some funds there where people could as Manitobans invest in some businesses and actually help Manitoba prosper and grow. Obviously, things have kind of gone downhill, probably since 1999. It looks like there were some substantial issues within the Crocus Fund, some very substantial issues on a downturn side in the Crocus Investment Fund. It is very unfortunate to see this many Manitobans have lost this kind of money.

I think it is important for the record to point out some of the history in terms of the Crocus Investment Fund. The minister in the House here keeps repeating inside and outside of the House that the government did not know there were any problems within the Crocus Investment Fund. Obviously, we are not very clear on when they did know about it, and obviously they chose not to act on any of those particular red flags. We know that the Auditor General's report clearly states that they do have a responsibility to monitor the fund, and we think they should have been doing that on behalf of all of Manitobans. Clearly, they have not acted responsibly on behalf of Manitobans to really monitor that fund.

It also states that, while officials were in this department they were doing their jobs, the minister clearly was not doing his job. I think we have had quite a number of ministers go through this particular department as well, at least three.

**An Honourable Member:** Brandon West.

**Mr. Cullen:** Brandon West was included in there. At least three ministers, and I would say from the history, probably three blind mice comes to view. There may also have been a fourth minister involved over this last few years too, and I think the Deputy Premier, current Minister of Agriculture (Ms. Wowchuk), was also in this portfolio at one time. So we have certainly quite a revolving door of ministers in that department, and, according to some of the answers that the current minister gave, we may be looking for somebody else in that particular ministry in the very near future.

Again, getting back to the actual history on Crocus, it was back in January 2001 where a senior accountant in the Department of Industry, Economic Development and Mines found that Crocus was facing a serious cash crunch. Back in 2001, the department obviously knew that Crocus was running out of money and in danger of violating its own act at the time. What did the NDP government do? Nothing, and all of Manitobans want to know why they did nothing.

Mr. Speaker, in January of 2002, a Department of Finance official suggested an independent review of Crocus operations may be in order, but what did the NDP government do? Nothing. All Manitobans want to know why this NDP government did nothing about it, especially the 3600-some-odd Manitobans that own Crocus shares.

**An Honourable Member:** 33 000.

**Mr. Cullen:** 33 000?

**An Honourable Member:** 33 000-plus.

**Mr. Cullen:** Sorry, plus, 33 600 and some. Crocus repeatedly refused to provide the Industry, Economic Development and Mines with a copy of its business plan. Surely, this would have been a great concern to the minister, but what did he do? Nothing. Why did the minister refuse to do nothing when these red flags kept coming up? There is ample evidence that Crocus had been losing money since 2001 and had a cash shortfall of over \$13 million. This data can be found in Crocus's own financial statements.

Clearly, a competent minister, one of the three or four that we talked about, and a competent

government would have asked serious questions about this particular information. What did the government do? Nothing. Manitobans want to know why the government refused to do anything about this.

The Crocus Fund made only one new investment between 2002 and 2004. Surely, this must have raised another red flag to the minister. As the minister, he should be in tune with the state of Manitoba businesses. Surely, he must have known if there was only one investment made in a period of three years there were some issues with Crocus, but what did the minister do? Nothing, and again Manitobans always ask why. Why does this government refuse to do anything about it?

Another major, major red flag: Crocus had to borrow \$10 million from a Québec-based company, Fonds de solidarité, just to cover their requirement to maintain appropriate cash reserves. Obviously, there was a cash crunch and a major issue in terms of liquidity of the fund. The Auditor General points out that there would have been three 90-day periods where Crocus would have been short of cash without the loan from the Québec-based company. Clearly, as with most loans, they have to be paid back, and obviously they will have to be paid back on the backs of the shareholders of the Crocus Investment Fund. Clearly, at 10% interest on a \$10-million loan, you know, we are talking a very, very substantial amount of money to the tune of a million dollars per year.

*Mr. Speaker in the Chair*

Clearly, this very significant loan from a Québec company should have raised a flag with the minister and probably the Premier (Mr. Doer). Why was Crocus borrowing money at such a ridiculous rate? Again, the question is why. Why did this minister and this government do nothing about it? All the Manitobans and the 33 600-some-odd Manitobans want to know why this government did not do a thing about it.

It is not like the minister was powerless to ask a few questions, let alone do something to help out the shareholders. Back in 2001, the then-minister, MaryAnn Mihychuk, amended the Crocus Fund act to give the government more power to investigate Crocus on any matter of interest to the minister. In the House she said, and I quote, "It is important that

the government monitor the operation of labour-sponsored funds to ensure they are adhering to the provisions of the legislation."

\* (14:40)

**An Honourable Member:** Who said that?

**Mr. Cullen:** MaryAnn Mihychuk, 2001. She said that June 13, 2001. Clearly, I could not agree with more that the government's role in this thing should be to monitor Manitobans' investments in the fund.

Mr. Speaker, that is what my grievance is all about today. Clearly, there is mismanagement on that side of the House with the government of the day and it is overwhelming for me to stand here and see the government of the day turn a blind eye to this over \$60-million reduction in a fund. It is very, very important to all of Manitobans. Very, very. I am very happy that our leader and member from Fort Whyte took the initiative to bring forward this very important information to the government of the day, to bring them forward.

However, again, I just cannot express my disappointment in the lack of action on behalf of this government, and I think the Premier owes a responsibility to all of Manitobans to thoroughly investigate this. Probably, I think, the only way we are going to get the answers to this is through a public inquiry, a public independent inquiry, which will help the minister have a serious look at and the Premier of the day will bring forward so that all Manitobans including the 33 600-some-odd Manitobans who have shares in Crocus will know exactly what this government knew, when they knew it, and the important fact, why they did not do anything about it.

Again, when we have this number of ministers going through the chair in the Industry, Economic Development and Mines, you would think someone there would, over the course of those four or five years, have stepped up to the table and actually done something for all those in Manitoba.

The other thing, too, is the Minister of Finance (Mr. Selinger) gets dragged into this too, and having, again, difficulty today in getting straight, factual information out of the Minister of Finance. Clearly, he should be there representing Manitobans as well, and he also lacks the initiative to do something about

it. There is obviously a lack of leadership on that side of the House in terms of addressing this very important issue for all of Manitobans, the 33 600-and-some Manitobans that to date have lost over \$60 million in this one particular fund.

Clearly, this is only one idea of the mismanagement on that side of the House. For instance, the Auditor General's report, he is now probably the busiest man in Manitoba, and I am sure the government of the day should be allocating more resources to the Auditor General's committee because he has been so busy doing Hydra House. He also has a couple more reviews pending. The Workers Compensation is one. Aiyawin, he is investigating. Clearly, the busiest man in Manitoba is the Auditor General and, obviously, he has a reason. He is cleaning up the mess of the NDP government, that is for sure. It is just one thing after another. I know, in fact, the Workers Compensation Board review that he is undertaking is going to be delayed until probably the summer, maybe even the fall, because all of his staff have been allocated to this particular issue in dealing with the Crocus Fund. We do not think the Auditor General should be this busy, but, clearly, he is busy dealing with the messes that this particular government has created over the last number of years.

When we talk about mismanagement, there is a clear, clear lack of management on that side of the House in terms of the government. We have very, very substantial issues in rural Manitoba, and this government is unwilling to address those issues. We have a BSE crisis that has been going on for two years now and our government. The Minister of Agriculture (Ms. Wowchuk) keeps promising that there will be increased slaughter capacity in Manitoba, and what have we seen? Nothing. We have not had any dirt move in two years to increase the slaughter capacity at all in Manitoba. The scary part about this whole process that really concerns me is that we in Manitoba are falling behind every other province in Canada. Almost every other province in Canada is increasing their slaughter capacity. Clearly, we are going to be shipping our jobs outside of Manitoba. We will be shipping our raw product outside of Manitoba. We will be losing our young people. They will be going to Saskatchewan, Alberta, and the list goes on and on and on. Mr. Speaker, it is just one issue after another with this NDP government.

Mr. Speaker, again, I will go back to the issue of the BSE. Our farmers are hanging on here because, we believe, we are hoping that this government would come forward and increase some slaughter capacity so they will have somewhere to market their cattle. The cattle are increasing in numbers in Manitoba while we are hopeful that the prices will go up. We think things could be good in Manitoba, and they certainly could be good for the agricultural industry in terms of the beef industry because we do have the numbers there. Unfortunately, we do not have the ability to slaughter those animals in Manitoba, and I think it is very important that this government step up instead of making empty promises to Manitobans.

I know, through some of their programs, all they have done is increase the loans to farmers and put farmers deeper in debt. Clearly, there is a direct lack of management there. They are going to kill the entire industry out there.

The minister goes on and talks about the CAIS program trying to save farmers. Clearly, the CAIS program just does not work for the rural industries. They do not listen to the reasons why the CAIS program does not work and in particular for the beef farmers.

**An Honourable Member:** They do not understand farming.

**Mr. Cullen:** Quite clearly, as my honourable member from Steinbach points out, they do not understand the rural issues. They do not understand farming. They are bringing forward some bills. I look at Bill 22, The Water Protection Act bill—

**An Honourable Member:** What a mess.

**Mr. Cullen:** It has just been one mess after another. I even lost track of how many amendments we are on now on Bill 22—

**An Honourable Member:** And subamendments to the amendments.

**Mr. Cullen:** So they bring in subamendments. Clearly, there is a lack of management and direction—

**Mr. Speaker:** Order. The honourable member's time has expired.

**ORDERS OF THE DAY****GOVERNMENT BUSINESS****House Business**

**Hon. Gord Mackintosh (Government House Leader):** Mr. Speaker, would you please canvass the House to see if there is an agreement for the House to consider bills while the Committee of Supply sits concurrently this afternoon in one of the committee rooms to consider the concurrence motion and that there be no quorum calls in either the House or the committee?

I would also like to seek the agreement of the House in order to have questions posed to two ministers simultaneously in concurrence today, Mr. Speaker.

**Mr. Speaker:** Is there agreement for the House to consider bills while the Committee of Supply sits concurrently this afternoon in one of the committee rooms to consider the concurrence motion and that there be no quorum calls in either the House or the committee?

Also, is there agreement of the House in order to have questions posed to two ministers simultaneously in concurrence as this is not what the rules provide for. Is there agreement?

**Some Honourable Members:** Agreed.

**Mr. Kevin Lamoureux (Inkster):** Mr. Speaker, I believe that on everything except for the quorum count. I do not think there was leave on the quorum count.

**Mr. Speaker:** I will put the motion back for the members so they get a clear understanding. Okay, because I am confused in what the separation is here.

All I am asking for is if there is agreement on what I am going to read back to the House. This is not time to negotiate. I am just putting this to the House.

Is there agreement for the House to consider bills while the Committee of Supply sits concurrently this afternoon in one of the committee rooms to consider the concurrence motion and that there be no quorum calls in either the House or the committee?

Also, is there agreement of the House in order to have questions posed to two ministers simultaneously in concurrence as this is not what the rules provide for?

Is there leave? *[Agreed]*

**Mr. Mackintosh:** So, Mr. Speaker, if you would call Supply of course for the other place, and, in the House, if you would call debate on second readings to be followed by 48 and, if there is time, 22.

\* (14:50)

**Mr. Speaker:** So I am going to be calling bills in the House, and in the committee room we will have a Committee of Supply. So, Mr. Deputy Speaker, please take the Chair in the Committee of Supply. Now, before I call the bills in order, the honourable Official Opposition House Leader.

**Mr. Leonard Derkach (Official Opposition House Leader):** Yes, Mr. Chair, just so that we can continue the concurrence process in subsequent sittings, I would like to table the next ministers that we would like in concurrence.

**DEBATE ON SECOND READINGS**

**Bill 5—The Manitoba Public Insurance Corporation Amendment Act (Injury Compensation Appeal Commission)**

**Mr. Speaker:** Resume debate on second reading of Bill 5, The Manitoba Public Insurance Corporation Amendment Act (Injury Compensation Appeal Commission), standing in the name of the honourable Member for Pembina (Mr. Dyck)?

What is the will of the House? Stand?

**An Honourable Member:** No

**Mr. Speaker:** It has been denied.

**Mrs. Leanne Rowat (Minnedosa):** Mr. Speaker, Bill 5 is a bill that amends the Manitoba Public Insurance Corporation, automobile insurance compensation and appeal commission part of the act. I want to indicate that I am opposed to this legislation which has been brought forward by this NDP government.

It is a piece of legislation that does nothing for the individuals who have to deal with unpleasant situations that arise from time to time with the public insurance corporation. We are seeing an increasing number of appeals of MPIC decisions, and the NDP government needs to examine the reasons why the number of appeals are increasing and make necessary improvements to deal with the fundamental issues surrounding the handling of claims.

In my constituency alone, Mr. Speaker, I know of at least a half dozen situations and cases where MPIC issues are questionable or the decision making has been questionable. Bill 5, based on review, looks like it has been lobbied for by the administration, clearly set out to look after their own interests and not to look at the interests of the individuals who are involved in appealing decisions that are made by MPIC. I hope that this is not the case. However, based on the number of claims that I have seen, even from the constituents of mine, some of which I believe have been referred to the Ombudsman, on that point I find it interesting that from 2000 to 2003 the Ombudsman's office has received an increase of 100 calls. This is an alarming number, and it offers the question of why it seems that, for some reason, the government of the day, the NDP government, has decided to go along with the proposals that are in the legislation in order to—I think maybe they just do not understand it, or they did not think about it, or maybe they are just trying to appease MPIC. It is hard to say.

When we look back and understand that it was this government that, with a stroke of a pen, tried to take \$30 million out of the MPIC fund, out of the ratepayers' reserve funds, and transfer them over as a means of funding universities, we have seen examples in the House where the government has no explanation as to why it is underfunding our universities. To be using the MPIC fund as a potential slush fund, a claw to the fund, and using it for university funding is actually a slap in the face to the universities and the students that go to school there. It is understandable they would look to outside agencies to do that on their behalf, but we remember the uprising about that.

On that thread of thought, I must say that, with unprecedented revenues, I find it interesting that this NDP government is facing a post-secondary crisis, Mr. Speaker. Brandon University board of governors last month approved to what amounts to a 15%

ancillary fee increase. The U of M followed suit by tacking on a 14.5% increase. As the University of Winnipeg negotiated with the Province, they have reduced their fees by \$125 per student, but were looking at, itself, a 12.5% increase. This is obviously a crisis and a situation that this government, again, is having a very difficult time trying to work its way out of. Universities and colleges have indicated and have decided to support the fees to meet the crisis caused by this government's underfunding. This NDP government, and especially this Premier (Mr. Doer) has not lived up to his promise that he supports students. This public policy fiasco has resulted in students realizing a sudden and significant increase in student fees.

This direct tax, Mr. Speaker, and it is a direct tax, is significant to our students, and this government, this NDP government, has some serious commitments to address. I trust it will not be on the backs of the MPIC clients as was tried in the past.

Back to Bill 5. There are a number of provisions in this legislation that I find disturbing, Mr. Speaker, the effort that is going forward to force those that are appealing decisions to appeal only in writing. These are individuals who from time to time have found themselves in a situation where they have to appeal a ruling from MPIC. Some of these people do not have the ability to pay for a lawyer, and what we are finding out, there also being a tax on the taxpayer to be utilizing these professional fees or services. To pay somebody to write their appeal, user-fee tax on this service is also an issue, as I have just indicated.

I wonder out loud if this NDP government really thought about the many people who may not have the skills with the English language that they feel comfortable to follow through on an appeal requirement. I know in dealing with individuals in my office, often we have to support, encourage and assist individuals who have concerns regarding this NDP government. I am wondering if this government has actually taken into consideration the issues of people who may be having difficulty in writing their appeals in English to the board. I believe those individuals should have the opportunity and should retain the opportunity as it exists now to be able to give notice that they want an appeal decision and to go through the commission to state their case.

A very serious concern that all private individuals should have with this bill is where we

have a long monopoly that can, if it so chooses to, act in a heavy-handed manner, that has the resources of internal legal counsel as well as external lawyers to draw on that. Because of their privileged position as a monopoly in this province, they have the ability and they have the financial resources and they have everything in their favour, particularly when it comes to their resources, that they can bring to the table when dealing with an individual who has a decision they do not agree with or would like to appeal it.

The appeal commission should be a body where the individual can go and state his or her own case and can make it in whatever manner they are most comfortable with, in whatever manner they feel will bring them the most reasonable chance at justice being served in their eyes. It will give them the opportunity to take the steps they feel necessary. So there is no reason for the government to come down with a heavy hand on these people. The government should be there standing behind the individuals and making sure they have all the resources necessary in order to make as good an appeal as possible, Mr. Speaker.

This NDP government in the past, and I think it is over a year ago, has mentioned that they were going to establish a claimant advisory office to assist claimants. Here we are once again deciding to call a bill forward and make an announcement in a paper from this Minister of Finance (Mr. Selinger) that they claim an office is finally open, one year after the announcement has been made. Again, I think the minister needs to take responsibility for his inability to establish this claimant advisory office in a timely fashion, again misleading the public.

I am pleased to see that it is up and running and working, and I want to follow this process because I think the public has a right to know whether this process is actually working out in the best interests of the individuals it is serving. People would have an opportunity to give the government some feedback. Actually, if the announcement was made a year ago and this office would have been up and running a year ago, the feedback would have been available so it could have been addressed, debated and discussed in the House so that we could ensure that the best possible service was being provided to individuals when utilizing the service.

In many cases, these people are there as a result of being victims, Mr. Speaker. When they are

looking for redress, when they are looking for justice from this government, what they see is a monopoly they have to deal with that has tremendous resources. They also see a government that seems more interested in propping up the monopoly instead of doing what governments should do, and that is standing up for the individual Manitobans and giving them all the support and all the resources that they can possibly give.

One other area of this bill that I take exception to is the issue of allowing the appeals commission to be heard by only one commissioner as opposed to a panel of three. I am all for reducing expenses whenever possible, whenever it makes sense, Mr. Speaker, but, in this case, we have again another situation where individuals are up against MPIC and its many, many resources. In that case, I think it is important that they get, and I think they will get, a more fair hearing from a panel of three where at least there can be some divergence of opinion. It just opens the door for possible abuse and possible misuse of the system.

\*(15:00)

This piece of legislation will leave it wide open to the chief commissioner to appoint the commissioner of their choice to oversee particular appeals so we could, again, have a further stacking of the deck against individuals who are bringing forward their case for appeal.

It is just in everyone's best interests that these individuals and even those involved in minor situations get all the support they can possibly get in moving forward with their appeal process.

The current act makes no mention of a manner in which notices related to a hearing and commission decisions are to be served. The commission has encountered some difficulties in serving appellants with notices or the commission's decision. The proposed amendment specifies how a notice of appeal, a copy of a decision, or a copy of a reason for the decision are to be given to the appellant.

Mr. Speaker, I do want to indicate to the government that this bill does not serve the general populous of the province of Manitoba at all. It may serve government. It may serve MPIC. Maybe this government is trying to get on the good side of MPIC because maybe next week we will find

out that they are going to come along and demand \$20, \$30 or \$40 million out of the MPIC fund to fund their kind of event of the day that they need money for. Who knows, it could be in the area of post-secondary.

Mr. Speaker, for those reasons, I will be voting against this piece of legislation. In fact, I would ask the minister responsible for this bill to rethink whether this bill should even move forward. Thank you.

**Mr. Cliff Cullen (Turtle Mountain):** Mr. Speaker, I, too, want to put a few words on the record in regard to Bill 5, The Manitoba Public Insurance Corporation Amendment Act. This bill—

**Mr. Speaker:** Order. The honourable member has already spoken to this bill. You cannot speak twice to a bill. On May 16 the member spoke.

Is the House ready for the question? The question before the House is Bill 5, The Manitoba Public Insurance Corporation Amendment Act (Injury Compensation Appeal Commission).

Is it the pleasure of the House to adopt the motion? Agreed? [*Agreed*]

#### **Bill 8—The Manitoba Council on Aging Act**

**Mr. Speaker:** Bill 8, The Manitoba Council on Aging Act, standing in the name of the honourable Member for Morris (Mrs. Taillieu).

What is the will of the House? Stand?

**Some Honourable Members:** Stand.

**Mr. Speaker:** Stand? Okay, it has been agreed to stand.

**Mr. Kelvin Goertzen (Steinbach):** Mr. Speaker, it is a pleasure this afternoon to rise in the House to speak about The Manitoba Council on Aging Act, an act that ensures a seniors perspective is reflected in government programs and policies through the council.

I think it is appropriate when we talk about this act that we pay tribute to the many, many seniors in Manitoba who do a tremendous, tremendous job in our province. We know, of course, of the

contributions that they have made throughout their lives, the contributions they have made to building the province of Manitoba. They continue to make contributions now that they have reached what we hope would be their golden years, years that we hope will be among their most profitable, not just in a monetary sense, but in terms of the quality of life that they have within their own areas.

With that, I know that, when we talk about the Council for Aging, we have to speak about the kinds of contributions that our seniors have made within our province and will continue to, because I suspect that the legislation, regardless of how it eventually goes forward is intended to, at least on its surface, to bring forward and help on those issues.

With that in mind, Mr. Speaker, I know within my own community the contributions that seniors make on a number of levels. Some of them are active in service clubs. I think of the Lions Club in the constituency of Steinbach, and it is established in the community of Steinbach and the great work that they do raising funds and raising awareness for good causes. In fact, they have a number of different ways that they raise funds to ensure that good causes are supported. The individuals who are involved in the Lions Club of Steinbach ensure that there is a means and a ways for people to contribute in a variety of different ways.

I believe that coming up this month is the annual Lions car show that is within my community. It draws literally hundreds of people to show their cars, those who are involved in the collection of cars, but also, of course, people who come and want to look at these vehicles.

The individuals who are involved with the Lions Club continue in a number of creative ways to ensure that good causes are supported whether it is ensuring that there are eyeglasses that are available for those who cannot afford them or looking at other ways.

I had the personal experience at one time, Mr. Speaker, to work with members of the Lions Club in my area when I was the vice-president of the community food bank which was called Southeast Helping Hands. I was vice-president of the food bank in my region for seven years, and the Lions Club was integral in ensuring that we were able to get the Southeast Helping Hands Food Bank up and running and were able to sustain it for a number of years. It

was not always easy. As a new charity in a community, you really have to reach out and try to build awareness of the need for it but also to ensure that there are those who will support it.

I have to give credit to the Lions Club because they were one of the first groups in my area to come on board and say yes, we are going to partner with you. We see the need for the region and we want to ensure that those people who need the assistance that the food bank would provide would get it. So I tip my hat here in the Manitoba Legislature to the fine folks of the Lions Club in my community, and I thank all of them for their contributions.

While we are speaking about the issue of seniors in relation to this act, Mr. Speaker, I want to pay tribute to the seniors in the community of Grunthal. Last night I had the opportunity to attend a volunteer appreciation dinner for the individuals at the Menno Home in Steinbach and that was for the volunteers. Many of them were seniors, the volunteers who ensure that the residents at the Menno Home in Grunthal get the kind of services and the kind of programming that they need to ensure that they have quality of life in their later years.

As I visited with the people who were volunteering at the Menno Home, I visited them yesterday at this appreciation dinner, I was very cognizant of the fact that they have given throughout their lives to the community and to our region and now to individuals who are in the later years of their lives. I really want to say that all of us here in the Legislature owe them gratitude and owe them thanks. I did extend those thanks on behalf of the government in a very non-partisan way yesterday because they make contributions that government could not always make on their own because there is not the wherewithal within government to do all of those different programs. Also, because they make contributions in terms of modelling, modelling for young people and modelling for all of us in society in terms of how individuals should treat one another.

I also, of course, thanked them for the individual impact that they were having on the seniors and on the aged people in the Menno Home in Grunthal. I want to say a particular thanks to Mr. Albert Driedger. I know that that is a name that is familiar here in the Legislature, but Mr. Driedger has taken on the role of chairperson of the Menno Home in Grunthal. We had the opportunity to renew

acquaintances yesterday in Grunthal and to think of some good times.

I know the Minister of Water Stewardship (Mr. Ashton) says that Albert was a good guy, and I know that he will appreciate reading those words in Hansard. I think that all members of this Legislature would agree that he was a good guy, a good minister, and I know that he will be a good guy for the Menno Home as he chairs that board in the days ahead.

Also last night, one of the individuals who was there is a very distinguished senior within our community, Mr. Peter Klassen, who was one of the first founding members of the Menno Home board and was key in terms of getting that institution up and running. He kind of related to us a number of experiences and stories that he had along with other board members who are no longer with us, Mr. Speaker, but related to us the experiences he had in getting the Menno Home in Grunthal up and running.

\* (15:10)

It was interesting that he noted, I believe, it was \$120,000 that it cost to build that seniors home in Grunthal at the time that it was built a few decades ago. We all marvelled at how cheap that cost seemed compared to what it would cost today. So I want to commend Mr. Peter Klassen for the work that he has done in our community, in our region and in the area of Grunthal, because he has truly made a difference, and it will leave a lasting contribution for all Manitobans in the many, many years ahead.

In the community of Steinbach, we have the Steinbach 55 Plus organization, and they had moved into a new building last year. I think that this June, this month, actually, will mark the one-year anniversary of the new seniors complex in Steinbach. It has really become a hub, Mr. Speaker, a regional hub, for seniors to come for programming, for seniors to come for activity. I know that individuals who come from around the province marvel at what a wonderful facility it is and the programming that goes on. Of course, the centre itself is just bricks and mortar, but it is the spirit that is brought into the building from the actual individuals, from the seniors of our region, who ensure that there is activity going on, who ensure that there are always good things happening there. So I commend Pat Porter, who is the president, and Diana White, who works in the

centre as well as a full-time co-ordinator, for the work that they do all the time in that area. They are tremendous contributors to our province and they need to be recognized, I think, here in the Manitoba Legislature, and I am proud to do that on their behalf here this afternoon.

I am reminded of, in the community of Niverville, Mr. Abe Goertzen who has spent many years working with the seniors in that community to ensure that there were proper meals that were provided to seniors and to ensure that there were activities that were going on for them to do. Mr. Goertzen, and I should mention, Mr. Speaker, that there is no relation, but I would be proud to be related to Abe Goertzen from Niverville, because he truly is a man who cares about the province, who cares about seniors in his community, he is one himself, of course, but he has decided, I think, to extend his own abilities and to ensure that people within the Niverville region who are seniors are recognized for the contributions that they have made to the province, are recognized for all that they have done to ensure that our province is as strong as it possibly can be. I want to say to Mr. Goertzen that his work has not gone unnoticed, that his work has not gone unappreciated. Quite the opposite. We do truly appreciate all of the work that is done there.

So, with those words, Mr. Speaker, I do want to conclude my comments on this particular piece of legislation. I know that I look forward, along with other members in this Legislature, to those presentations that might come forward at committee, at second reading, whenever this bill moves forward to that particular stage of debate. I think that all members of the House would join with me in congratulating and thanking our seniors in Manitoba for the work they have done.

Thank you for the opportunity, Mr. Speaker.

**Mr. Speaker:** Any other speakers? Seeing none, when this matter is again before the House, it will remain standing in the name of the honourable Member for Morris (Mrs. Taillieu).

#### **Bill 16—The Wildlife Amendment Act**

**Mr. Speaker:** We will now move to Bill 16, The Wildlife Amendment Act, standing in the name of the honourable Member for Portage la Prairie (Mr. Faurichou).

What is the will of the House? Is it the will of the House for it to stand?

**Some Honourable Members:** No.

**Some Honourable Members:** Yes.

**Mr. Speaker:** Stand? I hear yes. I hear no.

**Mr. David Faurichou (Portage la Prairie):** Mr. Speaker, I have perhaps made a faux pas in the order today. The honourable Member for Lakeside (Mr. Eichler) would like to speak first, and I will conclude remarks.

**Mr. Speaker:** Is there leave of the House for the Member for Lakeside to speak followed by the honourable Member for Portage la Prairie?

Okay, look, I will make this very, very simple. Is there leave for the bill to remain standing in the name of the honourable Member for Portage la Prairie (Mr. Faurichou) that he can choose when he speaks. Is there leave? *[Agreed]*

**Mr. Ralph Eichler (Lakeside):** Mr. Speaker, I want to rise to today to speak on Bill 16, and thank the member from Portage for his input in bringing the information forward with respect to The Wildlife Amendment Act. I know it seems like a very simple bill, but there are some things in this bill that affect the outfitters and guides to a substantial manner, and I would like to address those and put them on the record at this point in time. It is always the things that are not in the bill that we are concerned about.

I know that last fall, the regulations with respect to outfitters, there was an incident in Birds Hill Park whereby one of the outfitters was there. He had a rifle and took a shot and, unfortunately, the whole industry has been penalized as a result of this action. Now the regulations have been changed where a guide or an outfitter can no longer carry a rifle. Whenever they are in a situation, in particular, way up north and you have got a grizzly that is wounded or a moose or an elk that is in the rut season, and with a shotgun only the best shots in the country could probably bring—*[interjection]* Maybe, yes. But, having said that, to bring an animal down that has been wounded or, as I said, one that is in the rut season would be almost impossible. So you have to think about not only the safety of the outfitter but

also the safety of the clients which they have with them.

We are very concerned about the fact that some of these regulations can be changed within this bill that would be similar to that. I know the concern that was brought forward with respect to the shotguns. One of the criteria the government had put out was the fact that, if a guide or an outfitter was with a client and he was not able to fill his tag, the outfitter would then shoot the animal for him. Well, Mr. Speaker, that is about as absurd as I could ever hope to get. I used to be a hunter. I am not. I go out with a camera now, and it is not something I would enjoy or do. But one of the things that goes with hunting is the bragging rights. It is imperative whenever you go out and you shoot your animal or get your bag of your limit there. It goes with the territory. You are so proud of that shot that you made, whether it be 300 yards, 400 yards. To have that taken away by an outfitter shooting that animal for you is absurd. I think the minister needs to have a long, hard look at that regulation because it does not make any sense.

The other thing is that the people that do this are very influential people that come up here. These outfitters bring in the best. I know Mayor Giuliani from New York was here, Bud Grant from the Minnesota Vikings. These people come up here, pay a huge amount of money to come into the province, and it is an issue that we should be promoting more of. I know Alberta and Saskatchewan, Ontario, another province that is promoting the outfitting business. These people in particular, I know we have a couple in our area. Wyman Sangster is one. Doug Grantham is another. Daryl Stanley is one of the other members that take people out. It is a huge—*[interjection]* Well, they talk about some of the issues that have happened in the past. Target practice is one of the things that makes people better shooters. One of the better things that happens is that we make sure that, whenever we take that shot, it is clear.

Mr. Speaker, I know that these people that come in are so proud of the fact that they are able to come up here and hunt. We, as Manitobans, are glad to have that money come in. It is some \$5-million industry just in the province of Manitoba. Alberta exceeded \$50 million last year in the outfitting business. I think that we, in Manitoba, have some of the best wildlife in the world that we should be very

proud of, be very happy to promote and help this industry.

\* (15:20)

One of the other things that is not in the bill that we are concerned about is the fee for the allocation of the licensing. My understanding is, through the critic from Portage, that there was a discussion of the fee being around a \$100 increase for the tag. Now the concern there is what will this money be spent on. Will it be on promotion of the wildlife industry? Will it be for the fact that the money will be used as another general revenue, or just a fee put on by the government to spend wherever they want? We know that the government does have a spending habit, and it should not be on the backs of the outfitters. The outfitters, as is my understanding, do not have a real serious problem with the \$100 as much as what the clarification is going to be on where the \$100 will be spent and how it will be used to promote the industry, or will it be used for restocking, or will it be used to better the industry one way or the other?

The other thing that I would like to put on the record is with respect to the tracking. The idea of the pelts, hides, skins, parts, the government is wanting to have a tag put onto that particular part, which, again, my understanding is the outfitters do not have a real problem with that. However, for the people that stay within the province of Manitoba, my understanding is the fact that those are the ones that the government is trying to follow through and make sure that they are, indeed, not used for monetary gain, to be sold from one person to the next, but there, again, I cannot see that being a huge issue. I would look forward to the minister's comments in regard to this, or the members on either side of the House, because I know that, during my hunting days, in fact, the member from Interlake talked about how proud of the fact that he bagged his bear, he probably has it stuffed and it is on his living room floor, but people that actually do the hunting are so proud of the fact that they got the fish or they got the antlers or they got the elk, and they want to hold on to that. So, again, I do not know if this is another backdoor tax. We hope that the clarification will come forward on that as well.

The idea of moving from parts, I think, is probably is what the minister is wanting to go with this particular part of the amendment to the bill. I understand there are some concerns there. I think if

there would have been proper consultation with the wildlife outfitters and the guides that there would have been probably very little confusion. Now, I do understand the fact that there is a presenter that is going to be coming forward once this bill gets to committee and that will be the outfitters at that particular point in time unless there are more to be coming forward. I do hope that the minister and the government on that side of the House will have an open mind in order to deal with this organization. I think it is very key to the province of Manitoba and also to the citizens of Manitoba.

One thing we need to do more of, it is a gift that is waiting for us, is our tourism and our wildlife. I think that it is something we need to expand on and try and promote. I know that this may lie to the fact that some of these guides go up and they are just having a real holiday, but you know what, they work very hard. They get up at dusk. They get to bed at dawn. They pack gear. They make sure all the food arrangements are there. They make sure the safety is there for all these people that come in that are not familiar with our country and our province, and we are glad that people like this take the initiative to go out and do that.

Now, Mr. Speaker, the people that do this have to have consultation. They have to be part of the process in order for that industry to grow and prosper, I know the government would want to see the industry grow and prosper, because I think it is imperative that without their input we are not going to be able to have the bill workable in a way they usually are accustomed to. I know I want to commend the minister, and I did this before, and I had a situation in my area whereby the minister was good enough to help us out. I know he has an open mind. In fact, I think that once the minister realizes some of the things that we are talking about there he will be favourable in making sure that they move forward. I just hope that he lobbies his Cabinet and members on that side of the House that they would be done.

Just in closing, I have a couple of other things I would like to also put on the record in regard to Bill 16, and that is the use of poison. I know that in our family we have, in the turkey business, we have used poison in the old days to get rid of wolves and roaming dogs that come around and get into the turkeys when they are on the range. We have moved away from that in the last number of years because

the turkeys are now penned up, more in-housed instead of more on the range. But I know in the past that it has served its purpose; it has served it well.

Yes, we did get some animals that roam that we were not hoping to get. They were neighbours' dogs. But you know what? I will not apologize for that. I do give my sympathies to the families. But, when a dog is out roaming and gets in and destroys, predators that get out in this part and kill the turkeys—and I know that it is kind of hard to do that with the sheep industry. I am not sure that this is a way that we need to be limiting ourselves when it comes to the poison of wildlife and defence of property. So we need to make sure we are cognizant of that.

Also, when we are dealing with the exotic wildlife that is going to be captured by officers, I know that some of the wildlife officers that I have talked to in just the past three or four days, they also have some of the concerns that I brought forward here this afternoon.

With regard to the pelts and that they are talking about for wolverines and squirrels and that type of thing, I know that is another part of the industry. I know up in our part of the world that the pelt business is still alive and well. It is something we need to be very cognizant of as well that we do not inhibit those people and harness them into a situation where we are not going to be able to move that industry as well.

So, having said those few words, I know there are other members that want to speak on the bill before it gets into committee, but I do want to remind the minister again on that side of the House and the members to just have an open mind when it comes to the changes that may be brought forward. Thank you for that, Mr. Speaker.

**Mr. Glen Cummings (Ste. Rose):** I will keep my comments brief. We have a number of bills we are dealing with this afternoon, but I want to thank the minister for presenting this side of the House with what is known as the spreadsheets related to the rationale behind proposed changes in bills. A little while to get here, but, in fact, it will be useful in terms of debating this bill and debating it on the basis of fact.

But it does confirm, and it does show us that there is a common thread in these changes and a

thread that probably goes through a lot of activities in the current administration. So this minister is not unique in what he is doing. But he may well be following what I think is—

**Mr. Speaker:** Order. The honourable Member for Ste. Rose (Mr. Cummings) has already spoken to this bill on March 24.

**Mr. Kevin Lamoureux (Inkster):** Mr. Speaker, I, too, would like to put a number of words on the record in regard to Bill 16 before it passes ultimately to committee. I anticipate, as has been pointed out, that there will, in fact, be some interest from the public, and we will likely hear some representation. I hope to hear some representation.

There are a few things that I wanted to address specifically in regard to this bill. First, in regard to the royalties, it is interesting that we are seeing an increase in the number of royalties or where royalties are going to be applied. Things such as deer's antlers are now going to be taxed. I am going to use the word "taxed," Mr. Speaker, because that is, in essence, what we are seeing is more revenue. One of the things that New Democratic governments have been known to be fairly effective at is discovering ways in which one can generate revenue to bring into the coffers. They have found an area in which they feel that they can generate some money.

\* (15:30)

You know, it is good, I guess, in one sense, but, in most part, one is always a little suspicious when government comes up with these new ideas. The rationale, I understand, what they are really doing is, in increasing the royalties, it is to put it on par with other animal parts that are currently being collected in terms of royalties. So it ensures that there is some consistency there.

There is also a great deal of discussion in regard to the improper use of poison to control wildlife. It was interesting, when the bill was in second reading, in particular, the member from Emerson, I believe, spoke on this bill and was quite passionate, it was either him or one of his colleagues, from a farmer's perspective, maybe it was the member from Ste. Rose that spoke, but one of these individuals very passionately explained to the Legislature the importance that poison has to play within the farming community. I think we have to

recognize in the vast majority, and when we talk about vast majority, we really underline the word "vast," of farmers are exceptionally responsible and we want to be able to show our support for our farming community.

I am not too sure if the minister really worded this properly in terms of what it is that has been implied and how some might be interpreting what it is the government is actually saying, to the degree in which it has offended some members inside this chamber that have a great deal of experience within the farm community, to someone like myself who wants to be sympathetic to our farming community and make sure that we are not going overboard in terms of whether it is the wording or actual laws or regulations that could put in restrictions that would be unfair or unnecessary. No one wants to see wildlife inappropriately being poisoned, but we do need to recognize that there is a viable, strong, healthy community that has to do what it can in terms of protecting its industry, protecting, in essence, the food of the world, in good part.

There is the issue of conservation enforcement. Officers will now, from what I understand, be able to conduct their own sting type of operations or go into undercover situations. I see that as a positive thing. Poaching is a very serious problem in our province. I do not think that we as a province give it the type of attention that is necessary. There are all sorts of wildlife that are hunted out of season and I would suggest to the government that there are some things, one speaker prior talked about some of the things that are not in the legislation, maybe what we should be doing is looking at increasing the penalties for poachers, because that is an issue in which all Manitobans are very concerned with, in particular, hunters, individuals, whether it is via providing food on the table, to sport, recognize the importance of conservation and realize that there are times of the year in which you should not be hunting.

Sadly, we have some in society that feel that they have the right to kill animals anytime that they feel that they want to, whether it can be justified or not. That is why I think that we need to look at penalties. This is something that I personally would have liked to have seen the government give more comment on. When you bring in legislation of this nature, I think that this is one of the issues that does come up, but, all in all, by providing the conservation enforcement officers the opportunity

to go undercover, I think, will make a positive difference, much like our law enforcement officers. At times, these conservation officers are endangering their lives, Mr. Speaker.

I know many years ago I had opportunity to have discussion in regard to conservation officers and some of the situations that they find themselves in where they would be approaching a group or an individual. They will see that they have someone that is camped out of sorts and another individual, Mr. Speaker, that will be completely intoxicated, and they are out there shooting rifles at whatever it might be. As a result—*[interjection]* Well, when you are drunk, it is a serious issue, and, from a conservation officer's perspective, there is an obligation on their part to go into situations of that nature at times. That is why I say I think that in good part it is easy to overlook the importance of the conservation enforcement officers, but we need to reinforce our support for these individuals, and we can do that in different ways.

One of those ways is by what the legislation is providing today, from what I understand, their ability to conduct undercover investigations. Mr. Speaker, there are other issues. Someone had indicated to me a story once about resorts that in essence clear-cut large areas. It has been the size of a football field and putting bait in the middle, and then allowing the hunter in essence to shoot in a wide-open field on a platform. This sort of thing does occur from what I have been told. It is not much of a sport when you see that sort of thing taking place.

So there are other areas such as definitions, getting a better sense of self-defence. No one wants to deny someone to be able to protect their family, their lives.

*Mr. Harry Schellenberg, Acting Speaker, in the Chair*

To what degree can someone claim self-defence and shoot something out of season? Again, I would not say that you should not be able to do it, but I do believe, Mr. Speaker, that there should have to be some sort of a justification, a well-established procedure in place so that, when it does happen, there is some sort of documented incident report that is filed so that you do not have this sort of behaviour occurring when maybe it should not have.

So, with those few words, we just want to indicate in principle that this is a bill which we can support in terms of going to committee, and we will see what happens from there. Thank you very much.

**Mr. Faurschou:** I want to provide an apology to the House for having to request that we revert back and leave the bill standing in my name. I will say that I am slightly distracted today, though a very proud father. My son graduated from the University of Manitoba, and I had the privilege of attending the convocation this morning. *[interjection]* Thank you.

I appreciate, also, to see that the Minister of Conservation (Mr. Struthers) is indeed listening intently to the debate this afternoon in regard to Bill 16, The Wildlife Amendment Act. I do want to compliment the minister on providing a briefing as it pertains to Bill 16 and the amendments proposed to this Assembly.

\* (15:40)

I will note that the individuals in attendance, Deputy Minister Don Potter, Jack Dubois and Ken Green, provided the information regarding the bill.

I will express my dismay, Mr. Deputy Speaker, that it was indicated to myself and the honourable Member for Turtle Mountain (Mr. Cullen) during the briefing that there was full disclosure and consultation regarding changes to The Wildlife Amendment Act as it influenced or pertained to the outfitters in the province of Manitoba, the Manitoba Lodge and Outfitters Association. In later contact with that organization, it was very clearly stated that they did not have a direct contact by the department, nor were they afforded an opportunity to comment regarding the changes that will definitely have significant impact upon that sector operating here in the province of Manitoba.

So, having said that, let us move forward. The bill does provide changes that we do support on this side of the House in regard to the control of predators and removing the ability to use chemical means. I know that, without guidance and experience, the use of chemicals can make for inhumane control of predators, and so I support the minister in that respect. However, I do want to leave with the minister that, even though those persons that may be bearing firearms here in the province of Manitoba that may not be registered, knowing that they will

not be prosecuted under Manitoba law, that the availability of ammunition is limited to those persons that do indeed have the proper documentation, we may be, in fact, starting up a whole new business here, which may be a sideline perhaps for the outfitters in the province of Manitoba and the guides that may now want to look to predator control as a sideline out of season perhaps. But the allocation of licences and to guides and outfitters here in the province of Manitoba also is a concern.

We know that in some areas of the province we do have abundant numbers of big game, and there has been a lessening of a number of individuals that have been looking to pursue wildlife in a hunt. We do know that we want to make it as attractive as is possible for individuals to engage in this sport and provide to Manitobans a control of the numbers of wildlife here in the province of Manitoba, which I will say from my own personal background as farming in the river valley of the Assiniboine that a significant herd of deer roam the properties and do cause significant amount of damage to winter crops such as winter wheat and fall rye, and knowing that there is a need for a balance in numbers of wildlife that hunting certainly does take a significant part in.

So I want to say to the minister today that it is vitally important that we maintain a good working relationship with the organization that does promote conscientious good stewardship of wildlife here in the province of Manitoba. I speak specifically of the Manitoba Lodge and Outfitters Association, and that is reason again that close communication ties are afforded that organization. In speaking with the executive director, Mr. Jim Ticknor, who is an individual that possesses 29 years of experience as a conservation officer here in the province of Manitoba and does have a significant post-secondary education that bolsters his understanding of wildlife and conservation practices here in the province of Manitoba—indeed, Mr. Ticknor is an individual that can be consulted, and, with the expectation of a very savvy response as it pertains to wildlife here in the province of Manitoba. So, once again, I encourage the minister to speak with Mr. Ticknor.

I do add my voice in support of the amendments that pertain to SIU officers and NRO officers that are pursuing their duties and controlling poaching and unlawful conduct in the wild lands of Manitoba, and in preservation of the peace not only for personal safety, but that of the wildlife as well. So I

personally, wholeheartedly support this amendment and the exemption afforded officers in the pursuit of criminal activity.

*Mr. Speaker in the Chair*

I have to raise with the minister, though, concerns that pertain to the expansion of the ability to charge fees. This is where I hope the minister will consider an amendment to the proposed legislation. In that, the addition to the ability to charge royalties is expanded from just skins, pelts and hides to include all animal parts. I trust that the minister understands the intent of this amendment as it was explained, that this was looking to provide the opportunity to charge royalties on the sale of the above to a person that was not a holder of a licence.

I would like to ask the minister to clarify, through this amendment, by adding just a few short words that royalties can be applicable to skins, pelts, hides and parts when sold. That would be very, very descriptive, that it is the royalties made applicable when the sale of the above takes place. In other words, royalties are applicable to the commercial side of hunting here in the province of Manitoba. That way, then, when persons have the understanding that they have purchased a hunting licence here in the province of Manitoba, they have the rights then to harvest wildlife here in the province of Manitoba, as prescribed by their licence, and they will not be blindsided by a royalty at a later time.

It gives clarity to those persons that possess and that purchase the licences. That way, then, there is no ambiguity within the legislation that would leave to interpretation those persons in the field. I am certain that everyone will be appreciative that this amendment could be proposed. Also, there is significant concern by those persons that are coming to the province of Manitoba as to, in fact, what they are purchasing when they are purchasing a hunting licence. They want to make it known that if there are services offered by the Department of Conservation that need to be satisfied through an additional charge, let it be then through the licence and not again giving opportunity and rise to being blindsided at a later time with a surcharge or with an additional fee or a service charge that would be unknown to the person at the time. Perhaps a non-resident coming to Manitoba would then be later billed for something that he or she had no knowledge of.

\* (15:50)

So I encourage the minister to reconsider whether or not the amendment that he is proposing here as to clause 89(a) and allowing for the ability to prescribe fees and charges that must be paid in respect to applications, licences and permits, and hunting licences allocated to a guide or outfitter under this section, I think we need clarity and something that is easily accounted for without sometime after the fact being presented with a billing.

If, in fact, the department is committed to what they state in the briefing note as provided by the minister that they want to be cost-recovery based, and the taxpayers of Manitoba are not responsible for subsidizing activities in the outfitters' and guides' area of wildlife management here in the province of Manitoba that we make certain that a sufficient amount of money is charged for the licence to operate, then that is the end of things. If there is an engagement of commercial activity with the sale of pelts or animal parts, well, at that time then, it is very clear that the person purchasing those animal parts, hides, skins, they have full knowledge that they will be responsible for providing a royalty to the province of Manitoba.

So I hope that some of my commentary has left the minister with points to ponder and consideration be given to striking down the one amendment cited as well as modifying the other amendment cited in my commentary within the debate on second reading of Bill 16. I think the points that have been raised are ones that are valid. I believe that if those amendments are in fact carried forward, unanimous consent of the House will be garnered on the passage of this Bill 16 because the other areas of the bill, as aforementioned, are ones that I believe this side of the House can and in fact support because all of us must be respectful of nature. It is our responsibility to maintain the wildlife here in the province of Manitoba not only for ourselves but for future generations.

Thank you very much, Mr. Speaker, I appreciate the opportunity to have spoken this afternoon and look forward to seeing Bill 16 carried forward to committee whereby the public has opportunity at that juncture to participate in the debate. Thank you.

**Mr. Speaker:** Is the House ready for the question?

**Some Honourable Members:** Question.

**Mr. Speaker:** The question before the House is Bill 16, The Wildlife Amendment Act.

Is it the pleasure of the House to adopt the motion? *[Agreed]*

### **Bill 30—The Manitoba Agricultural Services Corporation Act**

**Mr. Speaker:** Bill 30, The Manitoba Agricultural Services Corporation Act, standing in the name of the honourable Member for Lakeside (Mr. Eichler).

What is the will of the House?

**An Honourable Member:** Leave it standing.

**Mr. Speaker:** Leave it standing? Agreed? It will remain standing in the name of the honourable Member for Lakeside, and it is also standing in the name of the honourable Member for Portage la Prairie, who has 15 minutes remaining.

What is the will of the House?

**Mr. David Faurshou (Portage la Prairie):** Mr. Speaker, I appreciate the opportunity to conclude my remarks regarding this legislation. It is very important legislation because more than \$400 million of activity in the province of Manitoba pertains to these two corporations and, once merged, will in fact become a major, major entity here in the province of Manitoba as it pertains to economic activity.

In my remarks, I gave rise to the importance of both corporations, to the viability of the agricultural farming community, and I will say that it is something that I have been a supporter of over the number of years prior to my entry into the Legislative Assembly. The merger of the two corporations will provide for the smaller parts of each corporation to gain a synergy that will be more cost-effective, and I might cite that the information technology sections, the communication sections will be afforded just that, that a larger grouping of individuals will provide a greater cost-effective delivery of those services to the corporation and to the clients.

I will say to the minister, and I do appreciate the minister is listening to debate this afternoon as it

pertains to the Bill 30 that she has proposed to the Legislature, that the headquarters of both of the two entities are now divided between Brandon and Portage la Prairie. I know that the other honourable members are envious of the honourable member from Brandon and the honourable member from Portage la Prairie that have those headquarters in our communities, in our constituencies, but I will state to the minister today that there is a larger entity located in Portage la Prairie and staff with the headquarters of the Manitoba Crop Insurance Corporation and it would only make logical sense, when complete merger is obtained, that one headquarters is located for this proposed corporation and I trust the minister will see the merit of that headquarters being located in Portage la Prairie.

I believe, though, that it is vitally important that the minister and the department be always forthright in all of the decision making as it engages the employees of these two corporations. The communication of the information is vital because the corporation itself must be seen as willing to communicate the decisions to their employees and not leave the communication to the coffee shop, as has provided for numerous concerns in other jurisdictions where this merger has taken place.

I will say that Manitoba is not leading the pack in this regard. Other jurisdictions have had merged agricultural services for a number of years. I am quite familiar with Alberta and that jurisdiction when it merged the services that I speak of because it took a close friend of mine and my wife to Alberta. The former CEO of Manitoba Crop Insurance, Mr. Brian Manning, was encouraged to come to Alberta to oversee the like entity in Alberta and to further oversee the merger of that entity with other agricultural services offered by the provincial government in Alberta. I will say at this time that the merger did take place and that a great deal of success was afforded the merger as it pertained to both those engaged in the provision of service to producers and that of the producers. All persons that I have knowledge of are very pleased with the merger and now with one-stop client services that are afforded producers in Alberta.

That is key, that the minister provide communication to the employees and to producers and not to leave it to the corner coffee shop about the changes that are coming about as results of the merged operations.

\* (16:00)

I think, also, the minister should be aware why we are doing this, and that is for the best interest of the producer. We want to make certain that the locations that are afforded producers are those of convenient access. I look personally that of the two offices in Portage la Prairie one is in downtown Portage la Prairie, where I have been ticketed on a number of occasions when attending to the agricultural offices downtown. Only metered parking is afforded. The reverse is true. When I attend to the Manitoba Crop Insurance Corporation agent office, the expansive parking lot is provided free of charge, and there is no consequence to having a little more lengthy discussion with the agents without the threat of having to then go to City Hall to pay one's dues because of parking payments. So we want to make certain that the locations selected are keeping the producers happy. I cited one producer not being very happy about having to go downtown to MACC.

So, Mr. Speaker, I also do want to take this opportunity to recognize the furthered career of our former CEO of Manitoba Crop Insurance, Mr. Brian Manning, who last fall was shuffled in his responsibilities. He had gone on from the Alberta Crop Insurance Corporation to lead the Department of Agriculture in Alberta as deputy minister and then was afforded the opportunity to move over to the Department of Finance where he shared with another deputy minister the responsibilities of that portfolio, but just shortly Mr. Brian Manning was recognized as the individual selected to lead a merged Finance Department, and now our former CEO of Manitoba Crop Insurance oversees the budget of \$25.8 billion in the province of Manitoba.

So I want to commend the career prowess of our former CEO, Mr. Brian Manning, and to congratulate himself and his family for a very successful move career-wise to the province of Manitoba. It was very interesting to have a discussion as to how Alberta is progressing under a Conservative government, and that that province's prosperity continues to flourish where more than 600 000 people have moved to the province of Manitoba after our former CEO from Crop Insurance moved out just a short nine years ago.

**An Honourable Member:** He moved to Calgary, or to Alberta, right? You said Manitoba.

**Mr. Faurschou:** Oh. My apologies; 600 000 people have moved to Alberta since our CEO made the move from Portage la Prairie to Edmonton. That province is, indeed, flourishing. I will say that I personally believe that it has a lot to do with the leadership, the vision, the innovation, the embracing of new ideas by the Conservative regime that governs that province and has governed that province for almost four decades. *[interjection]*

There is some commentary within the House this afternoon that perhaps oil may very well be fuelling that prosperity, Mr. Speaker. But, I will say, if anyone were to check out the acquiring of a litre of fuel versus a litre of water here in the province of Manitoba, that that litre of water is significantly higher priced than that litre of fuel. If improved management were perhaps to be afforded this province in the greatest natural resource that we possess in this province, that being water, I believe that our province could prosper, in fact prosper in greater stead than that of Alberta.

I am at a loss for words this afternoon because of my enthusiasm when speaking with someone that has fully embraced the prosperity and benefit from Alberta's prosperity, I just want to see that prosperity in my home province of Manitoba. I truly believe that if one can look to the future and embrace technology and innovation and be able to draw upon the energy and enthusiasm of Manitobans and recognize all of these and bring it together under proper management, I think that our province of Manitoba could, in fact, leave Alberta in our shadow as it pertains to prosperity.

Mr. Speaker, I believe I have raised the concerns that I have with Bill 30 and the merger and brought encouragement to the minister to keep a steady hand and a watchful eye and to share with both producers and employees all the steps that this merger will entail and to keep everyone abreast, thereby not leaving to the coffee shop any misunderstanding at any time. Thank you.

**Mr. Jack Penner (Emerson):** Mr. Speaker, I certainly as well want to rise and speak for a few minutes on Bill 30, The Manitoba Agricultural Services Corporation Act. I want to say to the minister that this is probably the first time in a number of years that there has been a significant change in the operational mode in the Department of Agriculture.

I know that many people across the province will have, and are voicing, some concern because they are losing some staff in their various communities, and those staff of course are being shifted around into the various different offices in other communities in some instances. I have heard from at least one or two communities that have been told that their ag rep that was serving in their community will no longer be serving there if and when that person either decides to retire or is moved for various opportunities somewhere else. That is always a difficulty for a community, especially smaller communities.

We should never underestimate the effects of a job such as an ag rep. I know the word "ag rep" will no longer be used in the department and/or out in rural Manitoba for long. I think from somebody my age that has been involved in this business for as many years as I have, the word ag rep always had meaningful connotations as to what was really described and how a person's job and job description was enunciated. I believe that for all intents and purposes, much of what I have seen so far emanated out of the GO offices and grow offices, and change in names has only been that.

I believe that it is important to expect a great deal more from the merger. I know that those of us that have been involved for years in promoting the industry called agriculture in this province, I know that the massive changes that are currently taking place in the industry are going to have a profound effect on the future of this province.

I want to speak a little bit about some areas, Mr. Speaker, and I will seek your guidance on this, because I want to ask for a bit of latitude when I speak on Bill 30 because it has such a broad range of impact to the entire agricultural industry. Therefore, if I deviate from the so-called "insurance aspect" and/or "borrowing aspect" of agriculture, that, of course, impacts or affects virtually every aspect of the operation, both of those issues.

\* (16:10)

I could never quite understand why a minister or a government would want to bring together the financial side, the borrowing side of the agricultural industry, and the insurance side of the agricultural industry.

Crop insurance as we knew it, now being called production insurance, has played a very key and important role on our farm. I think I could count on my hand during from inception, and I believe I was involved in crop insurance the first year they implemented crop insurance, and have been a subscriber ever since, I would have to check the record for that, but I believe that is the case on our farm. I think I could count on one hand probably the amount of crop insurance claims we have had until the last two years.

The last couple of years have been very difficult years in southern Manitoba, especially in the Red River Valley. Much of the specialty crop last year, as the minister knows, was left out in the fields and ploughed down in some instances, simply harrowed down in other instances. I do not know how many acres of corn were actually harvested for grain last fall, but I would suspect that it might be less than a thousand acres in Manitoba in its entirety. That is the first time in history, I believe, of the Crop Insurance Corporation that has happened to the corn crop. There have been other years where there have been earlier frosts and significant losses, especially in corn, but I think from time to time we expect that, especially those of us who are involved in specialty crop production and very often in highly diversified operations.

I also want to say, Mr. Speaker, that when you are as highly diversified as we are on our farm, you also have a huge diversity of incomes. When you look at the CAIS program or the AIDA program or the CFIP program, we have not drawn on our farm any money out of those programs. Even this year, and we will only know probably by the middle of this coming year or late in fall whether we will even qualify for the so-called 2003-2004 crop or any assistance, although we had huge losses. The diversification and the mixture of cropping processes that you do averages your crop to a great degree, and therefore, you do not qualify in many of these programs. That is the way we have designed on our farm our cropping program. Simply, we are members of that or subscribe to the programs, but we hope we never have to use them. Similarly, we have subscribed to crop insurance or now production insurance, and hopefully, we will never have to use them.

Have we used the hail insurance portion of the insurance schemes? Yes, we have. Have we used

Manitoba Agricultural Credit Corporation? Yes, we have. When you have three boys that want to be farmers and you are trying to assist them in expanding the operation to a degree that there might be enough income to sustain three or four families, you incur sometimes some very significant debt. You have to and we have. Manitoba Credit Corporation has been for us on our farm a good corporation to deal with. They have excellent staff, they have had excellent staff, same as in Manitoba Crop Insurance. I must be very complimentary to the staffing at Manitoba Crop Insurance in a similar manner because they certainly have demonstrated how to serve their clients, and their clients are virtually all of farmers in Manitoba.

I want to raise a few concerns that have been expressed to me in a number of areas when I attend various functions. The concern is that roughly about \$275 million of surplus currently in the crop insurance fund might, at some time, be used by the minister or the government to support or extend credit to farmers in one way or another. I know that the minister has assured us from time to time that that will not happen, but today that might not happen, tomorrow we never know. Quite frankly, the responses that we have seen and heard to some of the questions that we have put in this House to various ministers lead us to believe that what they say sometimes is not always what you can take to the bank. That saddens me because, when I first came to this building and this place of governance, it was my view that integrity was one of the most important assets that you bring to the job in this building.

I think that Manitobans in general have a right to expect integrity to be maintained in this building especially. I believe that honesty in a straightforward manner never hurts any politician in the long run. I believe that when we have asked, just as an indication now, Mr. Speaker, questions on the Crocus Fund and the answers that we have received from our First Minister really concern me. They really concern me because not only has he been avoiding the issue, but he has couched it in such a way that it is simply not possible to take that to the bank. I believe that it is important that all of us make strides to ensure that we will maintain our integrity to the utmost and ensure Manitobans that we will represent them in that kind of manner.

I also want to talk a little bit about the changes that are being made with the production insurance

aspect of it. I think that the one change that is being brought forward that you are going to be able to buy all farm insurance, whole farm insurance, and when I look at it for our farm, we would, I think, be remiss in saying that this is something that will suit our needs but there might be people and producers in this province where that program will in fact meet the needs of producers. I would suspect that some of the areas in the province that are not quite as diverse in their production as the Red River Valley is, or at least the southern part of the Red River Valley is, there might be some aspects of that program that can in fact be utilized. Time will tell. I would suspect that would identify that.

I would say to the minister, Mr. Speaker, that if we want to promote agriculture and encourage the diversification and the expansion of agriculture and the growth of agriculture and the utilization of those agriculture for secondary production, then I would suspect that what we are seeing in form of legislation here today, well some of the rhetoric around that will have to end.

I attended a meeting yesterday at The Forks, last night, and I believe the meeting was directed at looking at watershed management for the city of Winnipeg. It was organized by a small group of people, and some that I think truly had the good intentions of the city of Winnipeg and how to direct initiatives within the city of Winnipeg or in proximity to the city of Winnipeg, and water is flowing through the city to ensure that better quality of water would be finally encountered in that process.

\* (16:20)

I want to say this though. When I listened to what the presenters did, especially the provincial presenters and some of the other presenters, it was very apparent when I compared that to the American presenter that was there from Minnesota, that we have a substantially different view, or our government, I should say, has a substantially different view of the impact of agriculture to their water supply. When I heard the presentation from Minnesota and I heard and saw how they organized their watershed management process, it reminded me of how important they deemed their farmers in their state to be because there was inclusion in their rhetoric. In our rhetoric, there is a lot of exclusion.

I want to say to the Minister of Water Stewardship (Mr. Ashton) that I do have now a community that is called the Blumengart Hutterite Colony which is being directed by this Minister of Water Stewardship to close the well that they have drawn water from for 30 years. They will have to close on July 31 of this year, this summer, precisely two months from now. They have been ordered by registered letter, Mr. Speaker, to shut down the drawing of water from their well. In other words, the minister has said the water will be shut off.

**An Honourable Member:** 2001.

**Mr. Penner:** The interesting thing is that this minister does not recognize the importance of that well to that community. There is whole community. There are 100-and-some-odd people in this community. There are at least five livestock producers.

I know the minister is nattering from his seat again about 2001. Well, I want to also say to this minister when I met with the head of the Blumengart Colony, he told me that they went to renew their licence on their well a while back, and he did not say specifically the year but he said a while back. He said, "We were told that we didn't need a licence anymore. We've been using this well for 30 years, and we don't need a licence anymore." He said, "Then we get a letter from the department saying, 'You haven't renewed your licence, and we're now going to terminate the use of the water.'"

Well, if those are the kinds of tactics that this department is going to use its authority to shut down wells or areas of the province, then I think we are in deep trouble because this community has a licence to draw 7.7 million gallons of water out of that aquifer, the Winkler aquifer. The city of Winkler has a licence to draw 400-acre feet of water out of that aquifer. You look at the small amount that this community is drawing out of that aquifer, and yet we are using that community as an example of how we are going to utilize our power, Mr. Speaker.

Now the minister will have the all-powerful mechanism to use. Then, when I look at the aspect of setting aside areas in this province, no-go zone, they call it. Oh, first of all, we have an agriculture-go department—

**An Honourable Member:** Bill 22.

**Mr. Penner:** Then on Bill 22, we have no-go zones established in this province. If you look very closely at that piece of legislation, we are saying to farmers that if the NDP government identifies an area of the province where they might deem it to be important to set aside an area for whatever purposes—they could use water as an excuse—the minister has the right to clear the area without compensation to whoever lives there. Clear the area.

I look at the Red River Valley, and many, many proponents have said from time to time, "You are living in a flood plain." The Red River Valley is a flood plain, and if the minister chooses to, he could designate this as an important area and call it a flood plain and designate it a no-go zone. That is the power this bill gives the minister. For what purpose? Maybe for no other purpose than to say, "I have the power." See? Therein lies my greatest concern, even with the merger of Crop Insurance and the Agricultural Credit Corporation. There is no provision that would prevent the minister from utilizing the surplus funds in the Crop Insurance Corporation and use that as a mechanism to assure and guarantee a loan. It could be done. There is no provision in this act that says, "MACC might now have the power to say we will now ensure that you must buy crop insurance, to ensure that you will have at least some sort of income to meet the demands of the loan and MACC."

That is there and the minister says, "No, no, no, that will not happen." Well, maybe not as long as she is the minister, but we do not know whether she will be the minister the day after tomorrow. We do not know that. And she does not know that either. That, of course, will depend on her leader, I would suspect. I think her biggest asset is that she is the only person in that caucus that is from rural Manitoba and, therefore, can be deemed rural and become a minister.

I want to be fair to the minister. I want to say this to her, and I want to compliment her on the way that she has handled a number of the issues that have come before us, and I mean that sincerely. I will not compliment her on how she has dealt with the BSE issue. That has been a sore spot in my side, and I think she knows that. I talk about integrity, Mr. Speaker. I have no use when government uses the kind of tactics that have been used and rhetoric that has been used to identify how much money has been

made available and couch it in such a way that the farmers have simply not made applications to it.

That is not fair, Mr. Speaker. The people of the city of Winnipeg, the urban centres, believe that this government has actually made \$180 million available to the cattle producers of this province when, in fact, that is not true. They have made less than \$60 million available to the farmers, to the cattle producers or livestock producers in this province and driven them another almost \$70 million deeper in debt. That is true. That they have done, and I think we only need to go to MACC records and say, yes, that is true.

So I want to say, Mr. Speaker, that the merger might actually add a staff person or two or three in my hometown, but it might also delete some staff people in some of the other communities in our GO area. So I am caught in a bit of a dilemma.

On one hand, I might say, you know, I welcome this as an additional one or two or three or four more people employed in my hometown, but I might also have to look at another part of my constituency, and I look out in the southeast area, and I look at the small town of Vita, and I wonder what will happen when that ag rep will retire, and I wonder what will happen to that office. Maybe, at some point in time, I will have to ask the minister in this House whether it is her intent to close that office in Vita, and, if it is, I would hope that she would notify that town away in advance of that actually happening, to be fair to them, because they actually built the building to accommodate the two or three staff people that operate out of there. Four staff people, actually. There is the secretarial administrative person, there is an ag rep and then there is a person that deals and has been very involved in the livestock industry to assist. I believe it would only be fair to that community, because that will have a major impact on the employment percentage of people working in that town, and those jobs will be sorely missed there if that is the decision. The minister is not shaking her head. She is not denying that that might not happen. I think that that is an important issue for us.

\*(16:30)

Getting back to the merger and the effect of the merger of these two corporations, bringing them under one board might, in fact, be consistent with what the minister has said from time to time, and that

is that they want to bring some economies of scale into the operations of her department. I commend her for that. I want to say, though, when I look at the board structure that is happening and the two vice-presidents and the operational side of the board, I do not see a great deal of savings that are being implemented in that manner. The management structure, the operational, the staffing out in rural Manitoba, I understand, will virtually remain the same and be the two different sectors. So, really, from an efficiency standpoint, from an operational perspective, I really do not see a great deal of benefit of what we are doing here.

Time will tell how this government will roll this out to its final plan but, again, I say, important that we make recognition of the fact that, when staff people are taken out of various communities, we do it carefully and that we do make notification of that well in advance to ensure that the people in those communities will, in fact, be allowed to make adjustments or arrangements for other utilization of those buildings that were built specifically for them and those offices and how they are dealt with.

In conclusion, Mr. Speaker, I want to say that agriculture in this province is in very, very serious difficulty. This merger will not affect that difficulty. If we are not careful and if we continue on the path of rhetoric that we have used and are constantly blaming agriculture for the nitrification and phosphorization of our waterways, and when we use that to drive public concern, I think the minister should have been at the meeting last night, when I heard one reeve from western Manitoba express his concern about the rhetoric that they had heard, and I heard one reeve from eastern Manitoba at that same meeting express their concern about how water issues were being dealt with.

When I look then, Mr. Speaker, at Mr. Grube from Minnesota and what he said about how they dealt with water, and how important water was to them and their agriculture industry, totally, totally different attitudes in how we value our agriculture producers in our province. I know that when I look at the charts that I have been apprised of now that demonstrate 22 years of testing on water in the province of Manitoba on the Red River, 22 years of testing, and there is, from Fargo, North Dakota, to Emerson, there is a flat line, no increase in phosphate, no increase in nitrates in 22 years. From Emerson to Winnipeg to St. Norbert, 22 years of

testing, no increases in phosphate, no increase of nitrate loading in the Red River.

When I look, Mr. Speaker, at the nitrate and phosphate charts from St. Norbert to Selkirk, those charts go up fairly steeply. I wonder why that is. Maybe it is time that the Minister of Water Stewardship (Mr. Ashton) spent more time looking at what the urban impact is to phosphate loading and nitrate loading and other nutrient loading such as biotics. That is of far greater concern to me than the nutrient loading. I know that the percentage of change is less than a half a decimal point in the total loading of Lake Winnipeg, and, if you would decrease the nutrient loading to Lake Winnipeg by more than a decimal point, by more than a whole point, you might cause severe damage to the ecosystem in Lake Winnipeg or any other lake for that matter. There is a very delicate balance there and the minister knows that. The minister has been told that by the same people that I have been told. It is very important that we not fool with nature beyond what we should be doing.

I look at 20-some-odd years of soil testing on my farm and do you know, Mr. Speaker, that our phosphate level in our soil with over 22 years of fertilization has not changed. It is flat. So all of this rhetoric we have heard about fertilization or manure spreading or all of those kinds of things simply is not scientifically substantiated. That is why we deem it so important that agriculture and bills such as this be scrutinized very closely.

That is why it is so important that Bill 30 does what it is deemed to do, and that is support and enhance the ability of agricultural producers to provide food for the rest of the world.

**Mr. Cliff Cullen (Turtle Mountain):** Mr. Speaker, I appreciate the opportunity to put a few words on the record. Clearly, my colleagues from Emerson and Portage raised some very good ideas there. It is nice to have the opportunity to have the ministers listen to some of the important views on agriculture. I guess the latest issue the member from Emerson raised was the idea of the water issue, and it certainly is very important to rural Manitoba.

I think the Minister of Water Stewardship has some work ahead of him in terms of Bill 22 and getting that resolved. It certainly has some very

important issues to rural Manitoba and agriculture, and in the tourism industry as well.

In terms of Bill 30, the amalgamation of Manitoba Crop Insurance and Manitoba Agricultural Credit Corporation, again, clearly these two corporations play a very, very important role to rural Manitoba and to the farm economy.

I was fortunate enough to have some experience with Manitoba Crop Insurance Corporation. I was a crop insurance agent for six months out of the Glover office a number of years ago so I am somewhat familiar with how the corporation works. I assume the benefit here for amalgamating these two corporations would be on the human resources side where there might be some efficiencies gained. Clearly, we hope that will be a benefit for all Manitobans.

In terms of the structure, and I think it is important, and the Member for Emerson (Mr. Penner) touched on it, we certainly do not want to lose any resources in terms of offices and office staff throughout Manitoba. It is very important that those people remain there to serve the farm community. Clearly, as the member did point out, we are going through very, very tough times in rural Manitoba and having that service available to the clients is certainly of the utmost importance to us.

Farming has changed. It is becoming very much more technical. Certainly from a legal viewpoint as well, there are more and more regulations coming on side, not only from a municipal point of view, but from a provincial point of view and from the federal government. The farm community is certainly getting hit from all sides in terms of the regulations. I think it is important that staff be there and be available to answer some of those more technical issues that we are being faced with every day in the rural economy.

I think it is also important that we have a look at the old agriculture representative offices as well. I think this amalgamation may be a good idea. I would have hoped that the government would have put more resources into, at this point in time, making sure that staff are available throughout Manitoba to assist with some of the technical issues. We have a number of programs out there to help farmers, but they need some staff there to make sure that the paperwork is done. They have the answers to their

questions so that they can actually access those funds.

\* (16:40)

I would hope the important thing here is for the government to recognize there are issues in rural Manitoba and that they would have resources available to actually deal with the current issues that are out there, moving ahead and making these changes at this time.

I am not sure we are headed in the right direction at this point in time. I look at my area, in particular the ag rep office in Pilot Mound. That particular office has been vacant for some time, and there has been quite a demand from that area for the resources, for someone to be put in place there. I realize we are going through the restructuring of the GO offices, the GO centres, and that is taking quite a bit of time to roll out. We have been at this process for quite some time. I know we have regional managers appointed or in place, but the real groundwork is not being done. We do not have the people in place in those particular offices, and again, particularly in Pilot Mound. I am getting calls on a weekly basis in regard to that particular office, so obviously there is a need to fill those particular positions. I, again, refer them to the old agriculture representatives, although I know the term will be changing as we move forward.

The minister talks about economic initiatives, and I think that is probably a good way to go. We certainly do want to have a major move towards economic development in rural Manitoba. I think it is a very important issue. We still are a fundamental producer of raw materials, and we are exporting our raw materials. I think we have to focus on processing those raw materials here in Manitoba. What it will do, it will create economic activity within Manitoba and rural Manitoba. I think it is a very important thing. I think the BSE issue is a very good example of that, where if we could develop slaughter capacity in rural Manitoba, I think it would be a tremendous asset for all Manitobans. I think we are probably going to be in a situation where we are going to lose out on that particular initiative.

The one thing that the BSE crisis has done, it has increased debt to Manitoba farmers to the tune of about \$70 million. Clearly, that is where the Manitoba Agricultural Credit Corporation comes into

play. They are a significant financial resource to Manitobans and to Manitoba farmers. I think we should be focussing our efforts on developing programs that can be and will be used by Manitobans and in particular young Manitobans who do want to continue their farming operation.

I know the government has focussed on their Immigrant Investor Program, bringing immigrants in. Certainly, that may be one aspect where it may help rural Manitoba, but I think too that we have to focus a lot of our energy on the farm producers that we have out there right now. They certainly need assistance where they can get it. Again, a lot of it is not just on the financial side but more of the technical side to help them through the processes because the processes are changing on a daily basis in rural Manitoba. So I think that is very important.

In terms of Manitoba Crop Insurance, I know the staff are working very diligently, and again, it is a very important corporation for Manitobans, something that as producers, they can bank on for the long term. Again, we are facing a very stressful year this year, wet conditions in a lot of places. The long-range forecast, I understand, is for hot conditions for the summer, so those things may change. We are probably going to be in a situation where a lot of acres are not going to be seeded this year. Hopefully, the producers in those areas will have purchased the insurance through Manitoba Crop Insurance to help alleviate some of that extra stress.

We know, too, that there is some money in the Manitoba Crop Insurance Corporation. Again, we want to make sure that the government does not use that particular fund as a slush fund. It obviously is farmers' premiums, and we want to make sure that those premiums stay within the corporation and are used for crop insurance claims. That is a very important aspect to the amalgamation process. I guess, in reading the legislation here, it looks like it is fairly clear that the funds in both Manitoba Agricultural Credit Corporation and Manitoba Crop Insurance Corporation will stay independent of each other. So I think that is very important to recognize that as we move forward on that.

Again, just to finalize, we hope there will be some efficiencies on the human resource side. We certainly want to make sure that the office, the staff, is there in those offices throughout Manitoba to assist producers wherever they need it. We do

recognize there are two or three agencies that are vacant right now throughout Manitoba. We certainly hope that we can get those agencies filled and get those vacancies filled. It certainly will be of benefit to Manitobans in those areas.

So, again, we will certainly be keeping track of this amalgamation as it moves forward and certainly hope that the Province is doing it for all the right reasons. So, with those few words, thank you very much, Mr. Speaker.

**Mr. Peter Dyck (Pembina):** I, too, want to just put a few comments on the record regarding Bill 30, the amalgamation of the Manitoba Agricultural Credit Corporation and the Manitoba Crop Insurance Corporation. As far as utilization of both of these corporations, I have been involved in the ag business for many years, and I am still involved in it. Our farm right now is into the third generation, and we have utilized the services of both of these corporations. My son got involved with MACC as he started to buy into the shares of our farming corporation, and so it was an opportunity through some of the programs that they had to utilize their services, and then, of course, as the Member for Emerson (Mr. Penner) has indicated, last year being the kind of a year that it was, certainly it was good to have the services of the crop insurance available to the farmers and again, upon their utilization of it. But it was a rough year. There is no doubt about it. I know that the minister and the members opposite are quite aware of that, and I am sure that many of the people who they represent also were able to access the funds of the Manitoba Crop Insurance. Certainly, that is what the program is there for. Mr. Speaker, and certainly, these are two very, very important corporations for the province of Manitoba.

I also want to just briefly mention some of the people. We have the ag office in Morden and over the years gotten to know Mr. Irvin Wiebe very well. He did retire, I believe it is three years ago, and I know that he was involved toward the latter part of his career there in financial planning, and certainly brought with it a vast amount and a wealth of knowledge. He had been involved in that for many years, and also his extensive participation within the credit union organization within the province of Manitoba was something that he could also bring to bear, and he also used that expertise in his financial planning. So I certainly want to thank him for the many years that he gave to the agricultural

community in assisting them, and I know that he has helped many a person within the province of Manitoba. Right now, just to continue on that, he is on the Morden town council and is using again his experience in directing the affairs of the council and assisting them there as well, and I believe at this point he is deputy mayor. So, certainly, he is continuing to contribute to the affairs of the community, and we wish him well also as he is sort of on to semi-retirement.

The other person, Brian Nedohin, who is still out there involved in the ag community, occasionally I do hear him on the radio, and he gives us the updates of what is taking place within the agricultural community, within the area and the area that, of course, he represents. And, you know, it is an opportunity for those who are needing assistance, whether that is in the utilization of chemicals or fertilizers or just simply looking for some direction as to where they should go within their own farming corporation or their farms that gives them an opportunity to go and meet with Brian, and, again, I know that he is very open and accessible in the work and the advice that he gives.

\* (16:50)

So I want to thank them for the work that they continue to do within the community and, of course, within the ag office. But I do have some concerns with the amalgamation taking place at this time.

I believe that agriculture within the province of Manitoba is, as we all know, experiencing difficulty and, again, the difficulty is with the weather conditions that are out there. I know that within the area that I represent there are some farmers who, in fact, have not started seeding. So there are some real concerns out there.

With the amalgamation taking place, is this going to be giving ample opportunity for those farmers who need the assistance of, whether it is the Agricultural Credit Corporation or whether it is the ag services, are they going to be able to devote enough time to be able to assist those farmers who need that help right now. So the timing is something that I believe that we are asking, we are looking at. Is the timing the right time of year to be doing this amalgamation?

The other thing is again regarding amalgamation and the human resources aspect of it, Mr. Speaker. I know that we are somewhat sceptical when the NDP government starts talking about amalgamation. Is it one of saving money? Is it one of trying to put more responsibility in certain areas and locations within the province, but is the amalgamation one of supposedly saving dollars?

Again, I only need to refer us to the amalgamation that took place within school divisions when we found out that they had indicated that these amalgamations were going to be saving a lot of money and were going to be really responsive to the needs of the community. I believe we are finding out that the opposite has taken place. So, again, these are some of the concerns that we have. Again, the corporations, both of them, are out there in order to be able to assist those involved in agriculture and to meet the needs that they have. I am assuming that the minister has met with the groups and that the groups and those agriculture producers who will be affected by it are in favour of the direction that we are taking.

So, again, I am going to be interested or will be interested to hear what the general public, what those who are involved specifically either in agriculture or with some of the moves and amalgamations that are taking place, what their response is going to be. Again, I believe that as amalgamation takes place that there will be some communities who will be affected more than others. Some, of course, will be receiving more staff, but on the other hand, there are going to be areas where offices will be shut down.

You know, again it forces those involved in agriculture to drive further in order to be able to get the assistance that they need. Now I trust that this is not what is going to take place but those are some of the concerns that we have. Is it going to be the economy is a scale? The amalgamation, again that is something that I guess will play out in the long run, but certainly those are some concerns that we have.

Mr. Speaker, again as I indicated, we are looking forward to hearing from the community, from those out there who are involved directly with this, whether they are involved in the agricultural services sector or whether they, in fact, are involved in agriculture itself just to hear what their response is going to be and to give them an opportunity to put their comments on record.

With those few words, Mr. Speaker, I look forward to hearing what the general public has to say and I would like to move it on. Thank you.

**Mr. Kevin Lamoureux (Inkster):** Mr. Speaker, I, too, want to put some words on Bill 30 on the record prior to its passage into committee. I always find it interesting in listening to the debate on bills of this nature. There are many members of the Chamber who have a great deal of life experience in regard to agriculture. I always find it very informative to listen to what it is they have to say, as I had enjoyed opportunities when we were a larger caucus and talking with members of that caucus as to what is happening in rural Manitoba, and so forth. I know the Leader of the Manitoba Liberal Party spends a great deal of time in rural Manitoba to try to get a good gauge in terms of what is happening, the different types of issues that are out there and what type of things we should be, whether it is addressing here, or even just listening and addressing in many different ways.

So, having said that, I did want to add comment on this bill, because I think that this bill is, in fact, quite significant, Mr. Speaker. Whenever you see change happen, there is always some resistance to change and it is quite understandable why people would be very cautious in terms of their comments and in terms of what might happen as a result of when changes are made. We recognize right up front the valuable efforts by so many individuals with the Manitoba Agricultural Credit Corporation and the individuals within the Manitoba Crop Insurance Corporation, and, over the years, to the degree in which they have assisted our agricultural community in a very real and very tangible way. It is about insurance, it is about borrowing money. It is issues of this nature that are of critical importance.

We have had members talk in terms of the farming community as a whole and the impact and the importance that these two corporations have played in the past. No one likes to necessarily pay for insurance up front, but insurance is one of those things which you must have because you never know whether or not you are going to have to require it, and, hopefully, you do not, but more often than not we are finding, especially in the last number of years, more and more farmers in need of that insurance.

At the same time, Mr. Speaker, we talk about borrowing or credit. You know, for the average

Manitoban, their biggest expenditure will be the acquisition of a house. I have had opportunity to ride in some of those big 4x4 tractors and the combines and am very familiar with just the huge amount of money it takes in capital infrastructure and to keep that sort of equipment going. When you think in terms of the credit unions, or when you think in terms of the Manitoba Agricultural Credit Corporation and the efforts that it puts forward, as I say, over the years, I think it has done a fabulous job.

Having said that, it is deemed that the need is there to see the change, to see the amalgamation of the two entities into one, which will now be known as the Manitoba Agricultural Services Corporation. And, with that, I think, Mr. Speaker, will come expectations, expectations that, at the end of the day, the agricultural community will be better off, that we will see even that much more tangible results in a positive nature. Having said that, we do have to be very careful with what we currently have in place, whether it is the possible displacement of individuals in certain rural communities that may be caused as a direct result of this, to the possibility, in a positive way, where we could see more individuals working in and about our rural communities.

So, as we kind of tread toward the formalization of the Agricultural Services Corporation, I think that we need to tread cautiously, given the importance of that community, that industry as a whole. In principle, this is a bill in which we can give support in terms of going to committee. With those few words, Mr. Speaker, we are prepared to see the bill passed. Thank you.

**Mr. Ralph Eichler (Lakeside):** Mr. Speaker, indeed it is an honour to stand today and put on the record a few things in regard to Bill 30 and, as the critic for the official opposition, we are glad to hear the debate, hear the discussion that has been brought forward.

\* (17:00)

I would like to take this time to thank the staff, the minister's staff and the minister for the briefing on this bill and the spreadsheet. I realize it was a lot of work for the staff, and the hours and the time that they put into making sure we had the information that we needed in order to discuss the bill properly.

I am glad that we on this side of the House took that opportunity to make sure that the members, and

especially the rural members, had an opportunity to talk about their concerns and their desires about the amalgamation of the two organizations in respect to The Manitoba Agricultural Services Corporation Act.

Now I know there have been a number of presentations with respect to the corporation and the way the corporation is going to be run. I know that the biggest concern that is out there in respect to the general public, the average person out on the street, and it is unfortunate that the perception out there is that there is a huge amount of money that is sitting in the reserve account of the crop insurance. We lost some credibility as government. That was whenever the current government took advantage of the Manitoba Hydro reserves that they had and they took \$250 million out of that account.

Now, unfortunately, the perception out there is will this give the government an opportunity to access these funds. That was the No. 1 question, probably, on my mind when we met with the minister and her staff, and I can assure the public that we did ask that question of the minister and her staff. It is very clear, very clear, Mr. Speaker, that this is not the intent. In fact, they have set up five different funds, I believe, or at least several different funds, in order to assure that this will not happen. It is not in the minister's privy, nor any of the previous, or the next government's in order to access these funds whereby we can take access to these funds. So we are very glad that that is covered off.

There are a couple of other things in there that I just want to make mention of and that is the idea of the borrow and interest change. That has to do with the insurance with regard to hail insurance. One of the problems that we had prior to this bill being brought forward and the changes is the fact that the average Joe was borrowing money at prime-plus one, or two, whatever their current rate was and, of course, government had the opportunity to borrow money at a preferred rate. That made an unfair advantage. The minister's staff has addressed that issue, and they will now be paying the same rate of interest as those private sectors.

Also, it is important to note that the companies that do the reinsurance have to have licences and headquarters within, offices within Canada in order to make sure that our farmers are protected in respect to the crop insurance.

Now I know that the amalgamation between the two departments is going to be a huge transition. My concern with this amalgamation is the timing. I have no problem whatsoever with the merger itself. In fact, I think that we as government and we as opposition and the government-in-waiting need to be cognizant of the fact change is important. Change is one of the things that we need to make sure we are always ready to do, but it has to be done in a timely fashion.

The Department of Agriculture is just going through a huge transition with the GO offices and GO centres. All the jobs have not been appointed and assigned to each of the various areas, and there is still a lot of disturbance in those offices. I know the minister's staff is working very hard in order to see that that is done, but I would have preferred to see this merger take place a year or even two years down the road in order to make sure that the stumbling blocks are out of the way at the GO offices and GO centres.

In fact, even a simple thing as a name, and I know there have been a few jokes around the ag offices about some of the names that are going to be assigned to these new positions. I just do not think that process is taking the time that it should have in order to make sure that each person has the position that they are actually qualified for. I know some of them have been seconded from one department over to the other from some of the other areas. I know in our particular area we had an ag rep that is now in charge of the fishing side of things. He does not have a much amount of experience, but it is something that he can certainly handle. I know that the ag rep that we have in our particular area is so good at what he does that he will make sure that this position that he has been put into, he will do the best job he can.

I know that in his area there, just that area alone, I know we have a number of calls with the PMUs that have been shut down, again through no fault of their own, through the mergers that are coming up with the scientific drugs and with the cutbacks that have been put in the PMUs. These barns, a lot of them are very modern. In fact, I know there is one at Lundar that has a cathedral ceiling in it. It is just state-of-art and they are looking for something to put in it. With the poultry, it is one of those things that you just cannot get into overnight, it is the quota system. So that particular sector is out, but I did suggest to him that, I know in the minister's area

there is lobster farming that is taking place there. I suggested that he contact our ag rep and talk to him about some of the opportunities that would be available to him there.

With that, you know with the merger in mind, I mean they know about what the various departments are doing with the crop insurance and with the agriculture credit. I think that one of the things we can learn from this is that whenever there is an insurance claim made and the two departments work hand-in-hand, it will give the farmers an opportunity to take advantage of the fact that their loan payments are made first. Of course, most farmers do not need to be reminded of that. They are one of these proud groups that always make sure their bills are paid. In fact, that is one of the things we have talked about over and over again when we are talking about some of the crisis that we were in with the industry.

I know with the grain sector we talked about the cash advance, and we talked about other programs. We know that with MACC and with crop insurance, they will be able to make sure that the farmers are able to move those programs forward. I know that, even with the crop insurance right now, the farmers in my area, a lot of other areas as well, that with this rain that came today and that is predicted for the next two or three days, are probably not going to get their crop in.

So we have to be so efficient when it comes to government and that there are not going to be any problems when it comes to pay out the dollars that are required for them to meet their loans and also provide for their families, provide for their educational needs, provide for the services that they need as a challenged industry from day to day and from year to year. I know there are a number of claims that are still outstanding from 2005 that we are hoping that the minister and her staff will have these done very soon.

I know just even on the way home this morning, I took a trip back to Teulon, and I was noticing in the fields there are still a number of sunflowers that have not been harvested. There is still an amount of wheat and barley that is still down that have not been processed. Those claims have to be finalized as well, but whether or not they are going to get on the land and even do that is going to be another issue, never mind seeding for the upcoming year. So they will

probably be applying for their \$50-coverage before they even get last year's settled.

Having said that, I know there are other things in the bill that we talk about with the board itself. There are not a lot of savings financially when we look at this. There are eight positions, I believe if my memory serves me correctly, that will be saved as a result of the merger, but, more importantly, I think we need to look at the fact that we will have better services for each of our rural areas where we have our GO offices and GO centres. I know it is not going to happen overnight, but with having credit officers and insurance officers in each of those offices, I think it is imperative that the farmers have those services made available to them.

\* (17:10)

This is one thing that we are very happy to support. I know that one of the things that we can make a little more easier for our producers to access that information, no matter whether it is on crop insurance, whether it is on what to seed this year, whether it is on what are we going to do with last years, and what we need to do to look forward to the new programs and what areas we need to be going.

I know diversification is something that has been hammered out from time to time with the farmers, and they are so innovative when it comes to ideas of what to try to do next to be sustainable, but they would like to try and get something that they can rely on so they can go back. I know that with the merger some of these things might make it just a little bit easier.

The board itself will have two vice-chairmen. I know that they will be reporting to the board as a whole and then those will be broken down into committees to deal with each of their various areas. One of the other things that the board will be responsible for is the allowing for rolling over of budget funds from one year to another budget year. I think that is important. I think that is something that we need to do more of. When it comes to good management, good financial needs that need to be met, this will allow the department that opportunity to be frugal in their efforts and give them an opportunity to save for those days whenever they do need the extra money.

The other thing that we need to be making sure of is the change in the manner of which notice is given to persons or corporations that money is owing to. I know that that does not seem like a big deal, but it is another little, minor change that we want to make sure is in there.

I know we only have one presenter at this time, and that is the Keystone ag producers, but I am looking forward to the bill getting to committee. I do not know if we will have more people come forward, but I am looking forward to that presentation from them. I have talked to them and there is not a lot of concern on their part.

Just in conclusion, Mr. Speaker, we do want to see this bill move forward. As I said before on the onset of my comments, I just think that the timing is probably not the best. I know that we need that opportunity to make sure we study and do our due diligence.

I know that we did pass the milk prices review bill and we want to get that put through as well, so with the other things that we have passed in the agriculture area, I know that we want to move those bills as quickly as possible.

Once we get this bill through, maybe the minister will see fit to call the L-G in and we will get these bills proclaimed. Having said that, thank you, Mr. Speaker. We look forward to going to committee.

**Mr. Speaker:** Is the House ready for the question? The question before the House is Bill 30, The Manitoba Agricultural Services Corporation Act.

Is it the pleasure of the House to adopt the motion? *[Agreed]*

### **Bill 31—The Condominium Amendment Act**

**Mr. Speaker:** Bill 31, The Condominium Amendment Act, standing in the name of the honourable Member for Pembina (Mr. Dyck). What is the will of the House? Stand?

**Some Honourable Members:** No.

**Mr. Speaker:** It has been denied.

**Mrs. Bonnie Mitchelson (River East):** I just rise to put a few comments on the record regarding Bill 31, and changes to The Condominium Act.

Mr. Speaker, I want to say at the outset that I have certainly discussed this bill with the condominium owners in my constituency and a lot of this is housekeeping. It is providing a little more protection for condominium owners. There is not anyone who has any difficulty with anything that is in this bill. They think they are all steps in the right direction although very small steps. One of the major concerns by specifically one condo complex in my constituency is what is not in the bill and what needs to be included in this bill.

*Mr. Daryl Reid, Acting Speaker, in the Chair*

It is a sad story, Mr. Acting Speaker, about what has happened to this condominium complex that has been around for a few years, several years, but they have been through a very lengthy legal process as a result of their condo not being built to specifications or standards that were indicated in the blueprints or in the inspections that were done by the City of Winnipeg. I believe there are 29 units in this condo complex. Many of the individuals that moved in there sold their houses and moved into this condominium complex as their retirement option, and invested probably most of what they sold their houses for and ended up in a lovely condominium complex on the Red River in North Kildonan, a lovely sight. They paid accordingly to have the opportunity, the option, to live in that condominium complex.

Well, they found out shortly after that many of the pilings that were in the ground were overloaded by up to four times the design capacity. The building contractor and the City of Winnipeg Inspections department were aware at one stage of a potential catastrophic collapse of the building. They did not share that with the condominium owners until one day one of them went into the parking lot and saw the ceiling sagging and investigated to find out that. Many were surprised that the building had not collapsed completely on them.

Well, they as individuals who owned the building had to then undertake major reconstruction of the foundation and the pilings underneath the parking garage. I believe the total bill for the 29 condominium owners was \$450,000, which is a significant amount, especially when you have bought your condo, you are paying property taxes, you are paying condominium fees and then, on top of that,

having to share a \$450,000 bill to repair something. This complex was not old, it was only a few years old.

They had so much difficulty getting information, getting plans, getting drawings from the City of Winnipeg. They have hired a lawyer, and, on top of the \$450,000, Mr. Acting Speaker, they had to pay legal fees, and set aside a contingency for their legal fees and hire a lawyer. Well, they spent three years. I want to tell you that I have had several meetings with these individuals over the years and it has taken a very human toll on many of them, not only the additional cost, but the human cost to having to go through the uncertainty of whether they were ever going to recoup any of the money that they had to put in through no fault of their own.

I think, at this point in time, they have finally settled out of court, and they have recovered less than half of what they put in, but they finally decided that they could not fight any longer, that they were going to take what they could, when they could and get the ordeal over and behind them.

But, Mr. Acting Chair, we have a situation where more and more Manitobans are choosing condominiums for their retirement option and opportunity and they are being built right throughout the city of Winnipeg, and we see some pretty significant luxury condos going in on Waterfront Drive. I believe that we need to look at protection. This is a whole new undertaking. It is a whole new concept in Manitoba, and we are moving in that direction.

\* (17:20)

You know, when a landlord builds an apartment complex, he has a vested interest in ensuring that that facility is structurally sound and built in a manner that he can attract renters because he will own it, if not for a lifetime, for a considerable period of time.

*Mr. Speaker in the Chair*

If it is not structurally sound and it starts to fall apart at the seams, he will not have any rental income. It is a completely different situation, Mr. Speaker, when someone moves into a condominium complex and buys it and then there is a condominium association which takes over from the developer. So the developer has to be held accountable for

following the appropriate plans. He cannot be allowed to cut corners. Individuals need to be protected. Stronger legislation is not going to help that condominium complex in my constituency that has gone through the years of heartache and the significant cost, but it can protect those into the future. I do not believe that this legislation has gone nearly far enough to address the issues that impact the condominium complex in my constituency.

I do know that they have had an opportunity to look at the legislation, and I have to indicate that the Department of Consumer and Corporate Affairs did meet with my constituents a couple of years ago and they had indicated that they would be reviewing legislation. But, sadly, this legislation does not go nearly far enough. I understand that there may be a more comprehensive review coming some day down the road, but you know, what they are asking for is not unrealistic.

I know that my constituents are planning to come to committee to make a presentation, and I hope that those that are there will listen very carefully because I know many of you may experience some of the same issues as we move forward in your communities. I would hope that you would want to protect the citizens that buy homes, many of them retirement homes, in your communities, as condos are developed. We do know that in other provinces they have had significant issues and that there has been no recourse for those that have invested significantly.

I am not opposed to this legislation. I think it is small steps in the right direction to protect condominium owners. There needs to be much, much more done. We will be awaiting representation. I know I have colleagues that want to speak on this bill, but we will be awaiting representation at the committee level. I would hope that the government would move expeditiously to try to ensure that some of the issues that are raised at committee are dealt with so that we can move forward in Manitoba and protect our citizens who want to choose condominiums as their option for housing into the future. Thank you, Mr. Speaker.

**Mr. David Faurshou (Portage la Prairie):** Mr. Speaker, I appreciate the opportunity to participate in the second reading debate of Bill 31, The Condominium Amendment Act. I appreciate the participation of our honourable colleague for River

East who has personal and first-hand knowledge of the pitfalls that can come the way of purchasers of condominiums under existing legislation.

I do appreciate that this legislation attempts to address the issues that arose out of the situation, but, as I must state, I agree with the honourable Member for River East (Mrs. Mitchelson) that this does not yet go far enough to protect the individuals that are investing their life savings in a condominium that they expect will see them into their retirement years and shelter them after they have given up home ownership and regular job requirements and to enjoy the golden years, as they have been coined, and then to find that the condominium which they have purchased has significant deficiencies.

I do appreciate that the bill provides for a very defined 48 hours, as is known as the cooling-off period. It also requires that the registrar make absolutely certain that there have been no amendments prior to the registration of ownership because there is now required by this legislation a full 48 hours from the time that the last amendment or change to the perspective of purchase has lapsed so that the purchaser has that opportunity to look at the purchase without the pressures that sometimes come to bear when negotiations are under way and one is face to face with an aggressive high pressure sales pitch that sometimes is pursued in selling of new condominiums and existing condominium units.

So I appreciate that the 48 hours is very clearly defined. I also recognize that this legislation attempts to provide for information about the condominium through the requirement to maintain records and blueprints of the development so that everyone who is considering the purchase of a condominium can have clearly assessed understanding of the building structure.

Also, Mr. Deputy Speaker, the 90 days maintaining that it is current information as it pertains to the organization that the condominium is responsible for, I re-assess my last comment. I believe I was perhaps referring to The Life Leases Act in regard to the 90 days, but to make certain that the information and the reserve fund that is part of it, there is clear disclosure regarding the reserve fund and that persons are understanding of the value of that reserve fund as it pertains to the potential purchase price of the condominium. Also, consideration then can be given as to the appreciation and

future value of the reserve fund can be considered by the potential purchaser as well. So these are now allowing for disclosure and one can clearly fully comprehend the meaning of the acquisition of condominium properties.

We do want to see that this information does provide for the public's input. I know that there are persons who are looking forward to having that opportunity when this bill comes before committee. I am certainly of the opinion that we should see this legislation through second reading and on into committee so that public input can be sought.

I do know, though, that The Condominium Act should be under constant review so that individuals who are faced with problems, because this is, as I stated at the beginning, very, very important housing to persons who are retiring and want to have a trouble-free retirement. We must do all that we can to make certain that The Condominium Act is very comprehensive.

Mr. Speaker, having said that, I would like to move to see Bill 31 go through to committee.

**Mr. Speaker:** Is the House ready for the question?

**Some Honourable Members:** Question.

**Mr. Speaker:** The question before the House is Bill 31, The Condominium Amendment Act.

Is it the pleasure of the House to adopt the motion? *[Agreed]*

## COMMITTEE OF SUPPLY

### Concurrence Motion

\* (15:00)

**Mr. Chairperson (Conrad Santos):** The Committee of Supply has before it for our consideration the motion concurring in all Supply resolutions relating to the Estimates of Expenditure for the fiscal year ending March 31, 2006.

With leave of the committee, the Official Opposition House Leader (Mr. Derkach) has requested that the Minister of Family Services and Housing (Ms. Melnick) take the chair in order that the honourable Member for Russell, as Opposition

House Leader, deal with the procedural matter that was raised on May 30.

Is there leave to allow the Minister of Family Services and Housing to assume the chair, even though she is not on the list for today's session of this Committee of Supply?

**Some Honourable Members:** Leave.

**Mr. Chairperson:** Leave granted.

**Mr. Leonard Derkach (Russell):** Mr. Chair, with leave of the committee, I would like to, first of all, thank the minister for supplying the information that was requested of her from the member from Morris. I would like to indicate to the minister that her co-operation has certainly allowed us to move forward in terms of the business of the House and the Chamber. It is for that reason that I would like to withdraw the motion that I had placed on the floor of the committee.

**Mr. Chairperson:** Is there leave from the committee that the following words be added after "the full Committee," as an amendment to the main motion—*[interjection]*

You want to withdraw it? Sorry, but this is on record.

Is there leave for the motion moved by the honourable Member for Russell on May 31, 2005, that it be withdrawn?

**An Honourable Member:** Agreed.

**Mr. Chairperson:** Agreed? The amendment to the main motion is thereby withdrawn. *[Agreed]*

**Mr. Derkach:** Mr. Chair, just on a question of procedure, would this mean that the motion is stricken from the record?

**Mr. Chairperson:** What has been written has been written. It will be on the record, but it is also on the record that it was withdrawn.

**Mr. Derkach:** Mr. Chair, to that extent, we would like to move on to the two ministers that we had called forward today and postpone questioning of the Minister of Family Services (Ms. Melnick) until another day.

**Mr. Chairperson:** Is that agreed? *[Agreed]*

A recess—

**An Honourable Member:** No. We want minister of—

**Mr. Chairperson:** Okay. Then we wait.

*The committee recessed at 3:08 p.m.*

*The committee resumed at 3:33 p.m.*

**Mr. Chairperson:** Committee of Supply, please come to order.

The floor is now open for questions.

**Mr. Gerald Hawranik (Lac du Bonnet):** My question is to either minister, either the Minister of Industry (Mr. Rondeau) or the Minister of Finance (Mr. Selinger), and it relates to the comments made in 2001 by the Minister of Industry at that time. When I ask questions of the minister, I am referring not only just to the current Minister of Industry, but also to the previous Minister of Industry because, of course, while he may not have been there at the time, he certainly should have knowledge about what occurred in his portfolio prior to taking on the ministry last year.

So, in 2001, the previous Minister of Industry made it very clear that it is important for the government to monitor the operation of labour-sponsored funds to ensure that they are adhering to the provisions of the legislation. That is very clear. It is a clear responsibility of the minister to monitor compliance with legislation and yet, as we see, I can point to numerous examples in the Auditor's report where, clearly, Crocus did breach the legislation. I am asking either minister to advise me, in light of the fact that there have been clear breaches of legislation by Crocus over the last numbers of years in terms of the legislation, why they did not take any action, either minister did not take any action with respect to the breaches of the legislation.

**Hon. Jim Rondeau (Minister of Industry, Economic Development and Mines):** Mr. Chair, what I would like to comment about the whole monitoring issue is that in 1997 the whole program

of labour-sponsored funds and the Crocus Investment Fund was put into the Industry Department and it had a role of promoting, had a multiple role of monitoring and working with the labour-sponsored funds to grow the economy of Manitoba.

What happened was in 1997 there was no reporting. In 2001 the legislation was changed to allow for some monitoring to take place. The monitoring that was established at that time focussed on The Crocus Investment Act which was investment in small business, investment in Manitoba and Manitoba companies and the whole issue about retaining the appropriate reserves.

The department worked with both labour-sponsored funds under the whole assumption of trust. They worked in a relationship because they had to work not only on the compliance and the monitoring of the funds, they also had to work with them on growing the funds. So, because they had multiple roles, they wanted to work in a trusting co-operative relationship. So they would work with the different funds to get the information to look at where the funds were, what type of companies they were involved in as far as whether they were Manitoba or non-Manitoba companies and that had to do with the whole idea of creating a Manitoba labour sponsored fund.

You provide the tax credit so that the company, either Crocus or ENSIS, is investing the funds in Manitoba businesses and also the size of businesses they were in. So there was an agreement on the size of business they would invest in and that they were Manitoba businesses. That was what the monitoring was. It had nothing to do with valuations. It had to do with where the company was and how much of a reserve they actually held as a company.

**Mr. Hawranik:** Would the minister agree with the statements of the minister in 2001 that it is important that the government monitor the operation of labour-sponsored funds to ensure that they are adhering to the provisions of the legislation? Is that an important function of the Ministry of Industry?

**Mr. Rondeau:** As the Auditor said in his report, they had multiple roles and that was one of the roles, is to try and monitor the fund. They did it in co-operation with the two funds and what they were monitoring was their investment in Manitoba businesses, the

investment in the size of businesses under \$5 million or small businesses and also monitored their whole reserve requirements. That is what they were monitoring for, and those are all parts of the act. So they were working in co-operation.

The new act as we provided today is allowing the monitoring functions so that there is not any confusion as roles. We are moving the whole monitoring function to Finance, so there is not a confusion between the monitoring promotion and working with the funds and the monitoring of whether they are meeting the requirements as set out by the act.

**Mr. Hawranik:** Would the minister agree that the monitoring function would include ensuring that the fund adheres to the provisions of the legislation?

\* (15:40)

**Mr. Rondeau:** What we said today in our press conference is that, to ensure that rather than have the one department try to have multiple roles, which could be conflicted, what we are trying to do in this new act is ensure that the promotion, the working with the funds, the developing of Manitoba's economy, the investing in small Manitoba, medium Manitoba and large Manitoba businesses, that is in the Industry Department. It is important to have that as a role to grow the funds. I look at why the funds were started in 1992. They were started so that they would increase the economic activity in Manitoba and create the opportunity for Manitoba businesses to grow. I think the former government did a good job as far as saying, "We need to grow our economy. We need to keep people here and keep expanding businesses." I think it was something that the former government started and we continued that role.

One of the things that was done in hindsight is they put all the roles in one department. So the monitoring, the compliance, the support, the promotion all were in one department. In hindsight, it would probably have been more prudent to have the monitoring roles in one department and the promotion in the other. That is what we have done today, as far as our proposal in the new bill, is to take the monitoring and put it into Finance and all the rest of the roles into Industry. I think in 1997, it might have been an error, but again, hindsight is 20/20, as your leader has said. We wish that this had not have happened as far as the issues, but, on the other hand,

what we have done is we wanted to make sure that the monitoring role is separate so there is no conflict of roles within one department.

**Mr. Hawranik:** My question to the minister is not with respect to promotion of the fund and whether it is in the Industry Department or not and where the monitoring role is versus where the promotion is. My question to the minister very clearly is the government has an obligation to monitor the fund. That is clearly what the previous minister in 2001 has stated on the record in Hansard, that he believed that monitoring included ensuring that they were adhering to the provisions of the legislation.

My question to the minister is does he believe the monitoring role includes ensuring that Crocus complies with legislation. Did he agree with the minister in 2001?

**Mr. Rondeau:** Mr. Chair, as I said, prior to 2001, the period between 1997 and 2001, although all the roles were within the Industry Department, there was no formal monitoring. There was no formal reporting. In 2001, we brought forward legislation which allowed for the formal monitoring of the two labour-sponsored venture capital funds. As I explained in my previous answers, those requirements, we are talking about the investments in the province of Manitoba to make sure that the investments were in Manitoba companies, again, there were appropriate investments in small Manitoba companies and that there were the appropriate reserves. Those were what the monitoring did. It was the first attempt at monitoring these funds formally. Prior to that, in 1997, when the previous government established all the functions in the Industry Department, there were no formal evaluation or monitoring tools. There were no formal reports.

In 2001, we put forward legislation which required formal monitoring and formal information. They were in compliance to getting information so that they would get information based on what was required in the act. In the act, again, they got a 15% tax credit from the provincial government if they invested in Manitoba business and certain-sized Manitoba businesses and maintained the requirements in case there was a reserve.

**Mr. Hawranik:** I think the answer to my question can be a simple yes or no. In 2001, the minister stated that the government in their monitoring

function, in monitoring Crocus, part of the monitoring function is to ensure that they are adhering to the provisions of the legislation. Would he agree with that statement?

**Mr. Rondeau:** Mr. Chair, in 2001 we actually started a monitoring process that did monitor certain components of the legislation and that is what we began then.

One of the interesting points that the member should know is that the reporting did have to do with pacing, did have to do with the valuations, did have to do with the reserve requirements. The important thing to note is it had nothing to do with the valuation. So, when you are talking about the valuation of the different companies, that was not part of the requirements or reports.

In fact, what the legislation did was ensured that the board had a valuation process in place. If you look at what the Manitoba Securities Commission did, the Manitoba Securities Commission said that we had a process where we said, "Hey, you have to set up a valuation system that was in the act and that was part of the act." We did not require a report on that. So the problems in Crocus generally are not in the liquidity or the pacing or the reserve. It is in the valuation. That is what has been said out in public.

Again, our report in hindsight did not look at the valuation issue. It looked at other aspects of the act as in the investment policies, where they were going, where were they placing the money in and it was being placed in Manitoba companies. That is what we were monitoring. We were monitoring that and the reserve requirements.

**Mr. Hawranik:** I heard, I believe, quite relatively clearly that the minister believes that one of the functions of monitoring is, in fact, ensuring that Crocus adheres to its legislation. I am pleased that the minister put that on the record.

The legislation requires that certain returns are made under the Income Tax Act and they have to be submitted to the minister. Those reports, as I understand for 2001, 2002, 2003 were not submitted by Crocus to the minister. The Department of Industry from the report acknowledges that they could have intervened, but they chose not to.

Can the minister advise why they did not intervene when, in fact, one of the monitoring functions of the department is to ensure that they

adhere to legislation? Why did they not intervene in that case?

**Mr. Rondeau:** Well, Mr. Chair, I can let the member know that the basic fundamental difficulty, as pointed out in the Auditor General's report, and what I believe happened, was that there was conflicting roles. These are people that the Industry Department had to promote and grow the economy. They had to promote labour-sponsored venture capital funds and they also had to monitor these funds. Because of that, they had multiple hats, "They were wearing multiple hats," if I can quote the Auditor General precisely.

So, because of the multiple hats, instead of going in with a heavy-handed monitoring role and being intrusive, the people in the Industry Department chose to set up a trusting relationship. They felt it was important to be co-operative, not have huge intrusive efforts, but they knew that they had to work in the other roles. They had to work co-operatively with both ENSIS and Crocus, both labour-sponsored funds. So they had a role that was in conflict. They had to work co-operatively to grow the province. They had to work co-operatively as far as working on a regular basis for the development of Manitoba's economy. That is one thing that they had to do. They had to work with these, both Crocus and ENSIS. At the same time, they had to monitor, and so these roles were conflicting.

\* (15:50)

In hindsight, it might have been better to be more intrusive, but they made a value judgment that they were not going to be, the department made a value judgement. The people who were doing the multiple roles and wearing the multiple hats said that they would work co-operatively and they worked co-operatively as far as the reports. They worked co-operatively as far as getting the information. In hindsight, this level of trust may not have been appropriate, but again, when you have multiple roles, it becomes difficult. That is why our present legislation has divided those roles so that the Department of Finance now does the monitoring, and it will not be in conflict with the promotion and working in co-operation with the industry.

**Mr. Hawranik:** I disagree with the minister. Simply because of conflicting roles, you are saying that they do nothing. Well, if you have got conflicting roles you do absolutely nothing. That is what he is

saying. Your role as a minister, and the role of the department, is to monitor compliance with the legislation. That is one of your duties, and simply because you are in conflicting roles does not mean you do not do your duty and you do not fulfil your responsibility. My question to the minister is when did the fact that the reports were not submitted by Crocus for '01, '02, '03, when did that come to your attention or was it brought to your attention.

**Mr. Rondeau:** Well, I would have to question whether we did nothing. In fact, in 1997 when the department got the multiple roles, there was no reporting. There was no formal reporting.

In 2001, there was an act, and it did a few things. The first thing it did was it ensured that there were reports required, and the department worked with both ENSIS and Crocus to get reports, to find out how the companies were investing. So were they investing in Manitoba businesses? That was part of the report. Whether they were investing in Manitoba businesses of a certain size, that was part of the report. So the pacing, that was part of it. The reserve requirements were part of it, and those reports were produced, and so the department did not do nothing. The department worked in co-operation, in a trusting relationship, with Crocus and ENSIS to come up with reports that provided information on some of the things that needed to be reported on the legislation. So they reported on the pacing, the reserves, and the size of the business, like whether it was under \$5 million or over \$5 million. That is what we got, and we got reports from the companies, the information from the companies.

**Mr. Hawranik:** Well, I hate to disagree with the minister but I disagree again. The income tax reports that were required to be filed by Crocus were not filed in '01, '02 and '03. Those reports were required. My question to the minister is why were they not enforced and were they brought to your attention, and, if so, when.

**Mr. Rondeau:** Are you referring to a specific page in the report, or are you specifically asking as far as the Crocus Fund and ENSIS Fund directly?

**Mr. Hawranik:** Page 151, and I refer the minister's attention to the act which requires the return of information required under section 11.4, The Income Tax Act, Manitoba. It is required to be submitted to the minister along with a written statement from

the fund's auditor attesting to the accuracy of the information contained. Such an attestation report has not been submitted by Crocus for any of the 2001, 2002 or 2003 returns of information.

**Mr. Rondeau:** Mr. Chair, I understand that what happened was the department officials in the spirit of co-operation and trust used the information as provided in the prospectus, used the information that was publicly available, to determine whether the fund made the appropriate investments and followed the act, and that information was signed off by both Crocus and ENSIS as far as the accuracy of the information.

**Mr. Hawranik:** I draw the minister's attention to the fact that as part of his monitoring activities and, in fact, he has admitted today that as part of his monitoring activities he is to ensure that Crocus does follow the legislation, and they certainly are in contravention of the legislation. My question to the minister is, given that the reports were required to be filed under the act, that they contravened the legislation, when was this brought to the attention of the minister and what did he do about it.

**Mr. Rondeau:** Well, what happened was that there were actual reports that were presented as information from the different funds. They provided information for the government, through the prospectus, through public information, and the information required to follow what was happening in both those funds were provided. They were signed off as accurate by both funds and that was how the department monitored the different funds.

Now the important part to understand is that the difficulty that was created was created in 1997, where you not only had the problem of monitoring the fund, you had the problem of working with the two funds to grow, to grow the economy of Manitoba, and so their promotion and monitoring were in the same department. The same people were responsible for both, and so what happened was the monitoring might not have been sufficiently emphasized. However, it was because there had to be a trust relationship. People work co-operatively.

So what happened was, there was not enough intrusive regulatory actions and the reason for that was the Industry Department believed it was necessary to develop a trusting relationship prior to

effectively pushing and effectively having a more intrusive role.

So, because there are multiple hats of working with this, the funds, and also monitoring the funds, they had a conflicting role, whether they were going to be intrusive and push to get the information, or whether they were going to work co-operatively and try to develop a relationship to work effectively with both the funds, and in hindsight the trust was violated. We could have been more aggressive and intrusive, but that is in hindsight. What the department officials chose to do is work in co-operation, to work with people. That is because they had multiple hats. They had multiple priorities at the same time.

That is why today's legislation is important. It is important because now you have the monitoring and promotional role. At the same time, you have the role of the monitoring role in one department and you have the promotion and working with different funds to grow the economy in the other, and that makes it more appropriate.

So that is what we did in the legislation today. So in 2001 we improved the reporting, and today we introduced legislation to respond to the Auditor General and all his recommendations to improve the legislation further, so that there is better disclosure, so that there is board members on the committees. That is what we did.

**Mrs. Bonnie Mitchelson (River East):** I would just like to ask the minister, because I just cannot recall, what date was he sworn in as Minister of Industry, what month.

**Mr. Chairperson:** The honourable minister, remember?

**Mr. Rondeau:** I believe it was, as Minister of Industry, it would be the end of October 2004.

**Mrs. Mitchelson:** Thanks, Mr. Chairperson, and when he was sworn in, and when he was briefed by his department, did departmental officials provide any briefing on the Crocus Fund?

**Mr. Rondeau:** In the briefing book, yes, there was, I believe, a one- or two-page brief on the fund and there was also a brief on the ENSIS Fund and The Labour-Sponsored Venture Capital Corporations Act.

**Mrs. Mitchelson:** So, because I do know that when ministers change portfolios, usually the first question that is asked, or the first issues that would be brought to the minister's attention would be hotspots within the department where there might be issues that could be significant, can the minister indicate whether he was given any information by officials on Crocus and any hotspots that there might be at Crocus?

\* (16:00)

**Mr. Rondeau:** No, there was not.

**Mrs. Mitchelson:** Mr. Chair, so the minister in October, then, of the same year that in December Crocus stopped trading or went to the Securities Commission, the department in no way was aware that there were any issues at Crocus.

**Mr. Rondeau:** The previous question was whether I was made aware as it was a major issue in the department. I reiterated, no, I was not. On the original briefing book, it had no major issues on it.

As I had mentioned in the House multiple times, the only discussion that I had from when I became Minister of Industry and when halt trading happened was on the whole liquidity issue. The discussion on the liquidity issue was, as it was brought to our attention, my attention, the whole issue about them investing in companies, and that at the end of eight years, they did not find a quick exit strategy where they could profitably exit from the companies they had invested in.

So they said that, again, they had a liquidity problem because they could not profitably exit within the eight-year investment cycle. That was what was discussed and that was the whole issue of the liquidity. As far as pacing, again the discussion was on, was it necessary to place the money within 31 months if there was no good investment out there and those were the discussions.

That is why, again, when the questions were asked whether I knew issues about valuations on the companies, I accurately said no. Before the halt of trading on December 10, I did not know the issue on valuations.

**Mrs. Mitchelson:** Mr. Chair, did the minister meet with any Crocus officials from the time he was appointed to December 10?

**Mr. Rondeau:** Yes, actually, I had met with both Crocus, ENSIS and actually, it was interesting because I had asked for a list of the people I had met with before, from when I became minister until December, so the first part of the first two months. It was interesting because, in small type, it came to two pages of the people that I met or the companies I saw or the different people that I had talked to.

So did I meet with Crocus people? Yes, I did. I met with ENSIS, I met with a lot of people. I thought that as a new minister, my job was to try to meet with as many people on different files as possible, and so I did that.

**Mrs. Mitchelson:** Did the minister meet with Crocus on more than one occasion from the time that he was appointed till December 10?

**Mr. Rondeau:** I believe I met with Crocus twice and ENSIS once, and I had another meeting scheduled for ENSIS.

**Mrs. Mitchelson:** Was the minister present at any meetings regarding Crocus with any of his colleagues from the time he was appointed in September till December 10? Were there any meetings that would have been scheduled as a result of, well, a Cabinet committee? I mean, I know from time to time that Cabinet does meet with groups and organizations. Would the minister have met with Crocus officials and any other ministry or Cabinet as a whole?

**Mr. Rondeau:** I do not believe so. I did meet the chair of Crocus at a schmooze, I call it, at Hotel Fort Garry, where I said hi, but that would have been only the case.

Basically, in this city, it is a very small town, so I did meet on a social case, I believe once, and that would be it, but there was no business discussed. On the both cases that I met with both ENSIS and Crocus, we talked about legislative changes. I can assure the member that in both cases, we talked about pacing. Part of the whole issue was pacing where they said what about the flexibility on pacing, and both ENSIS and Crocus discussed that. They talked about this whole liquidity, about the eight-year hold, and part of it was that there were some years apparently that were very high sales years, and when they had to dispense, it would cause them to get rid of the business that they had invested in

maybe at an inopportune time. So they talked about this pacing.

They also talked about the reserve requirement, apparently not all provinces in their labour-sponsored venture capital funds have the 15% reserve requirement. So both ENSIS and Crocus separately brought those issues up. From what I understand from the briefing book that we had previously discussed, that was in the briefing book where they talked about liquidity. They talked about pacing. They talked about reserve requirements.

**Mrs. Mitchelson:** Besides the briefing note that was in the minister's briefing book, were there any other briefing notes that were provided to the minister around Crocus?

**Mr. Rondeau:** I believe there were. Just before the meeting, they give you a little bit longer briefing book with a little bit more detail such as who the people are, what they are going to talk about, they believe, so it was a little bit more extensive, but again, it was on the same subjects.

**Mrs. Mitchelson:** Were there any flags at all raised by departmental officials, either verbally or through briefing notes to this minister?

**Mr. Rondeau:** As far as that, in the briefings and in the discussions with both Crocus and ENSIS, there were no flags as far as major issues that were coming up. As I explained to the media, as I explained earlier, I did not know about the halt trading until December 10, and that was after the trading hours. When we had the meeting, which was about three weeks earlier before the halt of trading, it was interesting because they had talked about the three issues I had gone through, and they had gone through exactly what the briefing note had stated, which was the liquidity, the reserves and the pacing. It was interesting because we had basically had a discussion where we said yes, it makes sense, where they might have invested in a business and might have a hard time getting out of that business at a specific time. That was the discussion. It was interesting because we were talking about, as a department, the difficulties of getting into good investments and the difficulties of getting out of investments at the appropriate time. That was the whole liquidity issue as discussed, as presented.

**Mrs. Mitchelson:** The minister did not really answer my question. The question was did any officials of

his department verbally raise any red flags with this minister around Crocus.

**Mr. Rondeau:** The industry officials, and why I am saying it as is, is because they mentioned the liquidity problems where the investments and timing in and out. They mentioned pacing and they mentioned reserve requirements. Now the Auditor General has said that they were red flags. However, that is in hindsight. When we were in the event, when we were making the decisions, we were being told by the funds, both funds, by ENSIS and Crocus that they were having difficulty with the pacing as far as they wanted changes in pacing.

They wanted changes in the whole reserve requirements, and they wanted changes in this whole money in and out. That is what was discussed. The way it was presented is they wanted more flexibility in the act. So, because of that, and because the information was presented in a very reasonable, factual basis, it did not set off any alarm bells as such because it was presented as an understandable argument that they had made investments in certain companies. If they were forced at a very specific time period that they had to get rid of it and dispose of it within a very specific time period, they might have to take a loss.

\* (16:10)

They wanted more flexibility, so that they might have to hold it for two or three years longer, or one year, or whatever, and then be able to sell it and get more value for their shareholders. That was a reasoned argument. So they were arguing for increased flexibility on the pacing and on the investment level, and that is what they discussed during our meeting. The interesting part was it was both Crocus and ENSIS that discussed it. As a businessperson, it made sense. You want to increase the value for shareholders. Their argument at those meetings made sense.

**Mrs. Mitchelson:** Mr. Chair, I am asking a very specific question of the minister. Were there any red flags raised by departmental officials to this minister. I am not asking about Crocus. I am not asking about ENSIS. I am not asking about the meetings with those organizations. Was the minister briefed by his staff, and were any red flags raised with him?

**Mr. Rondeau:** Again, when you look at the information as presented in those meetings, the issue

in the briefing books and the discussions with officials, we talked about reserves. We talked about whether there should be changes to reserves. We talked about whether there should be changes to pacing. We talked about whether there should be changes in this whole investment. Those were discussions that made sense in the context, and they did not raise alarm bells with myself.

Now, because they came in and they had a reasoned argument as to why there should be flexibility, and I reiterate, it was both Crocus and ENSIS that both asked us for greater flexibility on those three components, that is what we actually monitored. We actually monitored the pacing. We actually monitored the level of investment. We monitored the reserves. That is what we were doing. The Auditor has said that those concerns could have been red flags, but at the time they were reasonable arguments. They made sense at the time. They were presented to us as reasonable, and so when I met with them I did not have any red flags.

**Mrs. Mitchelson:** Mr. Chair, again, this minister is treating officials in the Department of Industry just like the Premier (Mr. Doer) treated them in the paper when he said, and I quote, "Officials ignored the red flags." Their officials were the individuals that brought issues to the government, to the ministers. Again, from the answers that we are getting from this minister, he is treating his departmental officials with disdain.

My questions were very specific because I believe there are a lot of good civil servants in the Department of Industry that were doing their job. The question becomes was this government and were the ministers that were responsible for that portfolio doing their job and asking the right questions.

My question is very specific again. I would ask, Mr. Chair, through you, that the minister respect his officials and indicate to us clearly today whether, in fact, red flags were raised in discussions with this minister and his officials. Simple question, yes-or-no answer.

**Mr. Rondeau:** Mr. Chair, I assure you that I have always had respect for the civil service. I have a respect for the work of all the people in my department. In fact, one of the issues in this whole Crocus factor was the fact that certain individuals were burdened with multiple tasks. So

what happened was the same individuals that were supposed to work with the Crocus Fund and ENSIS Fund, the same individuals who were promoting those funds, the same individuals who were growing the economy, the same people who had to work in those areas also had to monitor the funds. So, because of that, they tried to develop a trusting relationship that worked in co-operation.

What I would like to remind the member is before 2001 there was no reporting. Before 2001 there was no official reporting required before 2001. So what happened was in 2001 you have—

**Some Honourable Members:** Oh, oh.

**Mr. Chairperson:** Order, please.

**Mr. Rondeau:** In 2001, we required a formal valuation. We required reporting. We reported on things like the placements, where the money was going in Manitoba companies. We required reporting on the size of the companies whether it was 5 million or less or larger. That was a required reporting. We required formal reporting. So that was very, very important.

The other part was that, we had people who were required, in 1997—by putting all the responsibility in one department for monitoring and promotion, it created conflicting roles. That has been written in the Auditor General's report. We believe that is true, and that is why today we took action and split the monitoring versus the promotion. That made sense.

As far as the pacing, it made economic and financial sense when they stood there and they talked about they might not have the right deal within 31 months, are you forcing us to make a deal when the right deal is not there. Well, that made sense. So we discussed pacing. We discussed the whole idea about getting out of investments if the investment was not timed properly. In other words, do you sell a business two days after September 11? Well, maybe that might not be the most opportune time to sell a business. It might be more opportune to sell a business two years later. Well, that might cause problems if you have eight years, and you need people to redeem their money.

So what happened was we had those discussions. Those discussions made sense. So they, both ENSIS and Crocus, gave us those arguments. Those

arguments made sense. My officials were very good. What they said was these are the issues that they will come to you with, they will talk about the reserve requirements which are, if not unique, one of the few provinces that have reserve requirements like we have, one on the pacing and one on the investments, on getting rid of it.

Those are the three issues. They have nothing to do with the valuation problem. So the officials talked to me about liquidity, pacing and requirements. They did not talk about the whole idea of valuations, and the reason being is because the reports that the department got did not reflect valuations. The reports reflected whether the money was being invested in Manitoba firms. That is what they did. So, when you ask if the officials in the Industry department talked about valuation, they did not.

**Mrs. Mitchelson:** Mr. Chair, but again the minister goes on ad nauseam, back repeating his political spin and his political briefing notes. I would not imagine that the briefing notes that he is reading from were prepared by bureaucrats. I believe they were probably prepared by the political spinners. His message is to go back and repeat over and over and over again and not answer the questions.

The big question here, Mr. Chair, is to the minister, because when a minister is sworn in and has responsibility, he has responsibility for all the legislation that falls under his purview. It is up to him as the minister to ensure that the legislation is being followed. It is not the bureaucrats that are the issue, but it is the minister that has a problem if his legislation is not being followed and he does not bother to ask the questions and get the answers.

\*(16:20)

This is about ministerial accountability. He can go on and say, "Well, the officials in my department had a conflict or they felt that they had been put in a conflicting position." The reality is, when he was sworn in, he accepted responsibility for everything that fell within the purview of his department. If, in fact, he did not have the understanding of what he was responsible for or the ability to ask the questions to get the answers that he needed to do his job, Mr. Chair, I would say with all respect that the minister was incompetent of managing his department.

Mr. Chair, it is not good enough for him to talk about the bureaucracy. He has to sit in his place and

talk about what he did or what he did not do as the minister who swore under oath to uphold the laws that were passed and in place within his department. If he did not ask the questions of his officials about the legislation and about what pieces of legislation were being complied with and which ones were not, then he did not do his job as a minister of the Crown.

Mr. Chair, I would hope that the Premier (Mr. Doer) would not sit idly by and see a minister perform in the manner that this minister has, and sit back and read political spin and political briefing notes to us and take no responsibility for what he was sworn in to uphold as the Minister responsible for Industry and for the laws that were under his purview.

Now what I would ask this minister is, if, in fact, the law was being breached, it was not being followed, what did he do. The person that has ministerial accountability, what did he do in the time he was there? What did his government do for six years, for five and a half years to ensure that the law was being upheld? They brought new legislation in 2001 that required more accountability.

Mr. Chair, I ask this minister directly: What did his government do? What did the ministers in Industry do to ensure that those laws were being upheld? It is not the bureaucracy's fault. The buck stops in the minister's office with the minister who is sworn in with that responsibility. What did his predecessors do? What did he do to ensure that the laws that he had responsibility for were being followed and were being adhered to?

**Mr. Rondeau:** Mr. Chair, what happened is, and I will take the member a little bit on what has happened in the last six years. But, prior to the six years, 1993 to 1997, no one knows what reporting there was. It reported directly to a Cabinet body. After that point, it was sent to the Industry Department—and the Auditor has said that that was an error, in hindsight—in 1997 by the former government of which you were a Cabinet minister. That was sent, with both multiple roles, multiple hats. In 1997, that was an error, and as of today, as part of our new legislation, we are ensuring that those multiple roles are no longer confused.

There is a reporting monitoring role and then there is the whole promotion role. In regard to what else has happened by this government—

**An Honourable Member:** It was put in under one department and then taken out.

**Mr. Chairperson:** Order, please. If you ask the question, you have to listen to the answer too.

**Mr. Rondeau:** As far as what else has happened, as far as the Auditor in 2001, we extended The Auditor General Act so that they could look into any entity. So the Auditor General had the right under the extension of The Auditor General Act to go into any and all entities that received tax credits. So that has happened in 2001.

The other thing that has happened, and this is a very important point. There was some confusion of whether the Auditor had any or all unfettered access to this information. So, when that question came up, and it came up, we got a letter, and we immediately responded positively so that we would have the Auditor General enabled to work as an authorized person to get information from the Crocus board and from the fund.

#### Point of Order

**Mr. Chairperson:** Point of order being raised.

**Mr. Andrew Swan (Minto):** I am having a great deal of difficulty with the volume from the member from River East and the Member for Russell (Mr. Derkach). The honourable minister is attempting to proceed with this question. I am having a difficult time sitting next to him hearing what is going on.

**Mr. Chairperson:** On the same point of order, the Member for River East (Mrs. Mitchelson).

**Mrs. Mitchelson:** Mr. Chair, it is interesting that the Member for Minto could sit—and I am not sure he would want to hear the answers. Being a lawyer, and understanding what law is all about, I am not sure that he would want to listen or would condone the answers we are receiving from his colleagues. So I do not believe he has a point of order, and I would ask him maybe to give some advice to the minister sitting next to him on what it really means to be a minister of the Crown.

**Mr. Chairperson:** There is no point of order. What we need is a little bit more politeness and civility.

\* \* \*

**Mr. Rondeau:** So thank you, Mr. Chair. What happened was the Auditor, again, was provided the permission. Not only that, but the Minister of Finance (Mr. Selinger), myself ensured that he had the authorization when there was any clarity required to make sure—now we believe that in 2001 under The Auditor General Act he was given the right and responsibility to monitor the fund. When he requested to make sure that there were no questions whatsoever and that he could get any and all information from the fund, both the minister in Finance and myself provided that very, very quickly. In fact, the Minister of Finance received a letter from the Auditor commending on the prompt response.

So what we did was, we actually have gone from a case under the former government where it was under the Industry Department, multiple hats and confusion of the roles in the Industry Department which was set up when you, the member opposite, was a member of Cabinet. That is when the major issue began. Then what has happened is 2001 there were improvements on reporting and on information. On 2001, there was an improvement in the bill for information and on monitoring. The department has worked with both Crocus and ENSIS over a few years to improve and to develop a monitoring system, and it was working in co-operation and the Auditor General had the information.

Now, Mr. Chair, I would like the honourable member opposite to know that it was not just one organization that missed it. This, the board of directors, was a watchdog. You had the external auditors from the fund. Again, a watchdog. You had the Manitoba Securities Commission again miss it. Another watchdog. You had the Industry Department miss it. Again, a watchdog. You had multiple watchdogs that should have caught it. In hindsight they did not catch it. And so what happened was, it was only when the Auditor General went in. There was halt trading on December 10. The Auditor General went in. The MSC has been conducting an investigation since September, and they are finding out the issues. And it was through the co-operation of both the Minister of Finance and myself that this process happened. It was through the co-operation of all the members that the investigation and this report has come forward.

\* (16:30)

What has happened, as of today, we have actually presented a bill. The bill is, hopefully,

improving on what happened in 2001 where you have more seats for the board of directors so that the actual investors are on the board of directors.

Under the 1992 memo of understanding, Mr. Stefanson appointed the majority of the board as Manitoba Federation of Labour. We have done it so that now it is just 50 percent, so that was an improvement. We have made sure that by legislation there is certain board committees and that there is shareholder representation on each of those board committees. That is an improvement. We have ensured that there is better disclosure of expenditures, of perks, of salary, to the shareholders. That is part of the legislation.

So what have we done? We have improved the reporting, we have extended The Auditor General Act and today, again, we put in a new act which will provide more disclosure, better information to shareholders, better representation to shareholders and better governance. That is what we have done.

**Mrs. Mitchelson:** When the minister talks about the Department of Industry in 1997 assuming responsibility for all things with Crocus, was there legislation passed to make that happen?

**Mr. Rondeau:** I believe that the reorganization of the fund when it came from a political body and was transferred to the government, the bureaucracy in the government, whom I have a great deal of respect for; in 1997 that system where the monitoring, the promotion, all that was centred into one department, was done in 1997 under the previous government when the Member for River East was a Cabinet member.

**Mrs. Mitchelson:** I do not recall whether there was legislation required to make that happen or whether it was just restructuring within government. I do not believe there was legislation. I stand to be corrected, and from time to time I am wrong. I am not always right, and I usually admit it when I am wrong, but I question, then, why we really need legislation to move one function into the Department of Finance.

We have had under this government more restructuring than I remember in our 11 years in government and more name changes and departmental responsibilities changing. Was there need for legislation to make that happen, or could that have been done by restructuring functions within

government? I would ask that question and see whether the minister can answer it.

**Mr. Rondeau:** To be honest, I do not know whether it could have been done without legislation, but what we have done today, and it is important to note that it was not just the monitoring function that was moved in the legislation today, what we did today was multiple reactions to the Auditor General.

What we did was the following: No. 1, we made sure that the actual investors, the actual people who put money in it had more say on the board and had say on each of the board committees. We made sure that there were functioning board committees. That would be in the audit; that would be in the valuation, the investment and the governance committees. So there are four committees that would provide for good operations of the fund and each of those committees there could not be a chair who was an employee. The chair had to be someone not employed by the fund. So it could be a person representing the shareholders, but every single board committee had to have a shareholder rep.

We made sure today, part of the act was to make sure that there was more transparency and accountability. That had to do with having the information on income, perks. Any of the remunerations or expenses of any of the senior administrators or board has to be reported now. It has to be part of the documentation, and that is good, good governance.

We made sure that we no longer had a government-appointed board member be a representative for the shareholders. There was a lot of confusion because Bernard Wilson said that the board member had a fiduciary responsibility to the shareholders and could not really report what was going on in the board or the fund to government. So it was crazy to have a system that was set up a long time ago where you had a board member who appeared to be appointed by government, but could not report to government. That was confusing. It was confusing to a lot of people. So we thought if the board needed to have more representation from the shareholders, we would eliminate that position, eliminate the confusion, and actually make sure that the board member was elected by the shareholders.

We would prohibit the promotion of labour funds in workplaces to make sure that qualified people provided the sales of labour-sponsored

venture capital funds. That is important because then you have people who can talk about the appropriate risks and returns, the appropriate information so that they can find the right mix, so we do not have people who are making improper investments. We wanted to make sure that the people who sold the funds knew enough and knew to provide enough information to those people who are investing in any labour-sponsored venture capital fund because it was risk capital. We wanted to make sure that there were conflict of interest policies developed and implemented, and that is part of the legislation. That is both for directors and employees.

The other change that we did today was we made sure that there were whistle-blower policies and practices instituted to allow employees to come forward anonymously and confidentially with concerns. We also made sure that the board members, if they did not have specific competencies that there would be provision so that they could get education and develop those competencies so that they could ask questions. They also talked about having policies to make sure that there was good governance. They followed good governance practices.

So what we did with today's legislation was moved it forward so that we adopted more representation, better representation and more, say, more transparency, better administration, and better accountability. Yes, the monitoring function might have been able to go to Finance without legislation. I have only been in this portfolio a short while, I do not know the administrative intricacies of government, but I do know that what we did today was a package. It was a package that was developed to respond to the Auditor General's response. It was also important to create some stability in the venture capital funds because, Mr. Speaker, I truly believe venture capital is important because it grows the economic pie.

Mr. Speaker, I do not have difficulties and this government does not have difficulties with growing the pie by creating venture capital and greater investment. That is what we need to do. So I do not fault the previous government. I think they made intelligent economic sense by trying to grow the pie. Now, what we did was in 2001, we improved the situation, and this year, in 2005, we continue to improve the situation so that there is greater, better governance, better transparency, and better accountability.

**Mr. Derkach:** Well, I thank the minister for his history lesson on the legislation but, Mr. Chair, we just had a news briefing a few moments ago so we knew all of that. He has not provided anything new to the table today, though the minister did provide some new information in the House. When asked the question, he said that, in fact, he and the Premier (Mr. Doer) and the Minister of Finance (Mr. Selinger) met on the issue of liquidity in Crocus. Now, he said that in response to a question I asked in the House. He stood up and he said that the Premier, the Minister of Finance and I met. I want to ask the minister when that meeting occurred.

\* (16:40)

**Mr. Rondeau:** Mr. Chair, I do not believe I said we met. I meant that we met individually with the fund. I never met with the Finance Minister, the Premier and myself in one room with either ENSIS or Crocus. What happened was both ENSIS and Crocus have brought up the issue separately, I assume. I do not know whether the Premier has met with both funds. I do not know this issue. I know that I met with both Crocus and ENSIS, and we discussed the issues that I had spoken to in the House. So it was not necessarily as a group.

I know that I had met and talked to the funds about the liquidity, the pacing and the reserve requirements. I understand from the report that those issues have been brought up to both the Minister of Finance (Mr. Selinger) and the Premier previously, and what happened was they talked about the funds had asked for legislative changes on liquidity, pacing and the reserve requirements, I understand. That is what I was led to believe.

**Mr. Derkach:** Well, Mr. Chair, the minister has not been in the portfolio all that long, but he said just now that—now he is changing his answer, because in the House he said they had met as Premier, Minister of Finance and he, as minister, had met. Now that gives the impression that together they met with these entities to discuss the liquidity issue. I have no difficulty with that, but now he is telling me that his understanding is that the Premier and the Minister of Finance had met previously on the issues of liquidity and the pacing, which are big red flags. I am wondering, is he talking previous to his coming to the portfolio, that the Minister of Finance and the Premier knew and had met on the liquidity issue? Is that what he just said?

**Mr. Rondeau:** Mr. Chair, I can assure the member opposite that I had met with both Crocus and ENSIS, and during that time they talked about the legislation. The legislation includes the pacing, liquidity and reserve requirements. I understand, from reading the report and from the discussions, that these were issues that had been discussed previously with the funds. The funds had asked for legislative changes regarding the liquidity, pacing and reserve requirements, and I had explained earlier to your colleagues, the reserve requirements, they were wondering why they one of the few funds that had such a reserve, and they wanted access to the reserve. I had talked to them regarding the liquidity and I had mentioned earlier that they had discussed it with me in a meeting that I had with my staff, with Crocus and with ENSIS, not together, separate meetings.

We had meetings, and they had brought up the issue of pacing, and their issue on pacing was they might not have had a good investment, and they felt it was imprudent to make an investment when they did not have a good, prudent investment within the 31 months. They talked about the liquidity where they had said that they had invested in companies, and they believed that it would be not financially prudent to sell one of those investments just because they needed the money for redemptions. They wanted to have some of these investments in companies last a little longer so that they would not have to divest at a time where they might not be able to fully get the money out of the company. So, if you sell, and you sell at fire-sale prices, you will not get a good price. What they said on liquidity was that they would say they would ensure that they would be able to invest longer, and the discussion was, if you are investing in a company, and you have not quite met your objectives as far as a profit, they wanted to hold that investment longer, and that was the discussion on liquidity with myself.

**Mr. Derkach:** Well, I will just keep asking the minister questions, because I think he is putting information that is pretty interesting on the record.

Mr. Chair, I want to ask the minister now, he said that the Premier, then, had met previously and so did the Minister of Finance, which says to me that, although the Premier and the Minister of Finance were denying that any red flags were raised to them that would have caused them to ask those very important questions about things like valuation, which are no-brainers if you are dealing in the area

of finance, then they would have been in a position where they knew about the condition of matters at Crocus.

Now, I think this was during the time that there were significant investments, and the only investments from Crocus, in some significant, provincially, interest entities like the MTS Centre. So, Mr. Chair, I want to ask the Minister of Industry and Economic Development whether or not he is now firm in telling us that indeed the Minister of Finance (Mr. Selinger) and the Premier (Mr. Doer) did in fact meet with Crocus on liquidity issues prior to him being in the portfolio.

**Mr. Rondeau:** The Auditor has stated in his report that there were meetings that requested legislative change, and I assume that because the issues of pacing, liquidity and reserves are in there, that would have been some of the points of discussion but I do not know. I did not attend those meetings. I know on my meeting they talked about pacing, reserve requirements and liquidity, and what they said was they wanted flexibility in the legislation.

Now, we did not do that. We did not grant the flexibility in the legislation. What I would like to remind the member, Mr. Chair, is that the discussion about liquidity and valuation, the value of the companies they invested in is different than the liquidity. What they wanted was they wanted flexibility on reserve requirements, pacing and liquidity. That is what they discussed with me. It had nothing to do with the valuation of the funds or devaluation.

**Mr. Derkach:** Mr. Chair, I want the minister to think back to his answer just a few minutes ago when he said that he and the Minister of Finance in September had met with the Auditor or had dealt with the Auditor regarding the process of the audit of Crocus. I hope I am not misrepresenting what the minister said, but I was listening fairly carefully, and he said in September he and the Minister of Finance were involved with the Auditor in terms of the audit for Crocus.

**Mr. Rondeau:** Mr. Chair, I guess the honourable member was not listening that closely because I was not, I do not believe, the minister in September.

**Mr. Derkach:** Could he tell me then—I mean, we will review the Hansard—but can you just explain

when it was that you and the Minister of Finance were meeting on the audit because you had indicated that it was September?

**Mr. Rondeau:** We did not.

**Mr. Derkach:** Was the minister dealing at all with the Auditor on the audit of Crocus?

**Mr. Rondeau:** What I said, Mr. Chair, is that when the Auditor, to make sure that there was clarity, to make sure that he had the authority to get any and all information as the designated person under the act, I provided a letter when he made a request for me to provide a letter to authorize him as an authorized person under The Crocus Investment Act. I did that.

I also said that when he was requested, the Auditor requested the Minister of Finance to ensure that he could go in and conduct his audit under the Minister of Finance's authorization, I understand that the Minister of Finance also provided that information to him very, very closely after they received it. I believe that I got the information the morning of the—very, very late on the eighth, I think, it came into my office. I received it on the ninth, and I responded on the ninth.

**An Honourable Member:** Ninth of?

**Mr. Rondeau:** December, or I do not know. I will find out the dates. I can get you the letters. I can provide you a copy of the letters, if you wish, as far as the Auditor General requesting information from myself and my letter to the Auditor General declaring them an authorized person under The Crocus Investment Act.

**Mr. Derkach:** So for how long before that had the minister known about the issues regarding Crocus?

\* (16:50)

**Mr. Rondeau:** I knew about the issues of Crocus as far as the valuation and devaluation on December 10. As I mentioned earlier, when they had made the public notice to the Manitoba Securities Commission that is when I became aware of the valuation problems.

**Mr. Derkach:** Well, Mr. Chair, the minister is very selective. Officials had raised it with your department and you. Officials from your department

had raised it with the minister regarding the concerns they had at Crocus. Certainly when they raised the concerns, that should have raised enough red flags that the minister, who prides himself as a financial adviser, would have asked some fairly important questions. Some of those questions should have been about the valuation and that was way before December 10.

Now is the minister telling us that he had no idea, and he did not bother to ask those important questions about the liquidity issues, the valuation issues, and because those are tied, they certainly have a lot to do with the status of the fund. As a financial adviser professionally, is he telling me that he did not have the ability to determine that those were important questions that should have been asked in his meetings prior to December 10?

**Mr. Rondeau:** As I explained earlier, the discussions were on the pacing where it was required. When I got the briefing note from the department, the issue that was raised was pacing. Both Crocus and ENSIS were saying that we should be flexible on the pacing so that when the money came in, 31 months is the rule. Well, they were saying that what happens if there is no good investment exactly at 31 months. Are we supposed to force the companies, either ENSIS or Crocus, to invest before that 31 months?

The same thing on the whole liquidity issue. They said, "Well, there might be a timing issue as far as divesting or getting the best price for an asset or an investment." So that was the whole liquidity issue problem. As far as the reserves, they had mentioned, why do you have reserves? We should have rules on how you use the reserves. Those were the discussions. That is what the department brought up. That is what I met with Crocus and ENSIS both on, on those issues.

The way it was presented was a very reasoned argument. Where they said, listen, right after September 11, you might not be wanting to sell a business that dealt with the hospitality industry because it might not have the highest value at that point. What you want to do is make an investment and sell it when you realize a good profit, when you realize some gains. So they wanted some flexibility.

That was the discussion on both ENSIS and Crocus. They both wanted changes. What was

interesting about it is that those were discussions and arguments that they presented in a very nice package, both ENSIS and Crocus, regarding the pacing, the valuations and the reserve requirements. When I heard it, it made sense financially because they were talking about what was financially prudent.

Now did it raise any red flags? You mentioned that. Well, the question of valuation was not raised either by ENSIS or Crocus or the department. The liquidity, that was a change they were discussing. The reserves, that was a change they were discussing. The pacing, that again was a change they were discussing. That did not relate to the valuation.

As the member knows, when I met with the conflict-of-interest commissioner, I made sure that I had removed myself from my financial planning business and so, therefore, I was not conducting business at that time.

**Mr. Derkach:** Mr. Chair, I was not suggesting that the minister was conducting any personal business at the time, I was just talking about transferring his knowledge from his business to his ministry so that he would use the skills that he had in business as a minister as well.

But I have another question. I have one more question. Can the minister tell me who the deputy minister of his department is?

**Mr. Rondeau:** Yes, I can.

**Mr. Derkach:** Well, who is that? I just asked the question, who is the minister's deputy?

**Mr. Rondeau:** Hugh Eliasson.

**Mr. Derkach:** Mr. Chair, can the minister tell me what role Mr. John Clarkson plays in the department, or does he?

**Mr. Rondeau:** He does not.

**Mr. Derkach:** Has the minister ever met with Mr. Clarkson?

**Mr. Rondeau:** Yes, I have, Mr. Chair.

**Mr. Derkach:** In what role?

**Mr. Rondeau:** Mr. Chair, I have met him at a number of functions. I think the last one was a

conference on aerospace where I sat two tables away from him, and I think I said good morning. I have met him at other events, and I actually know him and he seems quite a nice gentleman.

**Mr. Derkach:** Does the minister also understand that Mr. Clarkson is a deputy in the government, I believe, is he not?

**Mr. Rondeau:** Yes, he is.

**Mr. Derkach:** So, as a deputy, although in another department, would he have been in contact with Mr. Eliasson?

**Mr. Rondeau:** Mr. Chair, I cannot speak for what Mr. Clarkson or Mr. Eliasson do. I assume that they have been in contact, but I do not know and I would not want to put inaccurate information on the record. Therefore, I would assume that I can ask and present that information to you. Should you require, I can ask him whether they have had conversations prior to December 10, whatever.

I do remember, though, that at one point Mr. Eliasson had said that he had worked with Mr. Clarkson as a mentor, or worked in the same departments in their previous years. Knowing that Mr. Eliasson has been in the government for multiple, multiple years, I think Mr. Eliasson knows almost everyone (a) in government, and (b) in the business. He is very familiar with people.

**Mr. Derkach:** Has the minister's deputy ever discussed the problems at Crocus with the minister?

**Mr. Rondeau:** In which regard? As he discussed problems, I had already previously discussed that we had talked about pacing. We had talked about liquidity. We had talked about reserve requirements. We talked about a lot of issues.

Actually, when you are dealing with the new legislation, the department has been very involved in writing the legislation and working it through the system. We have discussed how to make sure that there is good reporting, how to make sure there is better representation on shareholders. We have talked about all the aspects of the new legislation.

Again, what you want to do is you want to make sure that we keep on improving the situation. I know in 1997 that there were conflicting roles that were set

up in the department. I know that we have talked about how to improve it by moving the monitoring function to the Department of Finance. I know that we have also discussed about how to make sure that we take this legislation and ensure that there is better representation of shareholders on the Crocus and ENSIS boards.

**Mr. Derkach:** Mr. Chair, it seems like the deputy does report to the minister and does in fact discuss issues with him that are of concern to the department and the minister should be made aware of.

I want to ask the minister whether or not, in discussing the liquidity issues with the deputy, whether the issue of valuations ever came up in the discussion with his deputy minister in their meetings.

\* (17:00)

**Mr. Rondeau:** Prior to the halt trading of December 10, the issue of valuation had not come up, as you are aware. Prior to the December 10, the valuations did not come up. The issues of pricing, the issues of reserve requirements and the issues of the whole when the investment can be divested did come up. After the December 10 halt trading, the issue of valuation did come up because that is when it became an issue, but prior to that, that was not known by the department. It was not discussed by Mr. Eliasson or myself.

What happened was, once the halt trading came and they started talking about the Manitoba Securities Commission, started talking about valuation, that is when we were going to talk about it.

**Mr. John Loewen (Fort Whyte):** Could the Minister of Finance indicate when he first found out that there were problems with the valuations at the Crocus fund?

**Hon. Greg Selinger (Minister of Finance):** December 10.

**Mr. Loewen:** And no one within government or outside government had indicated to him prior to December 10 that there were some problems with the valuations at Crocus?

**Mr. Selinger:** We had discussed the liquidity concerns of the fund and the concerns they raised about liquidity with respect to redemption issues.

**Mr. Loewen:** Can the Minister of Industry indicate in the report where the Auditor General recommends that the two functions be split between the Department of Finance and the Department of Industry?

**Mr. Rondeau:** Mr. Chair, I believe it is very specific that the Auditor General mentioned that the multiple hats, the multiple roles of the Department of Industry made it so that it was difficult to have both the monitoring and the promotion in one department. We took that as the multiple roles becoming difficult, that it would be necessary to split it.

As the member would know, Mr. Chair, in 1997 the previous government, and I know neither he nor I were elected at the time, put all the roles of labour-sponsored venture capital for both Crocus and ENSIS, the monitoring, the promotion, all that into one department. The Auditor General, correctly, I believe, looked at it and said there might be issues with the roles confusion where the monitoring might not have been as diligent as it possibly could have been, in hindsight.

So what they are saying is that if we take the roles and avoid it so that there is no confusion, then we can really look at some of the advantages. If you look at page 182, I will get my glasses. I think it is 182. Yes, 182, at the second point, the recommendations of the Auditor General says that IEDM, that is Industry, Economic Development and Mines, assess the advantages and disadvantages of assigning one individual as well as to one department the potentially conflicting roles of championing the labour-sponsored investment fund program and monitoring for compliance.

What we then did is that we believe that if there is not a disadvantage in it, there would be a perceived problem with it. So we believed that it was a prudent move to move the monitoring to the Department of Finance and the promotion will remain with the Department of Industry, Economic Development and Mines. That is page 182, the second bullet of section 5.4.

**Mr. Loewen:** It is not a recommendation from the Auditor; it is a recommendation that the department assessed. Does the minister have any type of paper that he could table with this, with the House that indicates that an assessment has been done by his department and they feel it is advantageous to split the two roles?

**Mr. Rondeau:** One of the interesting parts of this report is not only do you have to respond to the absolute specifics of the report, you have to look at the report in general. One of the points in the report in general was that there was confusion as to roles. There were multiple hats assigned to a small group of individuals or an individual. When there were discussions about the compliance issue, one of the discussions was with the department, was that it was clear that the monitoring effort relied too much on trust and not enough on intrusive regulatory actions. The Industry Department spoke at length about needing to develop a trusting relationship prior to assuming an effective monitoring role.

So they were reluctant to use more intrusive action because they had to work with promoting at the same time as monitoring. So then we looked at the recommendation 5.4, and it said that we would assess the advantages and disadvantages of assigning one individual, as well as one department, the conflicting roles. We thought it was prudent to move the monitoring to another department. Now that was not a huge evaluation because if you read this document, you will note that they said there are difficulties with the conflicting roles that were assigned to the Industry Department in 1997. So there were conflicting roles, and we thought that a reasonably intelligent person would note that it would be prudent, not only just as a potential conflict, but as a perceived conflict of interest where people within the department are promoting and monitoring. We felt it was very prudent to act quickly upon the recommendations to make sure that people had confidence in the fund, the labour-sponsored venture capital fund so we decided to take the prudent action and move the monitoring into the Finance Department, and then the promotion would stay in Industry.

We did not conduct a long evaluation of that. After reading the document, you definitely get the impression that it would be advantageous to restore confidence, to make sure that you took whatever action properly and prudently to make sure that there was confidence built. I think moving the monitoring role to the Department of Finance would be prudent and responsible.

**Mr. Loewen:** Just to clarify then, because obviously this is a decision made by the politicians as opposed to either the Auditor or the department, is there anywhere in the response from the department

where it indicates that they feel they are not capable of providing the monitoring role?

**Mr. Rondeau:** No, there is no decision that they are not capable of providing the monitoring role but, again, in the Auditor General's report, he has clearly stated that there was role confusion. It is also true in the report that they were trying to develop a trusting relationship because they had to work with Crocus and ENSIS to promote labour-sponsored venture capital funds. Sometimes you do things in government because you think they are the right thing to do, and I think it was right and prudent to move the monitoring function away from Industry, which is now promoting the growth of Industry, promoting the growth of labour-sponsored venture capital, and then move the monitoring function to the Department of Finance. That is a prudent action. Once you finish reading the Auditor General's report, you will see after you read it once or twice, that that is a common theme. Not only do you have to do what is required, but in order to make sure that people have faith in the venture capital fund and have sufficient confidence, we have to go and ensure that people have faith in the monitoring.

In 1997, there was no monitoring set up officially. So in 2001, we set it up so that there was reporting, but the reporting did not report on valuations. What we now have is increased reporting, increased participation by shareholders. Again, it is important to have the shareholders participate in the operation and management of the fund. That was not done in 1992 when the fund was set up. I think we took a very, very important step in making sure that there is additional shareholder representation on all the board committees and on the board.

**Mr. Loewen:** Prior to the amendments in 2001, was the fund required to provide the Province with audited financial statements and information relating to income tax returns?

**Mr. Rondeau:** Yes, it was.

**Mr. Loewen:** So, obviously, there was some monitoring going on before 1997 as there was after. It is just the government introduced a piece of legislation which they said was going to allow them to monitor the fund, but for some reason, likely politically driven, they decided not to. I guess that is something that they will definitely have to answer for in the coming days and months.

Is the Minister of Finance (Mr. Selinger), still committed to implementing all of the recommendations from the Auditor General?

\* (17:10)

**Mr. Selinger:** Yes, we have put in place an implementation team which we announced yesterday. We have tried to provide two experienced co-chairs, one who is the former managing partner of a major accounting firm in town, and the other one a person who is the chief executive officer of a Crown corporation and prior to that a deputy minister in the government with long service experience. Their job is to work towards implementing all of the recommendations in the Auditor General's report.

**Mr. Loewen:** Is the Minister of Industry committed to implementing all of the recommendations from the Auditor General's report?

**Mr. Rondeau:** What we are trying to do, very quickly, is restore confidence in the fund and we are working to ensure that all the recommendations are put in.

**Mr. Loewen:** Well, you should have started working years ago. Obviously, your department, under another minister, I realize that, decided not to.

With regard to the Auditor General's recommendation that the 10% maximum investment in any one company be applied to the cost of the investment as opposed to fair market value, does the Minister of Industry have a position on that?

**Mr. Rondeau:** I believe today we are going to set it up so that it is on cost. We have decided to ensure we value the investment at cost and ensure that the total percentage of the portfolio will be done at cost. So it is a very conservative method of calculating the 10% rule.

**Mr. Loewen:** Would the Minister of Finance indicate whether he is in agreement with the Auditor that the 10% rule should apply to the cost, as opposed to fair market value?

**Mr. Selinger:** We have accepted the recommendations of the Auditor in that regard.

**Mr. Loewen:** Could the Minister of Industry explain, then, why the bill that was introduced in the

House today prohibits Crocus Investment Fund from making investment in an entity that would result in the cost of all investments in that entity and any related entity exceeding 10 percent of the fair market value of the fund's investment asset?

**Mr. Rondeau:** I believe that that is used on the cost basis and cannot exceed 10 percent of what the cost basis of the entire fund value is.

**Mr. Loewen:** Well, the reason I am asking the question is, quite simply, because there does not seem to be anything in the legislation that was put before the House today that indicates you are following that recommendation from the Auditor General. I am just wondering if you could clarify that or indicate to me where you will be changing that clause which, by the way, you changed in 2001.

**Mr. Rondeau:** I believe that is, I do not know what copy of the bill you have, but it is 8(2) and then it is talking about the fair market value, and that is what—I will make sure that it is 10 percent of the cost, and that is in, I have a copy of it, page 4 of the bill, section 8(2), and that is where the amendment is. We wanted to make sure that we followed that recommendation so that is where that is located in the bill.

**Mr. Loewen:** I see. I thank the minister for bringing that forward. Has that for some reason been left out of the explanatory note?

**Mr. Rondeau:** The explanatory note does not contain every aspect of the bill. It contains an overview. If you wish to, you can look at, it is under the Other Amendments, under explanatory notes at the end. If you look at Other Amendments, the second paragraph at the end, it says: "The Bill prohibits Crocus Investment Fund from making an investment in an entity that would result in its cost of all investments in that entity and any related entity exceeding 10% of the fair market value of the Fund's investment assets." This rule already applies to a corporation under The Labour-Sponsored Venture-Capital Corporations Act. So I am reading from the bill under the Other Amendments, and it describes that.

I know that we did just present the bill today, and I know that it was a very fast response to the Auditor General. I am sure it does take a little bit of reading to make sure that all the provisions are

there, but what we have done is we have attempted to respond to all of the Auditor General's recommendations. What we have also done is conducted some very prudent things like taking the monitoring out of the Industry Department, keeping the promotions in the Industry Department, and move the monitoring into the Department of Finance. Now that might not be directly in the bill, but that is what is going to be happening in very due course is the monitoring functions will be out of the Department of Finance. That is just a prudent thing to do.

**Mr. Loewen:** Just a quick question, and then I know the member from River Heights has some questions, and I will turn it over to him. The minister indicated, I think both ministers indicated in the press conference today that there would be fines associated with this act if the information that was requested in the act was not forthcoming from the funds. Again, I would ask either minister. I do not see it in the act. Is that something coming by regulation or just what is in the process?

**Mr. Rondeau:** It is coming, and I can provide it to the member when it is written. Not today.

**Mr. Loewen:** It is coming in a different regulation?

**Mr. Rondeau:** No. No. I understand it will be part of the regulations that will be drafted, relating to the bill. You do not generally put fines, the amount of fines in every bill, and so it will be coming, forthcoming, in the regulation drafting.

**Hon. Jon Gerrard (River Heights):** One of the major areas where this bill is addressed is governance which recognizes that there were major problems in governance in Crocus. My question for the Minister of Industry deals with why does the minister continue to have a separate bill for Crocus, and why do you not just have one overall framework for labour-sponsored venture capital funds as you would have with The Labour-Sponsored Venture Capital Corporations Act.

**Mr. Rondeau:** Mr. Chair, what the honourable members will note is that most of the regulations and requirements, and legislative requirements, have been moved to the labour-sponsored venture capital funds so they are consistent between Crocus and ENSIS. What has remained in the Crocus is what is unique to Crocus.

So you will note that a lot of the administrative requirements have been removed and repealed out of The Crocus Act and moved to the labour-sponsored venture capital fund. A lot of the valuation discussions or any of the other reporting, the board compliance, the reporting of the income and expenses, all that is out of the labour-sponsored venture capital act. The Crocus bill, most of it has been removed and put into the labour-sponsored venture capital fund. However, Crocus and ENSIS are both regulated under the labour-sponsored venture capital act.

**Mr. Gerrard:** I am not sure that the minister has provided adequate justification for a separate act for Crocus when it really could have all been handled under The Labour-Sponsored Venture Capital Corporations Act, I would suspect in a generic approach, and certainly the minister seems to be moving in that direction.

\* (17:20)

Now, one of the items that I noticed, that in the past there was the ability of individuals who were briefly trained to be able to sell shares. The minister in this bill indicates that the promoting labour funds in workplaces is gone. What requirements for training will now be present? I am a little bit puzzled by the wording here because is not a business which operates a financial advisory and consulting service a workplace? Or does he look at workplaces somewhat differently?

**Mr. Rondeau:** Basically, what is happening is that the person who sells has to have a financial planning background, so there are qualified people selling, so that there will not be any question of whether people understand whether there is proper due diligence, whether people understand what they are getting into.

We want to make sure that people understand that it is risk capital. We want to understand that the people involved have to do appropriate due diligence and know your client. What that involves is, as a financial planner, you have to know your clients so that you do not put them in inappropriate investments. That is through know your clients; you cannot have too much of your portfolio in certain areas.

So what has happened is that we made sure, in this bill, it is not somebody who does this on a

part-time basis. This is professionals that are providing professional advice on long-term retirement funds. It is making sure that people are providing the appropriate information to people who are purchasing the funds. That is what the change in the act is.

**Mr. Gerrard:** The minister did not answer the question in terms of whether ordinarily a company which provides financial advice and services that that business would be a workplace like a lot of other workplaces. How can a company like that operate if they can no longer promote or sell, you know, Crocus in a workplace? I mean, can you tell me exactly how this is going to be workable?

**Mr. Rondeau:** There are many marketing channels. I can tell the member, as a former financial planner, I would not have gone to my workplace to sell it, basically, because everyone there is a financial planner.

What that means is that what you are doing is you are having people go to their house in the evening, you are having people come from their workplace to go to your business to market it. What you are not doing is you are not having co-workers sell to co-workers. You are not having co-workers sell to co-workers. What you are having is certified financial planners who understand the system.

So, in 1992, when it was set up under the Tory government, it was set up so that co-workers were selling to co-workers. People were not certified financial planners. What we are doing now is we are ensuring that we are tightening up the regulations. So it is not co-workers selling to co-workers in the workplace. What we have is we have people who have experience in financial planning, people who understand the principles of know your client, people who understand the principles of diversification and risk. That is who is selling the fund.

So it is not people who are trained over a short term and just go out and sell for a short-term time, and they are not co-workers. So what we are having is professionals who know your client, who understand the intricacies of risk management and investment for long term who are selling these. I think it is prudent. Now the former government had it so that anyone who took a very short course could market these to co-workers. What we are doing is we are raising the bar.

**Mr. Gerrard:** I would suggest that maybe the Minister of Industry might look at that because I know that there are quite a number of people who go into the office where their financial adviser is located in that workplace and that, you know, you would not want to make it difficult for a financial adviser to check.

But I have another question that I would like to move on to. The minister can check that, and he can get back to us during the discussion of the bill.

One of the things that puzzled me, in the minister's discussion earlier on he described the briefings that he had on Crocus, the meetings with people on Crocus and the people from Crocus as nice gentlemen. But it seemed to me that surely a minister's job is to ask some tough questions. When you are meeting the people from Crocus and you see that their expenses have been greater than their revenues for five years in a row, every year since his government came to power, that is an unusual circumstance.

Certainly, one would have expected that the minister would have asked some tough questions to the gentlemen or ladies from Crocus who came to see him. I am just puzzled. Did not the minister ask some tough questions?

**Mr. Rondeau:** In regard to your first comment, yes, I will go make sure that people can actually go to their financial planner, their banker's office to conduct business. It was not the intent of the legislation to do that, to restrict that.

In regard to the second part, what we want to do is when I met with the fund company, it was the first time that I had met with the fund company in my role as minister, and we did ask tough questions. We asked questions about why would they have questions on liquidity. They responded that because of their investments, because of the nature of the investments and the money flow, they said the difficulty was it was not always good timing to sell when the eight-year hold was up. Some places like Québec have got a huge, long hold. That is different. They have, like, about a 30-year hold. That is how they have approached it. What we did is we had open and tough discussions about some of the things, about the pacing.

But again, it was the first meeting that I had with Crocus and ENSIS. We had open discussions about

those issues. I think in an hour, we covered a lot of ground. I think we were together with ENSIS and Crocus for both an hour.

**Mr. Gerrard:** It would seem to me that for a minister who had a background as a financial adviser, to be looking at the management expense ratio, looking at the expenses, you know, much greater than revenues for several years in a row, that when you are dealing with liquidity issues, that surely there should have been tough questions asked about why there were liquidity issues and this problem of expenses and revenues. It should have leapt to the forefront so that the minister, one would have thought, would have asked some tough questions about why Crocus was spending more than it was bringing in in revenue. Was this not contributing to this huge liquidity problem that they had?

You know the issue, it would seem to me that when you look at the management expense ratio of 5.56 percent as a financial adviser, that seems to be rather high in terms of what the company was bringing in, in revenue and having in expenses. I mean, there seemed to be some issues there which certainly deserved some tough questions about how the board was being run.

Did the minister not ask some tough questions on governance of Crocus? I mean, I just ask the minister, you know, whether he did.

**Mr. Rondeau:** Well, on page 183, the response from the department talks about the department acknowledges in 2002 and subsequent years, it discussed with Crocus the challenges of Crocus meeting its share redemptions in 2005 and beyond. Crocus indicated that it had a range of options, including a more aggressive disposition of investments and changes to the investment pacing rules in The Income Tax Act.

They wanted to have the pacing rules changed. They said that they could deal with the challenges. But the interesting part is the expenses of labour-sponsored funds are generally higher than normal in an industry. If you look at what was out there in the industry, the management expense ratio in the prospectus is not way out of line. In fact, when you are starting up a labour-sponsored fund, generally, the fund loses money, as I understand it, because of the management-labour expenses.

So they were not out of line from the industry standard from what was reported in this prospectus, so I did not bring it up.

**Mr. Chairperson:** The hour being 5:30 p.m., committee rise.

#### IN SESSION

**Mr. Speaker:** The hour being 5:30 p.m., this House is adjourned and stands adjourned until 10 a.m. tomorrow (Thursday).

# LEGISLATIVE ASSEMBLY OF MANITOBA

Wednesday, June 1, 2005

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