

Third Session - Thirty-Eighth Legislature
of the
Legislative Assembly of Manitoba
Standing Committee
on
Crown Corporations

Chairperson
Mr. Doug Martindale
Constituency of Burrows

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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Eighth Legislature

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LEGISLATIVE ASSEMBLY OF MANITOBA

THE STANDING COMMITTEE ON CROWN CORPORATIONS

Thursday, September 29, 2005

TIME – 9 A.M.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Doug Martindale (Burrows)

VICE-CHAIRPERSON – Ms. Marilyn Brick (St. Norbert)

ATTENDANCE - 11 QUORUM - 6

Members of the Committee present:

Hon. Mr. Mackintosh

Ms. Brick, Messrs. Cullen, Cummings, Dewar, Fauschou, Jha, Martindale, Penner, Reid, Swan

APPEARING:

Hon. Jon Gerrard, MLA for River Heights
Ms. Marilyn McLaren, President and Chief Executive Officer, Manitoba Public Insurance

MATTERS UNDER CONSIDERATION:

Annual Report of the Manitoba Public Insurance Corporation for the year ending February 28, 2002

Annual Report of the Manitoba Public Insurance Corporation for the year ending February 28, 2003

Annual Report of the Manitoba Public Insurance Corporation for the year ending February 29, 2004.

* * *

Mr. Chairperson: Good morning. Will the Standing Committee on Crown Corporations please come to order?

Our first item of business is the election of a vice-chairperson. Are there any nominations?

Mr. Daryl Reid (Transcona): I nominate Ms. Brick.

Mr. Chairperson: Ms. Brick has been nominated. Are there any further nominations?

Hearing none, I declare Ms. Brick elected vice-chairperson.

This meeting has been called to consider annual reports for the Manitoba Public Insurance Corporation for the years ending February 28, 2002, February 28, 2003, and February 29, 2004.

Before we get started, are there any suggestions from the committee as to how long we should sit this morning?

Mr. Reid: I would suggest to committee members that perhaps we would want to review the sitting at 11:30 a.m. this morning. We have a number of reports that are before us. Some of them are pretty dated considering we have a new report out. I am wondering, Mr. Chairperson, if we could review the sitting at 11:30 and look at, perhaps, passage of the dated reports.

Mr. Cliff Cullen (Turtle Mountain): Certainly, we do have a lot of outdated reports here that we would like to see move forward as well. I am not sure we can address all the issues here by 11:30 though.

Certainly, one of our concerns is, as Mr. Reid mentioned, the current report, the 2004 annual report, we now have. Unfortunately, it does not appear on the Order Paper. We certainly would like to discuss the 2004 annual report, if we could, for the period ending February 29th of 2005. The 2003 annual report ends in the year of February of 2004. We do have, though, before us as well, which came out here in June, the 2004 annual report for the period ending February 29, 2005. So I guess our discussion, we would like to see the current report on the Order Paper, Mr. Chairman.

Hon. Gord Mackintosh (Minister charged with the administration of The Manitoba Public

Insurance Corporation Act): Well, I am taken aback it is not on the agenda. This is the current report. It was filed with the Legislature in June, so, therefore, I understand it is referred to the committee. I assume that, unless there has been some glitch—it is my view that this is certainly before the committee today, and I came prepared to deal with it.

Mr. Chairperson: I understand in terms of procedure it normally has to be referred by the minister, but I think if there was unanimous consent of the committee, we could agree to put it on the agenda today.

Mr. Reid: Mr. Chairperson, it would be my suggestion and recommendation to committee that we include this report, the '04 report, for discussion here today if there is unanimous consent of the committee members.

Mr. Chairperson: Is it agreed that we add the 2004 report?

* (09:10)

Hon. Jon Gerrard (River Heights): I would just like some clarification as to whether the MLA for Transcona is here as his position on the board of directors of MPIC, or as his position as an MLA, because, clearly, around the table we have both.

Mr. Chairperson: We actually now have three items on the table. Let us do them one at a time. Is there agreement to canvass the committee at 11:30 to see how much longer we continue? Let us deal with that one first, the 11:30 issue. Is it agreed we will canvass the room at 11:30? *[Agreed]*

The second one is that it is not standard practice to consider reports not referred, but—Mr. Fauschou.

Mr. David Fauschou (Portage la Prairie): Does the Clerk's office have copies available to circulate prior to the question?

Mr. Chairperson: I am informed the Clerk's office can get copies and will circulate them.

Is it agreed then that we consider the 2004 report? *[Agreed]*

Now Dr. Jon Gerrard had a question about whether or not Mr. Reid was here and what capacity. Mr. Reid, to address that.

Mr. Reid: For the sake of time here, I will not delay the conversation too long here, but for the information of the member that asked the question, since I am sitting at the table I am obviously a member of the Government and am sitting at the table in my capacity as an MLA.

Mr. Gerrard: I would just like to make sure that the member has an opportunity to clarify his potential conflicting roles and responsibilities in this discussion.

Mr. Chairperson: I do not see any hands up, so that ends that discussion.

An Honourable Member: Well, just a minute.

Mr. Jack Penner (Emerson): Mr. Chairperson, I find that an interesting question, seeing where it came from.

Mr. Gerrard: I think it is actually quite important that Daryl Reid who is here—

Mr. Chairperson: Order.

Mr. Gerrard: No, this is in committee. Mr. Reid can provide a short clarification. It is a responsibility, as we all have when we have potential conflicts, to indicate what the situation is. I understand that Mr. Reid is a current board member of the MPIC.

Can Mr. Reid give us how long he has been a board member of the MPIC and what his role is before we get into discussion of this document?

Mr. Mackintosh: The member wants to throw around phrases like conflict of interest very loosely. He knows darn well that the conflict-of-interest phrase is well defined in law in Manitoba as it affects members of the Legislative Assembly. If the member has some evidence that the member is in a conflict of interest, as we understand it as members, which is a pecuniary conflict of interest, then he should say so.

Mr. Reid, as was, I believe, Mr. Penner and others in the past, in the service of the board of MPI; it is a legislated or at least a tradition and a good one that there be a member of the Legislature on the board of MPI. That provides a valid connection. It provides good accountability and provides better expertise and, I think, has served Manitoba well for many years.

If the member has some concern about that, then he can express them, but Mr. Reid is here today because he is a member of this committee and he is here today as a MLA. If he wants to share some insights into the corporation or some of the issues, then I think it would be of value to the committee. It only enhances, I think, the role of this standing committee.

But, in conclusion, throwing words around like conflict of interest, I think, is very unfortunate. I have just been shown that—*[interjection]* Yes, it is a good phrase today, but section 2(8) of the legislation provides that notwithstanding The Legislative Assembly Act, a member of the Legislative Assembly other than a member of the Executive Council may be a member of the board and may accept from the corporation salary or remuneration under this act, and he does not thereby vacate or forfeit his seat or incur any of the penalties imposed by The Legislative Assembly Act for sitting and voting as a member of the Legislative Assembly.

So this is the law of Manitoba. It has been there for a long time and it has served us well. I think we should continue with that practice. I see no reason to change it.

Mr. Gerrard: I am not accusing Mr. Reid of anything. All I am saying is that Mr. Reid, clearly, as we know, has dual roles and that under those circumstances I think it is appropriate that we just have a little bit of clarification of Mr. Reid's status as a board member, how long he has been a board member and whether he has any particular roles on the board, because I think that is important in the context of this discussion and this meeting this morning.

Mr. Chairperson: Seeing no further hands up, let us proceed. Are there any suggestions as to the order in which we should consider the reports?

Mr. Reid: Mr. Chairperson, if I might make a suggestion that perhaps we could give global consideration now that we have included the most current annual report. I am wondering if there is a willingness of the committee members to perhaps pass the dated reports at this time with the understanding that it will not impede in any way the ability to ask any questions.

Mr. Cullen: Mr. Chairman, we are here to do business, and we want to see the process move

forward as well. Certainly by putting the current report on the table, I think that will lead us to where we want to go in our discussions and certainly we are prepared to have a look at passing those earlier reports, a global discussion on all reports.

Mr. Chairperson: Is there agreement that we look at passing some of the dated reports and deal with the current report?

Mr. Faurschou: I believe we will be passing provided we have a global discussion of all the reports. So I think it is a little premature to pass at this point in time. I think we will wait until later in the hour when we have had the opportunity to discuss all pertinent material.

Mr. Cullen: Yes, Mr. Chairman, thank you. I agree with my counterpart, Mr. Faurschou. We would like to certainly have a discussion and see how that discussion proceeds. The last committee I was on the answers for our questions were not very forthcoming. We were very disappointed in how that was handled and, as a result, we did not pass any reports at that point in time. We will hope that this process today will move along much more quickly. So we certainly are prepared to have a look at those reports provided the discussion moves in the proper manner.

Mr. Chairperson: Thank you for your suggestions. We will call the reports at a later time in the meeting.

With regard to the agreement just reached regarding the MPIC 2004 report, I would like to remind members that the normal practice is to first have the report tabled in the House and then referred to this committee by the Government House Leader. I would suggest that this not be considered a precedent for this committee. Thank you. The copies have now been distributed.

Mr. Penner: Just a brief comment on that. I think it was pertinent of you to read that into the record because this is clearly, either by oversight or deliberate, that this report was not tabled in the House sessionally that we could have considered and brought this to the public attention. This really from a legislative standpoint has not been brought to the public attention and therefore what we are doing here is being accommodative of trying to as our critic has ably demonstrated a willingness to do business in a timely manner, but we believe that government

should have and had the opportunity because of the date on the report would have given ample opportunity to have it tabled in the House and brought and accepted in the House.

Mr. Chairperson: Before I recognize Mr. Mackintosh, I am informed that it was probably an oversight on the part of the Committees Branch staff.

* (09:20)

Mr. Mackintosh: Just to clarify the record, the report was distributed on June 24 and copies were provided to the PC caucus at that time. I do not recall the details of the timing of this, but if it was distributed on June 24, I would assume that I had received it on or just immediately before that date. I noticed that the report was signed off on May 12, and, allowing time for printing, it looks like that would not be an unreasonable period of time to allow six weeks for the printing and receipt of that in my office, so I assume that I would have received it on or around June 24, which is the date it was distributed to the public.

Mr. Chairperson: In any case, the House was not in session so it could not be referred to a committee.

Mr. Cullen: Just as an interesting note, further to our discussion, I have here a news release, and it came off the Manitoba Public Insurance Web site dated June 24, 2005, and it pertains to highlights of the annual report for the year ending February 28, 2005, and the first line of this news release indicates Manitoba Public Insurance tabled its 2004 annual report to the Legislature today. The report demonstrates the company's continuing financial strength, et cetera, et cetera, so its report was tabled to the Legislature. Unfortunately, we were not in session at that particular point in time, and I guess the question is in regard to the six weeks from May 12 when the report was signed off. Obviously, I would like to see the report tabled in the Legislature while we are sitting at the Legislature. I am not just sure that six-week time frame—we certainly, on this side of the House, have questions on why it would take that long to have this report printed and then brought forward to the Legislature.

Mr. Mackintosh: I do not know what is unusual here. By the way, this is an excellent report, which I would love to have had great and widespread Manitoba public attention to, because it was an

excellent year for MPI on so many counts. But, when MPI used the word "tabling," their understanding would be that it was distributed to the members, as it was on June 24. The rules allow for the distribution of reports now when the House is not sitting, and that is what was done. It was distributed, and it became a news item in the media on that day. I mean, I do not know what the issue is here. If it had been available earlier I would have liked to have tabled it in the House, but that was when it came to me and, like I say, the member would have got it, presumably, on or just after June 24 whenever he would have got his mail.

Mr. Chairperson: For the information of the committee I would like to mention that, as part of the rules package adopted by the House on June 16, 2005, we have a new rule governing speaking times for members in standing committees. While speaking times in committee had previously been unlimited, according to our new rule 87(2): No MLA attending a standing or special committee meeting may speak for more than 10 minutes at one time in any debate; however, there is no limit on the number of times a member can speak unless otherwise agreed to by the committee.

Thank you in advance for your attention to this rule and that is provided for information.

Does the honourable minister wish to make an opening statement and would he please introduce the officials in attendance?

Mr. Mackintosh: With us here today are our Chair, Shari Decter Hirst; our new President and CEO, Marilyn McLaren, welcome Marilyn; the Vice-President of Corporate Insurance Operations, Dan Guimond; Vice-President of Corporate Claims, Wilf Bedard; Vice-President Corporate Legal and General Counsel, Kevin McCulloch; and is Director of Finance and Corporate Controller, Peter Dyck—he is back there. And, of course, the Vice-President of Public Affairs, John Douglas, is here.

Mr. Chairperson: Thank you to the minister. Does the critic for the Official Opposition, Mr. Cullen, have an opening statement?

I am sorry. I did not give the minister a chance to do his opening statement.

Mr. Mackintosh: So, I get 10 minutes, right? Okay. Let us see how we do here. This is a change, is it not?

I am pleased to say that these annual reports before us reflect the ongoing financial stability of MPI in the face of challenges that affect the whole industry across this country and, indeed, North America, including that of rising claims costs. At the same time, they clearly demonstrate the value of this corporation and what it brings to the province and its citizens. The value is very simple. The company provides Manitobans with auto insurance protection that is second to none in Canada at rates that continue to do well below what motorists pay in other provinces. We have just gone through seven years with just one overall premium increase in Manitoba of 3.7 percent at a time when auto insurers in other jurisdictions have been imposing premium increases, often in the double digits, on their customers. Indeed, I can say it has become a very significant political issue right across this country in places where there is not public insurance.

In June of this year, the company continued this trend as it applied to the Public Utilities Board for no change in premium revenue for '06-07. The value provided by MPI goes well beyond the excellent coverage and low rates enjoyed by Manitobans. It makes a major and ongoing reliable contribution to the provincial economy, provides employment for 1700 Manitobans at 24 locations across the province. In '04, for example, the company purchased \$53 million in Manitoba-based bonds, bringing to more than \$850 million its total investment since 1971 in bonds and debentures supporting schools, health care institutions and municipalities. That money is no longer going to, shall we say, the New York Stock Exchange.

Of course, the value goes beyond dollars and cents. It also means coverage, service and access. MPI offers better coverage overall than any other insurance organization in Canada, from comprehensive no-fault injury protection, to predictable physical damage, glass, fire and theft coverage Manitobans have come to expect. It would be hard pressed to find optional deductibles as low as \$200 in any other province at any price, yet this is a choice available to all Manitoba customers and a choice that most of them do make. The service MPI provides to Manitobans likewise is outstanding. We know this because the company tracks this every day. For example, in '04, front-line staff achieved corporate-wide customer standards 97 percent of the time.

Last and not least, Manitobans are not afraid to access this coverage. Elsewhere in Canada there is a

growing reluctance to file claims. In fact in some jurisdictions it is reported that 60 percent of all auto repairs are paid for, not by the insurance company, but by the customers themselves. That is because customers elsewhere are afraid to make a claim. They fear the effect it will have on their insurance premiums. That is not an issue in Manitoba. So the value MPI brings to its ratepayers and all Manitobans is about to grow because of the merger of driver and vehicle licensing with the Crown corporation. This process began nearly 12 months ago, when these operations were transferred in October of '04. The corporation expects this union to result in some major improvements for customers. Those long-term benefits are being brought into focus by a comprehensive review of business processes that is now underway. The review covers not only the potential cost savings and efficiencies this merger presents, but also the new approaches that are now possible right across the whole organization. In the meantime, the amalgamation process is moving ahead with DVL employees now part of MPI. Key functions such as human resources and info-tech are now under one umbrella. I am pleased to say that this has happened transparently and seamlessly without interruption to the top-notch customer service we provide to Manitobans.

I want to also just spend a moment talking about the ongoing campaign to reduce auto theft. As you know, it has been a priority for MPI and as Minister of Justice I can also say this has been a most serious concern for Manitobans for several years. We have worked with many community partners, citizen groups, and the police and, of course, the Manitoba government, to bring the social problem under control. One of the dramatic new programs is the Winnipeg auto theft suppression strategy, which Manitoba Justice is taking the lead on. As AG, I am proud to say this program is helping to make a noticeable impact on the issue, as evidenced by the recent decline in auto theft numbers. But I also recognize, as MPI has for a long time, that focussing on the perpetrators is a short-term measure with limited opportunities for success in our view, because the ultimate and the most effective and most realistic approach in the long-term is to target the vehicles that are being stolen.

Auto theft in Manitoba is almost exclusively a crime of opportunity committed by young teenagers seeking thrills. So we have to recognize that shutting down the supply of stealable vehicles is really the

only way, in the long-term to put these auto thieves out of business for good. That is the aim of the immobilizer subsidy program and that was announced in June. It is a bold plan, a plan that aims to substantially reduce both the company's claims cost related to auto theft and a serious community safety issue. But Manitobans have to buy into it for this to work, especially for those vehicles that are most at risk of theft.

* (09:30)

It is encouraging that more than 5000 motorists have already responded to the call to get an immobilizer installed in their vehicles, but the true test will be in protecting the most vulnerable vehicles, in particular the top 100 make, model and year combinations that define the vehicles stolen most frequently in Winnipeg. We have discovered that this group of vehicles represents only about 17 percent of the vehicle fleet, but accounts for 68 percent of all thefts, so we have to make these cars unstealable. I can talk about the federal initiative and how far that is going in that, but that has been very helpful. It is not maybe far enough, but these vehicles are still being manufactured unfortunately to be stolen and that is unfortunate.

Some other highlights I can get into, but perhaps we can get into that more in terms of the financial report, but as members can see the financial reports are very good. I think too, though, we should recall how significant the return on the premium dollar is in Manitoba. MPI has consistently returned significantly more in benefits than other insurance companies around North America, monies from the premium dollar paid by the customers.

Perhaps if I have time, and it looks like I do, I can say that there have been some excellent investments in savings by the corporation. For example, in '04, the corporation saved an estimated \$13.3 million through the use of recycled certified vehicle parts. We saved nearly \$13.5 million through its anti-fraud, anti-crime and subrogation activities. We also as a corporation invested \$8 million in a broad program of road safety activities which are aimed at reducing vehicle collisions and in turn the number of Manitobans injured and killed on our roadways.

Indeed, I understand that later today my colleague the Minister of Transportation (Mr. Lemieux) will be announcing some early results

from the Graduated Driver Licensing Program, which my understanding is that the number of crashes and injuries have been reduced by one half. Now that is an amazing figure. It is early on still, but it indicates that there has been a tremendous achievement so far with that initiative that MPI has been partnering with the Manitoba government on.

I am certainly ready now for any questions, and, as well, the president and CEO are available to answer questions and to ensure that the members get the answers that they need.

Mr. Chairperson: I thank the honourable minister. Does the critic for the Official Opposition, Mr. Cullen, have an opening statement?

Mr. Cullen: Yes, thank you, Mr. Chairman. Thank you, Mr. Minister, for your remarks in regard to MPI. I do, first of all, want to congratulate Ms. McLaren on her appointment as the president and CEO of Manitoba Public Insurance.

Mr. Minister, you raised some interesting points. Clearly your discussion about transparency and accountability, we will certainly be asking questions in regard to that. We talked about conflict of interest this morning as well, and certainly that is something that we will be trying to raise in our discussion this morning. I think, as Manitobans, it is very important that we have the opportunity to actually ask questions of the corporation and the minister on the various departments so that the process is transparent and accountable.

I guess it is quite unfortunate that the entire committee process seems to be delayed, and we have quite a number of outstanding issues not only with MPI in terms of reports but also other Crown corporations and various reports. I just think it points to the mismanagement of this particular government in moving these reports forward so that we as opposition can bring forward items on behalf of Manitoba to make the process more transparent and make the system more accountable.

I think the other item too that we should mention is certainly the Public Utilities Committee. There are certainly a lot of outstanding issues there that have to be addressed. The Auditor General himself has said that we do have one of the poorest Public Accounts system in Canada, and I think those issues should be brought forward and addressed for the best interests

of all Manitobans. Certainly we look forward to some discussion.

One item that I do want to mention, this being the Year of the Veteran, it was certainly nice to finally have the veterans' plates put forward for the residents and the veterans of Manitoba. I know that initiative was brought forward by one of the members on the opposition side of the House. Certainly, the rules would have been a little less restrictive had we moved the initiative forward in terms of the final draft legislation. Maybe the government can have a look at loosening up some of the restrictions in terms of those veterans' plates down the road. But it certainly is a good initiative to recognize our veterans. So I think that is all I have for opening comments and I look forward to moving the discussion forward.

Mr. Chairperson: We thank the member. Do the representatives from MPI wish to make an opening statement? Thank you.

The floor is now open for questions.

Mr. Mackintosh: I just note that Vice-President of Corporate Resources, Charlie Rogers, is here as well. Welcome, Charlie.

Mr. Cullen: I noted with interest the minister had indicated, and I am talking about auto theft here and some of the numbers, he indicated that the numbers are actually going down. Those numbers must be very recent, because I reflect back on page 11 of the most recent report and in the report there they are indicating the increase in auto theft in 2004 was up 25 percent, in Winnipeg itself was up 31 percent. So have we had a sudden turnaround in the last four months or in six months in this or just where are we at in here in terms of auto thefts?

Mr. Mackintosh: There is a preliminary matter I should address in terms of the meetings of the Crown Corporations Committee. The meetings in the fall were expressly agreed to by the parties as part of a fall agenda for Legislative activity, and I might add that this committee is meeting certainly no less than under the former government, but any time that the members wish to have a Crown corporation meet they can put that on the agenda of the House leader because we certainly are open to looking at those scheduling issues. So we want to see this process regularized so that we know that in the fall the

Crown corporations, all of them, are coming before standing committees and that is happening this year. This is the first of a series of several Crown corporation committee meetings over the next two or three months.

The auto theft numbers have changed significantly over the last several months. Last year, in 2004, there was this spike in auto theft that not only was of very serious concern to all of us and was a change from what was developing as an earlier trend where we saw actually a decrease in auto theft numbers for the first time in many years earlier, and it was taken very seriously.

The auto theft task force, Manitoba Justice, MPI, the police and others went back to look to see what could be done differently, and things are unfolding in a very different way as a result. The numbers so far are continuing to indicate double-digit decreases in auto theft this year. There seems to be a trend now of a consistent decrease. We can only have cautious optimism with those numbers, though, because we have seen the spike in '04.

* (09:40)

But what is different this year are two things. First of all, I spoke about the auto theft suppression initiative. As a result of an investment in individuals that Manitoba Justice will supervise, there has developed a categorization of the auto thieves in Winnipeg according to their risk, according to their pattern of offences and the focussing of resources according to that risk. Some of the highest-risk auto thieves are being supervised intensively in terms of curfew checks and other interventions, and as that suppression strategy is unfolding and, indeed, the new auto theft unit opened, I think I have got some note on that one, the auto theft unit was established this summer and that is for the very high-risk offenders. Full implementation of this began on September 3. My understanding is that of the staff that are to be in place, they have been recruiting them. The hiring strategies, I understand, are completed now. Twelve of them are in place. There are two more that are going to be. The hiring board does its work in the next two weeks for the last two. This is all in terms of the ramping up of the strategy, and the number of offenders who are being supervised by this new initiative are increasing according to the increase in the supervisory staff.

This is a very intensive program. We go from intensive curfew checks at the most high-risk

category to other interventions for lower-risk auto thieves, and for those even at risk there is program development. I can get into some of those initiatives if the member wishes, but that is one aspect of it.

The other aspect is then the immobilizer strategy, and I trust the member now knows, because we are trying to get the word out through a very aggressive public relations effort to let Manitobans know that MPI will pay half the cost of an immobilizer, and that is about \$140. At the same time, Manitobans can save \$40 every year, every year, for the installation of the Canadian-approved immobilizer.

As I said in my remarks, the suppression strategy is a short-term and medium-term strategy. We have to prevent auto theft and the only long-term way to prevent auto theft is to ensure that, No. 1, vehicles are now manufactured with the immobilizer installed at the factory, and, second of all, for those vehicles that are already out there in our driveways, that Manitobans are taking advantage of this great opportunity to invest in peace of mind, in auto theft reduction and, indeed, public safety by getting the immobilizer installed with this incentive program.

This is an incentive program like no other anywhere to my knowledge, and we are seeing some early results. I think a lot of the kudos have to go to Manitobans themselves who are taking more effective measures to protect their vehicles and are taking up the offer from MPI to install the immobilizer. I will just say this, though, that Manitoba, and I do not think this is widely known, but Manitoba took a national lead to pressure the manufacturers and the federal government, Transport Canada, to make it mandatory that immobilizers be installed at the factory. It can be installed at the factory at a very, very low cost.

I went to the manufacturers. There was a meeting in Toronto where the manufacturers were represented. I went there myself to make the case. We went to Ottawa to make the case. We have all of the Justice ministers of Canada on board with the resolution that was passed unanimously to get the federal government moving in this direction. What was once thought of as an anti-theft device which is a door lock in the ignition key is no longer going to suffice. Vehicles have got to be manufactured to be theft proof, and the manufacturers darn well have known that they were turning out vehicles onto the streets of Canada that were manufactured to be

stolen. So it was a real call, I think, on them to heed this demand.

So the federal government did several months ago say that beginning in the '07 vehicle year, all vehicles have to have an immobilizer installed at factory. There were a couple of shortcomings. No. 1, that was still too far out. It took them too long, by the way, since the resolution was passed by Justice ministers, but the other problem was that they were going to allow the European immobilizer standard to be in the vehicles. We are assured now by Transport Canada that that European standard is going to be at par or almost with the Canadian standard by the time '07 comes around. So I say kudos to the federal government for finally moving on it. We would have liked it to have been a little sooner and so on, but at least we are moving on that.

So suppression strategy, immobilizers at factory, immobilizers installed in the vehicles in the fleet, those are the components of the strategy. I think this bodes well now for getting this rate driven down. By the way, the auto theft rate last year in no small way drove the overall crime rate for Manitoba as a 24.8 percent increase in auto theft in one year, and while violent crime went down, auto theft was going up and, certainly, continued to pose a significant safety risk to Manitobans. So cautious optimism, but there is certainly a lot of good investments and hard work being undertaken by officials and Manitobans.

Mr. Cummings: Well, the minister waxes quite eloquent about immobilizers and I do not think anybody disagrees with that initiative, but did not the insurance rating program brought in in the late nineties also include an allowance which would amount to an increased cost of insurance given the history of the particular vehicle being stolen? So, are we still using that rating?

Ms. Marilyn McLaren (President and Chief Executive Officer, Manitoba Public Insurance): Yes, we are. You are referring, I think, Mr. Cummings, to the Canadian Loss Experience Automobile Rating System. Manitoba was one of the early adopters, Manitoba Public Insurance, of a rating system that uses claims cost information from across the country to figure out the rate differentials that vehicles should pay in any particular jurisdiction, based on their claims costs. Manitoba itself does not have enough of any particular make, model, model year, to have any sort of reliable

ability to understand that and create those rating indicators. We need to be part of this national data base.

One of the things that we know for a fact is that auto theft is a very, very different problem across the country. The thieves have a different profile in different part of Canada. The vehicles that they choose to steal have very, very different profiles across Canada. So, when we are 4 percent of the Canadian automobile fleet, so to speak, significant theft experience here in Manitoba of a particular profile of vehicle that is really unlike the theft profile across the country, does not do much to feed through that rating system and influence the owners of those vehicles here in Manitoba. What the CLEAR system does, though, it provides, for the factory-installed devices, effectively a discount right up front before those vehicles are even registered for the very first time. So the system works very effectively for the vehicles that have the anti-theft devices installed at factory.

Mr. Cummings: Very briefly, did Ms. McLaren just say that if I buy a new factory vehicle with a disarming device that that will be reflected in my actual premium?

Ms. McLaren: Yes, that is right. The Canadian Loss Experience Automobile Rating System provides for, effectively, about a one rate group discount right up front, for vehicles that have those factory-installed devices, that flows through our system so that they do pay less than an equivalent make model that does not have the anti-theft device.

Mr. Cullen: Mr. Chairman, I know Manitoba Public Insurance had indicated that there are a number of models which are specifically being stolen and I think you have got those in your report, even. With the new immobilizer program that you have out, are you finding people that will probably have the high incidence of vehicles being stolen in those 10 or 12 vehicles, are you finding people purchasing immobilizers for those specific vehicles?

Ms. McLaren: Some of them, yes, in that top 100, that is what we talk about, the vehicles in the top 100 make, model, model year vehicles that are most at risk of being stolen. They are coming forward, as are many other Manitobans. They make up, currently, about 25 percent of all the Manitobans coming forward to take part in the immobilizer program. One

of the things that we will be doing over the next few months is really targeting those vehicle owners, writing to them, phoning them, doing whatever we can, soliciting the help of our brokers to really work with those Manitobans to encourage even more of them to come forward. They really are the solution to the problem.

* (09:50)

Mr. Cullen: Well, thank you very much for your comments. Certainly, auto theft is a big issue for us in Manitoba, particularly in Winnipeg.

I would just like to get into the financial operations of MPI. I have some questions regarding the financial report for the current annual report, and I guess I am looking at page 33 in this report. I see the corporation actually had a pretty good year financially in terms of the net income.

A couple of line items here, actually, that I would like a little more detail on, and one is in the revenue here. We talk about service fees. Can you explain to us what kind of income is generated in terms of service fees?

Ms. McLaren: In the service fees category, the single biggest component of that category is the interest that we would earn on time payments. Manitobans who select to pay for their Autopac in instalments either quarterly or monthly pay a flat fee plus an interest fee for that service. The biggest category of service fees is the interest component of that charge.

Other things, as well, included in that are items like the fee for processing a change to your insurance, a change to your name, address. Any of those transaction fees to keep your Autopac and your vehicle registration, really probably most importantly, up to date and accurate reflects there as well. The base fee in terms of the \$4 charge for selecting time payments is in that service fee as well.

Mr. Cullen: Thank you very much, Ms. McLaren. Another item here is the claim costs, and we talk about prior years. I am just wondering if you could explain that line in the financial statement as well.

Ms. McLaren: The financial statements and actually the work of the corporation, the financial accounting for the corporation, is always based on an insurance

year which is the same as our fiscal year. What we have to always make sure is that we have adequate funds set aside to pay all the claims that occur in a particular year, and because of the nature of the insurance program this continues to be more and more true the longer we are in the no-fault injury compensation.

It takes many, many, many years before any claim is completely paid out and closed. So every year we go through a process and we elicit the help of our external actuary to come in, look at all of the amount of money that we are holding in reserve for claims that we know about today and decide whether we still believe those amounts are accurate, whether there is not quite enough, whether there is a little bit too much. Then we have to make adjustments to that amount every year to make sure that as our fiscal year closes, the amount of money that we have set aside to pay for claims that occurred in the past is still reflective of what we actually expect to pay.

When you are looking at that line in this current annual report, last year the actuaries had a look at it, did the calculations and decided that there was a bit more money than we needed to properly cover those claims, and that is why there was, effectively, a credit received against the total claims costs last year.

Mr. Cullen: So I assume then that is why the numbers seem to fluctuate fairly dramatically over the last two years at least. In your comment about the Personal Injury Protection Program, I guess as we move forward we are accumulating more and more claims as we go forward, so inherently there is going to be an increase in cost to the system to deal with those claims. Is that what you are saying?

Ms. McLaren: The outstanding money that we have put aside to pay for claims that occurred in a particular year continues to grow, but that is money that we have. So, no, it is not that we are growing the number of claims on the books every year and thinking that at some point in the future we are going to have to pay out more. That is what I meant when I said that every year we have to make sure our rates are sufficient and our incoming revenue is sufficient to pay every last dollar of every claim that happens in a particular year, even though in some cases we may not make the last payment for 50 years.

So the outstanding claims reserves are continuing to grow very significantly because of the

injury program. Before we moved into the no-fault system, we settled claims and we cut cheques to claimants. If it turned out that the money was not adequate for their future needs, that was their problem. Now we are in that relationship with those claimants. We are there with them, and we will never leave them effectively high and dry like that.

It does not mean that we have sort of a growing future exposure that we have not properly reserved for. It is all fully reserved. What it does mean is that, as the outstanding liabilities grow, the potential for year-to-year volatility in those numbers will continue to grow. The adjustment for prior years bears no relationship to the claims cost line just above that that shows the current year's claims. So, when we have current year's claims of maybe around \$500 million, the outstanding liabilities are growing and growing and will eventually be as much as \$2 billion. So if you have a 1 percent change to a \$2-billion outstanding liability that can have a significant effect on your annual fiscal year results, but it really does not say much about the overall financial strength of the company if the company has adequate retained earnings and other factors like that.

Mr. Cullen: I guess that leads us into the next question in terms of the financial strength of the corporation. Your reserve component, you have separate reserves set up there and I am just wondering how that value is set. Is that set by the board? It appears that there may be some fluctuation or an increase in what is going to be allocated to that reserve.

Ms. McLaren: The Rate Stabilization Reserve, which is effectively the bulk of the retained earnings held by the basic compulsory insurance program, we do have a target as to what that reserve should be. That target is established by the corporation's board of directors and while the nature of the risks faced by any insurance company really does not change through time the magnitude of those risks changes.

For that reason, because the magnitude of the potential volatility continues to grow, the corporation has adopted a retained earnings or an RSR target that is higher than it used to be. Because the likely deviations continue to grow, the board of directors decided that they needed a higher target for the RSR. The way they have chosen to establish that target, you asked about that, is to adopt really what has become an industry best practice, sort of the method

adopted by all insurance companies in Canada for establishing the retained earnings. It is called the MCT. It is called a Minimum Capital Test. It is required by OSFI. The Office of the Superintendent of Financial Institutions here in Canada has established that as the rule for private-sector insurance companies. They have to have a minimum of 150 percent of their MCT score. The average last year of all Canadian private insurers was 224 percent of the MCT score.

The board of directors of Manitoba Public Insurance, given the reality of Manitoba Public Insurance and the basic Autopac program being a monopoly and a mandatory program, has adopted a target of 100 percent of our MCT score.

Mr. Cullen: In terms of the net income of \$78 million was it then transferred to the Rate Stabilization Reserve in lieu of what you mentioned?

Ms. McLaren: Yes, and when you are looking at this corporate annual report it really is not just the basic compulsory program. It is all of the lines of business which are the other two competitive lines that we have as well. Now the money is transferred. The retained earnings that basic Autopac has in any given year generally moves into the RSR. That is what happened this year as well except for the fact that we did establish this \$40 million fund to pay for the \$140 contribution that we are paying for all of the immobilizers in Manitoba. So that is a separate fund, separate from the RSR, which really we were able to do because we had a better financial year last year than we had expected to have.

But, yes, any amount of money that the two competitive lines have that is in excess of their needs with respect to retained earnings and the net income from the basic compulsory program goes into the RSR every year.

* (10:00)

Mr. Cullen: In terms of monitoring the financial factors here in the corporation, is there an investment committee in the corporation that makes the decisions, and how does that work in terms of the board governance?

Ms. McLaren: Specifically, with reference to investments by legislation in the Department of Finance, the Government of Manitoba is responsible

for investing funds that Manitoba Public Insurance has and, yes, the board of directors has an investment committee. There is also an investment working group of MPI management and officials from the Department of Finance. The working group of management from the Department of Finance and management at Manitoba Public Insurance makes recommendations both to the Minister of Finance (Mr. Selinger) and to the board of directors of Manitoba Public Insurance.

Mr. Cullen: The other item on page 33 of the financial statement is the operating expenses, and we are talking about \$55 million, is there some way we can have a breakdown of the operating expenses there? I guess I am assuming that a lot of that would be in regard to staff costs, but is there any way we have a little more of a breakdown in terms of those operating costs?

Ms. McLaren: In the annual report itself there is not a breakdown of the operating expenses, but we can certainly provide that to the members of the committee.

Madam Vice-Chairperson in the Chair

Mr. Cummings: Something you said a few minutes ago about protection of rates for the future, and you said because of the monopoly situation in Manitoba and other factors that MPI did not have to maintain the same industry standard. I wonder if you could expand on that a little bit, and if that does not lead to potential, at least, for volatility in the future rates. But what that can say is that you have the ability to recoup it from the next year's premiums if the forecasts are out.

Ms. McLaren: Effectively that is what it says. Yes, I would have to agree with that.

Everywhere in Canada automobile insurance is a necessity. It is required by law. When you have a monopoly situation, you are not risking your client base if you have to raise rates that are fundamentally different from what everyone else has to do because of your specific financial situation. That is really what it comes down to.

In terms of risking the volatility for Manitobans, we believe that that comes down to having an adequate Rate Stabilization Reserve. There are any number of things that can cause year-to-year

volatility. If we see something happening in our claims experience, so we expect to continue going forward, we absolutely have to make sure that our rates are sufficient to pay for that. The retained earnings really cannot properly, legitimately, cover a change in your future expectations. What the monopoly situation allows us to do, what adequate retained earnings allows us to do, is to really mitigate the effect of one-time circumstances, one-time bad results, that you do not expect to be carried forward into the future.

I think if you look at province-sector companies that are always having to also go forward and get rate approvals, just like we have to do with the Public Utilities Board, but they are also very concerned about having a reasonable level playing field with respect to rates. If they have, for whatever reason, a one-time shortcoming in their claims reserve they have to recognize that and then have to go recover it quickly from the ratepayers, they may very well just lose too many of the ratepayers to make that work for them.

Mr. Cummings: Well, it leads me to ask, do you believe, and I would be surprised if you said you did not believe, but given what you just said and relative to the question about whether or not volatility is a potential outcome of this, it seems to me that the Public Utilities Board has always put a great deal of emphasis on the rate stabilizations in order to—and I think one of the benefits of public insurance should be that there is a predictability if there is an increase in cost, that it should be not of the nature that creates rate shock. The company went through that at one point, and it is not a happy event for anybody. Do you believe that retained earnings and other methods of protecting against rate shock are at a high enough level right now?

Ms. McLaren: The retained earnings of the two competitive lines of business are adequate right now. We have targets for those lines of business that are very, very similar to private sector. We do not have the same 100 percent of the MCT scored targets for those lines because they are subject to many of the same variables that other insurers have. So their targets are more in line of the 200 percent, and they are fully funded with respect to their retained earnings at that level. The basic insurance program is within the range that the corporation believes is reasonable right now, and it is getting closer to the

upper end of that target, so we are very, very comfortable with that.

We are very comfortable with the financial results that we have had the last year or two that have enabled us to get significant increases. It was just a couple of years ago the basis insurance Rate Stabilization Reserve was less than \$50 million. It has grown quickly because we have had a couple of really good years with respect to our investments and last year with the adjustment to the claims reserves that helped as well.

You mentioned the Public Utilities Board, and for many years they were very concerned about the level of the Rate Stabilization Reserve, approved surcharges to Autopac rates to help replenish that reserve, but for the last many years now there has been a significant disagreement between the corporation and the Public Utilities Board with respect to how big that reserve should be. Last year, in discussions before PUB and in the order that came out in December of last year, they stated that they believe their selected target of \$50 million to \$80 million is plenty. That is less than half of what management and the board of directors of Manitoba Public Insurance think is reasonable, and that is a significant risk to the company.

There are a number of things that we have detailed in this annual report that have significantly changed the magnitude or the risk faced by Manitoba Public Insurance, and that is why we think we need a Rate Stabilization Reserve that is closer to \$200 million than it is closer to \$80 million. So the nature of the business continues to change, and we have adopted a higher target to adequately reflect the nature of those changes and we believe to adequately protect Manitobans because I absolutely agree with you that the thing that Manitobans value so much from the Autopac program is stability and predictability bar none.

Mr. Cummings: Well, it leads me to one question that has been on the minds of a lot of Manitobans over the years. That is, the Rate Stabilization fund has been controversial, as you just indicated, but there has always been an uneasy feeling among the public that perhaps Rate Stabilization fund growth is driven by the timing of elections and that rates need not rise on certain critical years because the fund is now big enough. So does the board pass

judgment on recommendations on the size of the Rate Stabilization fund?

Ms. McLaren: The board of directors of the company? The board of directors of the company has selected the Rate Stabilization fund range, the target that the corporation needs to have and right now it is between \$100 million and \$200 million. The science that goes around that process has continually evolved through the years, and the board has selected that target most recently based on national best practice of this minimal capital test. So the basic compulsory program has a target that the board has determined based on that national best practice. The two competitive lines of business have targets that are based on that same best practice, but higher in reflection of their competitive status in the marketplace.

So, absolutely, the board has a significant appreciation for the critical nature of the level of that reserve and also of the need to make sure, as we talked about earlier, that the Rate Stabilization Reserve is one thing, but the other piece of that which always has to be in place is that the rates charged in any given year need to be adequate for the claims we expect to happen in that year.

So, on both those fronts, when the board of directors makes determinations with respect to the Rate Stabilization Reserve and also makes determinations with respect to what the corporation ought to be applying to the Public Utilities Board for in terms of rates or rate increases, annual rates need to be sufficient. The Rate Stabilization Reserve needs to be adequate to protect against the growing potential volatility that the corporation faces.

Mr. Cummings: A question to the minister. Does the minister as a representative of the government have an opinion on what size the Rate Stabilization fund should be at and whether or not the corporation should be following the direction of the Public Utilities Board?

Mr. Mackintosh: I think there has been developing concern about the gap between the PUB assessment and the board assessment, and I share that concern. I share the concern of the member that the corporation has to have the ability to avoid rate shock in the interest of Manitobans. We know in this province that we are certainly not immune to natural disasters and significant events happening from time to time. I

know that there is reinsurance but that there are thresholds there.

I also have to pay attention, though, to those who live and breathe the analysis of what should be the reserve in the industry and at the corporation. So I think it is fair to say that I have had recent discussions, and, in fact, we have more scheduled for as early as today with the corporation to see what options are available to see if there can be a better meeting of the minds and how the matter should be addressed in the future. But there is a gap here of millions upon millions of dollars, and is the answer—I mean, we go through the rate submission to PUB and maybe that can convince them, maybe not.

So all I can say is that we share the concern about that. The application of what appears to be a different formula is something that has to be reconciled, and we are hoping we can do that in the coming months.

Mr. Cummings: I relinquish the floor to my colleague Mr. Cullen, but I have one last question of the minister. If the Public Utilities Board believes that the reserve is too high, we are getting away from the principle that used to be espoused around public insurance, and that is that it is at relatively close to cost with some decent safety factors built in for the current users. If we are building reserves beyond what they need to be, that can be equally dangerous or unfair in terms of a monopoly situation. I wonder if the minister agrees with that.

Mr. Mackintosh: Well, I think the key is in the phrase used by the member, what the rate needs to be and what is the absolute best science that can be applied to answer that question. I think this is one where the science does have to apply.

I do not think this is about politics. It is about assessment based on the experience and the insurance industry not just in Canada and North America, but in Manitoba. So, as I say, my objective is to try and see a way for this whole matter to be reconciled.

Mr. Penner: Madam Chairperson, this whole matter of rate stabilization, I think, has been a debate with the board for a number of years, and it certainly was when I was on the board of directors. Rate stabilization, I believe, has a significant role to play in ensuring longevity of the corporation and

viability. However, I think we also paid a lot of attention, when I was there, to the recommendations of the actuaries of the time, and we also paid significant attention to what the Public Utilities Board recommendations were in making decisions based on rates applied that would be used to put in place a fund that would stabilize.

The other provision that I think was in place when I was on the board, and this is where I would like to ask my question: What level of reinsurance, in other words what level of liability, total liability, does the corporation assume under a reinsured provision, and what level of reinsurance do we carry now, compared to what we used to, to insure that our liabilities cannot go beyond in the case of a catastrophic kind of situation that the minister had just described?

Ms. McLaren: Yes, the reinsurance that the corporation carries, it has changed significantly over the last few years because of the reinsurance market. Events like 9/11 have put significant pressure on the reinsurance industry and the prices have increased significantly. So we are paying quite a bit more today than we were a number of years ago, but we are also getting significantly less coverage.

A few years ago we reinsured every PIPP loss, every Personal Insurance Protection Plan loss that was above \$1 million. Now we are reinsuring every loss that is above \$3 million. So that is one of the things that we have identified as significantly changing the scope of the risk that the corporation has. We pay significantly more now to protect in excess of \$3 million of a PIPP loss than we used to have to pay to protect in excess of \$1 million.

A couple of years ago we had an unprecedented, unusual number of head injury claims in a given year. I think there, actually for random reasons that came and went, we had about 30 more serious brain injuries one year than we have ever had before or that we have seen since. You just look at those 30 head injury claims that will often significantly exceed a \$1 million each, maybe not all as much as \$3 million, but a number of them could be, so if you look at 30 claims that you are now insuring yourself and if even you average them out at 2, 2.5 million, you are looking at between 30 and 40 million extra dollars of claims costs that we now cover ourselves that we do not have reinsurance for. So that is one of

the things that we have identified in this annual report, in the notes, I believe, that talks about some of those things.

The other kind of reinsurance that we carry is catastrophe reinsurance in the eventuality of a big hailstorm or windstorm, something like that, and again we used to protect even lower, we used to always cover the first \$5 million. Now we are covering the first \$10 million, and after Katrina and other events like that across the globe, we may not be able to afford to cover the first \$10 million when the reinsurance renewal happens next January.

So those are the kinds of things that have changed, not the kinds of risks but the scope of the risks that the corporation faces, and that is why we believe we need to have a larger rate stabilization reserve to accommodate for the fact that we have more risk that we are carrying that we have not been able to reasonably purchase to reinsure off of our responsibility.

Mr. Penner: Well, thank you very much. Can the minister or management tell me what the cost of the risk at \$5 million would be compared to the \$10 million right now?

Mr. Chairperson in the Chair

Ms. McLaren: No, I do not have that information here with me this morning but that comparison of the extra costs of coverage is something very similar that we have had to respond to the Public Utilities Board through this past summer. So we will certainly be able to get it for you quickly within a day or two, but we do not have it here this morning.

* (10:20)

Mr. Penner: It would appear that, because of the board's decision, increased cost to the insurance premiums could be significant, based on a board decision. How much attention is being paid by the board to the actuaries' recommendations in this regard?

Ms. McLaren: At its committee meetings the board of directors spend a lot of time dealing with issues like that. When it comes time to place the reinsurance program there are presentations provided by management to the board of directors when we get out to the market and we see how the market is

responding to our request for quotations. We give that information to the board of directors as well, and they have a lot of consideration of the final program that is put in place.

It really is a process though that is very much driven by the marketplace and by actuarial calculations as to when it is worth it to buy it and when it is not to. The way the reinsurance companies price some of these layers of reinsurance are really priced in a way that tells you they do not want to sell it, they do not want to provide it. The decisions that we make are really based on management and actuarial calculations as to when we think we can make a reasonable recovery and when we cannot, and it is always at what they call in the reinsurance world the working layers where these decisions are made, and as the corporation grows in sort of the magnitude of its programs and the overall financial strength you are better able to handle those working layers yourself within your own premium, because really it is all a net-sum game.

You have to charge Manitobans enough to pay the reinsurance premiums which really are the cost of the claims that the reinsurers expect to pay plus a premium for their cost and their commissions and all of that. So you are really paying a premium to buy the reinsurance at that working level. So, if you think you have the financial wherewithal to do it for less cost than the reinsurers can provide it, it is to everyone's advantage to do that. At the higher end, the catastrophic end, there is absolutely no good reason not to purchase there if it is at all affordable, and we have never, ever reduced the higher end of our reinsurance coverage, but it is within the first several layers that the corporation simply found it untenable and unaffordable to give the money out the door to the hands of international reinsurers at such high prices when we believe that with adequate Rate Stabilization Reserve we can handle that ourselves at really a bonus to the ratepayers.

Mr. Penner: Just one final comment and question. It appears to me that some of the older philosophies in public administration are dictating a change in policy in this regard, and there were always those when I was on the board and we were in government that would profess that the Treasury of the province was in the final analysis responsible. It would pick up the losses if they occurred.

Now let me be clear on this. I think we at the board level and the administration took the position

that if a corporation was managed in a business-like manner it would attempt to bring in rates at the lowest level possible and use the reinsurance mechanisms based on actuarial advice and Public Utilities Board's direction to ensure that the rates could be kept at the lowest level possible by using reinsurance and other methods to do those kinds of things. It appears that there has been some change in direction. I wonder if the minister and/or management might be able to shed some light on why the change in direction has taken place in advice to the management.

Ms. McLaren: I would disagree that there has been a change in direction. I have been with the corporation for a long time, since 1979, and every government that I have sort of been on the receiving end of government direction, board of directors, has always, without exception, wanted Manitoba Public Insurance to operate like a business and to make good, solid business decisions with actuarial advice and so on, as you have suggested. I think the environment in which we operate is really what has changed. The availability of reinsurance is fundamentally different now than it used to be, the prices are significantly different than they used to be and, because what we are talking about is some changes in the first level of reinsurance that we used to buy at a good price that helped keep rates low, the decision not to buy that and have the financial strength to handle any volatility in those results through the Rate Stabilization Reserve has continued to keep rates as low as possible.

There are a number of mandates under which we operate. I think that the predictability and stability is absolutely one of them. The best coverage that Canadians have available is certainly another one, and the lowest cost for the best coverage is absolutely as much a part of Manitoba Public Insurance as it has been ever been. I think responding to the environment in which we find ourselves is what has happened over the last while. We certainly have not adopted a different direction in any of those key principles that you refer to.

Mr. Cullen: Mr. Chairman, a very interesting discussion about the reserve and it appears that there may be an interesting discussion coming and it appears that MPI might be on a different wavelength than the Public Utilities Board, so I think that will be interesting to see how that plays itself out in the near future.

In regard to the Public Utilities Board, it came to light just recently here in some news articles, and the article talks about a \$4.1-million expense on behalf of Manitoba Public Insurance to a number of individuals and corporations that many Manitobans did not think should be on the MPI payroll. The article talks about an executive assistant to the minister at \$50,000, a couple of Crown attorneys, Justice Department probation officers and supervisors, Winnipeg Police Service auto theft unit, the Public Utilities Board, the Automobile Injury Compensation Appeal Commission and the newly formed Claimant Advisor Office.

So the question would be, to the minister, if, in fact, he could share with us if that \$4.1 million is accurate for those particular payments and if that does come out of the operating expenses that we talked about a little earlier, and I guess the second part to that, if this is in fact the case, will this particular procedure be continued in the future?

Mr. Mackintosh: The corporation may have some remarks on this as well, but this is, of course, a well-established practice, in terms of the executive assistant to the minister on MPI issues having her salary paid by the corporation, and for good reason. If the member is questioning the conscious decision of the Conservative government in Manitoba when it brought this in, I am sure that they thought long and hard about where is the proper cost source for that position, then he certainly is welcome to criticize people at this table and others and Mr. Filmon.

We may have a dispute with many initiatives of the former government, but quite frankly, when it comes to this decision, it makes complete sense that the cost driver of that position, the sole cost driver being MPI, pay for that position. It is wholly unfair, in our view, and I am sure the view of the former government, that taxpayers have to shoulder the cost of what is really an extension of the customer-client relations of MPI. Why would taxpayers have to pay for that function, a function that is driven entirely because of MPI's business? So that is a position that I support.

*(10:30)

When it comes to investing in initiatives that reduce claims costs, that principle is set out in the legislation. It was also a decision of the former government in Manitoba, and the member's party,

that MPI should take more proactive measures to reduce auto theft by way of funding police efforts and public safety efforts on a number of fronts. Whether it is driver education or whether it is auto theft reduction, or whether it is other strategies to make our roads safer, MPI has a vital role to play. So those are decisions that are made by the board in detail, but it is a decision that I would certainly support. I would find it a bit amusing if the members now were going to say that the decisions made by the former Conservative government were wrong in this regard as I would urge them to recall what their rationale was at the time, which I am sure was about making sure that the costs were borne by those who can make a business case with the investment, and the cost was borne by those who were driving the costs and that is in terms of the claimant assistance that is provided by the executive assistant.

I might add that that executive assistant has the sole responsibility dealing with MPI issues. There is, as the members opposite will know, a general misconception that the Minister responsible for MPI is an appeal body or an ultimate source of redress for a claim that they feel was not fair, but the law does not allow the minister to adjust or adjudicate an individual claim. A lot of the work done by the EA, as members know, is to advise claimants, callers, customers of the status of their claim if that is the information they seek and to advise of the appeal mechanisms available to them under law. So that is one of the challenges, and I know that is part of the daily work and a big part of the daily work of this individual.

Mr. Faurichou: I have to take this opportunity to compliment the minister for now coming over to the Conservative way of thinking because when this was first implemented I do recall reading in Hansard that the minister stated that the office should remain of a minister responsible for Autopac of being independent and without bias and should have independently funded EAs that would act as an independent inquiring person. So I have to compliment the minister that he has now seen the light and has come over to supporting now the Conservative initiative. So I just wanted to take that opportunity to thank the minister and appreciate his comments in support now of this earlier decision by the former administration.

Mr. Cullen: Interesting to hear the minister's comments all right. I think when Manitobans have a

claim they want to have their claim dealt with in a reasonable manner, and I think the onus is on Manitoba Public Insurance to act in good faith and assist those claimants in working through the process. Unfortunately, I think there is a bit of a breakdown in the system there. I know MPI staff are certainly doing what they can to help most claimants through the process. Unfortunately, as critic, we hear of the ones that do not go through the system very well, and I have quite a portfolio of them here. I guess, you know, in terms of the minister's office, I think they would like to have somebody independent to actually try to sit down and help them through the process, and I think that is reflected all the way through the system.

We have a new Claimant Advisor's Office established here in the last number of months. It was kind of ironic to look back through the records there. This Claimant Advisor's Office was first proposed in 2002. In fact, the legislation was brought forward in 2002, was finally passed in 2004, in the spring of 2004, and then a year later in the spring of 2005 the office was finally established to assist people working through the process. I am finding now that I think there is a step missing in that process. People have not had their claim resolved, and I am thinking Personal Injury Program claims. The issue has not been resolved for them so they want to go to the Appeal Commission. My thought was that this Claimant Advisor Office would be there to help them through the process, but I find that the public and these claimants are having trouble getting to the appeal stage. The onus is still on them as a claimant to fill out that form to get the process underway.

So the Claimant Advisor Office really does not come into play until they have basically done all the work to fill out that claim to the appeal. In fact, a lot of people have been so frustrated by the process that they have had to go and hire lawyers to help them through the appeal process.

I do not think that is the intent of what the legislation was brought forward to do. So I am just wondering if there is some way that we should have a look at the Claimant Advisor Office, the intent of the Claimant Advisor Office and how it is to operate. Am I missing something in the picture, because in my mind it does not seem to be serving the claimants well?

Mr. Mackintosh: We are talking about independence, and the view is that the Claimant

Advisor Office indeed has to be independent, as is AICAC, of course. The source of funding is well founded, but it is wholly independent from MPI, so it would not be fair to suggest that the corporation respond in terms of how the Claimant Advisor Office is established, because they do not have a part in that.

That is established under the jurisdiction of the Minister of Finance (Mr. Selinger) who is responsible for this area, but we can pass on the comments, the concerns from the member. As I understand it, he is concerned as to whether there is any assistance in getting the actual appeal form completed or whether the services just kick in after that.

I can ask the minister to respond to the member as to how the program is devised and whether there are any opportunities for any change there.

Mr. Cullen: I think it is a very important issue that has to be addressed here, when I look at the numbers that are coming before the Automobile Injury Compensation Appeal Commission, anywhere in the last few years from 135 up to 190. The Office of the Ombudsman, he is looking at 60 to 75 files. The number of phone calls that the Ombudsman receives I guess last year was probably the highest at about 370. So, obviously, there is something that is not working in the system, and I think it is important that we address this system.

We can claim to have the lowest rates in Canada, but in the final analysis the people that we are out there to serve have to be served by the insurance product. I think there is something broken down there. I think the point is that the staff who are working for Manitoba Public Insurance have an onus to act in good faith and to serve those on the claimants side. I just do not get that feeling.

Of course, again, I am hearing about the ones that do not work through the process very well. I just get a bad feeling that there is maybe some lack of direction there in terms of helping people through the system. I am wondering if anyone would care to comment on that.

Ms. McLaren: Well, I think you closed your comments the same way that I was going to start them. I think you are hearing about the ones who are not satisfied. I really believe that I have a responsibility to challenge your conclusion that

because of 400 appeals and 300 phone calls and 75 inquiries on the part of either AICAC or the Ombudsman, that that indicates that somehow the system is broken.

We need to remember that there are 800 000 policies in force through the Autopac program in Manitoba, 800 000. There are more than half a million individual customers represented by those policies, a quarter of a million claims each and every year made to Manitoba Public Insurance. There are a million phone calls that come into the corporation's call centre, any number of follow-up conversations and decisions with respect to that quarter of a million claims.

*(10:40)

The corporation goes out of its way to gauge the level of satisfaction with its claimants, the extent to which Manitobans as a whole are satisfied with the program. I think several dozen phone calls to the Ombudsman's office in 400 appeals on thousands and thousands and thousands of decisions that are made on personal injury protection plan files does not indicate that there is something broken. The Manitoba Public Insurance automobile program, the Autopac program, there is virtually not a decision that is made within Manitoba Public Insurance that is not appealable to somebody somewhere with the authority to make a different decision. The physical damage process has independent arbitration built into it. People have access to small claims court. They have access to the Ombudsman.

With respect to the personal injury protection plan, by law we are required to make any decision that we make, with respect to an entitlement for compensation, we have to make that decision in writing and the letter in which we put that decision in writing also by law has to tell people about their appeal options. We do that. The information is there. There is no way in the world that you are going to run a program with almost a million policies and a quarter of a million claims and all the contact we have with Manitobans on an ongoing basis where you are not going to get a few dozen people every year who are dissatisfied with the law itself, dissatisfied with the level of compensation that is specified in the law or dissatisfied with the way someone at Manitoba Public Insurance treats them.

I do not mean to suggest we get every single thing right. We do not, but when we find something

that needed to be done differently, we act as quickly as we can to make it right, and we make a lot of effort to work with our staff and to make sure that they understand the processes and we have some very, very well documented rigorous processes to keep track of how well they do what is required of them. When you talk about the fact that 400 appeals went to the Automobile Injury Compensation Appeal Commission we also need to recognize that in two-thirds of the cases, historically, two thirds of the cases, they confirm the corporation's initial decision.

Mr. Cullen: Thank you very much for those comments, and clearly most of the claims are worked through the process and work quite well.

I guess from Manitobans' perspective when they go through an appeal, as you say, there are options for appeal, every time they turn around they realize they are dealing with somebody who is employed or paid by Manitoba Public Insurance, so the perception there is that they are still dealing with the corporation, fighting against the corporation, and that is the perception that is there.

I think there is just one minor thing for clarity, and I had a nurse the other day and talked to her and she was getting a letter from MPI and it was, in fact, the letter telling her that, yes, this was the end of it, she has 60 days to appeal, but even as an educated nurse she could not interpret that from that particular correspondence. She had to go to a lawyer to get that ascertained. So little things like that, and the contacts and the frustration that people are feeling, it is just some issues there that have to be addressed and, I guess, what we can do is we can certainly bring those specific issues forward with your staff and hopefully they will be able to move them through the process.

Just in terms of some of the report here, I noticed the chronic pain on page 23, we are seeing a very dramatic reduction in the chronic pain in 2004 and 2005, and I am wondering, it is all related to this whole claims issue and the PIPP issue, why there would be such a change in the last couple of years in that particular area of claims.

Ms. McLaren: Yes, if you look at the second-last line on that table, the Other category, you can see that it has decreased from 3800 in 2001 down to 1500 in 2005. Basically, all the other categories have increased because we have tried very hard to do a better job of categorizing the claims up front. So it is

one of the things that we have really worked towards doing, and one of things that we were also able to do was better identify when there is more than one source of the injury or more than one situation the person is dealing with. We are making a better effort to categorize those as well. So, really, the number of times that we encounter someone and are able to work better with them early on to reduce the extent to which they will have chronic pain in the long run is really why you would see a decrease like that.

Mr. Cullen: I know those are primarily the people that I hear from, that are suffering through chronic pain situations and not being able to resolve their claims, and I just wondered if there was some kind of correlation there. I found it interesting when I was reading through the report to see that.

I do want to just switch gears a little bit here and talk about the amalgamation. I guess the fear here that we have and Manitobans have is in terms of the transparency and accountability of how this amalgamation and new way of doing business is going to work itself out. One of the startling things in the 2004 report here in my mind is that, in 2004, these two organizations were run as stand-alone operations which made costing more transparent. As the corporation moves to integrate similar functions and maximize synergies to improve service delivery, opportunities to report on the discrete costs of many, many licensing functions will decrease in a comparable manner. In my mind, it is telling Manitobans that we have put these two entities together and we will not be able to sort out the financial aspects of it. I think that is pretty alarming from our perspective.

I want to get a feel from you how you see this amalgamation working. I know there is going to be funding come forward from the Province to pay for the administration of the old Driver and Vehicle Licensing to the tune of \$21 million or \$22 million per year. I am wondering what the offset coming back to the Province is going to be. How are the driver licensing fees, the vehicle registration fees—I assume they are going to be collected by MPI. Where do they go once they have been collected?

Ms. McLaren: The vehicle registration fees since the corporation was established have always been collected by the corporation and then forwarded to government. Now, with the amalgamation, the same thing will happen with the driver licensing fees. We will collect and forward to government. So the \$20

million is the money that the government will continue to transfer to Manitoba Public Insurance to cover the cost of that licensing function that was handled by 300 staff for the most part. That is what the \$20 million is about.

All the fees that are collected through the registration of vehicles and licensing of drivers are just collected through the process because it is an integrated process. You cannot really tell the difference between insurance and registration when you are in the broker's offices paying your Autopac or paying for your driver's licence. Those fees, those licensing and registration fees will immediately be forwarded to government just like they always have been on the vehicle side.

Mr. Cullen: Mr. Chairman, do you have an idea, I am sure you will, what kind of dollar figure, then, we are talking about in terms of the transfer from MPI back to the Province?

Ms. McLaren: Yes, it is actually on page 48 of the report. In rough numbers, it is \$100 million in vehicle registration fees and driver licensing fees that have historically been charged to those users and ended up in government revenue.

Mr. Cullen: Well, certainly, there are a number of issues that come forward in regard to that. So, in essence, the Province is going to be netting out probably \$80 million, in terms of those fees. I guess I am wondering what their specific uses for those particular funds, in terms of once it is transferred to the general operating, are those funds going to be allocated? Where? Will they be used for road repair or are there specific uses for that extra \$80 million?

Ms. McLaren: What we have always understood, and what we have always explained to Manitobans when asked, you know, "What is this registration fee for," those monies are transferred to government. It is the government that sets those fees and the government collects those fees and we have always understood to tell Manitobans that those funds become part of general revenues. Through government's normal budgeting and accountability processes, those other decisions are made. The registration fees for vehicles, to my knowledge, in the 30 years that I have been concerned with issues like this, have never been specially identified for any particular purpose other than they flow into general revenues.

* (10:50)

Mr. Cullen: Mr. Chairman, clearly it is, I guess, not an issue for MPI, but I think it is certainly a government issue. I think the government of the day owes Manitobans an explanation of, where that \$80 million or more, what that particular money is going to be used for.

Mr. Mackintosh: Well, as the member knows we have significantly increased our investment in Manitoba roads and therefore driver safety. These are, of course, the decisions of government in terms of its priorities. I think the enhancement to funding our roads and the safety of Manitobans is a good one. It is a good place for further investments. If the member has any further comments in terms of earmarking, he can certainly deal with the Finance Minister on that, but I think the answer has been provided to the member.

Mr. Cullen: Mr. Chairman, I think it actually raises some very interesting questions and concerns. We will certainly be addressing those with the minister of highways because in my mind the provincial transportation budget is pretty well being spent at \$120 million, it is about the same as the revenue collected on gas tax, so there is probably another \$80 million that Manitobans would hope that could be used back for road repairs. So we will certainly follow that up with the Minister of Transportation (Mr. Lemieux).

In terms of the amalgamation process, we had about 300 individuals or positions move over to MPI. I understand there were a number of retirements around that time. You lost quite a few, maybe, senior staff from DVL, is that correct? I am wondering how the amalgamation went in terms of slotting those 300 positions into MPI, and how the business process review is actually going, and how that process is working, and how the individuals were treated, and if the compensation in salaries worked out to be similar, or if there are any significant differences there in terms of salary for those positions moving from DVL over to MPI.

Ms. McLaren: There are a number of questions there. I am trying to make sure I do not forget them. There were, I believe, two retirements of senior DVL people shortly, I guess, within the first year after the amalgamation was first announced. The one individual, really, was the key management

person reporting to the senior management of Manitoba Public Insurance, really, had offered and we had gladly accepted his offer to sort of extend his planned retirement date and stay with us a bit longer to help ease the transition. That individual did that. It helped us out a lot. We were very appreciative. He has now retired. One other person did retire. So, in terms of that, it is going pretty much as expected.

The first step in the amalgamation was the negotiation of an agreement between the Government of Manitoba, the Manitoba Government and General Employees Union and Manitoba Public Insurance to negotiate an employee transition agreement which contained all the different components of the amalgamation and how it affected individuals employed by the government in the department and the Division of Driver and Vehicle Licencing. That employee transition agreement was signed, I believe, in June of 2004 and it specified things like the slotting of DVL employees into the MPI pay plan. That process started last year and was concluded just a few weeks ago according to the parameters defined in that negotiated employee transition agreement. The outcome of that is that some employees moved to somewhat higher pay scales, some were moved to lower pay scales, but no one actually received a cut in pay. There will be a transition period by which people will eventually, with several mitigating steps along the way, be slotted into a pay scale and will receive pay commensurate with where they were slotted in the pay plan, but no one has lost money because of that.

There were a couple of exceptions, outriders where there were significant differences where that job was slotted and where they were currently paid in the government pay plan, but those are really exceptions.

Mr. Cummings: I have a question for the minister. Going back a little bit, he was quite quick to point out that where assistants may have been reimbursed by MPI, that that had occurred before he came into office.

But I think the key is what exactly do these assistants do. He can work around this any way that he chooses, but one of the things that was always an important criterion is whether or not that assistant was doing other things as well as answering MPI calls. Can he tell us the nature of the work that his assistant does and the nature of the reimbursement?

Is this assistant on the payroll of MPI, or is his office reimbursed by MPI?

Mr. Mackintosh: The job description mandates the executive assistant to deal with concerns about MPI that have been relayed to the minister's office. So it will be dealing with the individual claimants, and it will be dealing with MLAs, for example, and their questions, but almost all of the calls or letters deal with specific claims.

So that individual then will get background information to answer questions from the claimant and will let the individual know, if it is a dispute, as to available appeal mechanisms. So part of the duties will be to discover whether the person has accessed the appeal routes or the review route and letting the person know.

Sometimes there are questions about the legislative scheme. Sometimes there are questions from MLAs that are more on sort of legislative policy. In that case, it is not a matter of MPI so much but responses about the legislation. But, by and large, it is, say, the individual claimants that will contact this person. There are some, as the members know, some repeat callers or some people who may disproportionately take the time of the assistant, but the work is confined to MPI work.

In terms of the method of pay, it is my understanding that this position is funded from MPI as it always has been, to my understanding, since at least 1997, I am advised.

Mr. Cummings: This person, male or female, whoever fills that position, the minister is certainly entitled to support in his office, but when it is paid from an outside source like this, can you assure the public that this person does not become involved in political commentary, political support within his office, or whether or not this person, in fact, engages in doing other work within his office that is not directly related to MPI.

Mr. Mackintosh: No, this individual only deals with MPI work. What she does after hours is up to her, but her job description and what I know of what the incumbent and earlier incumbents have done under my tenure has always been strictly MPI work and nothing else. There is no Justice work, no constituency work at all.

While the pay structure has been in place for some time, she reports to me, takes direction from

me and consults on a fairly regular basis in terms of some of the more unusual matters that come in. I can say that for, I think, there has been three incumbents in that period of time while I have been in that office.

* (11:00)

Mr. Cummings: Well, what the minister has outlined is a little difficult to swallow, having experienced a few months in an office where a myriad of calls come in, but I am not challenging his word. What has happened, and it seems to be happening across this government now, is where there is a blurring of a line of responsibility between what our political staff, which the ministers' offices generally have charged to them, and they are what they are, they come and go with the government, they are there to serve the public. Obviously, that is not in question, but the lines become blurred, and one of the reasons that the minister's office has accepted the cost of these assistants was that it was very easy for those lines to become blurred in the day-to-day operations. I see this tied back to the fact that, it seems to me, the corporation, when we switched to PIPP, that it was always very much the opinion and the direction that I was led to believe was occurring, was that the claimant's contacts within the corporation would become the advocate. In other words, the claims adjuster would not become an adversary so much as they would become the advocate on behalf of the claimant to ensure that they received benefits that they were entitled to. I wonder if the minister feels that the calls that are coming in have any reflection on whether or not that is occurring in the corporation.

Mr. Mackintosh: Over my tenure there is a consistent pattern of people usually phoning or writing in with concerns because of disputes about the value of their vehicle or the amount of their benefit claim adjustment and, perhaps, you know, sometimes referring to different disputes in the medical reports, issues that I know the member saw as well, and I know the incumbents have always been able to cut through, I think, a lot of the differing levels of service at MPI to get answers on a relatively timely basis and get back to the claimant, but those are my only comments.

Just to go back, I am not aware of the EA doing anything other than MPI work and do not even know if there would be time for that, but the incumbent has an office in this building and is not assigned work from my office on anything other than MPI issues.

Mr. Cummings: Well, let me ask another question on whether or not, in the minister's opinion, the corporation has moved forward in what was the stated position in the introduction of PIPP, that the intake, i.e., the adjuster or whatever title that person might have, would become the advocate in the sense that they would also show the claimant the critical path that they would follow if they were dissatisfied.

I know that there is a mechanism for internal appeals but that has become the outstanding issue with the public as to whether or not they are able to easily access the appeal process internally and then, ultimately, to the final appeal board that is at arm's length from the corporation. We even have the situation where the appeals board to at least one person that I know of said, "Well, you should get some legal advice before you bring that to us." This was meant to be a user-friendly, readily appealable, not necessarily to the benefit of the person, but the appeal process was meant to be readily available and easy. I am wondering if what the minister just outlined and, as much as he keeps an assistant full-time busy on just concerns that come in from MPI, if that is a reflection on whether or not the corporation is able to move the appeals process along so the clients feel that they are getting adequate opportunity to express their position or their concern or have answers raised. It strikes me that if the minister's staff is that busy that perhaps what we are hearing and what we are concerned about has some validity.

Mr. Mackintosh: I just got a note to remind the committee that a number of the calls are not from claimants either. They may be from people who may want to have a claim or wondering if they should have a claim or wondering how the insurance scheme works and where they can go to get payments made and so on.

I am not in a position to provide an assessment as to the approaches that may or may not have been there before and after PIPP because all I can talk about is my period of incumbency. I know that the figures that we have show that there has been some increase in appeals filed. That does suggest that the appeal mechanism is accessible or more accessible perhaps. It also may suggest that there is more dissatisfaction with particular claims. But I think, as the CEO said, when you look in the context of the volume of claims being dealt with and you look at the claimant satisfaction measurements that MPI has introduced, the annual report speaks to what appears

to be overall some increase in satisfaction with MPI treatment, and you can see in there there are a number of measures that they use in terms of courteousness and timeliness and so on. But those indications are I think very strong that MPI is providing a good quality of service and perhaps the CEO only wanted to speak to the issue of changes before and after PIPP that may be useful.

Mr. Cummings: I would be interested to hear what Ms. McLaren feels in terms of whether or not the clients should feel that the process is user-friendly.

Ms. McLaren: There are so many categories of injury claim. There are so many different kinds. When we talk about the fact that there may be as many as 400 appeals that is within the context of not only 15 000 injury claims in any given year but probably more like about 60 000 decisions that are made on PIPP files in any given year. So, I think, yes, I have to believe that the methods that we use to gauge the satisfaction of claimants are credible. They are devised and administered by experts, devised and signed-off with respect to the credibility of the process by external experts in terms of how best to gauge those kinds of things on the part of a clientele.

I think it is very, very key to our understanding of the Personal Injury Protection Plan itself and the role that case managers, adjusters play in the lives of people unfortunate enough to be injured in automobile accidents. They are the advocates. They are the partners. They work with people to help them recover to the extent possible their pre-accident way of life, their pre-accident functioning. Not everyone is going to agree with us and not everyone is going to be satisfied with either what the legislation specifies or the way we deal with their particular circumstances, but I have a great deal of confidence that our injury case managers do understand their role, that they live and conduct themselves in a manner consistent with that role, and I think for the most part it is really the only way to make a plan like that successful particularly for people who are seriously injured.

* (11:10)

You know, the good news is we talk about 15 000 injury claims a year. Fewer than 3000 people a year in Manitoba are injured severely enough to need income replacement because they are hurt so badly that they lose the opportunity, at least for a

while, to continue their employment, less than 3000 of the 15 000. More people need short-term rehabilitation. Fewer even than the 3000 need help with personal care assistance in their homes. A few hundred need that kind of assistance. When you think about the fact that we still have several dozen injury claims alive and open and active on an ongoing basis from 1994 when the Personal Injury Protection Plan started and more every year that are started that, unfortunately, will not close for probably 50, 60 years, the ongoing relationship that our case managers have with claimants is absolutely at the heart of the success of the program, in my view.

Mr. Faurischou: Mr. Chairperson, I would like to recognize that this is the first opportunity I have to congratulate Ms. McLaren to ascending to the chief executive officer's position and also to welcome Dan Guimond to the executive position with the Corporate Insurance Operations.

I would like to ask about the corporate legal services. Currently, what level of staffing do we have in that division and has that grown from previous years?

Ms. McLaren: Yes, thank you. We have 12 lawyers in our corporate legal services area and that is significantly fewer than we had in the tort world prior to 1994.

Mr. Faurischou: I would like to find out when legal services is actually consulted in particular cases that could potentially go to litigation. I have before me correspondence that has been issued from senior claims from Manitoba Public Insurance Corporation for out-of-town claims and it states, and I will read from the particular correspondence. "When our insured left the roadway to avoid the accident in front of him, he acted in an 'agony of collision' and was justified in taking the remedial action that he did." It goes on to say: "That even though we find there is no negligence on our part, we are prepared to pay 50 percent of damages." Now this is involving an innocent bystander, a particular avoidance maneuver of an already-existing accident site and it seems, by the litigation, or by the correspondence, that one is willing to accept 50 percent. Now, this is made on the strength within this to say that litigation will be costly and therefore we urge you to settle. Is this correspondence issued with consultation with your legal department, or do your claims people consult with the legal department before issuing this

type of correspondence? When is your legal department engaged?

Ms. McLaren: I certainly cannot speak to that specific letter but, certainly, the legal department is consulted directly on any particular circumstance that is out of the ordinary. The legal department clearly helps us establish corporate policy and guidelines that are consistent with the law, consistent with court precedent, and makes sure therefore through its overall direction that the activities of a senior adjuster in the out-of-province area would be consistent with precedent and the legal status in any particular situation. On a case-by-case basis, adjusters and claims management have whatever access they need to legal services to find out whether a particular situation does warrant a different course of action or is something that can be handled as they would have handled previous cases along more of a precedent-setting kind of way.

So, in general terms, they would not consult on each and every case that had any legal angle to it, if I can use the vernacular, but I think the concept of having legal set the framework and staff work within that framework is what we work with. Staff really themselves have the authority to decide when they need to get confirmation that they are still within the framework or whether something different needs to happen.

Mr. Faurischou: I appreciate, Ms. McLaren, your statement that the individual would be familiar with the court precedent and that, although involvement of an innocent bystander here, and my knowledge of U.S. legal action, that they have never put to my knowledge a greater percentage of negligence or fault greater than about 13 percent involving someone who had absolutely no involvement with the accident whatsoever, to say that this somebody was 50 percent at fault for an accident that had no involvement whatsoever seems to me as being extraordinarily high-handed, and challenging the individual to get themselves a lawyer and to try and take on Manitoba Public Insurance Corporation. I wonder whether or not this case has been considered by legal and whether the out-of-province claims specialist is, in fact, going this alone, testing the waters without legal consult or not.

Ms. McLaren: It is really difficult for me to respond specifically to something that I am not familiar with. Just based on my ability to hazard a guess at the

situation, based on the reading that you gave us at the beginning of this example, I speculate that we are not in any way saying that we think it is reasonable to share responsibility for the accident on a 50-50 basis with the innocent bystander and the operator of the vehicle.

I think, effectively, what it sounds to me like we are saying is that when it was an agony of the accident, agony of collision, what that means is there is no liability at all on the vehicle operator's part, none. Not that they share it 50-50, but that really there is none. It was an unforeseeable circumstance, that they took reasonable action in the fact of that circumstance. Therefore, there is no negligence, and because there is no negligence, the liability portion of that individual's policy would not be expected to respond.

We do not have sort of no-fault automobile insurance in Manitoba. We have tort-based compensation still when it comes to vehicle damage and other situations like that. We have no-fault injury compensation in Manitoba, but what we are saying, I think, is that in that particular circumstance, there was no negligence on the part of that vehicle operator, therefore the policy of third party liability held by that individual with Manitoba Public Insurance has no legal responsibility to respond to paying anybody's damages. By offering to pay 50 percent, we are simply saying this whole thing could get tied up in court and we would spend a bunch of money on legal fees, so let us see if we can negotiate some sort of settlement. We are not saying anybody else was negligent either. We are just saying that that vehicle operator was not.

Mr. Faurchou: Yes, I appreciate it. I can share the file number and everything with you, so we can view it, if possible.

One other question in regard to out of town, an interpretation of Alberta legislation, it is something that I am concerned about and I wonder whether MPIC, or through the minister's office, has made response to legislation changes by the Alberta government.

In fact, what they have changed is section 48(2)(a) and (b), which changes the 90 days which is recognized as being a period of time which a person with a registered vehicle from another province now was working and residing in Alberta

from, effectively, consecutive days to cumulative days. So when one was, for instance, working in Alberta and came home every second week as time off, the clock would restart. However, now, with these changes, if you are in Alberta more than 90 days in a whole year's time because the days—the clock is not reset when they leave the province.

* (11:20)

So I wonder whether or not Autopac has, or MPIC, or the minister's office, made representation to the Alberta government. This is to recognize the out-of-sync position Alberta has taken in regard to the rest of the provinces, Manitoba included, across Canada which use a consecutive day period of in the province. I understand their legislation—it was in 2003 enacted, and is currently under review.

Mr. Mackintosh: I know there is some considerable concern about this. I thank the member for his correspondence. I have in front of me the response from the Alberta minister of September 14. This essentially does involve a vehicle registration issue rather than an insurance issue per se, although MPI may want to comment on the lay of the land from their point of view.

We have referred this to the Minister of Transportation and Government Services (Mr. Lemieux) with a view to him to considering whether to bring this to the FPT meeting and to raise it with his counterpart in Alberta. That would be the appropriate channel. My understanding from the minister's office is that he has some interest in raising this. I understand that they are meeting in the next little while as well.

Mr. Faurchou: Well, the case to which the correspondence was issued is in relationship to insurance issue. The individual, the Manitoba registry had attempted theft and damage was incurred and MPIC has refused the individual coverage on the basis of exceeding the 90 cumulative days clause by the Alberta legislature. I, basically, in reading the correspondence from the minister, he is really leaving it up to MPIC as to determine whether or not the situations are in compliance with Alberta law or not. In the particular case to which I refer, we are really splitting hairs because it is just a matter of a few hours either way of whether or not the 90 days has been exceeded. I would encourage or hope that MPIC would, effectively, attempt to do what is best

by Manitoba registered and insured vehicle operators.

Mr. Mackintosh: Perhaps I can return to the corporation in terms of how they dealt with this particular claim.

Ms. McLaren: The Alberta situation is one that we are very familiar with in the corporation. We have been having a lot of conversation since 2003, really, trying to get, on a number of occasions, clear and consistent direction from the officials who administer that legislation in Alberta. Now, again, it is very difficult to comment on a particular circumstance, but if what you are saying is the first time a Manitoban who believes himself to continue to be a Manitoba resident has been denied Autopac coverage because the Alberta Registrar said that he ought to have been registering there, that is not consistent with our corporate policy. Our policy is to make good on that coverage, to pay claims like that, but then to set the stage with that policy holder and let them know that they may be contravening Alberta law. So, if you have got a situation where first time out, first situation we have actually denied a claim, that should not have happened and we will make it right.

But I think it is important to note that the situation in Alberta is, as you have said, very significantly different than it is elsewhere in Canada, but there are other jurisdictions in Canada as well moving away from—the way it used to always work is that jurisdictions would expect you to register a vehicle in their location when you became a resident of that jurisdiction. Very clear, through other legislation in all of the different jurisdictions, is a description of what it truly means to become a resident. Things like where do you actually have a permanent home, bank accounts, employment, health coverage, all of those things. But there is a move away in a number of jurisdictions, a move away from that pure residency as we have all come to understand it, to this: "Is the vehicle in my jurisdiction, and if it is in my jurisdiction for X amount of time, I want it registered in my jurisdiction."

So Alberta is not the only one moving there, but, given the change that they have made with respect to the difference between consecutive and cumulative, it is very likely that people could legitimately qualify for registration in more than one location, and that is where it gets difficult. But, if the location where they

truly do qualify is outside Manitoba and the registrar in any jurisdiction says that vehicle must be registered here in our jurisdiction, by law that makes their Autopac insurance invalid. So it is an insurance issue driven by the registration requirements. I think we do need to follow up on the case if you are saying that we actually have denied a claim first time out, someone was not aware of the provision, because it is different than the way the rest of the country works.

One of the concerns that we have is that there is no way to identify the people who will be affected. When it is based on residency it is very clear. Brokers and all kinds of people in Manitoba know enough when they come in contact with someone who is about to leave, you lay out the lay of the land for them. You tell them what you have to do when you get to your new jurisdiction. People take up temporary employment in another province, they do not have contact with anyone else, they just go off and work. So it is a challenge and that is why we have taken the corporate policy that says, first time out we will pay those claims but then we will make people aware that they may be in contravention with Alberta law.

Mr. Faurschou: Well, I really appreciate your comments this morning, and the interpretation in this particular case was the Manitoba Public Insurance Corporation's decision to deny coverage in this case as based upon their own policies and their interpretation of our regulations. I believe this is saying that Alberta is not going to come back to Manitoba to see whether or not the person has declared whether they were there 91 days or 90 days and a few hours, and so I appreciate the leniency that you have said that the corporation will be looking at it. Thank you.

Mr. Penner: Mr. Chairperson, I want to go back to the discussion on staffing that my colleague, Mr. Cummings, raised before, and I want to ask the minister, or maybe I should be asking MPIC management, how much the cost to the corporation is of employing somebody being employed by the corporation as I understand it that is actually housed in the minister's office. What would the cost be, the annual cost?

Ms. McLaren: The payroll costs would be the same to the corporation wherever they were located, and I think I have someone behind me who will get the

actual salary for the person in question, but there is no real substantive difference to us. They are on the payroll in a particular pay category and their compensation would be based on that. So whether they were in the minister's office or not would not make a fundamental difference to our costs.

Mr. Penner: So the corporation is actually paying full salary cost of a person who is housed in the minister's office that is deemed to be responsible to and for MPIC?

Ms. McLaren: Yes, that is my understanding. They are on the payroll because that position is understood to be solely dedicated to MPI work. They are on the payroll, but they do reside in the minister's office, that position.

Mr. Penner: So this person is deemed to not to be a political person?

* (11:30)

Ms. McLaren: They are deemed to be someone handling Manitoba Public Insurance casework in the minister's office. Yes. I would by definition, I guess, agree with you. Yes.

Mr. Penner: Well, I am just trying to get something clear in my mind here. Having been born and raised outside of the political process, I am somewhat naive on some of the things. Having represented organization as well in a leadership sense and having been a minister of the Crown, I mean it gives you, maybe, a different perspective than the average layperson might have. But I find it rather interesting that there would be a position created that the corporation would assume the liability for from a compensatory standpoint and would be working out of the minister's office and deemed not to be political.

Ms. McLaren: We have had that position funded by the corporation on the corporation's payroll since about 1997. Our understanding has been that they handle MPI casework, whether it is phone calls, letters, requests for assistance from other MLAs. As the minister talked about earlier, that is MPI case work. That has been in place for eight years now.

Mr. Penner: I find that interesting, as well, because I think I was on the board. The reason I say this is because I think there are some things that happened

in the corporation and in government sometimes that board members and/or even members of the Legislature are not always aware of. It came to me as a bit of a surprise when I heard the conversation here a little while ago that the minister was actually employing, being paid for by the corporation, a person that was entirely directed towards corporate complaints, basically, because ministers, and having been there, normally only receive complaints and/or compliments, maybe he gets more compliments than complaints, but that would appear to be the position. Would his person's other expenditures, such as if the minister deemed necessary that this person might be asked to travel to a country outside of Canada for matters such as, maybe, discussing reinsurance matters with other corporations or other countries, would that person's travel and expenditures be covered as well by the corporation, or would that be accrued to government?

Ms. McLaren: A scenario such as you have described has not happened for quite a long time, but I believe those expenses would have been covered by the corporation at that time.

Mr. Chairperson: The hour being after 11:30 a.m., we need to canvass the committee and see how much longer we want to sit.

Mr. Cullen: Mr. Chairman, I just wondered if we could review the situation at twelve.

Mr. Gerrard: I am very comfortable with that, reviewing it at twelve.

Mr. Reid: The suggestion is, then, to review the sitting time at twelve noon, but I am wondering whether or not there is a willingness of the committee members to at least pass the dated reports that we have before us here so that we do not have to deal with that matter at twelve noon then?

Mr. Chairperson: I hear a consensus that we review the sitting time at twelve noon. It has also been suggested that we try to pass some of the dated reports now. What is the will of the committee?

Mr. Cullen: Mr. Chairman, we are prepared to pass the reports for the years 2002, 2003.

Mr. Chairperson: Okay. The Annual Report of the Manitoba Public Insurance Corporation for the year ending February 28, 2002–pass.

The Annual Report of the Manitoba Public Insurance Corporation for the year ending February 28, 2003–pass.

We will go back to questions, and just before I recognize you, Mr. Penner, can you pull your microphone closer to you or speak into it, please?

Mr. Penner: Thank you very much, Mr. Chair. Normally I am accused of being a bit too vocal, and I was trying to be soft spoken today, that the record would show that.

The other question I have in regard to this, Mr. Chairperson, is this: If the government of Manitoba, for instance, would decide that there needed to be involvement in negotiations and/or intervention on matters such as the manager I described a little while ago, where rates have gone up and liabilities since 9/11 have increased substantially and especially premiums would have increased substantially on some of these insurance matters even in reinsurance, if the minister or a premier decided to travel to another country to enter into some of these discussions with other large insurance companies, would those costs be covered by the corporation or have they at times been covered by the corporation?

Ms. McLaren: We have never had anything like that happen with Manitoba Public Insurance, no. I would have to consider with my partners here how we would figure out the cost allocation if it did. I guess if there was a situation where any, in my limited understanding of accounting principles and the corporation works very hard to comply with generally accepted accounting principles, if there is a legitimate case to be made that a consultant, a minister, anyone would need to assist in the placing of a reinsurance program that would be a legitimate cost to the program, it would be legitimate for the corporation to bear that cost. But that has not happened.

Mr. Penner: A case such as that could in fact happen at times if the request was made.

Ms. McLaren: Again, my understanding is that if it is a legitimately recognized requirement of the corporation's business, then the corporation should bear the cost of that.

Mr. Penner: Are there any other staff or salaries of staff or remuneration to staff or individuals that

would be employed by the corporation from time to time that are permanent staff somewhere else within government, be they political or otherwise?

Ms. McLaren: No. I think in the situations that Mr. Cullen referenced earlier there were some other ones, like the corporation does have an arrangement by which it funds one of two Crown prosecutors who are fully dedicated to automobile insurance and automobile theft related claims, things that affect the financial situation of Manitoba Public Insurance. We do fund the Winnipeg police auto theft unit. Though there are program-specific initiatives where we have agreed to fund certain positions for fixed periods of time, none of those positions are on the corporation's payroll, and they are all very, very much program-specific with specific initiatives and mostly, not always, for specific periods of time. I say not always for periods of time, because the Winnipeg Police Service auto theft unit has been ongoing for several years, the contract is always for fixed periods of time, but the initiative itself has been ongoing for awhile. So, no, there are no other positions nor have there ever been other positions to my knowledge on the payroll. Any other funding is on a program basis.

* (11:40)

Mr. Mackintosh: Just to follow up on one of the questions from the member, this executive assistant deals with casework, not general policy development. I am not aware of any example of travel that I can recall, and I cannot imagine the circumstance where that would arise. So I think it is a moot point. This is a case worker, and I do not think there are ever situations where travel would be required.

Mr. Penner: Thank you both for those comments.

One other question. It was referred to in the media a short while ago that there might be some assistants and/or communications people and others who might from time to time be deemed political who might be compensated through government corporations. I mean, I think that was the reflection in the article.

Is Manitoba Public Insurance Corporation involved at all in remuneration for any so-called or deemed political staff, other than the person working out of the minister's office right now?

Ms. McLaren: No, the corporation does not fund political staff or have any on its payroll at all.

Mr. Penner: No travel or other kind of remuneration that has ever been requested?

Ms. McLaren: That is right. We have nothing like that.

Mr. Gerrard: First of all, congratulations to the new president and CEO, and my first question is to her.

Manitoba Public Insurance Corporation, as we have been discussing, pays for a staffperson, who is currently, I believe, Pauline Riley, in the office of the Minister responsible for MPIC. Pauline Riley's position, I understand, reports directly to the minister.

Can the president tell us how much was paid for this individual in the year ending February 28, 2005?

Ms. McLaren: We certainly would be able to get that information. I do not have it available to me right here.

Mr. Gerrard: The information that I have is that the salary range is from \$46,000 to \$58,000. The question that I would have to the president: Is this more than \$50,000?

Ms. McLaren: Under provincial law we have responsibility to disclose the names and salaries of any employees who are paid more than \$50,000, yes. My understanding is that when I told you we would be able to get that past information I very likely was mistaken, because that individual's salary would not have exceeded that amount, and therefore we would not have any right nor legislated authority to disclose that information. At such time as it would cross that barrier, it becomes public information, it is on the list and it is available for one and all to get hold of.

Mr. Gerrard: This individual, as I said, the most recent, I believe, Pauline Riley, was that person hired by the minister, or was that person hired through the normal hiring practices and approaches of MPIC?

Ms. McLaren: That person was hired by the minister. To clarify my earlier comment, salary ranges are disclosed, but the specific salary for individuals not obligated to disclose by law is kept private for that reason.

Mr. Gerrard: If it was greater than \$50,000, you would disclose that salary?

Ms. McLaren: Yes, that is right.

Mr. Gerrard: My question—

Ms. McLaren: This \$50,000 legislated requirement pertains to the corporation's fiscal year. Anyone paid \$50,000 or more within a particular fiscal year must be disclosed on that list.

Mr. Gerrard: Now my understanding is that there were five people who have held that position under the current minister, not three, as the minister reported earlier on, that from November 26, '99, to July 24, 2000, Mark Kernaghan was employed; from July 13, 2000, to June 29, 2001, it was Benedict Capilli; from July 9, 2001, to November 29, 2002, Grant Prairie; from December 11, 2002, to September 11, 2003, Sara Freund; and from October 6, 2003, to the present, Pauline Riley .

I would ask that the minister confirm that these individuals were indeed employed in this position while he has been minister.

Mr. Mackintosh: Well, I can double-check the record, but I will not say who were the EAs with the former minister. Just to the best of my recollection, I think I have had three and maybe I have had four, but some of those dates, I believe, would be under Minister Barrett's tenure in that portfolio.

Mr. Gerrard: To the minister's knowledge, have any of these individuals been involved in political activity during, for example, the last provincial election campaign?

Mr. Mackintosh: If the member is asking has the incumbent been involved while she is in her work hours in political activity, to my understanding, the direction is not to be, because her job is, as her job description states, to deal with MPI issues.

What she does after hours or on her own time is her own business. She has been a politically active person. That is her business after hours or in the noon hour or whenever she is not on the job as an EA to the minister for MPI issues.

Mr. Gerrard: So the minister does acknowledge that Pauline Riley has been a politically active person, not on MPIC hours but at other times.

Mr. Mackintosh: I do not think this has anything to do with an incumbent. This has to do with the job

description and how a person is remunerated for that. I have answered those questions, and, indeed, in terms of the activities of any of these executive assistants, what a person does on their own time is their own time.

Mr. Gerrard: My question to the president: Does MPIC contribute dollars directly or indirectly to the support of or payment to any other government MLAs?

Ms. McLaren: No, it does not.

Mr. Gerrard: Are there any payments, for example, made directly or indirectly to the MLA for Transcona, who also sits on the board? Does he get expenses or travel or honorarium or any other form of reimbursement or advantages from being on the board of MPIC?

Ms. McLaren: Yes, as a member of the board of directors, any member would receive the compensation that is specified to that position and are entitled to reimbursement of expenses incurred in fulfilling their duties as a board member.

Mr. Gerrard: Can the president indicate what that compensation is and what the expenses that would have been covered for the member might be during the last year?

Ms. McLaren: Yes, I believe the annual compensation is \$7,500.

Mr. Gerrard: Can the president give us any details of travel or other expenses which might have been covered as part of his duties on the board?

Ms. McLaren: With respect to the particular member, I believe those expenses are very minimal. We have some board members who live out of town who have travel expenses to attend board meetings, but the board members, most of which are located in Winnipeg, have virtually no travel expenses, and very, very few board members have travelled outside of Winnipeg, outside of the province on any board duties.

* (11:50)

Mr. Gerrard: Did MPIC, my question to the president, contribute financially to the cost of travel expenses or other costs of the 2020 consultations

which were carried out under the direction of the MLA for Transcona?

Ms. McLaren: No, it did not.

Mr. Gerrard: Earlier on, the president indicated that there were no costs at all or money flowing to any other MLAs. We now have found out that there was, but I just want to give the president one more chance to make sure that she is not missing anybody else who might be receiving funds or travel expenses or other remuneration from MPIC who is a government MLA.

Mr. Mackintosh: I am surprised if it is a surprise to the member that an MLA who is on a Crown corporation board is paid for that. That goes back so many years; and, by the way, I find it interesting the whole line of questioning coming from a Liberal, but I will restrain myself. I just find it amazing that he thinks that this is some revelation. The member puts in tremendous efforts and a lot of hours, I can tell you first-hand, on the MPI board, but this is a well-established practice and is well founded. It goes back over many governments and many different stripes.

Mr. Gerrard: My question was to the president, just to give the president one more opportunity, if there are funds going to any other MLAs.

Ms. McLaren: On a retrospective on an historic basis, there would have been other MLAs who were members of the board who would receive the compensation and reimbursement of expenses entitled to them as members of the board. Currently, we have one board member who is also an MLA. I cannot think of any other payments the corporation would ever have made to any MLA except for those appointed as board members.

Mr. Gerrard: My question to the minister deals with the issue of auto theft. We have had a big increase in auto theft. Does the minister know whether any individuals involved with auto theft have FASD?

Mr. Mackintosh: First of all, I just want to correct the member's statement. The indications are that there is a decline in auto theft. The numbers that I have received so far this year indicate significant decreases in places like Brandon, significant decreases in places like Portage. I know that is a welcome relief and, as well, decreases in Winnipeg. I

understand rurally, down 14.4 percent. There seems to be some pattern that I hope holds, but, again, it is cautious optimism at this time. We are working hard to make sure the numbers continue to decline.

In terms of the profile of those involved, we recognize that there are some who are chronic repeat offenders that are at high risk to reoffend. It is those individuals where there is intensive supervision and interventions. Manitoba Corrections has developed its efforts to identify those who are the chronic repeaters and focus on greatest risk, rather than applying the same interventions and supervision to everyone equally, because that is not, I do not think, in the public interest, and the public expects us to deal with the greatest risk, so that it what is happening.

Mr. Gerrard: The minister avoided my question. My reference, of course, was to the numbers in the annual report. Now, does the minister know whether an individual with FASD is more less likely to be involved in auto thefts than somebody who does not have FASD? Is the answer to this question known? Is there any link between the presence of FASD and the auto thefts or some of these repeat auto thefts?

Mr. Mackintosh: Well, I can let the member know that they have been developing some initiatives unique to offenders who have, indeed, been identified as having FASD, which is not always an easy task as the member knows. But, for those who have been identified in certain situations, the Provincial Court, partnering with other agencies and Manitoba Justice, has been developing an FASD initiative to ensure that there are different interventions available for those individuals because the characteristics, the behaviour of those individuals does, in particular circumstances, call for different interventions. So that is developing here in Manitoba. I think we are providing some leadership in going in a new direction here. That initiative, I know, will continue to develop, and again I would compliment the work of the Provincial Court in particular, but there are other active partners that are dealing with that.

As well, in community corrections, the department has developed unique strategies to deal with FAS offenders, and we all recognize that this is a real challenge and that there need to be a more targeted and specific interventions in certain cases.

Mr. Gerrard: The issue and the question is whether there is any link between the presence of FAS and the increase in auto theft. I would ask the president whether there has been any research or information which would link these two.

Ms. McLaren: I understand that there has been work in this area, but I cannot tell you whether definitive conclusions have been made that link the increase in auto theft to the potential increase in number of people with FAS. I do not know that.

Mr. Gerrard: I think that I did not get a good answer from either one, and it is apparent that the answer is out and that the research has not been done, and not hearing anything different. Clearly, that is an important issue and needs more work.

Now, I have a question to the president and it deals with circumstances. Let me just read you an individual e-mail from an individual who sent it in and who says as follows: "My father was involved in a minor collision at The Price Chopper on Stafford. Someone cut the corner while making a left and hit him. The other car was really beat up, so no damage was visible. My father's car sustained minor damage. In subsequent phone conversation with the other parties, the husband alleged that my father had rear-ended them and that there was paint on the rear to prove it. Everyone to whom I tell this story says, 'Well, they can analyze the paint.' They could, but apparently MPIC do not and will not. So, although the paint could provide evidence as to the proof of the matter, it may not be tested by MPIC."

Well, my friend was told, "Your father can take the other party to court." Yes, but the concern here was that the other car will have long since then been scrapped or repaired, so the evidence would likely have been destroyed. Even though in this case it was clear to him and his father that the other party was 100 percent at fault, because there were two in that car and they would witness for one another, it would be very easy without any evidence for the fault to be found 100 percent in the wrong direction.

I would ask to what extent MPIC actually gathers evidence and goes out and investigates claims to make sure that there is adequate evidence and information on which to base decisions of allocation of fault.

* (12:00)

Ms. McLaren: Our staff work very hard to make sure they have the information in front of them that enables them to make a reasonable decision with respect to liability. The decision that the corporation's staff make, though, in each individual case is to keep the claims process moving. Everyone has access to the court for a definitive judgment on the part of a magistrate or a judge with respect to liability in automobile accidents. So we work very hard to make sure that we collect the evidence, that we have the information. We provide guidelines to staff; for example, you cannot place as much emphasis on a witness inside one vehicle as on an independent third-party witness standing on the corner. Those guidelines are provided to staff. So I think, you know, in terms of some of the circumstances you talked about, that it would not just be viewed as two against one and therefore the two win against the one. We do our best to obtain information. We look at the damage on each vehicle, and we can certainly make a lot of determinations, how the accident happened just by where the damage ends up on the vehicles. In this particular case, it was no damage on one and minor damage on another. But in terms of to what extent do we go to. Do we, you know, have staff go out and obtain paint samples and pay to have those samples analysed in each and every case? No, we do not. You know, there is a reasonable cost-benefit decision that has to be made in a lot of cases to the extent to which you use laboratory research to come up with a determination of fault in a situation that, really, from your description particularly, resulted in no damage and then minor damage on the other vehicle.

Mr. Cullen: I think when we go through this process of question and answers and, I think, the whole idea is about transparency and accountability; that is what Manitobans expect from this government, and, I guess, part of the issue is given this government's track record in dealings with Crown corporations, we need lots of opportunity to question the government of the day. I found it somewhat alarming that the Minister responsible for MPI does not realize where the \$100 million for vehicle registration fees and driver licensing fees would be allocated to. *[interjection]*

Well, from there, and we realize that funds were going to general revenues, but we are not sure once being allocated for from there, especially when we are seeing such a substantial increase in registration fees over the last few years.

One issue the Public Utilities Board raised in regard to the amalgamation of MPI and DVL was in regard to about \$6 million of computers and, as well, some outstanding commissions that were due to brokers. Can the minister tell us today if, in fact, the Public Utilities Board briefing was actually followed and those particular costs were actually paid by the Province prior to the amalgamation, or were those costs borne by Manitoba Public Insurance?

Mr. Mackintosh: I just want to clarify that it is my understanding that the answer was given about where the flow of registration fees, licence fees goes to, and it goes to the general revenue fund of the Province.

Mr. Cullen: Minister, would you care to comment in regard to the Public Utilities Board ruling on the computers and commission?

Ms. McLaren: I am not sure exactly what you are referring to with respect to comments about computers. I know the Public Utilities Board has raised the issue of the costs of the DVL operation and wanting to know that potentially new computer development would be allocated to the line of business, i.e., DVL, and not basic ratepayers are concerned about issues like that. There has been nothing evolved within the corporation to further their concern on anything like that to my knowledge. I guess, as you said earlier, we will find out shortly what evolving areas of concern they might have, but I do not think there are outstanding issues with respect to them and computer costs at this point.

The issue of commissions and who contributes to broker commissions is something that they did identify a while ago, and there had been an historic practice that the government would contribute to broker commissions for the handling of Autopac transactions. It ceased with the amalgamation because the work of that was all under one umbrella now, Manitoba Public Insurance, and I think we have yet to do some work with respect to completing the business process review, figuring out how best to align and make sense of the work that was done in the two organizations. So, again, that may be an evolving issue, but I do not think there are any real outstanding pressing issues on that front at this moment.

Mr. Chairperson: Excuse me. The hour being twelve o'clock, we are going to canvass at twelve

how long we want to continue sitting, or whether we are going to adjourn.

Mr. Penner: Mr. Chairperson, I wonder if we could just leave it open for a few minutes, I think we are about to close, for another 15 minutes or thereabouts.

Mr. Chairperson: Fifteen minutes has been suggested. Are there any other suggestions?

An Honourable Member: Well, review it on the half hour.

Mr. Chairperson: Well, I have had two suggestions from the same caucus, one 15 minutes and one 30 minutes.

Mr. Faurschou: I understand from the MLAs on the government side of the table that they have an obligation they must attend to. How much time do we have yet today because I know that there are many more questions to be asked? I know the minister did make a commitment that he would like to be more accessible in the process here and, I am sure, not wanting us to wait 18 months for another opportunity to ask questions of MPIC. So how much time, first off, do we have, and when would the possibility of reconvening be available?

Mr. Chairperson: Well, I did see a lot of heads nodding with the suggestion of 12:15, but then we heard 12:30. Shall we keep going and—

Mr. Reid: Perhaps the suggestion then of 12:30 to allow members to conclude their questions would be appropriate, and at that time the committee could rise at 12:30 then.

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

We will continue to sit till 12:30 if necessary.

Mr. Cullen: Mr. Chairman, I guess with the Public Utilities Board ruling in terms of computers, maybe it was more on a go-forward basis. Now there has been some discussion in the report here about changes that are going to be required or are being contemplated in regard to how driver's licences will be handled in the future. Clearly, we have antiquated equipment out in the field right now that is handling driver licensing, and obviously there is going to be a fairly substantial investment required in new technology to deal with driver licences. Clearly, I

guess what is going to happen now is those costs are going to be passed on to Manitoba Public Insurance. Would you agree with that statement?

Madam Vice-Chairperson in the Chair

Ms. McLaren: Finding a way to get a driver licence system available to Manitobans that meets the standards of the day is Manitoba Public Insurance responsibility, but I think within that framework it would not be accurate to suggest somehow that means we will simply just be loading more costs onto Manitoba Public Insurance. We have the opportunity and the obligation to find ways to meet those requirements as cost-effectively as we can. We have some opportunities, as the business process review comments that you made earlier, that will allow us to do things a little bit more effectively, smarter, potentially with fewer people allocated to the work that they need to do right now if we have a more modern system. So there are certainly opportunities to redesign the work and therefore reconsider the costs that might be driven from that.

So it is in the very early stages of review. Certainly, there will be costs associated with coming up with a new driver licence system. But, again, those generally accepted accounting principles, when you do systems development, you have an obligation to expense those costs over the expected life of that computer system, which is usually some many years. Also, we may very well have the opportunity to do the work more effectively on a less costly way that may net those costs out. It is too soon to say right now.

Mr. Cullen: Clearly, we hope through this amalgamation process that Manitobans will be served better and there will be efficiencies in the system that can be passed on to Manitobans.

In terms of the review of driver licensing, is the intent to stay with the same type of merit-demerit system that we have become accustomed to, and do you anticipate any change in the actual physical driver's licence itself? I know that is a question that Manitobans have had for quite some time. They feel our current driver licence pieces or whatever you want to call it are a little antiquated as well. So I am just wondering what the thoughts are in going forward, and how soon we can maybe expect some changes in that regard.

* (12:10)

Ms. McLaren: We will know more about how soon Manitobans will actually start to experience changes possibly as early as the next month or so. We are working on that issue right now, and it really does, over the long term, encompass both things. The look and feel of the driver licence will need to change just to keep pace with emerging national and international standards with respect to driver licences.

Do we believe that it would be to everyone's advantage to think about some changes to the system of merits and demerits and surcharges as it relates to insurance rate setting and insurance premiums? I think so. I think there is a bit of a disconnect right now between vehicle owners and driver licence holders when in the vast majority of cases they are one and the same person.

We have this three-year moving window with respect to driver licence surcharges and discounts and the merit discount program. People may be a vehicle owner one day and next month they are not a vehicle owner. We treat them differently because, up to this point in time, we have had to look at them through different lenses. We look at them through the driver licence system and we look at them through the vehicle registration system, Autopac OnLine.

We think in the future we will be able to have a better integrated view of Manitobans and, therefore, be able to deal in a more relevant way with Manitobans on the risk that each brings to using our roadways.

Mr. Cullen: A question in regard to your delivery system. I know in Manitoba we are using the broker system quite extensively, especially throughout rural Manitoba. I am just wondering if that particular delivery system will continue to be used.

Ms. McLaren: Manitoba Public Insurance has always had a strong relationship with independent insurance brokers, and the corporation's strategic direction is for that to continue.

The insurance landscape is changing almost as much as the reinsurance landscape is changing. One of the things that is happening more and more is direct writers of insurance, people who want to sell their insurance on-line directly with their clients and not go through independent insurance brokers. That does not fit very well for Manitoba Public Insurance,

if for no other reason than that we are also vehicle registrars and driver licence issuers.

I think you physically need to deal with people, to give them a licence plate, to confirm they are Manitobans, to take their driver licence photo. What better mechanism could we ever have than over 300 independent insurance brokers in about 150 towns and communities and cities across this province? It works really well for all of us.

Mr. Cullen: Thank you for your response. I just wonder if there has been any change in the number of brokers in Manitoba over the last, well, year, if you have information in that regard. Have you noticed any significant change in the number of brokers, or brokerage offices if you would have that?

Ms. McLaren: In the last year, no, not at all. If there has been any change there may have been a decrease of two or three, but I can tell you, since the early 1990s, there are about 130 fewer independent insurance brokers in Manitoba than there were. That is not because of anything Manitoba Public Insurance has any role in whatsoever. That is just really the nature of the insurance business, some of the pressures put on independent brokers by what is happening in the larger insurance marketplace, but there are fewer outlets than there used to be.

Most of the decrease has happened in Winnipeg, and some reduction in some of the larger urban centres outside Winnipeg, like Brandon and Thompson, for example, but, for the most part, today there are still about 115 towns in Manitoba that have one Autopac agent, one independent insurance broker. The small communities in Manitoba are still very well served.

Mr. Cullen: Just to confirm, when we talk about over 300, that is actually broker offices that we are talking about.

Ms. McLaren: Yes, that is right. To clarify my earlier statement, not only are the small communities well served, but all the big ones are too. There are plenty of Autopac outlets, independent insurance brokers, to meet Manitobans' auto insurance needs.

Mr. Cullen: I know over the past year there has been a requirement by brokers to upgrade some of their technology. It hit a lot, some of the smaller brokerages quite substantially, as these pieces of

equipment were \$5,000 and \$6,000. The brokers were required to have those. I know some of the offices in rural Manitoba—you know, there is quite a distance between offices—and it became another expense for them to factor into their operation.

Quite frankly, I know it is, I would not say forced, but certainly had a very strong impact on the closure of those offices, a couple of offices in rural Manitoba. I know we all like to stay up with the times and whatnot, but it seems to me it was a bit of a push to have that particular technology come forward when it did when I do not think it was necessarily required. Maybe that is from being a broker myself that I saw that, but I just wonder if you could comment on why that particular technology was necessary.

Ms. McLaren: Generally, what we always try to do is make sure that we can specify a technical requirement, a technical specification that the brokers must meet with their equipment. They will have a number of options as how best to meet it, and that really is wherever we can we leave that up to them. There are some limited situations. The printer that goes along with Autopac OnLine is a prime example, in the early days particularly. The Internet fax machine that you were referring to in the last year or so was another one where, given what is available on the marketplace, pretty much one make-model has to be established, and this was about a \$5,000 machine. It really was required to meet some of the emerging requirements of the registration business every bit as much as it was required to meet the emerging needs for efficient handling of Autopac transactions for, sort of, Manitoba Public Insurance requirements. It was a legitimate business need that we had talked to brokers about. We talked to the Insurance Brokers Association of Manitoba about, had their support for it, and we believed that we needed to move forward.

Mr. Chairperson in the Chair

We know that there are some brokers that have significantly lower commission income than the average. We worked with them to find ways that would mitigate this effect on them. We have given them all the opportunity to have, I think, three-year, interest-free loans payable back to Manitoba Public Insurance. We will fund it for them, so we have done whatever we can to mitigate the impact on them, but when it comes to making sure that Manitobans have

guaranteed equal service whenever they walk into an MPI Manitoba Public Insurance Autopac agent, that really is something that we are very strong on. We cannot have people walking into different brokers' offices and finding different levels of service, different financing options, differences like that that; then, they have to say, "Oh, gosh gee, that does not meet my need. I better walk out and try and find another one." So that standardization is very important, not for our needs, but for Manitobans' needs.

Mr. Cullen: Just before I turn over to my colleague, I just want to make a comment on that. I think when we look at the change in technology going forward, we have to bear in mind some of the unique circumstances in rural Manitoba. So, when you talk about delivering a product, we have to careful that we do not force some of our customers to drive excessive mileage to buy that particular product. So I think that is something we have to bear in mind going forward. We do not necessarily want our clients to be driving an hour and a half for service. So I just wanted to point that out and make you aware of that.

Mr. Cummings: A question for the minister. As I recall, Judge Kopstein was quite prescriptive about how the minister responsible in government could or should communicate with corporation. I wonder if the minister could tell us how he has chosen to communicate and/or give direction to the corporation.

* (12:20)

Mr. Mackintosh: Yes, we have spent some time looking at that issue to see how we can enhance our communications back and forth. First of all, I can say that with regard to the MLA's position on the board we have looked at that in terms of ensuring that there are greater communication efforts with that individual in terms of hearing about issues at board meetings as well, of course. Maybe I should start more in chronological order. I think one of the key elements of communication is around the agenda for the meetings and the background materials, so my office reviews that to see if there are any issues that jump out that we have questions about.

We always have to be recognizing that the corporation is at arm's length from the minister's office, as the member knows, and the relationship

depends on a communication that respects that. Indeed, if there is an interest from the minister's office in MPI looking at a particular issue, it is posed by way of question to the chair, and that is usually the path, a request that the board look at a certain matter. Sometimes the board would agree with the minister, and sometimes they do not agree with the minister. Sometimes they look at different approaches to certain things, but the minister does not tell the board what to do. That is my clear experience and, indeed, I think that was contemplated by the whole legislative scheme.

Those are some elements of it, and, of course, there are communications with the chair, communications with the president, depending on the nature of the issue. The more operational, the more the president may be called on, for example, to provide some information on the status of something that is more policy driven.

In terms of claims, I do not get involved in those at all. The minister's office, through the executive assistant, may, of course, ask for information on particular claims, and that unfolds quite well. Indeed, for claimants or for customers, information is then relayed to them based on the information received from the corporation. I should say, too, that the executive assistant who works in the basement of this building does a lot of communications without necessarily coming to my office. If there are routine matters and just requests for information, that can be provided directly without the minister's involvement.

Those are, I think, some of the elements that we have worked with, and I think there have been some improvements in terms of how to communicate back and forth. I should say, too, that we are not talking a huge frequency here. The communications are more around board meetings and certainly not daily, and perhaps not even weekly at all. The interest from the minister's office is usually more general direction and those kinds of matters. I think there has been more communication lately around the auto theft initiative, the immobilizer campaign and the auto theft suppression initiative, because of the connection with Manitoba Justice. So some of that is not even as Minister responsible for MPI.

I hope that answers the member's question.

Mr. Cummings: I sense the minister's slight unease, and it is always an awkward question for a minister

and a board chair and president as to how much communication is communication and how much is provision of direction, if at all, and how much is within policy. Judge Kopstein did suggest that direction from governments to boards, or communication, should, at some point, be communicated in writing. I am not sure if that has always been the practice. I wonder if there is any of that practice that occurs now.

Mr. Mackintosh: I think that is where there has been an area of improvement, where there is a request for consideration of a particular area of activity or a certain approach. I think it is fair to say that we are now doing that in writing so that there is a record of that, so that it is transparent in the sense of the corporation and the board knowing the nature of the request. But, again, it is not a direction. I do not believe I have ever been anywhere near giving any direction to the corporation, because I do not believe that is contemplated by the legislation, but it has been a request, that the board consider an option or an undertaking.

For example, this is a classic example, when the auto-theft numbers became unfolded for 2004, clearly, we knew we had to go in a different direction despite all the earlier initiatives. At that time, I asked the corporation and, indeed, made it public that I was asking MPI to consider options to provide greater incentives and sanctions, if you will, for the installation of Canadian standard immobilizers. So that request was made publicly. So the corporation took that request, and they hatched it out and looked at different options and actually came back then with a program that they were comfortable with.

There was an earlier example, as I recall, when we did the first immobilizer-incentive initiative. The Auto Theft Task Force in Manitoba had recommended that MPI do provide incentives for the installation of immobilizers, so I asked the corporation to consider that. So, I think, there has been some more regularizing those requests, but I say they are very few and far between.

Mr. Cummings: What is the nature of these communications? Are they subject to ministerial confidentiality, or can they be shared on request?

Mr. Mackintosh: Well, it is something I would like to consider. I think it is a good question. Perhaps we should look at what principle should apply to that

one because, obviously, we get into a new pattern of release. That is the role of FIPPA, but I am prepared to consider that and, perhaps, I can have some discussions with the corporation in an early stage about that. As I say, the last request for consideration of an issue, I believe, was the immobilizer issue. I could be wrong, but I think that was the last one. I made a public announcement about that.

Mr. Cummings: Does your assistant regularly communicate on your behalf with the board?

Mr. Mackintosh: The lines of communication for the executive assistant are at the staff level over there because there are operational issues, by and large, and where there are policy issues there may be some communications through her contacts, but I do not believe that she directly contacts any board member at any time, nor even the CEO, and I would be surprised even if it is the vice-president. So I think it is at a different level.

* (12:30)

Mr. Cummings: One of the serious aspects of the blurring of these lines that I think the minister himself would even acknowledge is that it does leave a perception that people in his office, no matter how clearly he would indicate their direct responsibility for MPIC matters, unless there is a huge change from how governments and ministers historically have looked at their personal staff in terms of their service, I would suggest that at some point the minister and this government are going to have to table criteria on how they believe people who are employed in the manner of which we have been discussing, where they are in fact assistants to ministers, but employed by entities that they are required to or expected to communicate with, that that does not fall into what has been a normal pattern of responsibility for executive assistants. I think that if nothing else comes out of this discussion, this government and this minister probably need to seriously consider providing a serious set of guidelines about how people in these positions may carry themselves, and what responsibilities and actions they can undertake, because, as has been rightly raised in a number of circles, it does create a situation that, in the eyes of the public and the expectation of the public—certainly, even as minister you get people who will call and say, "Well, you are responsible for this organization. I do not expect you to do anything other than defend the actions. So,

while I might be calling as a last resort, my expectations are not high."

I relate this to the appeal process in the corporation, the final appeal, which many people have been concerned about, and my colleague was asking the questions about how we can assist people better when they approach the appeal process. I see that very much a part of the credibility of the corporation, probably by the actions of the minister being called into some question about whether or not they truly have access to an independent and non-litigious format.

That is a big fuzzy ball, Mr. Minister, that I believe the public expects us as legislators to make efforts. There was a small effort made in the change to provide advocates. The answers that we have had to my colleagues questions, to me, have not satisfied the question about whether or not the advocates are indeed able, willing and properly equipped, or properly charged on behalf of the public to make this a more trouble-free and less litigious approach.

I have the highest regard for the senior people in the corporation, particularly the legal department, but, in moving into PIPP, I do not think that anyone has yet appropriately set in place a system that provides that level of comfort for those who are driven to that final stage of appeal.

I have constituents, calls from people who are of very modest means who, when faced with a situation where they have no spokesman except themselves and they are in front of an appeal body, just by the very nature of the situation, feel intimidated. That was never the intent. I know that we cannot always be open-handed and completely user-friendly, but I would like a commitment from this government that they will take seriously these concerns, and that we may have some debate in the upcoming session about how we can improve the appeal process. We can put on the record, from both sides, how we believe that could be improved and unfold to the benefit of the insurance customers in this province.

Mr. Chairperson: Before we give the minister a chance to reply, because it is 12:30, two things.

First of all, is there a willingness of the committee to pass the annual report of MPIC for the year ending February 29, 2004?

Some Honourable Members: Pass.

An Honourable Member: Agreed.

Some Honourable Members: No.

Mr. Penner: Mr. Chairperson, I wonder if we could simply not see the clock for a while until we finish, before you ask the question.

Mr. Chairperson: Well, I guess we will go to the next item, and that is what to do, since it is 12:30. Are there suggestions?

Mr. Mackintosh: Well, perhaps if I can just respond very briefly. I think that may deal with the matter.

Mr. Chairperson: Mr. Minister, to reply.

Mr. Mackintosh: I have never had any indication that the Appeals Commission was anything more than resolutely independent.

An Honourable Member: I did not say they were not.

Mr. Mackintosh: The member says, well, he is not suggesting that they are, but I want him to put that on the record. I think it was a huge step forward for Manitobans, for claimants, particularly those who are vulnerable, that the Claimant Advisor Office was established. This is new. This is a new direction, and the file is open in terms of how their jurisdiction will unfold, but we know now that this is a valuable

service that will be relied on by people who take matters forward to appeal. It will help to level the playing field and deals with, I think, a pattern of complaint. In fact I think it would be one of the loudest patterns of complaint that has developed over the years.

Mr. Chairperson: The hour being past 12:30, what is the will of the committee?

Mr. Cullen: Mr. Chairman, Dr. Gerrard, I think, has one question, and after that I think the committee can rise.

Mr. Chairperson: Is there a willingness to let Mr. Gerrard ask one question and then have the committee rise? *[Agreed]*

Mr. Gerrard: Just one confirmation from the president in terms of the compensation for the MLA for Radisson, I think it was \$7,500 on an annual basis, and he has been there for five years. So I presume that would be about \$37,500 over that five-year period.

Ms. McLaren: I believe that calculation is correct. Yes, it has been about five years and it is \$7,500 per year.

Mr. Chairperson: The time being 12:34, committee rise.

COMMITTEE ROSE AT: 12:34 p.m.