



**Legislative Assembly of Manitoba**

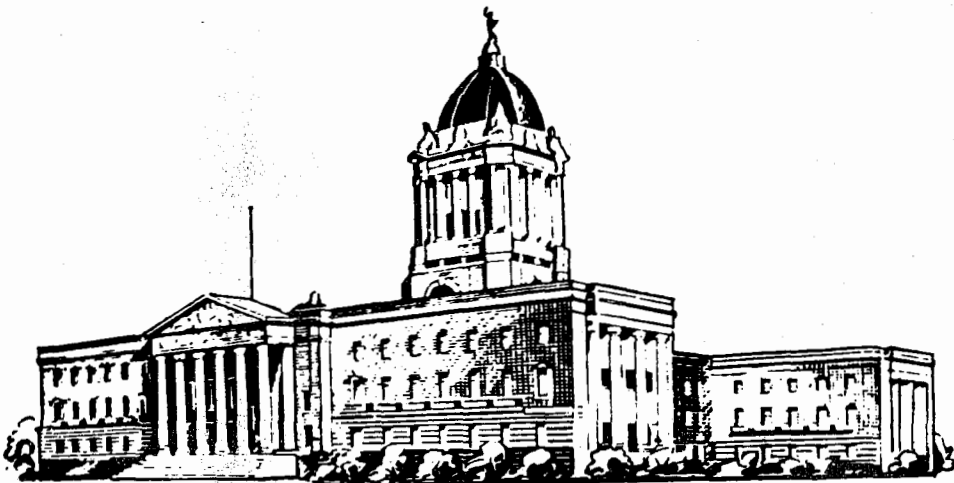
**HEARING OF THE STANDING COMMITTEE**

**ON**

**ECONOMIC DEVELOPMENT**

**Chairman**

**Mr. D. James Walding  
Constituency of St. Vital**



**TUESDAY, May 24, 1977, 8:00 p.m.**

**Economic Development  
Tuesday, May 24, 1977**

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**ME: 8:00 p.m.**

**CHAIRMAN, Mr. D. James Walding**

**MR. CHAIRMAN:** Order please. We have a quorum, gentlemen. The Committee will come to order.

The item before the Committee this evening is the Annual Report of the Manitoba Development Corporation. Mr. Green, would you like to introduce the Chairman please?

**MR. GREEN:** Yes. Well, Mr. Chairman, Mr. Parsons is no stranger to the Committee on Economic Development. He has been the Chairman of the Manitoba Development Corporation for many years. He has been here answering questions before, and he is here again tonight.

**MR. CHAIRMAN:** Mr. Parsons.

**MR. PARSONS:** Thank you, Mr. Chairman, Mr. Green.

I have as usual prepared all the portfolio of statements for our investment companies that have been handed out to the Committee, and I will start off this evening by a report on the MDC, and following that, we will take the individual companies as listed on the agenda appended to the front of our package of reports. If that's all right, Mr. Chairman, we will proceed that way.

The audited financial statement of the corporation for the year ended 31st of March 1976 showed that the corporation incurred a loss of \$2,368,000, compared with a loss of \$20,649,000 for the previous year.

Loans and investments at the 31st of March 1976 totalled \$23,912,000, a net decrease of 0,546,000 over the year. Loan principal repayments totalled \$19,769,000 while new loans and investments approved for disbursement came to \$10,664,000.00. I might comment at this point, there are two or three large loans that made up the return of the \$19 million — the largest of that being a lot, which is paid out in full, that came to over \$13 million in repayment.

The number and amount of the new loans and investments have reduced in comparison to prior years, and the corporation is available to provide financing at current market rates to aid and develop viable business projects. Although viability of the project is the major criterion, the economic and social benefits to Manitoba are also taken into account when applications are considered.

Flyer Industries Limited, a subsidiary engaged in the manufacture of electric trolley, and diesel trolley buses, has made good progress in the delivery of substantial orders awarded earlier to the company. The company has produced 480 buses during the 1976 calendar year and thus has completed the majority of its U.S. contracts. Since the year-end, Flyer Industries has now completed 1 of its U.S. orders, and therefore has completed its obligations with no penalties incurred.

As reported a year ago there was an orderly closing down of the operation of Saunders Aircraft Corporation Limited and subsequent to 31st of March 1976, the corporation appointed a receiver and manager to proceed with the liquidation of the company's assets. The cost of the residual programs including the service of the ST-27 aircraft sold or leased to operators has been underwritten by the Province of Manitoba.

Also of major importance was the completion of the multi-stage reorganization of the corporation's capital structure at 31st of March, 1976. The Province of Manitoba increased its equity in the corporation by \$45 million, and reduced the corporation's interest-bearing indebtedness by a similar amount.

This reduction which was effected on 31st of March 1976 established the corporation's indebtedness at a level which will eliminate the necessity for further provincial grants to the corporation to meet the interest charges related to its equity investment. It is particularly gratifying that the corporation has been able to terminate borrowing to meet its interest charges.

The corporation's activities during the year ended 31st of March '76 under Part II of the Development Corporation Act are fully reported in Note 10 of the corporation's financial statements.

Commenting on the report, in Mr. report, he mentions, and has since mentioned to the legislature on the auditing of several of our subsidiary corporations, and I have in consultation with him, now appointed outside auditors for Cybershare, Dawn Plastics, Dormond Industries, that were previously audited by the Provincial Auditor. He of course works in conjunction with the private auditors in this case, as he has done with the auditors of Flyer and Saunders, heretofore.

Now the statements of the Manitoba Development Corporation are laid out in quite some detail through our Statement of Income and Expense and the balance sheet together with the schedules of investments, loans in receivership and allowance for doubtful accounts, and we have put a considerable effort into the notes of the financial statement, to make it as clear as possible.

I would like at this time to close my introductory remarks, and be open for any questions that the Committee might have in regard to the MDC statement.

**MR. CHAIRMAN:** Would it meet the convenience of the Committee to ask questions first of all on the Manitoba Development Corporation Report, and then go through the list of other reports that you have before you?

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**MR. PARSONS:** I'll be quite willing to come back to the MDC report at any time, or any other further on in the meeting if you would like to defer questions.

**MR. CHAIRMAN:** Mr. Banman.

**MR. BANMAN:** Mr. Chairman, I wonder if I could suggest we go through the reports, and then come back to the report of the MDC.

**MR. CHAIRMAN:** If that is the wish of the Committee, then fine. Can we then take the first one on the list, William Clare (Manitoba) Ltd. Are there any questions on this report? Mr. Banman.

**MR. BANMAN:** First of all I noticed in the statement that was tabled just now, do we now own 20 percent of William Clare Publications?

**MR. PARSONS:** Yes, we do.

**MR. BANMAN:** The company defaulted on its first payment. Were there any payments made at all?

**MR. PARSONS:** No. We are now, just in the last two or three months, starting to receive royalties. As I reported last year, it's been a long program, we do expect royalties. I can report if you'd like, give you a little more up-to-date information on the William Clare statement. Basically this is, as you recall, is a publisher of mathematics modules, and there will be a series of 40 textbooks used in junior and senior high schools. Of those 40 texts, there has now been 22 completed, and are in the process of being sold, and there is 18 very near to completion. The company is really still in the development stages, and significant royalty revenue will not be received before 1979.

**MR. BANMAN:** Who is managing the company now? Is it still the same person, just with you owning the shares?

**MR. PARSONS:** Yes. One of our own staff is looking after the accounting. Really there is not very much in a management sphere to be done yet. The professors are completing the last of the modules. It is now in the publishing stage, and is solely with Rand McNally.

**MR. BANMAN:** So, the 20 percent partner that had the interest which you acquired when the first payment wasn't made on March 1st. Is he still employed with the company?

**MR. PARSONS:** No.

**MR. BANMAN:** When did that termination come about?

**MR. PARSONS:** Oh, I reported on that over a year ago. Basically the company does not have any employees. Our office is doing the accounting function such as needed.

**MR. BANMAN:** In the opening statement, the chartered accountants mentioned that the only significant asset of the company is the mathematics program. At what stage are we with that right now?

**MR. PARSONS:** That is what we just reported on. There is 40 modules to be done in that total series. There is 28 completed, and being published and sold. There is 18 in the almost completed stage, that will be ready for sale in 1979.

**MR. BANMAN:** Has there been any estimation as far as the amount of revenue that will be received from the sale of these modules?

**MR. PARSONS:** Yes, I do have an estimate. . . I guess I don't have it with me.

**MR. BANMAN:** Mr. Chairman, I wonder if it's fair to assume then, the accountant has sort of placed a value on it I guess of \$833,000 — that's the development costs. Is it the feeling of the MDC that we will recover those particular development costs?

**MR. PARSONS:** Oh yes. It will be quite a bit larger than that, but it will be over a period of time.

**MR. BANMAN:** So that you feel that as far as that particular program is a realistic figure, an amount possibly will be recovered by the company.

**MR. PARSONS:** Yes, I think that part will be recovered.

**MR. BANMAN:** That would then mean that if we recover that amount, we will have lost \$834,000.00? Is that fair to assume?

**MR. PARSONS:** No, if you continue to add on the interest charges and so on, the loss would be quite a bit higher than that. As you see, the interest charges keep accruing each and every year on that loan.

**MR. BANMAN:** On the sale of these modules, are we working on a royalty basis or is there . . .

**MR. PARSONS:** Yes.

**MR. BANMAN:** There hasn't been consideration by the MDC to sell this Rand McNally just to clear up the account?

**MR. PARSONS:** No, we could not do that. We attested to in the first stages but, no.

**MR. BANMAN:** Do you mean Rand McNally didn't . . .

**MR. PARSONS:** No, they would not consider that.

**MR. BANMAN:** What is the total investment as far as the MDC is to date with regard to this company?

**MR. PARSONS:** Well, the principal allowed was \$1,350,000 at December 1975. There is another \$200,000 still outstanding last year, and there's another \$180,000; there's about \$380,000 over and above that.

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**MR. BANMAN:** In the accountant's statement there are financial arrangements made available, an additional \$400,000.00. Would that include this \$380,000.00? Would that be included in that figure?

**MR. PARSONS:** Yes, I'm talking about total. Where is the \$400,000 you are talking about?

**MR. BANMAN:** On the first page, the third paragraph: "The company's present financial arrangements make available an additional \$400,000 beyond the loans presently received."

**MR. PARSONS:** Yes, that was \$200,000 by ourselves and \$200,000 by Rand McNally. But there's a \$180,000 over and above these loans.

**MR. BANMAN:** So that \$200,000 is included in the figure that you just gave me. What do you see as further investment of funds before we realize any returns on our investment?

**MR. PARSONS:** As I say, over and above this \$1,350,000 here, we are committed for \$380,000.00. I don't see any further beyond that. We are starting to get royalties back now. It's very small.

**MR. BANMAN:** Is there any further development, cost sharing with Rand McNally?

**MR. PARSONS:** Yes, the \$380,000 isn't totally expended.

**MR. CHAIRMAN:** Mr. Green.

**MR. GREEN:** Mr. Parsons, just to recapitulate, it seems to me that the Development Corporation many years ago stopped regarding this as a Development loan, that they had a certain amount of money invested and in their judgment the best way out for the province was to complete the program in conjunction with Rand McNally to see what moneys would come back.

**MR. PARSONS:** Yes.

**MR. GEN:** But it ceased to be a program where we were involved in trying to develop a publishing industry, provide outlets for artists or editors or other associated disciplines to be employed; that the Development Corporation felt that the most reasonable and prudent way of handling the thing was to do it finished on the basis that they were involved with a substantial house in the United States which could sell the product and that over the years we were better off completing it and hoping that the royalties would justify that rather than terminating the operation.

**MR. PARSONS:** That is correct. We have only put in the money we put in in the last two years, just finish off the program. We do not see that there is any development for the Province of Manitoba or has there been in last two years.

**MR. G. JOHNSTON:** Mr. Parsons, I can recall two years ago when you defended this loan quite vigorously.

**MR. PARSONS:** I don't think I ever defended the loan quite vigorously.

**MR. G. JOHNSTON:** Well, I you did.

**MR. PARSONS:** Well, the loan was made before I was there, before I was Chairman and General manager loan as conceived. I don't think I defended it. I may have stated why it was done.

**MR. G. JOHNSTON:** Well, Mr. Chairman, to Mr. Parsons, I ask this question. And I refer to Page 1 of the Chartered Accountant's Report when in the second last paragraph it is said, and I quote: "because of the significance of the matters discussed in the preceding paragraphs, we cannot and do not express an opinion on the accompanying consolidated financial statements taken as a whole to me as a damning statement. What was your action taken when you received this report?"

**MR. PARSONS:** I don't deem it as a damning statement at all. auditor Arthur Anderson. We're not prepared to state that the development costs of \$833,000 were actually recoverable. They don't know. They have stated the costs. That's all they have done. The recovery of these costs, as you see in the second paragraph and they state: "The recovery of these costs is dependent upon successful completion of the program and subsequent sales of prices and volumes sufficient to cover the costs of production including amortization of the deferred development. And that is what they are referring to when they say that they cannot express an opinion as to the value."

**MR. G. JOHNSTON:** Well, Mr. Chairman, through you to Mr. Parsons, have you reached a conclusion that based on the information that we that large amount of money going to company that's based in B.C.

**MR. PARSONS:** it is not.

**MR. G. JOHNSTON:** Well, how many jobs are in Manitoba?

**MR. PARSONS:** What do you mean, it's going to accompany?

**MR. G. JOHNSTON:** Well, how many jobs are in Manitoba based on this loan?

**MR. PARSONS:** There are none, but I've gone through that a year ago.

**MR. GREEN:** Mr. Chairman, on a point of order. Both in the last years and I don't know if Mr. Johnston was here at the earlier part of the but it was indicated that it is not considered a development loan. It doesn't provide jobs. The Development Corporation merely decided that the best way of handling it was to complete the modules and try to get the best value out of them. I don't know if that has to be repeated. I thought my honourable friend was here when that was stated by the Chairman.

**MR. G. JOHNSTON:** Well then, through you Mr. Chairman, to Mr. Parsons, how many jobs does this loan supply to the people of British Columbia?

**MR. PARSONS:** None.

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**MR. G. JOHNSTON:** Well, who is working on this project and where?

**MR. PARSONS:** There is no one working on this project in Canada now. It has been completely far as the development concerned. RandMcNally are finishing it off. They're doing the publishing and selling.

**MR. G. JOHNSTON:** Well, Mr. Parsons, to me this is a disaster. I don't know what it appears to be. Is there a cut-off point in your view? When should this be stopped?

**MR. PARSONS:** It will be stopped when the modules are completed.

**MR. G. JOHNSTON:** It should be completed very shortly. There are 22 of them on sale now and there is another 18 that are 75-80 percent completed.

**MR. G. JOHNSTON:** What is shortly? Is that a year or six months?

**MR. PARSONS:** Yes, a year maybe.

**MR. G. JOHNSTON:** So how much more financing will have to be put into it?

**MR. PARSONS:** There won't be any further than our commitments.

**MR. G. JOHNSTON:** So the people working on the modules pull out.

**MR. PARSONS:** No, the people working on the modules are professors and they're working on a royalty basis. They do not get any money until the modules are produced and bringing in income.

**MR. G. JOHNSTON:** Well, looking at the worst aspects of the loan, from the beginning. What do you visualize getting back from it, anything?

**MR. PARSONS:** Yes, we'll get royalties back sufficient to cover the majority of the loan but it will not cover the interest.

**MR. G. JOHNSTON:** Well, do you have a projection or a proposal to put forward as to what should be?

**MR. PARSONS:** I do not, but RandMcNally told us that our share probably be in the area of two and-a-half to three million dollars over a five to six year period.

**MR. G. JOHNSTON:** Well, do you have that in some way documented?

**MR. PARSONS:** No.

**MR. G. JOHNSTON:** You're told that.

**MR. PARSONS:** Yes. That's the basis of their putting their money in it.

**MR. G. JOHNSTON:** That's all.

**MR. CHAIRMAN:** Are there any further questions? Shall the report be received? Mr. Johannsson. Use the microphone please.

**MR. JOHANNSSON:** Yes, Mr. Parsons, you said that RandMcNally estimated that might get back 1/2 to 3 million?

**MR. PARSONS:** Yes.

**MR. JOHANNSSON:** And your total outlay, so far has been 1.6?

**MR. PARSONS:** No, it will be almost a million and threequarters by the time. . . A million and three fifty on that statement. There's another \$380,000

**MR. JOHANNSSON:** It's about two million, so 2 1/2 to 3 would not cover . . .

**MR. PARSONS:** No.

**MR. JOHANNSSON:** It wouldn't cover interest.

**MR. PARSONS:** No, the interest will run up. . .

**MR. JOHANNSSON:** So that 1.75 doesn't include interest.

**MR. PARSONS:** No, the interest accrues separately on each statement.

**MR. JOHANNSSON:** Okay.

**MR. CHAIRMAN:** Mr. Minaker.

**MR. MINAKER:** Mr. Chairman, I wonder if Mr. Parsons can advise of the \$1,730,000 expended to date many dollars of that stayed in Manitoba, either in terms of earned income or purchase order?

**MR. PARSONS:** Very little. I reported on it last year. I got the figure for your Mr. Banman and there's been none in the last year spent in Manitoba.

**MR. MINAKER:** So all of the \$380,000 expended to date, since our last meeting has been outside the province?

**MR. PARSONS:** Yes, it's not all expended yet, but it will be.

**MR. MINAKER:** And at the present time we're just employing I would presume, part time, one of the staff MDC to sort of oversee the account date?

**MR. PARSONS:** That's right.

**MR. MINAKER:** Can you advise me, Mr. Parsons, how many dollars you have exceeded what you said we were going to expend back in 1975 when we were talking about the expected total commitment in terms of dollars?

**MR. PARSONS:** At that time I think it was a million five fifty and there was \$180,000 extra over and above that that hasn't been spent, but has been authorized.

**MR. MINAKER:** So we haven't exceeded anything what you predicted the budget would be two years ago or a year ago. We're still within that budget.

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**MR. PARSONS:** I think two years ago I said it was going to be \$200,000 and there was another 180 shortly after that. The program dropped over a year behind. That money hasn't been expended as yet.

**MR. MINAKER:** And you now say that the maximum that expend on this particular project will be 730,000

**MR. PARSONS:** That's correct.

**MR. MINAKER:** And at the present time there is nothing in writing to commit our other in the states to bring us back any royalties other than sort of a shake of hand.

**MR. PARSONS:** Oh no, there's a royalty program.

**MR. MINAKER:** Oh there's a royalty program but there's no guarantee

**MR. PARSONS:** Oh, there's no guarantee. No.

**MR. MINAKER:** That's all I think.

**MR. SPIVAK:** Mr. Parsons, can I ask for the . . . October 19, 1976 for the year December 31, 1974

**MR. I'm sorry, and**

**A do not have the**

**MR. SPIVAK:** You don't have the '76.

**A MEMBER:** No.

**MR. SPIVAK:** Just a matter of practice, can you tell me when was this statement presented to the board?

**MR. PARSONS:** When was this statement presented to the . . .

**MR. SPIVAK:** This financial statement. When did the Manitoba Development Corporation Board Directors receive this statement?

**MR. PARSONS:** Must have been in November.

**MR. SPIVAK:** They would have received . . .

**MR. PARSONS:** November 1976.

**MR. SPIVAK:** November 1976. Has the Board on any occasion since November 1976 dealt with this company?

**MR. PARSONS:** receive regular reports on it.

**MR. SPIVAK:** Well, what type of reports. Financial Reports?

**MR. PARSONS:** Yes, to some extent. Not a true financial statement, not an audited one.

**MR. SPIVAK:** Well, is it a report from the officials of the Fund or the report from the auditors?

**MR. PARSONS:** No. It will be from the Fund, not from the auditors.

**MR. SPIVAK:** So from the auditors, the Board of Directors of MDC have not received any additional information?

**MR. PARSONS:** Not since this report.

**MR. SPIVAK:** Not since this report. In terms of monitoring this, because I'm going to try and deal with this as we deal with some of the other companies, to understand the operation of the board they received the Annual Financial Statement in October for December 31, 1976, there's no inclination on their part to try and receive from the auditors any interim statements at all?

**MR. PARSONS:** Not interim statements, no. They get interim reports.

**MR. SPIVAK:** But not from the auditors

**MR. PARSONS:** Not from the auditors, no. Through the board of the company and through our staff.

**MR. SPIVAK:** What type of information would you have furnished the board? In general. What type of information would you give to the board?

**MR. PARSONS:** On this particular company they would probably get an update on how the modules were being produced, what was being produced, what money had been expended from the time of this report to the time of the meeting, how much was left of the money that had been funded and not spent.

**MR. SPIVAK:** Is that the information that's been presented to the committee or is that information that has not been presented to the committee?

**MR. PARSONS:** Information that has been presented to which committee?

**MR. SPIVAK:** Well, this committee.

**MR. PARSONS:** Well, this committee is given the statement.

**MR. SPIVAK:** No, no, but that information been presented to the committee

**MR. PARSONS:** No.

**MR. SPIVAK:** Okay. I then would like to find out from you whether the information that has been presented to the board, which we are not privy to and which is not presented here, well, first can it be presented here?

**MR. PARSONS:** No. I think we just deal with the latest financial statement.

**MR. SPIVAK:** All right. Then I'm asking you now very directly, does the financial position and information furnished by the officers or the officials of the Fund to the board, in any way alter the statement that is presented here significantly in terms of the financial implications of this company?

**MR. PARSONS:** No. None other than what I've reported.

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**MR. SPIVAK:** None other than what you've reported.

**MR. PARSONS:** No. I reported that there is another \$380,000 in money to be utilized sir December of '75 that was authorized and that is . . .

**MR. SPIVAK:** Well, when was that authorized?

**MR. PARSONS:** One loan back in '75 hadn't been used up and the last one

**MR. SPIVAK:** After October 19th or after the November meeting?

**MR. PARSONS:** I would have to check that date.

**MR. SPIVAK:** Well, what I want to basically understand, because there's a difficulty in dealing with this and of the ability to be able to understand correctly the financial position of the company and the implications of what we're talking about with respect to the financial statement. The Board has had from, not from Arthur Anderson but from officials within the Fund, further financial information presented to it, you've said that that's the case.

**MR. PARSONS:**

**MR. SPIVAK:** And the Board has made judgments with respect to the company based on that information

**MR. PARSONS:** Yes.

**MR. SPIVAK:** And that information would not, in any way, alter the presentation that you have made to this committee.

**MR. PARSONS:** No.

**MR. SPIVAK:** Not at all.

**MR. PARSONS:** I don't believe so.

**MR. SPIVAK:** Okay.

**MR. PARSONS:** I've told you what the funds were and what been granted.

**MR. SPIVAK:** Okay, but in terms of projections, in terms of dealing with future, the board surely must deal with prospects for the future in terms of the commitments of financing that may be required. Is that not the case? The board reviews what has happened up to the point that it deals with the matter, but surely it must deal in the future as well.

**MR. PARSONS:** Yes, it deals with budgets.

**MR. SPIVAK:** Well, particularly in terms of the fact that there was, you know, the company failed to make a payment and the fact that surely the board must beyond the immediate, it must deal with that future.

**MR. PARSONS:** Yes. I said it deals with budgets and projections and I'm not quite sure what you're asking me I've told you that they've looked at these things and they have granted extra funds based on what it required to finish the program and what the possible royalty revenue would be.

**MR. SPIVAK:** There has been a budget projected to the board that has not been presented here?

**MR. PARSONS:** Yes. I don't present the budgets here.

**MR. SPIVAK:** Okay. So you presented the budget for the future, whatever the period may be. Is that for the year ending December 31, 1977?

**MR. PARSONS:** I'd have to check and see what date it was. There might be.

**MR. SPIVAK:** Has the board in any way questioned the information supplied by the officials of the Fund to it with respect to this company?

**MR. PARSONS:** I think there's probably been questions back to the Board of Directors of the company from the MDC board and probably the investment officers for information.

**MR. SPIVAK:** Well, but not just the information, you know, in terms of specific presentation but actually question the proposals of the officials of the Fund have presented to the board.

**MR. GREEN:** On a point of order, Mr. Chairman. As Minister for the Fund, I indicate that Mr. Parsons is brought here to answer questions on the basis of the financial information presented. I would not encourage, nor would I want him to be discussing the various debates, and there are many and arguments and questions that are raised by various board members about the activities of the meetings of the Manitoba Development Corporation. Ongoing procedures of the board are not the subject matter of the discussion before the committee. If the honourable member wants to know, do they have difference of opinion, do they question, do they probe — I should certainly hope they do. That is their job. But as to what their programs are, etc., that is not for the chairman to report to the committee of the legislature.

**MR. SPIVAK:** Mr. Parsons, if questions are raised here with respect to the operations of a company, for example this company, do you bring the questions back to the Board of Directors and indicate that the questions were raised in the committee or that a discussion took place? Do you convey any of that information back to the board?

**MR. PARSONS:** Back to the MDC board? I'm sure the MDC board probably read the proceedings. I don't specifically take them back.

**MR. SPIVAK:** So let's understand the procedure.

**MR. PARSONS:** There's no procedure for me to take back your questions to our MDC board.

**MR. SPIVAK:** Or our concerns. Well, I just want to understand the function. You . . .

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**MR. PARSONS:** I do not take back and specifically have a meeting to discuss the questions that you have asked me with our board.

**MR. SPIVAK:** That's fine. So you deal with the board after the statements are presented here on matters that are privy to the board; we deal with you on information that you supply here, but you don't have any obligation or you don't sense any obligation where you have not taken our concerns back to the board. Is that correct?

It's up to the board members — I want to understand this, it's up to the board members to make a judgment by themselves from either reading Hansard, or from the newspaper or what have you. What's the position?

**MR. CHAIRMAN:** Mr. Green.

**MR. GREEN:** On a point of order. The proceedings of what takes place in this committee are available for everyone to read and I'm sure that the board members hear about it because they discuss it with me, but I don't know whether there is a catalogue of concerns. There are some questions. For instance, of all the questions that were asked up until now, is that to my honourable friend the catalogue of concerns because if it is, the board of directors to my knowledge on William are has been considering all of these matters — if it is a catalogue of concerns. I thought it was questions. But I can assure the honourable member that the board asks more probing questions and more concerned than any of the members of this committee who ask questions. So I don't know at one has to try to equate the concerns. If the honourable member wishes any of the members to give them, he is welcome to send the proceedings to any member of the board.

**MR. CHAIRMAN:** Mr. Spivak.

**MR. SPIVAK:** Mr. Parsons, can I ask, when the Board of Directors receives the statement, as an example William Clare, how much time in advance of the meeting do they receive the Financial statement?

**MR. CHAIRMAN:** Mr. Parsons.

**MR. PARSONS:** A minimum of a week.

**MR. SPIVAK:** So they have a week's time to analyze to be able to ask questions of the officers of the board.

**MR. PARSONS:** All our board material goes out at least a week in advance to our board members so that they have time to digest it and so they can raise questions on it. Actually, in fact, most of these companies are reviewed every meeting. So it's an ongoing thing, it's not just once a year that this would come up.

**MR. CHAIRMAN:** Mr. Spivak.

**MR. SPIVAK:** No.

**MR. CHAIRMAN:** Mr. McGill.

**MR. MCGILL:** Mr. Chairman, I'm not sure, did Mr. Parsons tell us how many modules remain to be completed?

**MR. PARSONS:** 18 to be completed.

**MR. MCGILL:** Of the authors involved in these programs, how many are there in total and of those, how many are in Manitoba?

**MR. PARSONS:** I reported on this before, Mr. McGill. There's only two in Manitoba and I have to look up again to see what there is in total.

**MR. MCGILL:** Are the authors participants in the royalty program?

**MR. PARSONS:** Yes, that's the only way they do get paid.

**MR. MCGILL:** And do you act as an agent for the recovery of the royalties for the authors or are they reimbursed directly by Rand McNally?

**MR. PARSONS:** We get an accounting. They are reimbursed directly but we do get an accounting.

**MR. MCGILL:** Have some royalties been received up to this point by the authors?

**MR. PARSONS:** Yes.

**MR. MCGILL:** In your view, does the development and marketing of these programs suffer from the lack of someone in this side of the organization with the expertise that Mr. Clare brought to the company?

**MR. PARSONS:** When you say suffer, Mr. Clare did some of the work. There was also a Mr. Sheppard involved and is still involved in cleaning up the last 18 modules along with Rand McNally. He is on a royalty basis, we do not pay him.

**MR. MCGILL:** Is this not taking much longer than originally projected?

**MR. PARSONS:** Yes. It's at least a year and a half, maybe two years longer than originally conceived back in 1972.

**MR. MCGILL:** I believe the question was asked in another form and you may have answered it, but you have roughly \$1,700,000 now in the operation and, I presume, during the last twelve months there have been perhaps another 185,000 — not counting interest charges which are accumulating.

**MR. PARSONS:** No. The \$1,730,000 that I reported has not all been spent.

**MR. MCGILL:** So there have been no more loans as such.



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**MR. PARSONS:** No, I reported there was \$180,000 loan which was reported on before, but it has been expended.

**MR. MCGILL:** Most if it has been expended now?

**MR. PARSONS:** My assistant says that most of it is expended now.

**MR. MCGILL:** And there is still modules to be completed so that means that there will be more.

**MR. PARSONS:** At this point we don't anticipate there'll be much more beyond the \$180,000.

**MR. MCGILL:** Assuming normal marketing response, is there a possibility of recovering the loan and the interest accumulations over a period of years?

**MR. PARSONS:** No. I think the principal of the loans will be recovered but all the interest will be. And that is not my projection, that is Rand McNally's.

**MR. MCGILL:** You have one only employee at the present time.

**MR. PARSONS:** There are no employees in William Clare. One of our staff looks after it part-time. There's very little work at this end.

**MR. MCGILL:** Salaries would cover one of your staff.

**MR. PARSONS:** No. You're looking at salaries in this statement? Well, salaries in this statement back on 31st December 1975 was Mr. Clare.

**MR. MCGILL:** When did he leave the organization?

**MR. PARSONS:** The first part of '76.

**MR. CHAIRMAN:** Mr. McGill.

**MR. MCGILL:** Thank you.

**MR. CHAIRMAN:** Mr. Johnston.

**MR. G. JOHNSTON:** Well, part of my questions have been answered by Mr. Parsons to Mr. McGill but I still am curious to know — I realize this is for the year ending December 31, 1975, but on the last page, Schedule 2, the overall cost of doing business with this firm was \$65,000 down, you know about \$8,000 from the previous year. The professional fees were \$10,581, salaries were \$31,995 which is roughly \$42,000. Who received this money in 1975?

**MR. PARSONS:** I'm sorry, Mr. Johnston, I couldn't hear all the figures you were . . .

**MR. G. JOHNSTON:** Well, if you will refer to the last page of the report, Schedule 2. Professional fees were over \$10,000; and Salaries were nearly \$32,000. Who received this money?

**MR. PARSONS:** Schedule 2 of the report?

**MR. G. JOHNSTON:** Yes, on the last page.

**MR. PARSONS:** On the schedule of General Administration Expenses?

**MR. G. JOHNSTON:** Yes.

**MR. PARSONS:** Now you're talking about the \$32,000 for salaries?

**MR. G. JOHNSTON:** Right.

**MR. PARSONS:** In 1975, that would be Mr. Clare plus a part-time secretary.

**MR. G. JOHNSTON:** And who received the professional fees?

**MR. PARSONS:** The professional fees could be part of our charges. Our charges would be classified as professional fees when we charge the company for accounting and so on and some of those may have been Mr. Sheppard's. I don't know.

**MR. G. JOHNSTON:** That leads me to another question. If you had a staff person overseeing the operation would presume in the interests of the MDC — and I refer you now to the previous page, Schedule 2, editorial expense and salaries \$248,323.00 Who received that? Not only who received it, but how was it overseen — you said you had someone who was paid to take a look at the operation.

**MR. PARSONS:** Well this is an accumulation you're looking at — from the time it began. That's \$248,000.00?

**MR. G. JOHNSTON:** Yes. There was an addition of 40,000 plus.

**MR. PARSONS:** Yeah, this is the accumulation of Mr. Sheppard's salary and expenses — 833 is that part that is capitalized as Development Expense.

**MR. G. JOHNSTON:** Mr. Chairman, I would like a breakdown of the editorial expense and salaries.

**MR. PARSONS:** I got the breakdown of 248,000 last year for the committee and it hasn't changed. Someone asked me that question last year. I do not have that figure, but I will get it for you again. We dug out that 248 last year. Maybe it was Mr. Johnston that asked me last year. I don't recall.

**MR. JOHNSTON:** That's right.

**MR. PARSONS:** Well, I returned that to the committee.

**MR. G. JOHNSTON:** Okay. What is the addition . . .

**MR. PARSONS:** That is to be continuing. That is Mr. Sheppard's.

**MR. G. JOHNSTON:** So Mr. Sheppard received 40,000 plus.

**MR. PARSONS:** His salary was \$24,000.

**MR. G. JOHNSTON:** But then did he not receive moneys in the administrative expenses as well?

**MR. PARSONS:** No. The salaries in there, as I said, were Mr. Clare's as a senator.

**MR. G. JOHNSTON:** You mentioned Mr. Sheppard as receiving part of . . .

**MR. PARSONS:** I said there might have been some in the professional fees. I don't know what

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use are. I know that's part of our staff.

**MR. G. JOHNSTON:** Where is Mr. Sheppard?

**MR. PARSONS:** I presume he's still living in New York.

**MR. G. JOHNSTON:** You don't know?

**MR. PARSONS:** No.

**MR. G. JOHNSTON:** My God, you don't know?

**MR. PARSONS:** Should I know?

**MR. G. JOHNSTON:** Well, I think you should.

**MR. PARSONS:** He works for Rand McNally, not for me.

**MR. G. JOHNSTON:** But he's receiving large amounts of money.

**MR. PARSONS:** He's not been receiving any money from us since the beginning of '76. He was in New York then.

**MR. G. JOHNSTON:** What is your month-to-month or week-to-week or day-to-day communication with anybody at William Clare at the present time and during the past year?

**MR. CHAIRMAN:** Mr. Green.

**MR. GREEN:** Mr. Chairman, there are no employees at William Clare.

**MR. G. JOHNSTON:** I didn't ask that question.

**MR. GREEN:** Well, you know, who is he going to communicate with?

**MR. G. JOHNSTON:** Well, Mr. Chairman, I don't know what Mr. Green is interfering about. I'm sure I'm in order. I asked a question, and I'll ask it again. To Mr. Parsons, what communication does he have on a day-to-day, or a week-to-week, or a month-to-month basis for the past year with officials at William Clare.

**MR. PARSONS:** I do not have any. One of our staff and also one of the Board of Directors of William Clare are in contact with them.

**MR. G. JOHNSTON:** Where is that director of William Clare?

**MR. PARSONS:** Where is he?

**MR. G. JOHNSTON:** Yes.

**MR. PARSONS:** He's here in Winnipeg.

**MR. G. JOHNSTON:** Who is he?

**MR. PARSONS:** Mr. Remus.

**MR. G. JOHNSTON:** And during the past year an official of your department only communicates with Mr. Remus, is that correct?

**MR. PARSONS:** Mr. Remus and he are the ones that communicate with Rand McNally. I think that's what you're . . .

**MR. G. JOHNSTON:** Mr. Remus is an MDC director?

**MR. PARSONS:** Yes.

**MR. GREEN:** No, he's not.

**MR. PARSONS:** He's an MDC appointee as a director of William Clare. He's not an MDC director.

**MR. G. JOHNSTON:** That's all.

**MR. CHAIRMAN:** Mr. Green.

**MR. GREEN:** Mr. Chairman, I'm sorry, but I'm either lacking the same comprehension as the other members or I'm missing something. I'd like to reiterate.

William Clare Limited was a company that the Board of Directors of the Manitoba Development Corporation, way back in 1972 perhaps, decided that they would try to engage in a Canadian publishing company centered in Winnipeg. At that time it was the intention that the Head Office of the company would be in Winnipeg and that it would employ people in Manitoba. Is that correct?

**MR. CHAIRMAN:** Mr. Parsons.

**MR. PARSONS:** Yes.

**MR. GREEN:** And that the activities of the company were to engage in this program and then there was a film program and there was other possible publishing enterprises. Is that not correct?

**MR. PARSONS:** Yes.

**MR. GREEN:** And in a short period of time it became apparent that the company was not going to succeed financially?

**MR. PARSONS:** Yes.

**MR. GREEN:** And the Board of Directors at that time, which was several years ago, decided that the best way of dealing with the situation was to forget William Clare as a publishing company in Canada, complete one program, namely the module program, liquidate the other activities and engage with Rand McNally in the selling of this program in the hope that royalties would cut the losses of the MDC?

**MR. PARSONS:** Yes, that is correct.

**MR. GREEN:** Is that a fair statement? So for the last, at least, four years it has not been pretended or understood by anybody, except apparently Mr. Johnston, that there was an active William Clare publishing company with employees and activities in the City of Winnipeg.

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**MR. PARSONS:** No there's nothing.

**MR. GREEN:** Now Mr. Johnston refers to this as a disaster: Are you aware of a recent Lib Government enterprise in Nova Scotia combining with the Liberal Parliament Government Canada in building a cruise ship which hired nobody but off-islanders, has never been in the Hal dock and has now been received to the extent of \$6 million. And that is a disaster.

**MR. CHAIRMAN:** Mr. Minaker.

**MR. MINAKER:** Mr. Chairman, I wonder — through you to Mr. Parsons — is there a policy of MDC board with regard to companies where they are involved in either an equity holding or so that they set a time limit on when there would be an audited statement presented to the board?

**MR. CHAIRMAN:** Mr. Parsons.

**MR. PARSONS:** We attempt to get them as quickly as possible after the year end. On our equity companies we try to get them within three or four months' it's not always possible. With the other companies, our officers are after it all the time. They basically have them within six months.

**MR. MINAKER:** Within six months. Why I raise the question, Mr. Parsons, is that last year when dealt with MDC which I believe was about the same time area — I'm not too sure of the exact date at that time you were able to present an unaudited statement on April 31st year end. I think at that time \$1,660,000 were the loans accrued at that time and interest, yet it appears some nine months after — well, not nine but six or seven months after the year end of this company, we have got a statement for last year. I wonder, can you tell us why?

**MR. PARSONS:** A statement for the 31st December 1976?

**MR. MINAKER:** Yes.

**MR. PARSONS:** We haven't got the audited statement off yet.

**MR. MINAKER:** I asked you why.

**MR. PARSONS:** I can't tell you the reason right off hand. The auditors just haven't done it.

**MR. MINAKER:** And are these auditors situated in Manitoba or in the States?

**MR. PARSONS:** Yes they are in Manitoba.

**MR. MINAKER:** Anderson.

**MR. PARSONS:** Arthur Anderson. I think they are in the States as well.

**MR. MINAKER:** Mr. Chairman, in that figure of \$1,730,000 you expect that you will expend before the final completion of the modules — hopefully all the money is expended — does that include an interest accrued interest that you might anticipate in the next year on moneys out?

**MR. PARSONS:** No. It is shown separately on the statement.

**MR. MINAKER:** What do you feel the accrued interest will be by the end of next year? About \$300,000 more?

**MR. PARSONS:** Well if it shows a quarter of a million at that stage, it will be better than double that.

**MR. MINAKER:** So that in actual fact we are looking in excess of \$2 million before we start to look at a return.

**MR. PARSONS:** Yes, well over that.

**MR. MINAKER:** I wonder Mr. Parsons, can you advise me, do we charge W.E. Clare for Mr. Remond's services as the liaison and staff man working on this project?

**MR. PARSONS:** No.

**MR. MINAKER:** There's no charges.

**MR. PARSONS:** He doesn't get paid.

**MR. MINAKER:** Well his time must be worth money, is it not?

**MR. PARSONS:** He says it is, yes. But I don't pay him for it. He donates that.

**MR. MINAKER:** And he works for the government at the present time?

**MR. PARSONS:** He's chairman of the EDAB, yes.

**MR. MINAKER:** Pardon me.

**MR. PARSONS:** He's the Chairman of the Economic Development Advisory Board.

**MR. MINAKER:** His time that he puts in on W.E. Clare, is that during working hours, or on his own time?

**MR. PARSONS:** I can't tell you that; I don't know what his working hours are. He doesn't work full time I don't think.

**MR. MINAKER:** I wouldn't attempt to ask him more questions, Mr. Chairman, on this.

**MR. CHAIRMAN:** Mr. Johnston.

**MR. G.E. JOHNSTON:** Mr. Chairman, through you to Mr. Parsons, I understand fully that the William Clare project was instituted before you came on the scene. Is that correct? You were not either Acting or General Manager of the MDC when the Clare Loan was made. Is that correct?

**MR. PARSONS:** That's correct.

**MR. G. JOHNSTON:** When you became aware of the loan and started to look at it, could you explain to the Committee your understanding of the first contacts that were made between Mr. Clare and the MDC to establish the loan?

**MR. PARSONS:** No, I can't really. We have gone over that umpteen times, Mr. Johnston. I can't tell

u how it came about, because I wasn't there.

**MR. G. JOHNSTON:** Well, I'd like to go over it one more time if it's okay with you, Mr. Parsons.

**MR. PARSONS:** Well, it's really not okay with me. I can't say . . . .

**MR. G. JOHNSTON:** When a loan of this type is made, does a Cabinet Minister suggest to you a loan should be made, or is it strictly a contact between the individual and the corporation, in your experience?

**MR. PARSONS:** In my experience, no Cabinet Minister has ever requested a loan be made and that has been policy as far as I know, with the MDC on their part too. As I explained before, we minister the funding but there is absolutely no requests by Cabinet Ministers, or anyone else in the government, for that matter.

**MR. G. JOHNSTON:** I'll state my understanding of how the loan was made one more time, Mr. Parsons. I certainly don't agree with it and I think it should be known.

I was told that the Minister of Industry and Commerce was at a cocktail party in Vancouver and had a talk with Mr. Clare some years ago. And that was the basis for the beginning.

### **POINT OF ORDER**

**MR. CHAIRMAN:** Mr. Green, on a Point of Order.

**MR. GREEN:** He has asked the Chairman how that occurred. The Chairman says he doesn't know. Several times at Committee that suggestion has been made. No board member has ever confirmed it. Mr. Johnston wants to buy television time, or make whatever statements he wants in the House to that effect, let him make it. But that is not a question to the Chairman. He has asked the question to the Chairman and the Chairman says he has no knowledge of how the loan was made. So why are we going through this? If Mr. Johnston wants to make a statement to that effect let him call a press conference and make such a statement. It's not a question.

**MR. CHAIRMAN:** I would remind members that this is the part of the Committee meeting to ask questions of Mr. Parsons, and not to make statements. Mr. Johnston.

**MR. G. JOHNSTON:** Well, Mr. Chairman, Mr. Green has made a number of statements about other provinces and how they operate. Are you suggesting that members cannot make statements?

**MR. GREEN:** Yes, Mr. Chairman, that is exactly the case. If the honourable member wants to ask the Chairman to call me in order, he has a perfect right to do so. This is the time for questions; it is not the time for debating. And if the honourable member wishes to debate, he has a perfect right to do so in the House. But he has asked the Chairman on this question, the Chairman has indicated that he is not the Chairman. He does not know how the contact was made. What he has indicated is that it is not the policy of the MDC to make loans on the requests of Cabinet Ministers.

**MR. CHAIRMAN:** Mr. Johnston.

**MR. G. JOHNSTON:** Thank you, Mr. Chairman. In the event of Cabinet Ministers' suggestions to consider loans, first of all I ask you the question has this happened?

**MR. PARSONS:** No.

**MR. G. JOHNSTON:** It has never happened to you?

**MR. PARSONS:** No, it has never happened to me.

**MR. CHAIRMAN:** Mr. Green.

**MR. GREEN:** Mr. Chairman, on a point of order, just so that there will be no misunderstanding and suggestion that somebody is lying. People have been referred to me, who I have referred to the Manitoba Development Corporation with no recommendation one way or the other, except with regard to purchasing loans.

**MR. PARSONS:** No, that wasn't Mr. Johnston's question. He said that . . . .

**MR. GREEN:** Mr. Johnston says, "Have Cabinet Ministers ever referred loans to you?" I have referred people to you but I have never recommended that they be handled one way or the other. When they have contacted me, I have said, "You have to see the Fund."

**MR. PARSONS:** That is correct. And I have also had some gentlemen sitting around this table refer people to me. And that is quite in order. If somebody comes to see Mr. Spivak about a loan and he wants to make an appointment with me, then I will accept it from him, or anyone else. Now that's not a recommendation.

**MR. CHAIRMAN:** Mr. Johnston.

**MR. G. JOHNSTON:** That's all.

**MR. CHAIRMAN:** Are there any further questions? Mr. Minaker.

**MR. MINAKER:** Put it on the record, Mr. Chairman. I have never referred anybody to Mr. Parsons, just so it's quite clear.

**MR. CHAIRMAN:** Shall the report be adopted?

**MR. GREEN:** Well, Mr. Chairman, I think that our practice has been that we will get all of the information and I will at the close of this move for the report of the Corporation to be received, which will include all of the material.

**MR. CHAIRMAN:** Is that the wish of the Committee?

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**MR. GREEN:** It's just a matter of procedure; we don't adopt every report.

**MR. CHAIRMAN:** If that's agreed, we might move on. I would remind honourable members there are eleven further companies before the Committee plus the MDC and a total of thirteen further statements and we've taken almost an hour on the first one. The second one is Cybershare Limited. Mr. Spivak.

**MR. SPIVAK:** Just on a point of order, Mr. Chairman . . . this Committee received a accumulation of information obviously in the hands of the Board of Directors much earlier than to and obviously acted upon by the Board of Directors in a variety of different ways since the time received it, which is the proper way in which the Board would have to function. You know, Chairman, the fact is that we have been handed it today; we are asked to deal with it . . .

Our business basically is 78 percent in Manitoba and about 30 percent in the other provinces at the present time. Our base will also spread out to the other provinces for this next year.

Are there any questions on the financial statement of Dawn Plastics?

**MR. CHAIRMAN:** Mr. Banman.

**MR. BANMAN:** Yes. In the statement that was presented to us last year, May 31st, 1975, in the second paragraph of the Provincial Auditor's report, it mentions that there is a lack of effective cost accounting and management reporting system, and it indicates that the new management has recognized this and will be rectifying that.

In this year's statement we have almost exactly the same statement word for word. Is there indeed a move afoot to bring in a proper cost accounting system?

**MR. PARSONS:** Yes, there is. It was rectified to a certain extent but it wasn't rectified to complete satisfaction, or to the satisfaction of the auditors, and rightly so. It is a small operation accounting wise, to set up a costing system, and really, I think the costing system was probably adequate in the minds but on paper, it was less than adequate from an auditor's point of view. I don't think he says doesn't know what the costs were, simply the system that they examined wasn't to his satisfaction and that happens in many small businesses. The accountant, the manager, I think probably did know what the costs were that they didn't have them properly recorded. That is being solved; we have good RIA on staff, who is rectifying that.

**MR. BANMAN:** That particular person is employed with the company?

**MR. PARSONS:** Yes, he is.

**MR. BANMAN:** What is the total government involvement to date with regard to this company?

**MR. PARSONS:** The total government involvement?

**MR. BANMAN:** Yes. You mentioned that the company had bought some new equipment and note that we've got about slightly over \$400,000 more invested in public funds from the MDC, I think in this statement that is before us here now, plus there was an infusion of some green money, I think close to \$50,000.00. Is that right?

**MR. PARSONS:** Yes. The total involvement by the MDC as of the 31st of March, 1977 will be roughly \$800,000.00.

**MR. BANMAN:** And over half of that then came just last year, is that right?

**MR. PARSONS:** Yes. Close to half.

**MR. BANMAN:** When I look at the long-term debt, I noticed that the Manitoba Development Corporation debenture loan was \$73,000 last year and \$393,000 now. That is an increase of almost \$320,000, plus there's some current portion of the long-term debenture loans and promissory notes have also increased over last year.

**MR. PARSONS:** Yes.

**MR. BANMAN:** I also noticed that your loss was more really than your direct wages paid out. Is that right?

**MR. PARSONS:** The loss was lower. . .

**MR. BANMAN:** I noticed on your statement, you showed that you had a direct labour outlay of \$113,000 and the loss was, I guess, in excess of \$120,000.00?

**MR. PARSONS:** \$119,000.00.

**MR. BANMAN:** \$119,000.00.

**MR. PARSONS:** Yes.

**MR. BANMAN:** This company is also wholly owned by MDC, is that right?

**MR. PARSONS:** Yes.

**MR. BANMAN:** Was it taken over by . . .

**MR. PARSONS:** Well, this company was originally part of the old lighting fixtures company that went bankrupt several years back, and there was a small blow-moulding operation within the company that we extricated and set up Dawn Plastics Limited.

**MR. BANMAN:** Do you see a further infusion of some capital funds?

**MR. PARSONS:** No, there won't be unless we decide to buy more equipment; that decision may come about depending upon how fast our market expands.

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**MR. BANMAN:** You mentioned that the picture for this year wasn't that bright either?

**MR. PARSONS:** No. If it wasn't for — I explained why — we had to shut down completely last fall. Our basic product was the bottles for the windshield washers and the antifreeze and we were not the only ones that were caught up in that. There was a tremendous inventory and no sales for almost three months.

**MR. BANMAN:** What reliance, as far as the raw materials that you are using — I guess they are directly related to the petrochemical industry — with the rise of oil prices, that would affect your commodities, your raw materials, wouldn't it?

**MR. PARSONS:** Yes. The resin has gone up in price, yes.

**MR. CHAIRMAN:** Are there any further questions? Mr. Spivak.

**MR. SPIVAK:** Mr. Parsons, in the statement, it indicates that there is a rental of the land and buildings. The land and buildings that Dawn rents from is owned by the MDC, is that right?

**MR. PARSONS:** That is correct, yes.

**MR. SPIVAK:** How did MDC acquire that building?

**MR. PARSONS:** We had the mortgage on it when it was Lighting Fixtures.

**MR. SPIVAK:** So, really it was the old building.

**MR. PARSONS:** Yes. It's not an old building but . . .

**MR. SPIVAK:** No, but it was the building that was previously . . .

**MR. PARSONS:** For Lighting Fixtures, yes.

**MR. SPIVAK:** In effect, it is renting the premises. How many square feet are involved?

**MR. PARSONS:** Dawn uses approximately half of it. There's roughly 50,000 square feet in the building.

**MR. SPIVAK:** There is 50,000 square feet and Dawn uses half.

**MR. PARSONS:** Yes.

**MR. SPIVAK:** Is the rental here of \$88,550 for Dawn or is Dawn half of that? The statement on Page 6 of the statement indicates a rental of \$88,550.00.

**MR. PARSONS:** This is 1976. No, I believe the rental in this year, as of now, Dawn Plastics rents the total building and I think that was so the year May 1976, then they in turn lease out part of that.

**MR. SPIVAK:** So Dawn is renting the full building of 50,000 square feet for \$88,550.00. And who supplies the heat? That is not a net lease then?

**MR. PARSONS:** Yes, it's a net lease. . . They pay the heat and utilities and there's a tax escalation on that too.

**MR. SPIVAK:** They only use half of the building and they have to sublet the other half?

**MR. PARSONS:** Yes.

**MR. SPIVAK:** And that sublet has taken place?

**MR. PARSONS:** Yes, it always has been.

**MR. SPIVAK:** Who is that sublet to?

**MR. PARSONS:** Flyer Industries.

**MR. SPIVAK:** So Flyer sublets it. So, MDC own the building through Dawn or through the acquisition through Lighting Materials, I guess, and in turn, Dawn pays half the rent and Flyer pays half the rent.

**MR. PARSONS:** Yes, except that Dawn looks after the building. They lease the whole thing and they lease out the other part of it.

**MR. SPIVAK:** There's a management fee here for \$9,720 to the Manitoba Development Corporation.

**MR. PARSONS:** Yes.

**MR. SPIVAK:** What is that management fee for?

**MR. PARSONS:** That's the help that our boys are providing in both engineering and accounting.

**MR. SPIVAK:** To?

**MR. PARSONS:** Dawn Plastics management.

**MR. SPIVAK:** In engineering?

**MR. PARSONS:** Yes.

**MR. SPIVAK:** The MDC offers help in engineering?

**MR. PARSONS:** Yes, we have an engineer on staff who is helping, yes.

**MR. SPIVAK:** Experienced to help them in their particular business?

**MR. PARSONS:** Yes.

**MR. SPIVAK:** Can I ask: does that engineer help any other business? Any other Crown Corporation that you're involved with?

**MR. PARSONS:** Yes. It's Murray. . . Right now he is the receiver for Saunders Aircraft, but he is a chemical engineer who worked extensively in the chemical industry before he came with us, so he was able to help them.

**MR. SPIVAK:** What accounting services do you offer?

**MR. PARSONS:** What accounting services do we offer?

**MR. SPIVAK:** Yes, you said it was in addition . . .

**MR. PARSONS:** Yes, there was some accounting services before they had . . . we were help them out with some of the accounting.

**MR. SPIVAK:** Are you following the recommendations that the Provincial Auditor gave you specifically with respect to this company?

**MR. PARSONS:** For the most part, yes.

**MR. SPIVAK:** Has he in fact given you specific instructions as to how in terms of the c accounting procedures?

**MR. PARSONS:** No, he doesn't give us specific instructions; he makes recommendations that thinks are better procedures that should be put into effect and we are doing that.

**MR. SPIVAK:** No, but does he just simply say a better procedure should be put into effect or d he say that these things that are happening are not correct and that this is the way it should happ

**MR. PARSONS:** No auditor really does that. I don't think . . .

**MR. GREEN:** Again, I don't want Mr. Parsons to be challenged on the basis of the memory. I recollection is that he did send Dawn a series of suggestions — I don't know whether I could call th specific recommendations — but suggestions of where he found things that he felt were r satisfactory and where they could be changed.

**MR. PARSONS:** I agree with that statement, Mr. Green, that is not really setting up an a c accounting system.

**MR. GREEN:** That's right, but I don't want Mr. Spivak to . . .

**MR. PARSONS:** No, I said to Mr. Spivak there were some suggestions he made and we tried have them corrected. He doesn't specifically . . . a cost accounting proceduie , he recommends th one be done.

**MR. SPIVAK:** Was there a previous management fee from the MDC with respect to Dawn prior this past fiscal year?

**MR. CHAIRMAN:** Yes.

**MR. SPIVAK:** And again, responsible for accounting procedures?

**MR. PARSONS:** Not necessarily. I happen to know this one that we went out and did sor accounting work with them.

**MR. SPIVAK:** But you see, in the answer that you gave to one of the questions that the Member f La Verendrye asked was . . . in your preliminary statement, it's sort of a small company and ti difficulty in being able to do cost accounting. Is that really the answer or was it because the cc accounting procedures were not correct in the first place.

**MR. PARSONS:** I think the cost accounting procedures probably were lacking in the first plac When I say that, I'll also say that the manager and the accountant who was there probably had costing system that they'd worked out themselves, but it wasn't one that could be audited. He know what his materials cost is, he knows what his labour cost is, and he knows basically what his overhe is, but this is not an accounting-costing procedure that the auditor has recommended that should I set in.

**MR. SPIVAK:** But the Fund officials, at no time, during this procedure, the old procedur recommended any changes in terms of cost accounting?

**MR. PARSONS:** Yes, it was recommended a year ago.

**MR. SPIVAK:** Before the Provincial Auditor came in?

**MR. PARSONS:** Yes, we've been trying to change that and also in his recommendations from th year before if you look back.

**MR. CHAIRMAN:** Mr. Minaker.

**MR. MINAKER:** Through you, Mr. Chairman, can Mr. Parsons advise me how many people a employed by Dawn Plastics?

**MR. PARSONS:** About 24, 25. And that is on a three-shift basis? A little more than seven or eigh there, maybe ten in the daytime shift.

**MR. CHAIRMAN:** Mr. Axworthy.

**MR. AXWORTHY:** Mr. Chairman, I just have a couple, no actually perhaps just one question. I a just intrigued in the Note 4 in the financial statement, footnotes to it, from the short-term notes th the company is carrying. It appears to me that three of these notes carry an interest rate of 17 percer which strikes me as exceedingly high. I think that the definition of usury is usually about 15 percer Why is this company going in for that kind of interest rates on these short-term notes? What is th explanation for that kind of

**MR. PARSONS:** They are not MDC loans.

**MR. AXWORTHY:** Well, I am curious as to why this company is having to pay such reall extravagant interest rates on these notes.

**MR. PARSONS:** Yes, they are conditional sale contracts. I suppose they could have come bac with us, for us, those are conditional sale contracts; they're with the manufacturers.

**MR. AXWORTHY:** I see. With the manufacturers . . .

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**MR. PARSONS:** Yes, and that is probably what the rate works out to, about 17 percent. Well it is obviously the auditors have worked it out.

**MR. AXWORTHY:** Yes.

**MR. PARSONS:** . . . on short-term conditional sale contracts.

**MR. AXWORTHY:** I am just asking as a matter of interest if that is the rate that is being paid on the short-term conditional contracts . . . that explains the reasons.

**MR. PARSONS:** Well, that's not with the MDC.

**MR. AXWORTHY:** That's not with MDC. No, it's being held with the manufacturer in this case, isn't it?

**MR. PARSONS:** I believe it is.

**MR. AXWORTHY:** Have there been any exploration of alternative ways of financing that as a . . .

**MR. PARSONS:** Oh yes; they could have come back probably and applied for a loan from MDC. Or those amounts, management probably deemed that if it's only over a year or two years, it's not at outrageous to pay that amount.

**MR. AXWORTHY:** I see, so the . . .

**MR. PARSONS:** You are not talking about a big dollar.

**MR. AXWORTHY:** The sums, I guess, are in this effect, about a little over \$35,000 I guess. Is that right?

**MR. PARSONS:** Yes, but the interest differential between what we would charge and what they are paying is probably \$300 or \$400 over a year.

**MR. AXWORTHY:** Okay. Thank you, Mr. Chairman.

**MR. CHAIRMAN:** Are there any further questions? Hearing none, perhaps we can go on to Dormond Industries Limited. Mr. Parsons.

**MR. PARSONS:** Yes, we have the statement table for the year ending 31st December 1976. Dormond is the manufacturer of high quality doors built through architectural specifications, primarily for the commercial and the institutional builders. This company again was an offshoot of Columbia Forest Products. In itself, it looked viable to us so we broke it out separately from the Columbia Forest Products Company when they went bankrupt. We have been operating it for the last four or five years.

The basic sales remain fairly static over the last three years, although there was a decline in the building industry in the last year, of course, which reflects back in the purchase of doors. The company, nevertheless, in 1975 showed a profit of \$91,000 and even with the non-increase in sales and the increase in costs was still able to come through with a moderate profit in 1976.

The company has maintained a good cash position. At the present time has over \$200,000 on deposit with the MDC in short-term notes, which they could use in fact, to pay off the debenture completely. Within the last month, they have paid off \$50,000 against the debenture and they are taking up an option to purchase the premises on Sanford Avenue for \$100,000-odd dollars so they will own the building.

The company employs approximately 21, 22 people all year round. Basically, the marketing, 60 percent of the product sold in Manitoba, 25 percent in Saskatchewan, and about 15 percent in the other provinces. The equipment and the plant is basically all old but well maintained and so carries on in making a good product.

That is all I have as an introduction of this statement. Are there any questions on the statement?

**MR. CHAIRMAN:** Are there any questions? Mr. Banman.

**MR. BANMAN:** The \$218,033 that was part of the forgiveness portion of debt re Columbia Forest Products. Would that have shown up as part of the liability or part of the loss of Columbia Forest?

**MR. PARSONS:** Where are you getting that from?

**MR. BANMAN:** On the final statement, Page 6, the last page on Notes to Financial Statements, No.

**MR. PARSONS:** Yes, a total of the \$218,033 was shown as a portion of the loss of Columbia. Yes, that's correct.

**MR. BANMAN:** So, the balance of the \$200,000 was then assigned as the note says to the Manitoba

**MR. PARSONS:** I don't know if I have explained that before. What we did was go out and value the assets that were out on Dormond in round figures to arrive at that, to say basically the company and what it's doing is worth \$200,000, therefore, when we set up the amount payable as a long-term debt to the MDC, when we established the company, we fixed the figure at \$200,000 as the value of the assets that we were turning over to Dormond Industries Limited. That's how that came about.

**MR. BANMAN:** The only thing I am trying to get straight in my mind is the \$218,033 was a loss to Columbia Forest Products and would be part and parcel of the total sum that was lost?

**MR. PARSONS:** That is correct.



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**MR. BANMAN:** You mentioned that the company is undertaking the purchase of the building that right?

**MR. PARSONS:** Yes.

**MR. BANMAN:** Who is that building owned by? Is it owned by MDC or is it . . .

**MR. PARSONS:** No, no, no, no. It's owned by a private sector. I don't know the gentleman

**MR. BANMAN:** No, that's fine; I was just wondering if it was MDC.

**MR. PARSONS:** Well, when they took over the old lease there was an option to purchase it

**MR. BANMAN:** So the lease option . . .

**MR. PARSONS:** Yes, they are now taking up the option to purchase the building.

**MR. CHAIRMAN:** Are there any further questions? Hearing none, can we move on to the report, Electro-Knit Fabrics (Canada) Ltd. Mr. Lyon.

**MR. LYON:** . . . for my information, this is another 100 percent Crown Corporation.

**MR. PARSONS:** That's right.

**MR. CHAIRMAN:** Mr. Johannson.

**MR. JOHANNSSON:** This is a question of status. Dormond Industries would be a wholly-owned subsidiary of MDC?

**MR. PARSONS:** Yes. It's 100 percent

**MR. JOHANNSSON:** And as such it's classified as a Crown Corporation for income tax purposes

**MR. PARSONS:** Yes, it does not pay income tax.

The next statement is Electro-Knit and under our Act, we have to put this in here every year actually the 10,000 shares that we own in this were donated to us by Electro-Knit management four years ago. We still have them on the books at no cost. This is a part of a bonus arrangement in a loan that was made four years ago. Since then, all the loans with Electro-Knit have been paid off.

Is there any questions on Electro-Knit?

**MR. CHAIRMAN:** Are there any questions? Mr. Green.

**MR. GREEN:** Mr. Chairman, this is essentially a private company, is that not correct? We have 10,000 shares which was a bonus on a loan.

**MR. PARSONS:** It is not a private company.

**MR. GREEN:** Oh, excuse me.

**MR. PARSONS:** It's a public company.

**MR. GREEN:** Quite correct. It's shares are on the market. The Crown's shareholdings in it are very small, minute.

**MR. PARSONS:** There's three-odd million shares issued.

**MR. GREEN:** Are we on the board of directors of the company?

**MR. PARSONS:** No.

**MR. GREEN:** I noticed that it had an increase in sales, a substantial increase in sales, \$14 million I believe, to \$17 million in 1976 but . . .

**MR. PARSONS:** Unfortunately, when you have an increase in sales, all you do is increase the loss. Their volume didn't make up, it's been very tough. The double-knit industry has been a very hard hit industry in the last three years.

**MR. GREEN:** But that they are still operating, I believe they are located in Selkirk.

**MR. PARSONS:** They still have a plant fully operational in Selkirk, Manitoba.

**MR. GREEN:** Well' I wish them luck.

**MR. PARSONS:** So do I.

**MR. CHAIRMAN:** Are there any further questions? Mr. Axworthy.

**MR. AXWORTHY:** Mr. Chairman, when you say they are still in Selkirk, I gather though there have been major layoffs in the company over the past years, has there not?

**MR. PARSONS:** I am not that close to the operation; I have read the same as you in the papers assume that there has been layoffs. It was / an up and down business, there was always layoffs and hirings occurring in that plant. I don't know whether their layoffs have been of a permanent nature or not.

**MR. GREEN:** Mr. Chairman, is there an obligation of this company to the MDC?

**MR. PARSONS:** No. The obligations have been cleaned up.

**MR. GREEN:** So we are not involved. The reason that this statement is before us is that we happened to have \$10,000 in shares which is part of our original loan.

**MR. PARSONS:** We have no dollars in the shares; we have 10,000 shares which were given to us

**MR. GREEN:** So there are no potential losses to the MDC on this company.

**MR. PARSONS:** No. The loans were all paid off under . . .

**MR. CHAIRMAN:** Mr. Axworthy.

**MR. AXWORTHY:** Mr. Chairman, considering the ups and downs of their market, have they made any further application for assistance from MDC?

**MR. PARSONS:** No, they have not.

**MR. AXWORTHY:** They haven't sought you out . . .

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**MR. PARSONS:** No.

**MR. PARSONS:** No. It was almost a year and a half ago, they were in for a refinancing and basically, the refinancing was for their operation in Quebec and we would not consider the financing because it wasn't going to aid us here at all. So they eventually went and they received the money down east in Quebec and paid off our loan so they could use all the security that we were holding as part of the security for a new loan.

**MR. AXWORTHY:** Mr. Chairman, there's an obvious question, whether they are using the money they got down east to pay off the money that they lent in the west, but I assume Mr. Parsons would not know whether that would be the particular transfer of funds that took place.

**MR. PARSONS:** All I know is that in order for them to get the refinancing, they had to pay us off. So, I would assume that part of the refinancing money did come out west.

**MR. AXWORTHY:** So, they're in to somebody else now. There

**MR. PARSONS:** Yes, their statement shows liability position.

**MR. CHAIRMAN:** Mr. Lyon.

**MR. LYON:** The 10,000 shares that the corporation owns, what kind of shares are we talking about?

**MR. PARSONS:** They're common.

**MR. LYON:** Of the three million common.

**MR. PARSONS:** Well, I should say of the 1,370,000 common that are issued

**MR. LYON:** So, the corporation's position is rather negligible and there are no other — just to iterate — there are no other outstanding obligations to the corporation or the government in any way, shape or form.

**MR. PARSONS:** No, not at all; they were all cleaned up.

**MR. LYON:** This arises by virtue of not having read your transcript from last year, Mr. Parsons, the province received these shares as a gift?

**MR. PARSONS:** Yes. How it came about, Mr. . . . who was the president-general manager, was asked for a partial guarantee on one of his loans when he made a change in category and he said rather than do that, I'll give you 10,000 shares. It didn't mean very much to us either way but he offered it and we accepted it. It was really a gesture of goodwill on his part. At that time those shares were worth \$30,000.00.

**MR. LYONS:** And this was a deposit against a loan?

**MR. PARSONS:** Yes, it was an act of goodwill. We had requested information from him and a change in the loan for him that we thought would be advantageous to us. He didn't want to do that so instead of that he gave us the 10,000 share bonus and asked us to hold it in the same . . . It really affected nothing.

**MR. LYON:** Is this a public company?

**MR. PARSONS:** Yes, it is.

**MR. LYONS:** Listed in Toronto?

**MR. PARSONS:** It sits on the Montreal exchange.

**MR. LYONS:** What are the shares worth today?

**MR. PARSONS:** Less than a dollar. They are down to about half-a-dollar, I think. It has dropped severely in the last three years.

**MR. CHAIRMAN:** Are there any further questions. Hearing none, perhaps we could go on to Flyer Industries. Mr. Parsons.

**MR. PARSONS:** Here again we are tabling two statements, the 31st of December 1975 and 31st of December 1976. Flyer Industries, as you are well aware, are in the transit bus manufacturing business, both diesel and electric. As I stated in my opening remarks, the manufacturing end of the business has done very well. We produced 480 buses, which was slightly larger than our projection for the 12 months ended 31st December, 1976 resulting in sales for 1976 of \$34 million.

The company at the present time is carrying on. We are aggressively bidding in the market and are receiving some orders. It is operating on a one-shift basis. It operated on a two-shift basis for the first three months of the year. We have now reduced that to a one-shift basis and as I say, we are aggressively bidding all transit authorities that are requesting tenders for business and we are receiving some.

The statement for 1975 and 1976, actually the comparative statement, if you look at the year-end 31st December 1976, it shows both the year-end 31st December 1975 and 1976, if you want to review that statement. A small profit was shown 31st December 1975 of \$42,000.00. That was after an application for a provision that was carried forward from the 31st December 1974 of \$4.3 million.

This year we completed all those contracts so we had to have a reversal of the remaining provisions. What happened, on 31st December 1974 when they estimated the provisions that would be necessary to carry through these contracts, they were ultra-conservative and in fact we did not need all of the provisions that were set aside. Therefore, when we came to the end of 31st of December 1976 the auditors reversed the unapplied portion and this resulted in a profit for the year

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ended 31st December 1976 of \$4,102,000 which reduced our deficit by \$4 million, down \$16,254,000.00. Are there any questions regarding Flyer?

**MR. CHAIRMAN:** Mr. Spivak.

**MR. SPIVAK:** Mr. Parsons, what will the loss be this year?

**MR. PARSONS:** I don't know at this point but if we carry through on a one-line operation, it could be two or three million dollars. At this point I do not know.

**MR. SPIVAK:** Last year you indicated that Woods Gordon were commissioned to do a study look for other products for Flyer to manufacture. Was that study completed?

**MR. PARSONS:** Yes.

**MR. SPIVAK:** What were the results of that study?

**MR. PARSONS:** They came up with several ideas, none of which they could bring to fruition in the way of products. The products they suggested, we couldn't find to put into the plant.

**MR. SPIVAK:** Could you just give some indication of what products they suggested?

**MR. PARSONS:** They suggested trailers, in competition with such people as Fruehauf; they suggested we look at subway trains. The things that they looked at, they suggested might be viable along with the bus manufacturing; this did not make sense to the Board of Directors. We did not enter into any of them.

**MR. SPIVAK:** How much did that report cost?

**MR. PARSONS:** Between \$40,000 and \$50,000.00.

**MR. SPIVAK:** How long did it take?

**MR. PARSONS:** Three or four months.

**MR. SPIVAK:** Did the Board of the Fund deal with it or just the Board of Flyer Industries?

**MR. PARSONS:** Both Boards received the report.

**MR. SPIVAK:** Both Boards received the report and dealt with it?

**MR. PARSONS:** Yes.

**MR. SPIVAK:** At more than one meeting?

**MR. PARSONS:** Certainly the Flyer Board did. I don't know whether the MDC Board dealt with it more than one meeting. It was discussed at more than one meeting but I think it was only decided probably at one meeting, officially.

**MR. SPIVAK:** Did the consultants come before the Flyer Board at all, the consultants who actually wrote the report.

**MR. PARSONS:** Yes.

**MR. SPIVAK:** They made a presentation, and they were questioned by the Board?

**MR. PARSONS:** Yes, I believe they were questioned by the Flyer Board?

**MR. SPIVAK:** On one occasion?

**MR. PARSONS:** Yes.

**MR. SPIVAK:** Did the consultants indicate or present a report indicating anything about the viability of Flyer *per se* in its present operation?

**MR. PARSONS:** Yes, I reported on that previously.

**MR. SPIVAK:** Woods Gordon group?

**MR. PARSONS:** Yes, we asked them to do that as well.

**MR. SPIVAK:** In this report.

**MR. PARSONS:** No, a separate report.

**MR. SPIVAK:** Did they come to any additional conclusion as a result of their investigation of other possibilities for Flyer, as to the future of Flyer in its present operation?

**MR. PARSONS:** I'm sorry, would you rephrase . . .

**MR. SPIVAK:** First, did they recommend that Flyer cease business?

**MR. PARSONS:** No, they weren't asked that question.

**MR. SPIVAK:** Well, did they indicate that insofar as they were concerned, if Flyer continued the way it was operating it would lose money.

**MR. PARSONS:** As I indicated to you before, we asked them to do a report on what the probable loss was if we carried on with a one-line operation and we discussed that and I stated at that time that the loss could be between two to three million dollars per year. I don't know what else you are looking for.

**MR. GEN:** Mr. Chairman, on a point of order, and because I have had numerous discussions about the Flyer Board and the MDC Board on this question, I believe that I recorded the entire matter to the Legislative Assembly of the Province of Manitoba. I indicated the prospects for the future. I also indicated that we are involved in aggressively competing on the bus market in Canada and that we are seeking various alternatives to improve the future for the industry. I have been advised by Members of the Board and by members of MDC that further details as to what we are doing and with whom we are talking and reports as to detailed positions affect the commercial possibilities of this company in bidding, and they have been bidding. They have been bidding in Edmonton and got only one-quarter of the bid; bidding in Toronto and got only one-quarter of the bid. I'm advised that part o

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relates to continuous questions that are raised about the future of the company in greater detail. I reported to the Legislature that the Manitoba Government will back this company and back its purchasers and back its suppliers. I am suggesting that it is not of assistance to continued commercial operations of the company to go further into the details of reports of consultants, etc.

**MR. SPIVAK:** Mr. Chairman, I object very strongly to the comments of the Minister. To suggest in any way that the review by this Committee of an operation whose history and performance is questionable, who have had to have consultants, provincial auditors involved to try to clean up a mess — and it is a mess and it has been a mess — but in effect if we, in our questioning, have put the company in jeopardy, which is what the Minister is suggesting, I have no proof of that other than the Minister's statement. And I don't accept that statement unless it is supported in some way. Otherwise statement is . . .

**MR. PARSONS:** I can tell you, Mr. Spivak, that it certainly comes back to us that all the press that get criticizing the company and so on, certainly hurts the staff and the morale of the staff in the company, and it also hurts us when we're bidding in the properties.

**MR. SPIVAK:** Mr. Parsons, with all due respect, the estimates and information furnished by you, I think have had as much effect in affecting the prospects of the company as anything else. That information and your optimism hasn't been met by any of the statistical data that has been furnished the years that you presented your information and further, the information with respect to the consultants that has been presented to us has only confirmed what we always suspected with respect to the operation, that there was no proper cost accounting to begin with. And the fact that we have had to put ourselves in the position of questioning you is something that as the head of the Manitoba Development Corporation you're obligated to perform in terms of explaining the information to us and if it's unfortunate, if the company itself was not operating properly and that has become public knowledge, then I help nor can the members of this committee, as to what the results will be. This is one of the problems of dealing with a public company. But the fact is that we have the Stevenson Allegg Report — I don't know how much that cost, I'd like to know how much that cost. Mr. Parsons, how much did that cost?

**Mr. Chairman, I point of order.**

**A MEMBER:** . . . a point of order.

**MR. CHAIRMAN:** Order please. The honourable member is speaking on a point of order. Mr. Spivak.

**MR. SPIVAK:** I think the point the Minister of Mines and Natural Resources made is a very good one. I think that the opportunity should be given to . . . and I think at the end it may very well be that there will be a desire to meet again so that we can then review whatever has been covered, not for the purpose of really rehashing what we have but for the purpose of analyzing some of the statements that have been made and being in a position maybe to clarify any of the doubts that we may have about any information.

**MR. CHAIRMAN:** Mr. Green, to the same point of order.

**MR. GREEN:** Mr. Chairman, yes, to the same point of order, there is absolutely no question. I thought that the honourable member was merely giving members of the Committee information so that they would perhaps ration their attack but if anybody is of the feeling that they don't have enough time to consider what is before them, it has always been the policy of the Committee — it will continue to be our policy — to have another meeting so that members can digest the information that is available.

**MR. CHAIRMAN:** Mr. Parsons, to Cybershare Limited.

**MR. PARSONS:** I have stated if we pass through a company and there are questions that come to mind after, we can go back to them. We have done that previously and we'll accept that.

Now, Cybershare. I think that our report that you have shows March 31, 1976. This week we received the 31st of March 1977. In answer to Mr. Banman's question, we got the Auditor's Report in. So we are now concerned with both year-ends, 31st of March 1976 and 31st of March 1977 for Cybershare Limited.

This is our product data processing and computer service company. Basically the firm is doing well as you can see from the comparative statements. We have increased our revenue base the last three years. For 1975, 1976 and 1977 we have shown an increasing profit. We're anticipating the company will continue to be profitable and is considered to be competitive in its field. We basically have 25 to 30 employees out there. As it shows, there is a payroll roughly in the \$400,000 level. In the past I have been asked regarding government and government-related revenues. We have been getting more revenue each and every year from the private sector. Our breakdown in 1976 was 58 percent which was government and government-related; 42 percent from the private sector and of that 12 percent comes from outside of Manitoba. In continuing on with our drive to expand our outside private sector base, our breakdown for the 31st of March 1977 is 57 percent of our revenue comes from the private sector and 43 percent from the government sectors and of that 16 percent

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comes from outside the province. We are continuing — we have terminals in Toronto, Edmonton, Calgary and Vancouver and we are expanding our revenue base from those areas, as well as Manitoba.

The competition is keen, both from existing competitors and the new mini and super-mini companies. The company feels that we can realistically anticipate an annual growth of approximately 15 percent both in revenues and profit.

The equipment that we have in the computer company is almost ten years old. It's reliable but we are looking at major computer replacements and this will be on a lease basis rather than outright purchase. At the present time we're estimating that the lease base would probably not exceed what that we are paying now for both lease and maintenance.

I think probably we could take questions on the March, 1977 Statement or 1976, either one, if members so wish.

**MR. CHAIRMAN:** Are there any questions? Mr. Minaker.

**MR. MINAKER:** Mr. Chairman, through you to Mr. Parsons, can you tell me, of the 57 percent that is private, other than government, are any of the companies that presently have loans with MDC? MDC has equity with, utilizing your computers?

**MR. PARSONS:** Flyer Industries do. There may be others; I don't know.

**MR. MINAKER:** Would anybody know?

**MR. PARSONS:** Yes, the people who operate Cybershare.

**MR. MINAKER:** Would you know the extent of sales to Flyer Industries in terms of dollars for the use of your computer?

**MR. PARSONS:** They only came on a year ago. Offhand I couldn't tell you the amount of revenue from them. We've only been on the computer a year.

**MR. MINAKER:** Is it \$100,000.00?

**MR. PARSONS:** It would probably be better than \$100,000.00.

**MR. MINAKER:** Would it be \$200,000.00?

**MR. PARSONS:** No, it would probably be around \$150,000 base for a company of that size.

**MR. MINAKER:** And they wouldn't be considered government?

**MR. PARSONS:** That's correct. They're the only one of any size. Offhand I don't know — Mordak has a small computer just for sales on it that amounts to \$300.00 a month. Other than that, I don't think there are any other MDC companies I'm aware of. Now, not too sure about loan companies because we may not know about those.

**MR. MINAKER:** Of the 16 percent outside the province, are any of them done with government agencies or government in other provinces?

**MR. PARSONS:** We do some work for another city. We do some work for the Federal Government, one of the federal departments.

**MR. MINAKER:** So some of this 16 percent outside is government work, either provincial or federal or municipal?

**MR. PARSONS:** Yes, we do for a waterworks division in one of the other provinces.

**MR. MINAKER:** Saskatchewan?

**MR. PARSONS:** No.

**MR. MINAKER:** Mr. Chairman, I wonder, does Cybershare compete with the new MTS computer terminal?

**MR. PARSONS:** We are out in the private sector after business; I don't know whether they are or not at this particular point. If they were, we would be competing against them. We haven't run up against them in bidding for business in the type of customers that we are calling on.

**MR. MINAKER:** So you don't know whether you are in competition with the Manitoba Telephone System computer centre or not then at this time?

**MR. PARSONS:** Well, we could be. I don't know that we are but if they are selling outside computer service as we are, then we would be in competition.

**MR. MINAKER:** Again I ask, who would know if you were in competition or not?

**MR. PARSONS:** They probably would.

**MR. MINAKER:** Who is "they?"

**MR. PARSONS:** The Manitoba Telephone data centre.

**MR. MINAKER:** But MDC or Cybershare don't know whether they are in competition with MTS or not?

**MR. PARSONS:** As I said to you, our sales people have not run up against their sales people, in that they have sales people in the field in the type of business that we are looking for.

**MR. MINAKER:** That's all the questions I have right now, Mr. Chairman, thank you.

**MR. CHAIRMAN:** Are there any further questions? Mr. Green.

**MR. GREEN:** Mr. Chairman, I understand that the current assets of this corporation are in there at their book value.

**MR. PARSONS:** Yes.

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**MR. GREEN:** That would include the building?

**MR. PARSONS:** Yes.

**MR. GREEN:** The building was purchased approximately six years ago?

**MR. PARSONS:** Five years ago, six years ago.

**MR. GREEN:** Would it be fair to say that what you know about real estate values generally would dictate that the building has not really depreciated as it is shown on the books but that it would be worth at least what was paid for it?

**MR. PARSONS:** We have had to have an insurance evaluation and the value of the building itself is higher than the fixed assets, yes.

**MR. GREEN:** And that is not reflected in the statements of the Manitoba Development Corporation which has reserved for losses but has not taken into account this type of gain?

**MR. PARSONS:** No, we have not.

**MR. GREEN:** So if one looked at the balance sheet of this company — and your latest deficit is shown as \$262,000 which has been reduced by two years of profits which included full depreciation and interest — the value of the building should more than make up for that deficit?

**MR. PARSONS:** Oh, yes.

**MR. CHAIRMAN:** Mr. Minaker.

**MR. MINAKER:** Mr. Chairman, I wonder if I could remind Mr. Parsons of an answer he gave to us, well, it will be one year within three days of today to Mr. Axworthy, questioning him with regard to the data processing program and computer at the Manitoba Telephone System, and I'll quote: Mr. Axworthy asked, "Would you be in a position where you would be providing any cooption or offering any alternatives to the new data processing program being put together by Manitoba Telephone System?" Mr. Parsons, "We could be. They quote on some things that we do." Mr. Axworthy: "I wonder if we could be a little more definite on it? I mean, is it the intention of the company to begin providing some form of competition or even divide the market up between you?" Mr. Parsons: "No, we're not going to divide the market up; we're going to go after all we can and they are too." Mr. Axworthy said, "So, you intend to compete with them?" Mr. Parsons said, "Yes."

Now, Mr. Parsons, I ask again, are they competitors of . . .

**MR. PARSONS:** At that particular time there was a stated case that they were going to be our competitors. We have not run into them selling in the last year.

**MR. MINAKER:** Can I ask you, Mr. Parsons, the \$150,000 that Flyer has utilized your computer that for one year's complete service or how long have they been a customer of yours?

**MR. PARSONS:** They started in October or November of 1975. Now, I'm not going to be tied to that 150,000 because I'm not too sure. You asked me for a year and I said approximately in that area. I don't know, but that's about probably \$150,000 to \$200,000, somewhere in that range over 1976.

**MR. CHAIRMAN:** Mr. Minaker.

**MR. MINAKER:** What kind of time are their payments? Are they 30 days, or 60, 90? Your accounts receivable with Flyer, what kind of . . . ?

**MR. PARSONS:** Oh, 30 to 60 days.

**MR. MINAKER:** Thirty to sixty. And they are paid up to date, are they?

**MR. PARSONS:** Yes.

**MR. CHAIRMAN:**

Are there any further questions? If not, can we go on to the next report? Dawn Plastics. Mr. Dillen.

**MR. DILLEN:** So it doesn't leave any misunderstanding with the Committee, Mr. Parsons, you were asked by Mr. Minaker if the province in which this company is involved was Saskatchewan, and you said, no, it wasn't Saskatchewan.

**MR. PARSONS:** No, what he asked me, Mr. Dillen, was the city that we were doing some business or in Saskatchewan and I said no, it was one city outside of the province. He didn't pick the right province.

**MR. DILLEN:** Well, would you tell the Committee which province that city is in?

**MR. PARSONS:** I don't whether it is pertinent or not or whether we should disclose where we are doing business or not. I don't think we should. I don't think it is really pertinent information for the Committee.

**MR. MINAKER:** I mean I have no hangup either way, but I just thought that . . .

**MR. PARSONS:** We don't have a terminal. If Mr. Minaker had been listening, I said we have a terminal in Toronto, Edmonton, Calgary, and Vancouver. None of those are in Saskatchewan. He didn't ask Saskatchewan, he asked me, so I said . . .

**MR. DILLEN:** Oh, okay, it was one of the other provinces.

**MR. CHAIRMAN:** Mr. Green.

**MR. GREEN:** Mr. Chairman, lest there be no misunderstanding, both I and the members of the board, in discussing this matter, have indicated to Mr. Parsons that if, in his view, the answer to a question would jeopardize the competitive, commercial position of any of the companies, he should so advise the Committee, and that he will be supported in not answering it. That is my opinion.

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**MR. CHAIRMAN:** Mr. Lyon, on the same point of order.

**MR. LYON:** Yes. I am just curious to know how it could possibly jeopardize the company for chairman to indicate where it is doing business?

**MR. PARSONS:** I have indicated in generalities and I think the generalities were good enough. That's why I didn't really want to tie it down to where we were doing the business.

**MR. LYON:** Is there anything secret about it? If it is a public company, or if it is a public corporation . . . .

**MR. GREEN:** Maybe they feel they will be intimidated by people if they are found to be doing business with a Crown corporation of Manitoba. I have seen it done. That's right.

**MR. LYON:** Did I hear the chairman all right, Mr. Chairman, that he was suggesting that this was or this was in another connection — he was suggesting that it was work that was being done on behalf of some city?

**MR. PARSONS:** Yes.

**MR. LYON:** City municipal corporation?

**MR. PARSONS:** Yes.

**MR. LYON:** Well, surely to heavens that is public in the city. They have to . . . .

**MR. PARSONS:** I don't know if that is . . . .

**MR. LYON:** Well, I just fail to see what all the cloak-and-dagger nonsense is about.

**MR. PARSONS:** It's no cloak-and-dagger nonsense.

**MR. CHAIRMAN:** Mr. Johannson.

**MR. JOHANNSSON:** Mr. Chairman, I am interested to hear that coming from the man who used to disclose nothing to the Legislature about the MDF. Now one little detail — one little detail — and it's cloak-and-dagger. Formerly everything was cloak-and-dagger. Everything. Including CFI.

**MR. LYON:** Mr. Chairman, on a point of order. My honourable friend, as usual, is misinformed. The rules under which the MDF used to operate are the same rules under which the IDB still operates and most funds in the sixties did operate, for his historic education . . . .

**MR. JOHANNSSON:** Apparently the honourable member also needs considerable. The fact is that the same corporation — it used to be a fund, it is now a corporation — it now discloses immense amounts of information. Formerly it disclosed nothing.

My question is: Cybershare had a profit of \$173,000 in 1976 and an increased profit of \$211,000 in 1977. In your view is this a —(Interjection)— in your view, so what? We'll take the money from whatever source we can get it.

The honourable member doesn't like a profit. I like it and I will tell the Chairman —(Interjection)—

**MR. CHAIRMAN:** Order please.

**MR. JOHANNSSON:** . . . that I will accept a profit from any Crown corporation any day. . . . (Interjection)—

**MR. CHAIRMAN:** Order please.

**MR. JOHANNSSON:** Mr. Chairman, if I may have the floor, which I believe I have . . . .

**MR. CHAIRMAN:** Proceed. Order please.

**MR. JOHANNSSON:** On the basis of the increase in profit of the 1977 statement over the 1976, is that projection of the management of Cybershare a pretty reasonable one, that profits will increase in the future?

**MR. PARSONS:** Yes, as I stated, we think we can maintain that impetus in the market. We are expanding our revenue. We are able to hold our costs, so it should follow that that will expand providing we can expand our base, our revenue.

**MR. JOHANNSSON:** Okay, thank you.

**MR. CHAIRMAN:** Mr. Banman.

**MR. BANMAN:** Out of the 43 percent government's how much of that money would be student who are training on computers? In other words, the Department of Education, do they have a fairly healthy chunk of that?

**MR. PARSONS:** Yes, there is a fairly healthy chunk.

**MR. BANMAN:** On business like that, is that bid for or does the Department of Education just come and say, "Listen, we are buying X number of dollars worth of computer time at so-and-so-much an hour," or what happens?

**MR. PARSONS:** Yes, it's on an hourly basis. There is a contract with them.

**MR. CHAIRMAN:** If there are no further questions, maybe we should move on to the next report Mr. Lyon.

**MR. LYON:** Let me clarify it for the record that the government is the 100-percent equity owner of this company.

**MR. CHAIRMAN:** Mr. Parsons.

**MR. PARSONS:** Yes, that is correct.

**MR. LYON:** And the company of course, I note, pays no income tax.

**MR. PARSONS:** That is right.

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**MR. LYON:** Does it pay any capital tax?

**MR. PARSONS:** Yes.

**MR. LYON:** Under the new . . . .

**MR. PARSONS:** Yes, all our companies pay capital tax.

**MR. LYON:** Thank you.

**MR. CHAIRMAN:** Dawn Plastics Limited.

**MR. PARSONS:** Thank you, Mr. Chairman. The next statement is Dawn Plastics Limited. We have a statement for the last year which is the 31st of May, 1976. This company is a blow-moulding operation. We have been developing it. It lost money in the 31st of May, 1976, and I project it will lose equally as much for the 31st of December, 1977, although the statements are not off.

We put some new machinery in during the year 1977. We decided to increase our equity in this company and put newer machines in and we had hoped that we would have better results by the 31st May, 1977. That is not going to be so. I think our results will probably be very close to the same as in 1976.

The poor results for our current year are really related to the unusually mild and dry weather conditions which prevailed in the fall. Our largest customers from Dawn sales were to the automobile industry for bottles for antifreeze and for windshield washer fluid. Last fall, if you remember, it was very dry and for three months there were absolutely no sales of windshield washer or antifreeze, resulting in the fact that we had to close the plant completely down for two months, cut off production, suspend the whole operation for the total months of December and January, which of course reflects in poor results. And that is why I say I think for the 31st of May, 1977, our results will probably be the same as they were in 1976, in the neighbourhood of \$115,000 to \$120,000 loss.

We have however, during this period, expanded our product line. We have another new blow-moulding machine in the plant. The plant is back now with a good stock of orders on hand. It is operating three shifts per day, and now that we have the capacity and different moulds to produce various sizes and shapes of bottles, we don't anticipate a shutdown such as we experienced last year. And also our selling base is more the year around because of the introduction of the small bottles. We are also looking to expand into the upper United States market. The plant is probably one of the most up-to-date blow-moulding operations in Canada, and we have had several people that are in this business examine the plant and we have been getting orders for the last six months from eastern Canada. I think this company will show a turnaround by May of 1978.

**MR. CHAIRMAN:** Mr. Green, to the same point of order.

**MR. GREEN:** Yes, Mr. Chairman, I wish to talk to the point . . . the honourable member asks a question. I am suggesting to you, Mr. Chairman, that the chairman of the board is here. He is hereto answer questions as to the financial operations of the company. That where those questions relate to the existing commercial viability of the company and its dealings with its suppliers, that I have been instructed by the board that it is a problem, that I am advising the members that it is a problem and the type of detailed questions beyond which the public of Manitoba has already been informed. That is what the future prospects of the company bidding on the market are that they could possibly gain 200 uses, that operating with the existing costs, that that could cost them \$3 million. We have reported that to the people of the Province of Manitoba. The company is not a mess. In the past two years it has improved its position by almost \$5 million. It has shown a profit of \$40,000 the previous year and a \$4 million profit this year. And if one accepts the \$16 million loss which everybody spoke about two years ago, then one must accept the fact that their performance over the past years has been very good. They intend to continue aggressively bidding on the market and details, which could affect that position, I indicated to the chairman, and the MDC board has indicated to me and the Flyer Board as indicated to me are not a matter which the chairman should deal with before committee. He can deal with the financial position of the government *vis-a-vis* Flyer, the amount that is invested, the security that it's on and the future prospects and that has all been revealed to the committee in great detail.

**MR. CHAIRMAN:** Order please.

**MR. GREEN:** How much they pay to consultants and what consultants say are internal to the company.

Mr. Chairman ' a point of order.

**MR. CHAIRMAN:** Order please. I would again request of members that they ask questions, that is the proceedings of the committee at this point. If members wish to debate with each other, they should do so at a more appropriate time.

Mr. Spivak.

**MR. SPIVAK:** Mr. Chairman' just on a point of order to the Minister. The fact that there is going to be an annual loss of \$3 million doesn't appear to me to be a good, you statement, you know, doesn't appear to me to be a good statement to deal with.

**MR. GREEN:** The 1976 statement, which my honourable friend chooses studiously to ignore,



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shows that the company on the basis of its auditor operations operated at a profit of \$4 million ' and hopes to do much better in the future , and will do much better if given a chance.

**MR. SPIVAK:** Mr. Parsons, do you see an opportunity for this company operating as it is now ever realize another profit?

**MR. PARSONS:** To ever realize a profit?

**MR. SPIVAK:** Yes. Based on the market potential that you are dealing with — Your market potential — based on the terms and references that have now been undertaken between yourself.

**MR. PARSONS:** We've already stated our position on that.

**MR. SPIVAK:** . . . that there'll be a loss. Will there be a continual loss annually?

**MR. GREEN:** Mr. Chairman, reported that matter to the Legislature, that if we operated at a given level and had no alternatives and were not able to change our product support and did not improve, that the problem would be in the neighbourhood of \$3 million a year, and that is why we are seeking alternatives. We are talking to different people. We are talking about different products and we are talking about improving our performance , but the feature, if we do not improve our performance on the basis of the market of buses was reported to the Manitoba Legislature and to the people of Manitoba. That's not been hidden.

**MR. CHAIRMAN:** Mr. Spivak.

**MR. SPIVAK:** Mr. Chairman' we now know that there is \$40,000 or \$50,000 spent on a report which obviously recommended nothing satisfactory . . . y

**MR. to. GREEN:** Mr. Chairman, this is what I object Two years ago they were screaming that they didn't have a report, now that we have a report they say it recommends nothing. The report recommended things, which the chairman has spoken about, there are various alternatives available to the company and I am suggesting to you that a discussion in detail of which ones will work and which ones will not work are not good for the future health of the company and I am going to tell the Chairman of the Development Corporation what the Flyer Board has told me, what the MDC board has told me, that that kind of detail is not the kind of thing that has to be revealed to members of the committee.

**MR. SPIVAK:** Mr. Chairman, on a point of order. I don't think that we in this committee have accepted the statements either by Mr. Green or Mr. Parsons . . . the company is going to continually lose \$3 million every year and we are not to be a party to try and correct that or to try and determine why it's necessary for that money. But the point is, that's what we're left with. They've now made a decision we'll lose \$3 million every year and that's satisfactory. That's what you're saying.

**MR. GREEN:** Mr. Chairman, on a point of privilege. I have not made a decision that we will lose \$3 million a year. I have indicated to the House and to the people of the province that based on existing performance and existing costs and existing future market possibilities, if we stay on that basis there will be an operating deficit in that neighbourhood , and that's why we are trying to improve our situation . And if you say that the people of the province of Manitoba won't accept that, then we will have to test that.

**MR. CHAIRMAN:** Mr. Johannson to the point of order.

**MR. SPIVAK:** Yeah, but Mr. Chairman, there's a question . . .

**MR. CHAIRMAN:** Mr. Johannson to the point of order.

**MR. JOHANNSON:** The Honourable Member for River Heights is suggesting that we are considering \$3 million losses every year. What we are considering is the Annual Report that is before us and this shows for the financial year ended 1976 a profit of over \$4 million and a profit for the previous year. It also states in the notes — and this is the audited statement by Price Waterhouse — that during 1976 the company experienced greatly improved operating efficiency throughout its entire organization. And the honourable member calls it a mess. Now all he is trying to do is sabotage this company and its operations and blacken its name and ruin the company.

**MR. SPIVAK:** Mr. Chairman, last year we couldn't get a statement because their records were in such a shape that they couldn't produce a statement.

**MR. JOHANNSON:** Further to the point of order, Mr. Chairman.

**MR. CHAIRMAN:** Order please. Order please. The honourable member did not have a point of order. Order please. May I remind all members that this portion of the committee meeting is for asking questions. Now if the members want to have a debate, we'll ask Mr. Parsons to sit down and we'll debate this for as long as you wish. Now, if you wish to follow the procedures of the Committee or alter them, it's up to you. Mr. Spivak.

**MR. SPIVAK:** Mr. Chairman, I think, and in spite of what the Honourable Minister of Mines and Natural Resources may think of the question, I think it's germane to ask the Chairman how much the MDC or Flyer has put out for consultants to try and turn the company around, and to try and provide a viable basis for the company's operation. I think in this respect, we are entitled to know how much has been spent. We know Woods Gordon was forty or 50 thousand dollars. I would like to know how much Stevenson and Kellogg cost?

**MR. PARSONS:** Well, I reported on that a year ago. We have not used them since then.

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**MR. SPIVAK:** No, but the amount that was spent. I don't think you reported the amount that you spent with them.

**MR. PARSONS:** Well I don't have the amount.

**MR. SPIVAK:** Well, was it \$50,000 — \$100,000?

**MR. PARSONS:** I have no idea what the amount was, but I think I reported on that last year. You asked the same question.

**MR. SPIVAK:** Yes, but I don't think I got the amount, Mr. Parsons.

**MR. PARSONS:** Well, then I'll have to undertake to find out, because I don't know what the amount

**MR. SPIVAK:** Are they the only two consultants that have been hired, Stevenson Kellogg and Woods Gordon?

**MR. PARSONS:** Mr. Wright is a consultant, our president. There may have been others.

**MR. SPIVAK:** Well, the thing that concerns me, Mr. Parsons, is that . . .

**MR. PARSONS:** All the costs are included in these costs that are shown in the statement. **MR. SPIVAK:** Yes, these costs are shown in the statement, but the thing that concerns me with respect to the future viability of the operation, is that you invested money in consultants, and at this point, you are still obviously dealing in future possibilities for the company which are not to be released to this committee. I have to suggest to you, that unless there's some evidence to indicate that there is a legitimate basis for believing a viability of the operation — you know, we have to seriously question on the basis of past performance and the answers that have been given in this Committee with respect to whole hosts of questions on this company, as to whether there is really any prospect for this company to continue in years to come without the sustaining loss that has been indicated or higher.

**MR. CHAIRMAN:** Mr. Green.

**MR. GREEN:** Well, Mr. Chairman, this is the point of order that I raised before. This is the kind of question that causes our suppliers a problem. May I say to the honourable member, that this company is now operating on the same viability basis and with the same future prospect as Churchill Forest Industries, which the honourable member never questioned. It is operating on the same basis, without the continued backing of the government and the infusion of additional funds. And by the way, Flyer, other than normal banking, has not had the infusion of a dollar for the last two years. That is not the case with Churchill Forest Industries. So, and I have to repeat this, to all our prospective purchasers, to all our suppliers, we intend to back this company, and the questions as to whether its future is going to be better will be a challenge for the Manitoba Development Corporation and its board of Directors.

**MR. CHAIRMAN:** Mr. Spivak.

**MR. SPIVAK:** Mr. Chairman, then I wonder if Mr. Parsons can indicate whether the board is now, or has this year, given any consideration to lining up with Flyer Industries.

**MR. CHAIRMAN:** Mr. Parsons.

**MR. PARSONS:** No, it has not.

**MR. CHAIRMAN:** Mr. Green.

**MR. GREEN:** Mr. Chairman, the Honourable Mr. Lyon, asks me, and I have to put it fairly, that when I said normal bank financing — there was a loan by the Development Corporation to the extent of 75 percent of confirmed receivables — the Development Corporation advanced the money, but I said that I considered it normal bank financing and therefore, in terms of needed working capital, there hasn't been a cent advanced in the past two years. There was a loan of \$5 million, which was never drawn down to \$5 million against confirmed receivables, but it was the MDC who gave that money.

**MR. PARSONS:** And that incidentally was used on a revolving basis, never to the extent of \$5 million, but it was used on a revolving basis and was all paid off at the completion, and that was basically set up for the San Francisco and Boston orders which have been completed.

**MR. CHAIRMAN:** Mr. Spivak.

**MR. SPIVAK:** Mr. Parsons, are you going to in any way attempt to sell the North American market, other than Canada? Are you going to sell in the United States?

**MR. PARSONS:** In the trolley buses we will.

**MR. SPIVAK:** How many trolley bus orders have you bid on in 1977?

**MR. PARSONS:** None.

**MR. SPIVAK:** When do you intend to bid on another one?

**MR. PARSONS:** When they come out.

**MR. SPIVAK:** Were there any bids offered at all in 1977 for trolley buses?

**MR. PARSONS:** There was one that we did not tender on. We did not think it advisable to tender on it so we did not. It was the only one that has been called this year.

**MR. SPIVAK:** Can I ask the reason why you did not intend to tender on it?

**MR. PARSONS:** We looked at the tender and didn't think it was a good business decision to bid on

it, so we did not.

**MR. SPIVAK:** I see. You expect to tender on future trolley bus orders in the United States?

**MR. PARSONS:** We will take a look around at trolley bus orders, yes.

**MR. SPIVAK:** Are there any bus orders outside of the United States, Mexico or the So American market? Do you think. . .

**MR. PARSONS:** Yes, we will look at them.

**MR. SPIVAK:** Have you looked at any?

**MR. PARSONS:** Not in the last six months. There haven't been any requests for them, and haven't turned up any we could bid on.

**MR. SPIVAK:** Well, can I ask, the competitors in the United States, are they manufacturing markets outside the United States?

**MR. PARSONS:** They might be, I don't know.

**MR. SPIVAK:** You mean you don't know whether they are or not?

**MR. PARSONS:** No, I don't. There are only the three bus operations. There's Flexble-Rohr wh is of course closing down. It's being shut down and offered for sale. That only leaves GM and A and to my knowledge, they do very little off shore business.

**MR. SPIVAK:** Can I ask, is there a new generation of bus being designed now in competition the present bus that Flyer produces?

**MR. PARSONS:** Yes.

**MR. SPIVAK:** There is. Can you indicate the kinds of changes that the new generation of bus possess now that Flyer does not?

**MR. PARSONS:** I don't have the full knowledge of that.

**MR. SPIVAK:** Do you have the technical expertise within Flyer to be able to adjust to the n generation of bus?

**MR. PARSONS:** I don't know. We have an engineering department, I don't know.

**MR. SPIVAK:** You were asked a couple of years ago whether there would be a new generation bus, and you indicated at that time that you did not think so.

**MR. PARSONS:** I don't think I said that I didn't think there would be.

**MR. SPIVAK:** Well, you didn't think that it would be very soon.

**MR. PARSONS:** No, I think if you look back it's two or three years, because we saw one of the ne generation buses back in 1974. It was built by Flexble-Rohr and the specs were out in 1974-75 to l the U.S. market by 1978.

**MR. SPIVAK:** How much lead time is there required normally in terms of changes in technology, be able to take a pilot model right through to be able. . .

**MR. PARSONS:** I don't know.

**MR. SPIVAK:** You don't know. Does anyone on the board know? My point, Mr. President, is hc could you possibly expect to be in the market competing without the ability to have both the desig and research and the technical capability to be able to manage. And surely this is one of the proble that you now possess in your inability to be able to actually compete in the market placetoday. Is th not a fact?

**MR. PARSONS:** No, I don't think it's a fact.

**MR. SPIVAK:** You don't think that's the reason that you can't compete?

**MR. PARSONS:** We're competing in the market today.

**MR. SPIVAK:** No, you're obviously not competing in the market. You're competing in a limite market. You're not prepared to go in other parts of the market. You're in a limited sphere.

**MR. PARSONS:** We're in Canada.

**MR. SPIVAK:** That's right, but you had a potential with respect to the United States.

**MR. PARSONS:** Only in trolley buses.

**MR. SPIVAK:** In trolley buses. . . You also, well even in Canada, how are we going to be able t compete with the new generation of buses that are going to be coming in. In other words' if Flyer ist remain in its present form, without altering and changing' how are we going to be able to compete

**MR. PARSONS:** Well, we changed our bus before, we can do it again. The bus we are selling no' is a new model. It has been for the last two years. It was redesigned.

**MR. SPIVAK:** Is it just a question of design or is the method of manufacture?

**MR. PARSONS:** Oh, probably both, I don't know.

**MR. SPIVAK:** Does it not go to the whole question of the costing, and the labour input?

**MR. PARSONS:** Everything must come into it.

**MR. SPIVAK:** But the reality is that unless these changes are made, your ability to be able to tende in the future is going to be very limited.

**MR. PARSONS:** Yes. Sometimes those changes can be made. We've changed this bus that we ar selling right now for the prospects. We've re-engineered this last bus , new bus, sort of. We've now go the new GM V730 transmission in it instead of the Dana transmission, and that took re-engineering and re-design of the bus, we're doing that as we go along.

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**MR. SPIVAK:** Would you not say that the prospect and future are pretty glum as far as the opportunity to be able to compete?

**MR. PARSONS:** No, I don't think so. It will take change, it can be done. I don't know whether. . .

**MR. CHAIRMAN:** Any other questions? Mr. Minaker.

**MR. MINAKER:** Mr. Chairman, through you to Mr. Parsons. Mr. Parsons, you indicated that you didn't bid on the trolley bus bid that came out recently in the United States. Was that because you couldn't meet the specifications?

**MR. CHAIRMAN:** Mr. Parsons.

**MR. PARSONS:** That may have been one of the reasons.

**MR. MINAKER:** Why I asked, Mr. Parsons, I'm sure you're familiar with UMTA's new specifications for the low floor type bus.

**MR. PARSONS:** Yes.

**MR. MINAKER:** Is that specification still in effect with many of the major transit systems in the United States?

**MR. PARSONS:** I have no idea.

**MR. MINAKER:** Would you not think that would affect your ability to bid in the U.S. market?

**MR. PARSONS:** Are you talking about diesel buses or trolley? The only one that I had mentioned that we didn't bid on was a trolley bus. It has nothing to do with the questions you're asking.

**MR. MINAKER:** Well, it relates to the diesel, and I was wondering, does that specification also apply to trolley buses?

**MR. PARSONS:** No. That was not in that specification, no.

**MR. MINAKER:** That's definite that it does not apply to trolley buses?

**MR. PARSONS:** I don't know whether it will in the future, but it was not in that specification.

**MR. MINAKER:** Is the company at all entertaining the idea of meeting these specifications for the diesel buses, the ten inch floor, or at least the 24 inch floor height?

**MR. PARSONS:** We will be looking at it, but we're not bidding diesel buses in the United States.

**MR. MINAKER:** Have you any idea what it might cost to modify the bus?

**MR. PARSONS:** No.

**MR. MINAKER:** Are you aware that Mr. Moss, the president of the AM General had indicated that he felt it would cost them \$20 million to develop that particular model?

**MR. PARSONS:** Yes.

**MR. MINAKER:** Would you think it would cost approximately the same here if we were to . . . .

**MR. PARSONS:** I have no idea. I have no idea what it would cost to develop that. GM also said it cost them \$60 million to develop their RTS bus.

**MR. MINAKER:** So that, what you're indicating now, Mr. Parsons, is at the present time, Flyer is not interested in the U.S. market at all if these specifications are essential.

**MR. PARSONS:** I didn't say that we interested. I said right now if those were the specs, and I'm not even sure that all the properties in the United States are calling for that spec.

**MR. MINAKER:** You would not bid on it then?

**MR. PARSONS:** We could not, no. We've never bid on diesels in the United States.

**MR. MINAKER:** Mr. Chairman, not being a chartered accountant, I wonder in the statement of operation and deficits, in the 1976 year-end, in the cost of sales, does that include those provisions of Note 3, a 1974 loss provision, and also application of provision? Would they be included in your cost of sales figure of \$32,587,000.00?

**MR. PARSONS:** If there was a reduction necessary, it would come off of that. There were two different provisions in 1974: One was administration, and one was on labour — they're split.

**MR. MINAKER:** What I'm asking. . .

**MR. PARSONS:** It would be a reduction if there was part of the provision and it would be applied, is that what you're asking?

**MR. MINAKER:** No. What I'm asking, in your figure of \$32,587,071, what does that include? Does that include these provisions of \$3,500,000.00?

**MR. PARSONS:** No. No.

**MR. GREEN:** Mr. Chairman, if I can attempt to be helpful. . .

**MR. MINAKER:** If I could keep asking questions, Mr. Chairman, I'd prefer to ask Mr. Parsons. So, on all due respect to Mr. Green. Now, what I'm driving at, is in actual fact if back in 1974, you hadn't assumed you were going to lose \$9 million or whatever it was at that point, and escalated your loss back in 1974, you wouldn't have deducted these, is this correct?

**MR. PARSONS:** That's right.

**MR. MINAKER:** So that in actual fact, for the operation in 1976 and 1975, if we hadn't allowed for provision back in 1974, you still would have operated the company at a loss' is that correct?

**MR. PARSONS:** Yes.

**MR. MINAKER:** So that in actual fact for this year-end, after we manufactured the buses and sold

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them' we still lost close to \$900,000.00. Is that correct? If you hadn't provided the provisions.

**MR. PARSONS:** Without taking the provisions in it.

**MR. GREEN:** Mr. Chairman, on a point of order, nobody said in 1974 that we didn't lose \$16 mill. The only one who said that was me. I said that \$16 million was to provide for future years losses, you and everybody else kept saying that we lost \$16 million in that year. Now you can't have it both ways. If we lost money this year, then we didn't lose \$16 million in that year — we lost \$12 million.

**MR. CHAIRMAN:** Mr. Minaker.

**MR. MINAKER:** So, Mr. Chairman, what you're saying is that because you didn't lose the \$4 million or \$5 million two years ago, now we are showing a profit this year, when in actual fact when the smog cleared after building all these buses, we had lost money this year.

**MR. PARSONS:** Yes. We were billing them on 1974 selling prices.

**MR. MINAKER:** So that we've lost in terms of operation this year, roughly about \$900,000.00.

**MR. PARSONS:** Well, we did, but we certainly did a lot better than the accountants thought we were going to do, because they had provided \$5 million extra for this year.

**MR. MINAKER:** No, I'm just saying, I'm not a chartered accountant, I'm just trying to figure out whether they were included or not.

**MR. PARSONS:** No, nothing further.

**MR. MINAKER:** Okay. Thank you very much.

**MR. CHAIRMAN:** Mr. Axworthy.

**MR. AXWORTHY:** Mr. Chairman, can Mr. Parsons tell us what he assumes is the number of units that Flyer has to sell in the forthcoming year and in succeeding years, in order to maintain no more than the \$3 million loss that Mr. Green has indicated as kind of the limit that they don't want to go annually.

**MR. CHAIRMAN:** Mr. Parsons.

**MR. PARSONS:** We indicated that at a production of 150 to 200 bus level, that there could be projected losses expected between \$2 million and \$3 million.

**MR. AXWORTHY:** So, that you have to sell then a minimum of about 150 buses, perhaps 200 in order to keep that kind of in mind. Now, what is your expected market in this forthcoming year, what do you expect to sell?

**MR. PARSONS:** In this forthcoming year, it will probably be over 200 buses.

**MR. AXWORTHY:** You'll have over 200. Mr. Parsons, can you give me a rough estimate of what the total market is for buses in Canada, the market that you're bidding on, how many per year?

**MR. PARSONS:** Excluding Quebec, probably 600.

**MR. AXWORTHY:** About 600. But you assume that you have to get a minimum of one-third of the market in order just to maintain the loss factor. Now I would assume from that that in order to bring it upwards from that \$3 million loss, that we would have to get 50 percent of the market. Is that right?

**MR. PARSONS:** Yeah, if we can get 450 buses a year, we wouldn't have a loss. We're not going to get that.

**MR. AXWORTHY:** 450 buses would then really approximate 75 percent of the total Canadian market, and that seems . . .

**MR. PARSONS:** That's impossible.

**MR. AXWORTHY:** . . . impossible. So what we're saying is that based upon current market projections the likelihood is that that loss statement will be a pretty stable one. In other words, the opportunity of breaking out of that cycle is fairly remote at this stage, considering that you have not abandoned any prospect of going into other lines of products, and that you're going to have to make it or break it on the buses.

**MR. PARSONS:** I didn't say that. I didn't say we had abandoned it. The Board of Directors are still searching and still looking.

**MR. AXWORTHY:** I'm sorry, I misunderstood when Mr. Spivak was asking questions. . .

**MR. PARSONS:** Mr. Spivak asked the question what the consultants had recommended, and if we had accepted any of them.

**MR. AXWORTHY:** I see. So you've rejected the consultants report, but you've not abandoned the idea of pursuing other potential areas. Can you give us an indication of what those might be?

**MR. PARSONS:** No, not at this time.

**MR. AXWORTHY:** That's confidential information?

**MR. PARSONS:** Yes.

**MR. AXWORTHY:** I see, okay. So we have to assume then, Mr. Chairman, that based upon the knowledge that we now have in terms of a bus market *per se*, that the potential opportunity of breaking out of the loss range that we're talking about is fairly remote, just simply by the nature that we just don't have that big a market to cut into, unless we come up with a super duper ex calibre bus that everyone wants to buy. I gather you figure that's not possible because we're not really heavily into research and development.

**MR. PARSONS:** Yes, I don't think we would. In any stretch of the imagination, it's 75 percent of the

ying market.

**MR. AXWORTHY:** Fine. Okay. Mr. Parsons, in that case, I was also interested in the comments of at is the company doing in the way of research and designing? You seem to indicate that there was improvements going on. How are those improvements brought about? Is there a separate division in a company that works this way? Do you bring in consultants?

**MR. PARSONS:** We have an engineering division of the company.

**MR. AXWORTHY:** Yes, there is an engineering division, but is there a specific program related to a development of new designs in these markets?

**MR. PARSONS:** We knew a year ago that we would no longer be able to use the Dana transmission at we have been using up till now, so our engineering department knew that they had to design the s to handle the new GM transmission, so they went ahead and designed the bus to take it.

**MR. AXWORTHY:** Okay . . .

**MR. PARSONS:** That type of design is going on; probably the new buses you'll see won't have the imp on the back. That's been redesigned to take that top hump off the bus.

**MR. AXWORTHY:** Mr. Parsons, can you tell if there is this kind of . . . capacity at least to make incremental changes, why is it that Flyer, for example, has not attempted in its bus line to begin commodating certain design changes to deal with the new specifications dealing with handicapped people? I gather that one of the reasons why you're excluded from certain markets — e report I think indicated a few months back, — I think that the Minister confirmed in the House that yer has no intention to begin redeveloping certain of its interior features to accommodate new efications that the Americans have, and I gather the Canadian authorities are considering quiring certain doorways and things like that in buses to cope with those who have physical indicaps.

**MR. GREEN:** Mr. Chairman, on a Point of Order. The honourable member says that I confirmed at we had have no intention of trying to deal with those specifications . . .

**MR. AXWORTHY:** I believe that was the answer in the House, Mr. Chairman.

**MR. GREEN:** If I gave that, then I'm very sorry I would have wanted to say, and I believe I did say we ill look at ' that the specifications when they come along; we'll try and deal with them.

**MR. AXWORTHY:** Mr. Chairman, my point is the specifications have come along and are in sistence and that they are being set forward as the requirements for a number of new bus lines.

**MR. GREEN:** I just don't want it to go forward; the honourable member will have a chance to look Hansard and show me to be wrong. I don't believe that I ever said that we have no intention of trying do these things.

**MR. PARSONS:** Yes, we have not seen a tender that has those specifications in it that you're effering to.

**MR. AXWORTHY:** I believe, Mr. . . .

**MR. PARSONS:** That was a reporter who phoned me up and said, "If this was in specifications, ould you have done it?" I said we have not done it to this date, so that's the way it came out in the apers that Flyer couldn't do it; and that was strictly on a lift for wheelchair and a door. The fact that e technology is on the market, it can be done.

**MR. AXWORTHY:** In that same line, Mr. Chairman, has Flyer Industries made any effort to begin applying the smaller scale buses such as the new handy transit system is going to use or the other inds of dial-a-bus arrangements, the smaller portable jitney bus type arrangements?

**MR. PARSONS:** No, we have not looked . . .

**MR. AXWORTHY:** That has not been a potential market that Flyer has examined?

**MR. PARSONS:** There doesn't show to be a large market at the present time that it would be irthwhile getting in to do the engineering to go into that field.

**MR. AXWORTHY:** Mr. Chairman, last year, I asked Mr. Parsons whether the company, Flyer ndustries, was interested in working in a consortium or partnership arrangement with other transit ompanies in the supply of things like the LRT systems that Edmonton and Calgary are now ntroducing, or in other variations of transit systems that . . . well, you may not have the full capacity . . . to have the coach facilities to do it. I wonder if there has been any exploration of those potential onsortium or partnership arrangements with other companies working in similar fields?

**MR. PARSONS:** Yes, we have. We have talked to two or three.

**MR. AXWORTHY:** Mr. Chairman, is there any possibility to ask what kind or is that part of the orbidden knowledge?

**MR. PARSONS:** No, I'm not prepared to report on it. As reported in the paper we've talked to Volvo nd others and we are still continuing to talk to others.

**MR. AXWORTHY:** To the Volvo Company is that correct?

**MR. PARSONS:** That was reported in the paper, they were here; we talked to them.

**MR. AXWORTHY:** Okay. Mr. Chairman, I have a couple of questions for Mr. Parsons on that. I oticed in one of the auditor's statements that there was a correction in the '76 as compared to '75 here you are no longer given income tax exempt status, that you're no longer considered to be a

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Crown Corporation. Can you give us the background as to the changes in that and the impact it have upon your financial performance of the company?

**MR. PARSONS:** I don't think it will have any impact on the financial performance. We request ruling from the Income Tax Department. They ruled that Flyer is not wholly owned and therefore not exempt from taxation. And also, in that case, if the company had been sold, the tax loss we have been carried forward to the benefit of any purchaser.

**MR. AXWORTHY:** So I see, Mr. Chairman, that we have now turned our loss into an asset by be able to write it off over the next ten years or so. I gather is that . . .

**MR. PARSONS:** That's the biggest asset.

**MR. AXWORTHY:** The biggest asset. All right. So that you don't expect that you'll be paying ta for some time, I gather. Is that the case?

**MR. PARSONS:** No.

**MR. AXWORTHY:** Mr. Chairman, I would like to ask the Chairman as well some questi concerning the enquiries that were made again early this year about the potential sale of Flyer anc on to West German interests and so on. Can the Minister indicate whether in fact or in the pres whether approaches were ever made concerning sale of Flyer to West German consortium of so kind?

**MR. PARSONS:** I could answer that. I don't believe there really was much effort put into that. I v away at the time that that happened. My assistant at that time wired the names that we were given e we never did hear anything about it.

**MR. AXWORTHY:** Mr. Chairman, I gather that there were local representatives of that compa that had had discussions.

**MR. PARSONS:** I read that in the papers. I know Mr. Maurmann of course, worked with Flyer a he and I know each other very well. I know Mr. Bob Leslie and never at any time did they e approach me. I find it very strange that if they had a viable purchaser, that one of them wouldn't h talked to me. And I never heard from either of them.

**MR. AXWORTHY:** Mr. Chairman, had any other representations been made from the governme itself to the Ministers or any other sources, other officials in Flyer inquiring as to whether this wa possibility or not?

**MR. PARSONS:** I know nothing about it.

**MR. GREEN:** Mr. Chairman, there was a — I can't recall now — there was a document of one ki or another, a correspondence which came to my office and which I sent to the Manito Development Corporation — and I am now talking from recollection — telling the Corporation th this was an enquiry or some type of communication that we have received. I think it was in respon to that that the Corporation wrote the people or wired the people and then never heard from the But I did not hear from or speak to anybody, but I did receive a communication which I sent to t Development Corporation. And anybody who approaches me with regard to Flyer, I send them to t Manitoba Development Corporation to conduct discussions with them.

**MR. AXWORTHY:** Mr. Chairman, again, and I gather that the Chairman of the MDC knew of i further follow-up by anybody else in working in connection with the government. . .

**MR. PARSONS:** But I never heard of it.

**MR. AXWORTHY:** . . . until this time so that . . .

**MR. PARSONS:** We have to dig back through our files and Mr. Green had sent over a telex and n assistant had replied to it to Germany and there was never any answer.

**MR. AXWORTHY:** I see, okay. Mr. Chairman, just coming back to this question then of the . . suppose the most germane one is the prospect of the company in relation to its financial capacity ar I think that the Minister indicated that there were efforts being made in the way of . . . co efficiencies was one I believe; a second was in the area of aggressive pursuit of new markets; ar thirdly, I believe was the area of management. Was that . . .

**MR. PARSONS:** Alternative arrangements.

**MR. AXWORTHY:** Alternative arrangements, yes.

**MR. PARSONS:** Such as you mentioned, or products.

**MR. AXWORTHY:** Well, Mr. Chairman, I am wondering if then Mr. Parsons would be good enoug to specify without trespassing across that boundaries that have been set, what specific actions hav been taken in each of these areas, just to either keep the cost within that \$3 million line or to attempt to reduce them. Can you elaborate what exactly is . . .

**MR. PARSONS:** I think that in the notes to the financial statement, the auditors themselve reported that we had a greatly improved operating efficiency throughout the company and I think th fact that we produced 480 buses; further that our projection, showed that certainly the lines wer moving efficiently and the cost per bus came down right throughout the year as also stated in ou report. I think the first two criteria were probably met during the last 15 months as far as operati efficiency and costing are concerned.

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**MR. AXWORTHY:** So the major problem, I gather, is still the market one, that there just isn't enough market for the kind of buses we are making in order to justify that. And I gather then, that the only way out is to find some, at this point, unknown line or an alternative arrangement with their company which you can't divulge, because it is the only way out of this loss cycle. Is that correct there?

**MR. PARSONS:** That's a fair assessment.

**MR. CHAIRMAN:** Mr. Lyon.

**MR. LYON:** Mr. Chairman, through you to Mr. Parsons. I see that the latest financial statement for year ended December 31, 1976 was obtained or was dated by the auditors May 13, 1977. Isn't it unusual for a financial report of an operating company to take from December 31, 1976 until May 13, 1977 to produce a financial statement?

**MR. PARSONS:** I think that's pretty good; it took us about eight months last year. The company's records were ready for the auditors to go in and even to do the inventory took them a full two weeks with three people doing inventory checks to complete audit. You are talking about four months after year end. I don't find that with a company of this size, and the volume of audit needed, I don't think it is out of line.

**MR. LYON:** Mr. Chairman, I don't want to argue with Mr. Parsons who is a chartered accountant, isn't it fact that most public companies, publicly traded companies, Hudson Bay and any company you want to name, they have their audited financial statements out within two to three months and their annual meetings out of the road. . . .

**MR. PARSONS:** Around three months that's about it. . . .

**MR. LYON:** Sure. But what is so unusual about this company that it can't operate according to normal accounting practices and have its books audited and out. . . .

**MR. PARSONS:** I don't think four months is really that much out of line. We might have been able to do it if we really put the pressure on the auditors. The basic accounting, we're getting our statements off and in our hands monthly now by the 12th or the 14th of the following month, which is not bad. The year-end statements do have a few other adjustments to be made, but the largest part is the auditors themselves at that time of the year are very busy. Now, if we had put the real pressures on the companies that you mentioned do on their auditors — they also have internal auditors to do most of their work. If you . . .

**MR. LYON:** But they also have statutory obligations to produce them.

**MR. PARSONS:** Oh yes, yes they do.

**MR. LYON:** Would you think it might be of merit if we incorporated such a statutory obligation on the Companies Act with respect to Crown companies as well as private ones.

**MR. PARSONS:** Yes, then you are going to have to give Mr. Ziprick a . . . mind you, we're doing it on outside auditors . . .

**MR. LYON:** Well I was going to say we'd have to give Mr. PriceWaterhouse. . . .

**MR. PARSONS:** You better give them more staff because they couldn't do them this year.

**MR. GREEN:** But I think those regulations apply to us, the corporate regulations.

**MR. PARSONS:** Oh yes, but . . . they had to . . .

**MR. LYON:** I am talking about publicly traded companies and The Securities Act requirements do so on.

This report dated May 13, 1976, is there any reason why it could not have been distributed a little earlier than tonight in order that the members of the Committee might have had an opportunity to look at it?

**MR. PARSONS:** I really don't distribute any of these until this committee meeting.

**MR. CHAIRMAN:** Mr. Green.

**MR. GREEN:** Mr. Chairman, Mr. Parsons is not entirely to blame for that. If the honourable member wishes to find the culprit, it has been my direction that the MDC report be made available to the House as soon as possible after it's received, but that with regard to the reports of the statements, that they be brought to the first meeting and that if there is time needed to digest them, that we have undertaken to and in the past have met afterwards, so that the honourable members would get them. The reason for that is that we have found that it is better for whenever the reports are open for the chairman's comments to be available, so they are not a whole series of misunderstandings relative to the material contained therein.

**MR. PARSONS:** I might add to that that none of these reports are released to any credit agencies anyone else before this Committee sees them. I do not release any of these to anyone. They must be tabled here before any of them are released. Other than the board of directors of the company and the MDC board, no one sees these statements until you people have received them at this Committee.

**MR. GREEN:** I know that Mr. Parsons may be annoyed with me for trying to correct what may be advertisements. The Flyer Industries statement has been made available to the shareholders of Flyer Industries before it comes here and there are other shareholders than the the Manitoba Government and I am not talking about this one. I am talking on a yearly basis. They have an annual meeting of the



shareholders and that annual meeting, for instance, took place in the fall, their department report given to them before it was received by us.

**MR. PARSONS:** There is one other shareholder; there is the other gentleman who still has 300 common shares.

**MR. GREEN:** They are preferred shares.

**MR. PARSONS:** But they don't count.

**MR. LYON:** So I take it then that the Crown is what, a 99 and 77/100 percent owner like Iv Snow?

**MR. PARSONS:** 99.94 for the common and 96.82 of the preferred.

**MR. LYON:** So for all practical purposes except 149(1) of the Income Tax Act it's a Crown Corporation again. Is there any — perhaps Mr. Chairman should more properly direct this question to Mr. Green than to Mr. Parsons, although to either — is there any reason why these reports could not be distributed to members of the Committee, after all the members of the Committee along with Mr. Green represent 99 and 77/100 percent of the shareholders?

**MR. GREEN:** Mr. Chairman, I thought I answered the question. It's not that they are not distributed, it's that they are distributed at one occasion when the chairman is able to discuss them and if they require further time for members to digest, then we have always postponed that time and have indicated why. I believe that in the past, when a statement has been released without the opportunity of getting full information on it, that it has been subject to great misunderstanding. For instance, the Flyer Statement statement which was released by one of the shareholders for the year ended 1975, produced statements in the newspapers to the effect that we lost \$4 million and that we made \$40,000 and there was no explanation as to how this occurred. So the people who receive these statements can ask questions and the chairman is here to answer them.

**MR. CHAIRMAN:** Mr. Lyon.

**MR. LYON:** Mr. Chairman, isn't that a real or an imagined matter that could occur to any company if the statement that is issued, any annual report. The Hudson Bay Company or the "widget" company of north Winnipeg doesn't withhold publication of its annual statement just because some people might misinterpret it.

**MR. GREEN:** Mr. Chairman, the honourable member is quite correct. I have found that there is a difference, not only in degree but in kind, in the way private statements are treated and in the way statements of companies operated by the public are treated.

**MR. CHAIRMAN:** Are there any further questions of Mr. Parsons on this report? Mr. Lyon.

**MR. LYON:** You know, not to get involved in a long discussion with Mr. Green, but Mr. Green and his government are the people who have seen fit to translate us into a number of these public companies that we have here before us tonight. All I'm suggesting — the bottom line of what I'm suggesting is that if the government, and I think wrongfully, gets into the private sector and is a 100-percent owner of companies, then it should as a matter of course obey the same general rules with respect to reporting, accountability and so on that a government in turn requires of private corporations which are merely invested in by the public, not whose money is forcefully extracted from the public and put in here against probably the majority of the public's wishes.

**MR. GEN:** The private companies that I happen to be a shareholder of don't even give me their statements of the subsidiaries in which we hold shares. So we go further than the private companies. The private companies in which I hold shares, and several of them are financial institutions, send me this statement, which is the MDC statement, and they list as some of their assets shares held in subsidiary companies. They don't send me the statement of the subsidiary.

**MR. LYON:** Well, it depends on whether they are operating subsidiaries, Mr. Chairman, as my honourable friend well knows, or whether they are wholly-owned subsidiaries or whatever the case may be. Here we are with separate entities. If my honourable friend, Mr. Green, Mr. Chairman, is trying to set up the Manitoba Development Corporation as the new socialist cartel for Manitoba that's another thing. But really, all we regard it as, is a bank which in the course of the direction of his government has translated a number of loans into equity. Now that these are wholly 100-percent Crown-owned corporations, we're merely saying, and they cover a variety of activities, why should they not report in what is acknowledged to be a usual and not irresponsible way by the private sector?

**MR. GREEN:** Mr. Chairman, on the point of order, we could continue this for a long long time. When I was a Member of the Legislature between 1966 and 1969, I never received a single financial statement of McKenzie Seeds which was fully operated by the Government of the Province of Manitoba, of which I am a citizen and therefore we were shareholders. I never received a single statement of the subsidiaries of what the MDC was doing and I received no information of the MDC.

**MR. LYON:** What subsidiaries did the MDC operate?

**MR. GREEN:** Well, Mr. Chairman, the convenient way of not having a subsidiary is to give the money all to a private firm and instead of taking any equity in it, advance over 100 percent of the cost of operation. We are not intending to proceed in that way and I'm quite prepared to defend our position as against the former government's position when the debate comes. But in this Committee

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Chairman, the explanation has been given. My honourable friend doesn't think that it's a satisfactory one; that's fine, I think it is and we'll debate it.

**MR. CHAIRMAN:** Order please. I would remind members it's almost eleven o'clock and this is the function of the Committee for asking questions of Mr. Parsons. If Members would prefer it to develop into a debate, the Chair is quite willing to accommodate the members.

**MR. LYON:** I was asking a question, Mr. Chairman, of Mr. Green about the reporting practices because obviously Mr. Parsons is not responsible for that. I conclude, using Mr. Green's terms, that we are not here to debate the general philosophy of it, but I conclude by saying that the MDC since 1969 is an altogether different animal from what it was prior to 1969, which my honourable friend owns. It was a bank prior to 1969. —(Interjection)— Well, my honourable friend from Thoson wouldn't know a bank from a grocery store, but this was a bank prior to 1969. Now it is acting as an entity ownership vehicle to carry out his particular political philosophy. So long as we all understand it, that there is no need for private companies to be reporting to a Committee of the Legislature if they are not owned by the government. I think the point has been made. Perhaps not understood by you, but made.

**MR. GREEN:** Prior to 1969, the Manitoba Development Corporation had virtually 100-percent ownership of Sprague Forest Industries and Churchill Forest Industries. They had more debenture debt than there was capital in the operation and I call that ownership, and in default. If they did that so they did not have to report to the Legislature because they did not hold any shares in the company, which is what I largely suspect, then I think that the MDC is a much better financial institution than it is before 1969 when it was a charitable institution for private sector friends of my honourable friend who ends in the Conservative Party.

**MR. LYON:** Just to conclude that point, Mr. Chairman, would my honourable friend describe the Simplot Plant at Brandon as a private charitable operation that was . . . as a friend?

**MR. GREEN:** Absolutely.

**MR. LYON:** And why was the loan paid off? Was it not because my honourable friends wanted to get in and mismanage that company as they are mismanaging most of these?

**MR. GREEN:** Mr. Chairman, the loan was paid off because the money was out at very low rates and the Board of Directors of the MDC, quite properly, used whatever negotiating position they had to get that loan in or improve their financial position. That's what I expect the MDC Board to do. That MDC Board is composed of a good cross-section of businessmen in the Province of Manitoba. The Silot Chemical was built by public money, 100 percent by the public's money and if you need authority for that, you can ask Mr. Simplot. He says, "When I make a new investment I don't use my own money; I use other people's money, mainly the public's." It was the Province of Manitoba and DREE that built Simplot.

**MR. LYON:** Is my honourable friend saying he is against Silot and the jobs it provided for western Manitoba?

**MR. GREEN:** Not at all, Mr. Chairman, the problem is . . .

**MR. LYON:** You would like to own it.

**MR. GREEN:** The problem is that if I put up all the money to build a certain place . . .

**MR. LYON:** You would like to own it and run it to the ground the way you are running these.

**MR. GREEN:** No, not run it into the ground; own it and run it properly.

**MR. LYON:** My honourable friend, I'm afraid, Mr. Chairman, and his colleagues couldn't operate a peanut stand and that's what we are here talking about tonight. Thank God they are not operating Simplot; thank God they are not operating Carnation; thank God they are not operating most of the companies that received loans because otherwise . . . the same disaster sheet that we have here.

**MR. GREEN:** Mr. Chairman, thank God that the people who are running Sprague Enterprises are not running the Province of Manitoba; thank God the people who are running Transair are not running the Province of Manitoba; thank God all of the people who have gone broke in the private sector are not running the Province of Manitoba.

**MR. LYON:** Yes, but that's not money that was extracted from the public by force.

**MR. GREEN:** That was money that was extracted from the public by — an effective way of extracting it.

**MR. LYON:** Not by force. My honourable friend's definition of extraction, Mr. Chairman, is a lot different from mine. If a man wishes to invest his money privately, that's his business. My honourable friend wishes to put his long socialist hand into his pocket and take it out by way of taxes. That's an entirely different point and he doesn't seem to understand the difference.

**MR. GREEN:** Mr. Chairman, not a penny was invested by the people who built the Churchill Forest industries privately. Not a penny was invested by Mr. Simplot, privately. All of it was done with public money. Now, Mr. Chairman, my honourable friend knows, and he has indicated —(Interjection)— that we could debate this all night. On a point of order, what are we doing. We are debating a question and I am asking — the honourable member wishes to ask questions; I gave him the answers —

(Interjection)— Pardon me?

**MR. SPIVAK:** . . . statement about Silot.

**MR. GREEN:** Mr. Chairman, I am prepared to say . . . the authority is Mr. Simplot himself who Fortune Magazine said that when he goes into a new enterprise he doesn't use his own money uses other people's money. What he did was get approximately \$28 million in public moneys for building of that plant which he now owns.

**MR. LYON:** Was that a good investment for Manitoba?

**MR. GREEN:** It would have been a much better investment for the Province of Manitoba if it owned the plant.

**MR. LYON:** Now, there we've got it, Mr. Chairman. I'm glad my honourable friend is on the record. We're back to Tommy Douglas's boot factories and box factories and the whole kind of social nonsense.

**MR. GREEN:** No, we're back to the failure of the whole private enterprise system in 1929 and a that free enterprise nonsense. I was going to use a different word but I'll . . .

**MR. LYON:** Mr. Chairman, I know and respect my honourable friend well but when he makes outlandish statements like that, he's trying to say, "We're for the Regina Manifest and we're for state control as a means of production." If he really believes that, why doesn't his Premier come out and say it. He hasn't been just as my honourable friend has.

**MR. GEN:** Mr. Chairman, I respect my honourable friend very much and I will exchange a compliment. He hasn't got the guts to follow through his political philosophy. If he did, he would undo Medicare, he would undo Hospitalization; he would undo Autopac; he would sell the Manitoba Telephone System to private enterprise; he would sell the power system to private enterprise. But I have too much respect for my honourable friend to suggest that he not have the guts to do that.

**MR. CHAIRMAN:** Order please. I wonder if I might bring the attention of honourable members back to the report of Flyer Industries Limited. Could we continue our future remarks and questions to that report and to Mr. Parsons. Mr. Pauley.

**MR. PAULLEY:** Mr. Chairman, I regret I'm a little late coming into the Committee; I had another one previous to that. But when the consideration is given to the investments that were made in so far as the Simplot Fertilizer Plant at Brandon are concerned and hearing the idiotic statements of the Leader of the Opposition, I feel that because of my particular position at that time — (Interjection) Yes, I'm muddying waters but I'm attempting also to clarify waters the benefit of my honourable friend, the Leader of the Conservative Party who has one of those capabilities of forgetting what was the obvious at that particular time.

When we were considering in the Legislative Assembly, under the regime of Duff Roblin and Sterling Lyon and a few other characters, an investment into a fertilizer plant at Brandon, of a loan to the public of Manitoba, the taxpayer of Manitoba made an investment of some \$28 million to an entrepreneur from Boise, Idaho who were prepared to make an investment of somewhere in the neighbourhood of two or three million dollars. The guarantee was that the taxpayer of Manitoba would subsidize that investment; hopefully, that it would be successful.

As the Honourable the Leader of the present Opposition points out, their prayers were answered in that the fertilizer industry did produce at Silot a return that allowed them to pay back to the coffers of Manitoba the \$28 million with, however, Mr. Chairman, may I suggest, the accompanying increase in the cost of fertilizer to the farmers of Manitoba and my friend, the former Attorney-General and the present Leader of the Opposition, discounts that.

But we were knowledgeable of that at the particular time and it was one of those peculiarities of industries, because of their peculiar position, that were able at the extraction of the increased cost of fertilizers to the farmers of Manitoba, pay off the \$28 million that was advanced by this free-enterprise government that we had at that particular time.

We took the stance then, as we have continuously taken the stance, that if there is a buck to be made it should be made by the people of the Province of Manitoba instead of some entrepreneur from Boise, Idaho or wherever the heck he came from. There is the difference between the present Leader of the Conservative Party and the stance that we took prior to 1969.

**MR. CHAIRMAN:** Mr. Lyon.

**MR. LYON:** Mr. Chairman, I thank my friend, the Minister of Labour, for his historical exposition of his view of what happened in the dim dark years of history . . .

**MR. PAULLEY:** Oh, they were dim and they were dark, Mr. Chairman. That's the most understatement that I've heard from the Leader of the Opposition since his re-election to this House.

**MR. LYON:** I would like to suggest to him, however, that the proposition that he has advanced, that namely the state should take equity in order to make a buck, the reverse of that proposition has been operating very successfully the last eight years, namely that the state has been taking equity in order to lose a buck. Because we've gone down the list so far, I think we're at number six company and we're really not at a company that's making a buck yet, in which my honourable friend seems to take such pride that he's looking after — (Interjection) — No, I'm talking about the ones on the list that

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we talked about tonight, William Clare, Cybershare, Dawn Plastics, and so on. So we take as — my honourable friend's sort of Humpty-Dumpty dissertation on economics but come back to the point I started off by questioning my friend the Minister of Mines about — if these reports are available, as indeed this one was, the 1976 report, on May 13, 1977, and the 1975 report which was available July 23, 1976 — should not the Members of the Legislature who are representatives of the public who are the 99 percent owners of this business, receive the reports as reasonably convenient after they have been handed out by the auditors in order that they will have sufficient opportunity to review the reports. Instead, we are faced tonight with two reports which are overly long or necessarily over-complicated but which I do suggest, with respect, need a bit more consideration than what we can give, and as my honourable friend has acknowledged, than what we give in just a cursory reading around this table.

I'm merely suggesting again, I'm reiterating the proposition and you might even say making an undertaking that in the event of a change of government, I know that would be the practice that would followed, notwithstanding the fact that there is the danger from time to time of misinterpretation. Every company that turns out an annual report and who loses money faces that kind of a problem from time to time and that's something you live with in the business world. If my honourable friends going to get into business then they should live by the ordinary rules of business. That's the very proposition that I'm making, that we should have reports ahead of time. I know they are not being withheld by Mr. Parsons — we've had the explanation from the Minister. I merely suggest to him that should review this procedure and make sure that we do have these reports ahead of time. I would like to put him as a final recommendation with respect to these reports, that we do consider at this moment during another meeting of the Committee in order that we can take up his undertaking which I know is quite a legitimate one, that we would come back to Flyer after we have had more of an opportunity digesting the reports that are in front of us tonight.

**MR. GREEN:** Mr. Chairman, I have indicated to all of the honourable members, every time we have done this, that there is no intention of taking anybody by surprise, that we are quite willing to meet earlier on in the week to have honourable members consider the reports, or later on in the session, let's do it that way. I don't wish to leave it on the table that there is no companies here that have shown any

**MR. LYON:** No, I said of the six we have gone through.

**MR. GREEN:** Well, Mr. Chairman, the Cybershare Limited seems to be doing very nicely. Armond Industries has been doing very nicely under government management, much better than it is under private management. Electro-Knit Fabrics which is entirely private is not doing very well. That's something that happens in the sector.

**MR. LYON:** Yes, but that's not public money.

**MR. GREEN:** Well the honourable member says it is not public money. May I suggest to him that his system of losing money, his system of losing money which he has suggested — (Interjection) — well, I listened to the honourable member. His system of losing money cost the public of the Province of Manitoba more money than our system of losing money. So his system was more efficient and everywhere that system is employed, including in Newfoundland, including in Prince Edward Island and in Nova Scotia — not Prince Edward Island — Nova Scotia and New Brunswick, that system has proved to be much more efficient at losing money than the system that we have chosen. And I point that to my honourable friend that since we went on our new basis which was in 1973 when the guidelines were issued, the amount of money that has been lost by the Manitoba Development Corporation, only \$300,000 can be attributed to activities started from that date on. That's in a total of over \$135 million, over 50 percent of which is attributable to organizations started under the old system, the balance to our system, but since 1973 the least problems associated with the Manitoba Development Corporation can be attributed to that period of time.

But, Mr. Chairman, we could go on for a long time. My honourable friend and I will be going on in the House. If he wants the last word, I am prepared to give it to him but I would suggest that we do adjourn and that we come back the next time it's convenient for the Committee to meet and they will have a chance to finish the reports that we haven't gone through or even go back to reports where they find some additional questions. I suggest we adjourn now.

**MR. LYON:** Two points of clarification, not to have the last word. I have never been able to do that with my honourable friend in any case. No. 1, what I thought he was talking about, the private subscription of money into companies, whether they are private or publicly listed companies, or whatever. That's No. 1. That's one way investments take place.

No. 2. His method is, of course, to extract tax money from the people and use that tax money to buy equity. I realize that my friend at the end of the table doesn't understand what we're talking about but that is the case with most debates in the House. Now for a point of historical clarification, my honourable friend is so proud of the fact according to his figures — he mentioned something like \$300,000 since 1973 — is my memory correct when I recall, and I am subject to correction on this, that the original MDF or MDC loan to Flyer Coach was something like \$200,000.00?

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**MR. GREEN:** I believe it was \$2 million and I have to tell my honourable friend that it was administration that was in power when that loan was made. I previously at one point indicated that was not the case, but it was in 1969, however it was under Rex Grose and before any chairs were made in the operations of the development of the NDC. So however it was approximately 2 million in 1969. — (Interjection) — No. Mr. Parsons is saying \$200,000.00.

**MR. LYON:** That was my recollection. \$200,000.00. We have now translated — just a final point we have now translated a loan of \$200,000 that the public, that is the taxpayers had in Flyer Industries to what? A 30 million dollar . . .

**MR. GREEN:** There is a 30 million dollar investment and a 16 million dollar loss which means we would on the books still have \$14 million, \$15 million in that corporation.

**MR. LYON:** That is my honourable friend's version of progress, eh?

**MR. GREEN:** Well, Mr. Chairman, I have indicated that the policy changed in 1973 and that up to then we were following the philosophy of my honourable friends.

**MR. CHAIRMAN:** Committee rise and report.