



First Session — Thirty-Fourth Legislature
of the
Legislative Assembly of Manitoba

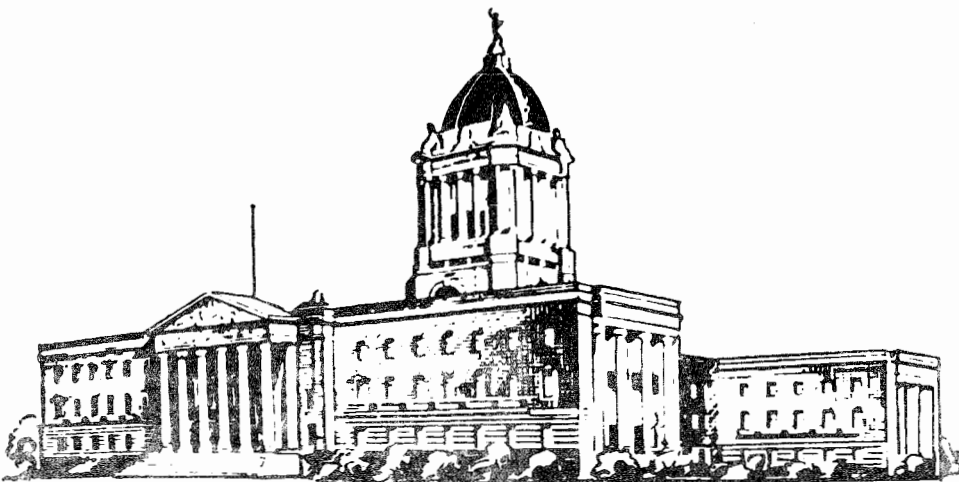
STANDING COMMITTEE

on

ECONOMIC DEVELOPMENT

37 Elizabeth II

Chairman
Mr. H. Pankratz
Constituency of La Verendrye



VOL. XXXVII No. 3 - 10 a.m., THURSDAY, DECEMBER 8, 1988.

MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Fourth Legislature

Members, Constituencies and Political Affiliation

NAME	CONSTITUENCY	PARTY
ALCOCK, Reg	Osborne	LIBERAL
ANGUS, John	St. Norbert	LIBERAL
ASHTON, Steve	Thompson	NDP
BURRELL, Parker	Swan River	PC
CARR, James	Fort Rouge	LIBERAL
CARSTAIRS, Sharon	River Heights	LIBERAL
CHARLES, Gwen	Selkirk	LIBERAL
CHEEMA, Gulzar	Kildonan	LIBERAL
CHORNOPYSKI, William	Burrows	LIBERAL
CONNERY, Edward Hon.	Portage la Prairie	PC
COWAN, Jay	Churchill	NDP
CUMMINGS, Glen, Hon.	Ste. Rose du Lac	PC
DERKACH, Leonard, Hon.	Roblin-Russell	PC
DOER, Gary	Concordia	NDP
DOWNEY, James Hon.	Arthur	PC
DRIEDGER, Albert, Hon.	Emerson	PC
DRIEDGER, Herold, L.	Niakwa	LIBERAL
DUCHARME, Gerald, Hon.	Riel	PC
EDWARDS, Paul	St. James	LIBERAL
ENNS, Harry	Lakeside	PC
ERNST, Jim, Hon.	Charleswood	PC
EVANS, Laurie	Fort Garry	LIBERAL
EVANS, Leonard	Brandon East	NDP
FILMON, Gary, Hon.	Tuxedo	PC
FINDLAY, Glen Hon.	Virden	PC
GAUDRY, Neil	St. Boniface	LIBERAL
GILLESHAMMER, Harold	Minnedosa	PC
GRAY, Avis	Ellice	LIBERAL
HAMMOND, Gerrie	Kirkfield Park	PC
HARAPIAK, Harry	The Pas	NDP
HARPER, Elijah	Rupertsland	NDP
HELWER, Edward R.	Gimli	PC
HEMPHILL, Maureen	Logan	NDP
KOZAK, Richard, J.	Transcona	LIBERAL
LAMOUREUX, Kevin, M.	Inkster	LIBERAL
MALOWAY, Jim	Elmwood	NDP
MANDRAKE, Ed	Assiniboia	LIBERAL
MANNES, Clayton, Hon.	Morris	PC
McCRAE, James Hon.	Brandon West	PC
MINENKO, Mark	Seven Oaks	LIBERAL
MITCHELSON, Bonnie, Hon.	River East	PC
NEUFELD, Harold, Hon.	Rossmere	PC
OLESON, Charlotte Hon.	Gladstone	PC
ORCHARD, Donald Hon.	Pembina	PC
PANKRATZ, Helmut	La Verendrye	PC
PATTERSON, Allan	Radisson	LIBERAL
PENNER, Jack, Hon.	Rhineland	PC
PLOHMAN, John	Dauphin	NDP
PRAZNIK, Darren	Lac du Bonnet	PC
ROCAN, Denis, Hon.	Turtle Mountain	PC
ROCH, Gilles	Springfield	LIBERAL
ROSE, Bob	St. Vital	LIBERAL
STORIE, Jerry	Flin Flon	NDP
TAYLOR, Harold	Wolseley	LIBERAL
URUSKI, Bill	Interlake	NDP
WASYLYCIA-LEIS, Judy	St. Johns	NDP
YEO, Iva	Sturgeon Creek	LIBERAL

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT

Thursday, December 8, 1988

TIME — 10 a.m.

LOCATION — Winnipeg, Manitoba

CHAIRMAN — Mr. Helmut Pankratz (La Verendrye)

ATTENDANCE - 11 — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Connery and Downey
Messrs. Evans (Brandon East), Evans (Fort Garry), Driedger (Niakwa), Gillehammer, Helwer, Kozak, Pankratz and Storie

APPEARING: Staff of the Manitoba Oil and Gas Corporation:

Mr. Jim Osborne - Chairman of MOGC
Mr. John Sadler - President of MOGC
Mr. Ken Neufeld - Comptroller of MOGC

MATTERS UNDER DISCUSSION:

Consideration of the Annual Report of the 1987 Manitoba Oil and Gas Corporation (MOGC)

* * * *

Mr. Chairman: I would like to call the committee on the Manitoba Oil and Gas Corporation to order at this time, and I would ask the Minister, the Honourable Jim Downey, for his opening remarks.

* (1005)

Hon. James Downey (Minister responsible for The Manitoba Oil and Gas Corporation Act): Mr. Chairman, I first of all want to introduce who I have with me here today. We have Mr. Jim Osborne, who is the chairman of the board of Manitoba Oil and Gas; we have Mr. John Sadler, who is the general manager of the Manitoba Oil and Gas; Mr. Ken Neufeld sitting back behind them, who is the comptroller of the company.

Manitoba Oil and Gas Corporation was established under The Manitoba Oil and Gas Corporation Act of 1983. Its purpose was to carry out and to promote exploration and development of oil and natural gas in Manitoba or elsewhere with the priority of "within Manitoba."

The affairs of the corporation are managed by a board of directors. The chairman and directors are appointed by the Lieutenant-Governor-in-Council. The capital under the Act of the corporation was established as \$20 million divided into 20,000 shares. The annual report for the year ending December 31, 1987, which we are

considering today, shows the equity of the province to be loan approval of \$15 million with accumulated year-end losses of \$1,244,903 and a net loss for 1987, \$244,536.00.

There have been no repayments to the province or payments back on the equity that the province has in. Currently, the province has flowed \$12.8 million to the Manitoba Oil and Gas Corporation. As has been publicly discussed and declared by the current Government, it has been the desire of the province to sell the Manitoba Oil and Gas Corporation. There has been a process that has been taking place over the past few weeks.

Because of the particular situation of the proposed sale of the corporation, it would be difficult to get into a lot of detail because we are dealing with private companies on the other side and, as well, we do not want to jeopardize the current negotiations that are taking place. However, there may be some areas that we could discuss and I would appreciate, as well, if the members of the committee felt they had questions that dealt specifically with the chairman of the board, Mr. Osborne, we would like to have those advanced early as Mr. Osborne has other commitments for later on this morning. It would be appreciated if we could deal with those questions first. As this committee was called relatively a short period of time ago, Mr. Osborne had a previous commitment.

However, having said that, I want to as well acknowledge the work of the board of directors of the Manitoba Oil and Gas Corporation, but particularly the cooperation that we have had from the manager, the management staff and all the employees of the Manitoba Oil and Gas in the last few months with the discussions of sale, with the way in which they have dealt with me as the Minister. They have been very open. We have, as I indicated to Mr. Sadler initially, I wanted to make sure that all staff of Manitoba Oil and Gas Corporation were dealt with fairly and openly. I can say that from my side I have appreciated their straightforwardness and their full cooperation in the activities of Government and our endeavours to carry out our mandate.

I know it is a difficult time for individuals who have put a lot of time and effort into the corporation. However, these decisions are made and it is a matter of carrying them out properly and dealing with people properly and that is what we have intended to do.

Those are all the comments I have and I would appreciate getting on with the report.

Mr. Chairman: Okay, then I guess we are open for questions to the Minister at this point. Mr. Kozak.

* (1010)

Mr. Richard Kozak (Transcona): The Minister focuses at some length on the continuing record of net financial

losses of the corporation. I wonder if he, and corporate staff along with him, would not agree with the proposition that in considering the financial statements of an oil and gas company, cash flow is frequently, if not normally, if not always, considered a more accurate reflection of the financial performance of the corporation. I note, in making that comment, that in fiscal 1987 for the first time in its history the Manitoba Oil and Gas Corporation achieved a positive cash flow of \$230,591.00.

Mr. Downey: I think there are some cases when one has to look at the cash flow. But as well, in this particular situation, I did make reference to the fact that there were some \$12 million of taxpayers' money tied up in shares which does not show as any expense to the taxpayers or to the corporation. That would add a considerable amount of accounting figure to the operations of the company if there were a cost of carrying that money added to it. The management or the board chairman would be free to add, as well, his comments, Mr. Chairman. Please do so, if you care to.

Mr. Jim Osborne (Chairman, MOGC): Sorry, I am not used to these microphones.

Certainly, cash flow is a measure that oil companies are measured by. In cash flow, the biggest component of cash flow, other than the real charges against that cash flow of operating costs and lifting costs, a major component is the depreciation and depletion charge. That charge is a non-cash charge but is set up to be reflective of the fact that, in most oil companies, they capitalize much of their original finding cost and in the fact that they are producing barrels out of their recoverable reserve pool. Those barrels, once produced, in theory are gone. A depletion charge is to, for financial purposes, compensate for that fact that as you produce reserves you are losing reserves unless you are proving up additional. Ultimately, at the end of the day, if you continue to produce but do not explore, you have used up all your reserves and, yes, you have had considerable cash flow but you are left with no assets at the end.

Mr. Kozak: I would certainly like to thank the company officer who provided that observation. I do not dispute that observation. Indeed, depletion is a factor in the financial statements of oil and gas companies.

Depletion is directly subtracted from the bottom line of the corporation. It is a direct charge against profits of the corporation. However, in terms of traditional accounting practices within the oil and gas industry, there is no offsetting credit, if you will, or contribution to profits by virtue of new reserves added. I would note at this point that the Manitoba Oil and Gas Corporation has not been unsuccessful in adding new reserves to its inventory of reserves, and I would note that these reserves are not listed, and appropriately not listed, as making any contribution to the profitability of the company.

* (1015)

I wonder if the Minister or the staff accompanying him could inform us whether additions to reserves are more than offsetting depletion.

Mr. John Sadler (President and CEO, MOGC): I believe to answer that question as of today, I would have to indicate to you that they are not, as you may know, in the oil and gas business. The definition of reserves are those that are economically producible under current prices and technical factors and with the current price of oil, which we would have to apply in the accounting sense, to what is called the ceiling test. We would, as of the end of this year, in all probability have to take a reduction in reserves because again of the low oil prices that we are seeing today.

I could perhaps qualify that by taking us back from today to, say, last January or immediately after this report was produced, in that we had been certainly finding additional reserves at a reasonable price. But I have to qualify that now by saying with current prices that we are seeing, it is certainly going to affect the reserves that we can count.

Mr. Kozak: I would certainly agree with the Minister's staff that it is difficult to project the performance of the corporation with complete accuracy for the fiscal year 1988.

What we have before us today is information on fiscal 1987. As I look at the proved reserve summary contained therein, I note that new proved reserves added a total of 753,000 barrels in 1987, while reserves produced were only 51,700 barrels. I would suggest that the concept of proved reserves is someone who has some background in the oil and gas industry does imply that these reserves are economically producible, and I would suggest that the economically producible reserves of the Manitoba Oil and Gas Corporation increased by over 700,000 barrels in 1987. This increase in the assets, shall we say, the eventually profitable assets of this corporation are not reflected in the net loss of the corporation and are not reflected in the cash flow of the corporation.

I would go so far as to assert, Mr. Chairman, that the net loss of \$244,536 experienced by the corporation and the positive cash flow of \$230,591 would, if this were an industrial company whose accounting was done on the basis normally done by an industrial company, the profit of the Manitoba Oil and Gas Corporation, leaving depletion aside and giving full account to reserve additions, would be in the millions of dollars.

* (1020)

I believe this is an extremely valuable asset of this province. I reject the Minister's suggestion that we should focus on the net loss of the corporation and I urge this Government not to give away this corporation but rather to achieve fair value for it in any sale.

Mr. Downey: I appreciate the comments of the Honourable Member, and I can assure him that all considerations are being taken into account in the proposal to divest of the Manitoba Oil and Gas Corporation. I can assure him very fully that there have been qualified people involved in the overviews of what valuation we have, of the current situation being taken into account, and I want to assure him that I am fully prepared to inform him that it will not in any way

influence the current negotiations of the activities that have been carried out in the sale of it.

I do not think he wants to get overly excited about the situation. I know that there are current points that he has made have to be taken into account but again we are looking at—having seen the books that have been prepared by the former administration under their direction as it is being reported, it does in fact show a loss. I think as well one has to be prepared to deal with any potential writedown that the company is facing this particular year. I know there are some substantial numbers of millions of dollars that come within that category, not including the carrying charge that I have indicated that it takes to carry \$12.8 million that is currently invested in Manitoba Oil and Gas that is not having any financial payment made to it on behalf of the taxpayers.

Mr. Kozak: I would concur with the Minister that a most legitimate question before this committee is whether in fact this Government or any Government would like to have public funds tied up in a venture that is probably self-sustaining or that in other hands would be self-sustaining and very attractive. I am, however, very anxious to get on the record that in my view as someone who operated for some years as a senior corporate planner for three of Canada's major oil companies, I personally view the financial performance of this corporation as a significant turnaround, and I would say that its profitability is the equivalent, given the difference in accounting procedures followed in different industries, of an industrial company's profit in the range of perhaps \$2 million to \$3 million. I state that estimate off the top of my head. Precise analysis would perhaps produce some more precise estimate on my part, but I would reiterate this is an extremely valuable asset of the province.

I personally believe that although present oil prices are depressed, the volatility of the oil market is such that they will not always be depressed, and I would suggest that the province can recoup every penny of its investment in the Manitoba Oil and Gas Corporation if it decides to proceed with divestiture and possibly make a significant profit that the taxpayers would undoubtedly thank the Government for.

Mr. Downey: Well, I appreciate having the expertise at the table and I am sure that the Member, in looking at the next year's review of the Manitoba Oil and Gas or the next activities that are to take place, he will still apply the same principles and the same endorsement of which he is so willing to give at this particular juncture, that he carries through when he sees the 1988 and the process. I would hope that he does not change when he may see something a little different on the horizon. He has firmly planted himself in that position.

I, Mr. Chairman, am not able today to deviate from the bookkeeping practice that was established by the former administration and the report that is before us that in the accounting practice and the accounting process that was carried out truly demonstrates a loss of \$244,000.00. That is the report that is before us. There is not another accounting method being applied

here. There is a system that is applied that we are being asked and we are asking this committee to approve. This committee is not sitting to change the accounting practice. You may want to acquire their accounting practices but we have to deal with what is.

* (1025)

I am sure again, having the experience that he has, he appreciates that as well. He may want to say that it is, and I think the Member would appreciate, a relatively highly speculative system that we are in in the oil business. We were told, and he should be well aware of this if he wanted to read Hansard, that it was basically established so that the Manitoba taxpayers would have a window into the oil company, into the oil business in Manitoba. I am sure the Member as well knows that the Government has a window in the oil company through the royalties process, through the fact that every oil company has to file publicly what they find in each hole after a period of a year, that it is all public information. Mines and Energy are very much involved in the activities of the oil company. They can read financial statements of other oil companies that are involved. They did have a pretty good window.

But to put the taxpayers' money at risk, to lose money at whatever accounting, may well not have been the best of decisions. We never did believe that we should have been in it for the sheer purpose of a window. We believe that the private sector was doing a relatively good job in developing the oil business in Manitoba.

I know that the current management went above and beyond the call of duty to try and make the company successful. We have substantial properties that are tied up. Mr. Chairman, again it is a matter of trying to look after the taxpayers' money in the best of interest. I am sure there are many people who have continually asked for support in hospitals, in other social needs and other areas who would have maybe felt better if the money had have been spent there rather than invested in a Manitoba Oil and Gas Company.

Mr. Kozak: I certainly do hope that the Minister has not been left with the impression from my remarks that the Official Opposition rejects divestiture of the Manitoba Oil and Gas Corporation. What is in dispute today, what is under discussion today, is the extremely important principle that the Government of Manitoba and the people of Manitoba achieve fair value, possibly even a significant profit on the investment that has been tied up in the corporation over the last period of time. I would also like to concur with the Minister that we do examine the financial statements of any corporation, not just the Manitoba Oil and Gas Corporation, on a year-by-year basis. I recognize that it is possible, given wild fluctuations in the price of crude oil and natural gas, that the financial results for 1988 may not match the financial results for 1987. We are certainly prepared to look at the financial results for 1988 when they are presented to us.

I would also like to concur with the Minister that the accounting practices employed by the Manitoba Oil and Gas Corporation are appropriate. It is appropriate that the corporation show a net loss of \$244,536 and

a positive cash flow of \$230,591.00. However, I would like to reiterate that the accounting practices employed within the oil and gas industry and available to it do differ from those normally used in other industries. If this were an industrial corporation, I have every confidence in saying that the net effect of depletion charges and additions to reserves would result in a profit in the millions of dollars.

I say that the accounting practices presently employed are suitable and in the interest of the corporation, because these accounting practices which are widely favoured in the oil and gas industry and would be a matter of great concern to the oil and gas industry if they were abandoned, permit oil and gas companies, as a rule, not just this oil and gas company, to report either a net loss or very low profits. I would suggest that this situation is very much in the interests of any oil and gas company because it minimizes the company's tax liability, and I congratulate the Manitoba Oil and Gas Company's managers for using accounting procedures that extremely effectively limit the tax liability of the corporation.

I, nonetheless, do suggest that the real profitability, the underlying profitability, of this corporation is substantial. I would suggest that in any sale of the corporation the taxpayers can hope to recoup their investment to a very large degree, if not make a significant profit.

Mr. Jerry Storie (Flin Flon): I appreciate the comments of my colleague from Transcona. I think there are two interesting things that the Member has said that we need to follow up on, and one of them is of course a review of the current situation. We have to understand what the current situation is, but we have to also understand more realistically what the prospects are. I know that the Minister has been critical of the existence of Manitoba Oil and Gas since its inception and I believe, for ideological reasons, because politically it was opposed by he and his colleagues at the time and, in my opinion, there has never been a sincere look at the benefits of having a window, having a corporation that employs people, having a corporation that has proved to be a successful and an active partner in the oil and gas industry in southwestern Manitoba.

* (1030)

The annual report that we are looking at indicates that some 20 percent of the activity in that part of the province is a direct result of the activity of Manitoba Oil and Gas and I know and have heard and have talked to people in the industry in Manitoba who had acknowledged that MOGC is an extremely good partner. They have capable, knowledgeable staff and have added to the growth and development of the industry in Manitoba. That goes without saying.

We have seen in the report before us, as far as I am concerned, significant improvement in the position of the corporation. As my friend from Transcona indicated, the fact is that because of the improving reserve situation of the corporation, it stands to be a profitable operation in its own accounting terms in the future. I think the Minister raises the point that some \$12.8

million has been flowed to support the corporation at this point and the annual report, the 1987 Annual Report, indicates the shareholders equity at \$13.7 million. The fact is that we have a significant investment, a positive investment, in this corporation to this point and if this Government is determined, as it appears as a result of a Bill that was tabled in the Legislature on December 7, if it is their intention to dismantle this corporation, to sell it, then the minimum that the people of Manitoba have a right to expect is a significant profit on that sale.

My question to the chairperson, in which you see at this point is, what is the prospect of recouping our investment at this point, getting a return on our investment as a result of this sale, to the chairperson?

Mr. Downey: Mr. Chairman, I will let the chairperson respond in a minute. I just want to make absolutely sure that the committee is fully aware that in the exercise—and the chairman can respond to this as well—it was an absolutely and totally major effort put into maximum exposure of Manitoba Oil and Gas to the industry in the potential sale of it. That was an effort that was put forward to make sure—and I guess this would go back for comments from the Member for Transcona (Mr. Kozak) as well if he were, as I believe his comments have come in the past, that the best way to get a return is to expose it to the marketplace, to the best available market that is available. I would refer to the chairman to respond to that question. It is a matter of making sure exposure, and I have asked the chairman to comment on the Member's question.

Mr. Osborne: An answer to the direct question is negligible.

Mr. Storie: I am sorry, if you could just elaborate on that.

Mr. Osborne: I am sorry, I think your direct question was, what are the chances of recovering or exceeding the province's investment, and the answer is negligible.

Mr. Storie: Then a more direct question to the chairperson of MOGC, in the chairperson's opinion, what is the likelihood of MOGC becoming a profitable corporation, assuming only modest increases in oil prices over the next few years and assuming significant increases perhaps going back to \$25 a barrel?

Mr. Osborne: If you make the assumption that the price goes back to \$25 a barrel, but you inflate that for the period of time it takes to get there, if \$25 a barrel is an objective in the second half of the Nineties, which is about the range that consultants are looking at these days, in 1980 dollars, that is pretty close to the current price. In other words, inflation, your costs are increasing during that period as well, so that a \$25 price in 1996-97 pretty well equates to roughly a \$15 price today.

Mr. Storie: I am interested to get an opinion from the chairperson. Is the chairperson saying that Manitoba Oil and Gas Corporation is not likely to be profitable in the future, despite a price increase which would amount to 70 percent?

Mr. Osborne: This question of profitability which again is do you look at cash flow, do you look at net profit which is normally what you would pay dividends out of. I would have to say that unless the price of oil is very quickly into the low-to-mid 20's, then profitability is unlikely.

Mr. Storie: Well Mr. Chairperson, I would be interested to know whether that view is shared by, for example, the general manager or whether the chairperson could indicate on what basis he makes that assumption, given that we have a positive cash flow in 1987 at oil prices which were—give me a figure. What were the oil prices in 1987, the average per barrel?

Mr. Sadler: You have the first page of the financial review indicate that in '87 our prices realized were \$22.75 per barrel, Canadian. So we did see quite an improvement during '87, and of course since the beginning of this year they have steadily deteriorated to the point where now we are down to in the vicinity of \$14 Canadian, \$14.50.

Mr. Storie: Mr. Chairperson, what is likely to be the change in barrels produced over the next year from the reported 212 per day in '87?

Mr. Sadler: We, prior to the change in Government, had drilled a few wells early this year, -(Interjection)-

* (1040)

An Honourable Member: Do not be embarrassed about it.

Mr. Sadler: No, I am not. I can tell you that we achieved for one month well over 300 barrels a day. I think it was in the order of 320 barrels a day. But as you know, in this business you have to keep drilling and you do have, certainly on wells here in Manitoba, some high initial decline during the early years and then it tends to flatten out. So, we did reach a high of over 300 barrels a day, and we are now down to in the vicinity of 225 barrels a day, so we have had some very rapid initial decline on those successful wells that we had.

But just to perhaps add a little levity, in addition to the good wells that we had prior to March of this year, the shareholder while not wanting us to spend very much money, we got pushed by one of our operating partners to participate in a couple wells which was agreed to, and they turned out to be very good wells too, so we have had good fortune under both Governments.

Mr. Storie: Well, the obvious question then is, at what point would MOGC be profitable? Given its current production of 212, at what point would it be profitable? At 22.75, the 1987 price, how many barrels per day would it take to become a profitable corporation? Would it take the 320 that you at one time produced in 1988?

Mr. Sadler: If I could refer to my message of the '87 report, the last paragraph under the first column, at

that point in time, as you may recall a year ago, we were encouraged by the prices. They were, I think, a year ago in the vicinity of \$21 toward the end of the year, and I made this statement that the corporation is confident that we could continue to find, develop, and produce oil economically at \$20 per barrel. In other words, I feel that is the threshold for a company of this nature in Manitoba to achieve, if you like, a break-even position at what we saw was the volumes that we thought we could get to. Again, I want to reiterate that there is a big difference between \$20 or \$21 a barrel and what we are presently getting, \$14 to \$15.

Mr. John Angus (St. Norbert): Mr. Chairperson, I would just like the Minister or the members of the management team to indicate whether or not they have any plans for broadening the window on the marketplace by any acquisitions into retail sales or any other acquisitions to perhaps put the company in a better position, both to make it more viable an operation and/or perhaps to make it even more attractive to a future investor.

Mr. Downey: No, Mr. Chairman. As I indicated earlier, the direction that has been given to the board has been to work towards the divestiture of the Manitoba Oil and Gas Company, not to take on further acquisitions.

Mr. Angus: Okay, thank you.

Mr. Kozak: Without criticizing the genuine attempts of the Minister and staff of the Manitoba Oil and Gas Corporation to honestly and legitimately forecast the future performance of the corporation based on the performance of oil and natural gas prices, I would like the chairman of the corporation to express his comment on my view, as someone who has been familiar with this industry over a period of 20 years, that absolutely none of the forecasts of oil and gas prices I have seen in the last 20 years has come to fruition, that most of them have been absolutely laughable within a year to two years of their issue, and that any attempt—and it is his responsibility to make an attempt—to forecast oil and gas prices over the next short term or long term at this point in time is subject to similar inaccuracy to that that we have seen over the last 20 years.

Mr. Osborne: I agree 100 percent. I agree the forecast for energy pricing in the last 15 years of—I do not think anybody has been right and I suspect that will probably continue in the future but, at any given time, you have to make a business decision on some form of forecast with a view to potential upside and potential downside, examine those, weigh it, put probabilities on those extreme cases, and try and chart a course that makes sense to you.

I can offer my personal view on energy pricing but that is all it would be, would be personal. There are views as extreme as saying down to \$5, somewhere between \$5 and \$10 a barrel and sitting there for some period of time. There are other views that we may be back into the 20s. My own view would be there is a considerable risk of the 10 to 15 environment for one to five years and maybe a \$15 to \$20 environment for three to eight years, but it is very difficult to make a case these days.

A lot of changes have taken place in the last five years and that relates to the operating costs that oil companies have gone through. They have done a tremendous job in lowering their operating costs. Energy consumption in North America for the first time in five years increased, I think, in 1988 in real terms. These are some positives, but the best case that I have been able to determine is that the stranglehold that OPEC had on the world in the early Seventies is unlikely to repeat itself in the near future. It may repeat itself in the next century but not in the near future.

Given that we may see an increase in price greater than the rate of inflation at some point in the next five years but we may well be faced with that energy pricing is not going to increase faster than inflation for the foreseeable future.

Mr. Downey: I would just like to make a comment because I think it is important to just touch on it as well, and the forecasting is something that the Member is quite accurate in his indication that there are so many world events, so many other things that impact on the price of oil and the price of commodities that we deal with in this country. I, as the Minister, and I believe I have to put it very clearly on the record, do not feel that it is a priority to use the taxpayers' money to be in that kind of speculative arena and so would hope that, in our endeavours to divest of the Manitoba Oil and Gas Corporation, having exposed it to the greatest people in the business, having done everything proper to divest of it that, when that decision is made, we can count on good, positive discussions on it. Criticism certainly, if not handled properly, but everything has gone into it to try to make the best decision.

Let me say, as well, that I think it is important to note that if individuals, if Manitoba citizens, want to invest in the oil and gas business in this province that they are quite free to go to the marketplace and buy shares in any oil company of their choice. So I think that is a philosophical thing that we want to make sure is clear.

* (1050)

I have to say, with the greatest respect to my colleagues from the New Democratic Party, it was in my estimation a belief of theirs, and they can correct me if I am wrong, that they should have visibility in the oil field. There was action taking place. There was quite a bit of activity and they felt they wanted to be part of that action as a philosophical bent.

Well, I am not hung up, Mr. Chairman. I can tell you that for the number of oil wells that Manitoba Oil and Gas have, lots of private companies do it with one or two operators sitting out at Virden, Manitoba. We have a major floor of a major building in Winnipeg rented with a full administrative staff at the top end—geologists. That is fine. I am not saying that maybe it was not necessary if you were going to be operating a lot larger company but we really and truly, as far as the efficiency of the operation, we are somewhat overvisible as far as what we were doing. I can tell you that if the number of wells—and I know by comparison,

the Member for Flin Flon (Mr. Storie) visited Virden, talked to many smaller producers who were probably producing a lot more oil than we were with more wells, with a lot less staff and overhead. It is possible to do, and I say with the greatest of respect, it appeared to me that they wanted higher visibility in the oil business with their Government. That is fine. They had the mandate to do that. The Government changed and now the mandate is to carry out the activities that we are carrying out.

Mr. Kozak: I would reiterate that my role here today is not to cast any doubt on the position of the Official Opposition regarding the divestiture of the Manitoba Oil and Gas Corporation. It is not my objective to confuse anyone with regard to our position. My objective here today is to state that while the oil and gas industry is certainly out of favour among investors this month, there is absolutely no certainty based on historical precedence that this situation will be the case next month.

I refer once again to an uninterrupted 20-year period of absurdity in the forecasts that I have seen regarding oil and gas price performance. I feel we can have no assurance, regardless of our best intentions and best efforts, that any forecast any one of us produces will obtain next month, rather than being an object of humour. I am, therefore, limiting my role today to examining the hard data that we do have before us. That hard data is limited to the 1987 Annual Report of the corporation. In concluding my remarks, I would like to reiterate my statement that the positive cash flow of the corporation is encouraging. The additions to reserves of the corporation more than offset depletion charged to the corporation's profits—1987 was not a bad year for this company. If this were an industrial company, operating under different accounting rules from the oil and gas industry, we would be looking at a profit of at least \$2 million.

Mr. Downey: I still am not quite clear how the Honourable Member would treat the \$12.8 million the shareholders have invested, of which they are not getting any return of any kind on it.

Mr. Kozak: I would like to thank the Minister for his question. I will certainly respond to it by simply reasserting that the Official Opposition does not dispute that the \$12.8 million invested by the taxpayer in this corporation could in all likelihood be employed more productively elsewhere.

The only point where it is possible I will take issue with the Minister and his staff is the point where we look at a potential sale price for the corporation. I feel this is a company that is profitable and extremely attractive under the accounting practices of its industry. I feel that it shows a loss, as do other oil companies, largely for tax purposes. I feel that is prudent on the part of this company and other oil and gas companies. My one concern is that we get fair value and recoup as much of the \$12.8 million as possible, if not make a profit.

Mr. Storie: I am following up again on my friend from Transcona's comments. My question is to the Minister.

Given his philosophical orientation, does this mean that we are going to sell this corporation at any cost? Can the Minister give us some indication of what value he anticipates to receive from a sale, a divestiture? Are we talking about recovering 25 percent of our investment, 50 percent of our investment, 75 percent of our investment or 110 percent of our investment?

I think if the Minister has been listening to comments of the committee, there is an expectation and a belief that a return of something more than 100 percent of our investment is achievable, is possible. I think the Minister knows, as well as anyone, that the projections in terms of oil prices can be wildly erratic. Is the Minister prepared to sell this corporation at a time when the industry certainly does not look at any kind of acquisition favourably unless there is virtually no risk, which means that he is going to have to give this company away, as the Tory Governments have done in the past? Is that his intention?

Mr. Downey: I could hardly wait until that statement came out of the former Minister who is responsible for not only giving away a bus company that the taxpayers put \$100-and-some million in but paid them in excess of \$1 million to do so. Let him sit here and be so pious, Mr. Chairman, as to be so righteous in selling of companies. His record, I think, is despicable.

Let me tell you, the sale of the Manitoba Oil and Gas Company is being carried out in a very responsible manner. The maximum exposure to the public, to the marketplace, to those people who are interested in the business, has been carried out. There has been an open public advertisement, offers, bids and that exercise is coming to a final conclusion. Let me assure the Member, we would more than like to get back what they put into it, they being the New Democratic Party. We would have been better off if they had not ventured in that area to start with. We did gain nothing but losses under his administration in Crown corporations, proven daily in all the books that are presented. You can go to the MTX, you can go to Flyer Bus, you can go to any one of them, and his experience and our experience as taxpayers with their inept handling of them.

Mr. Chairman, let me assure you, this Government is doing everything, and will do everything to maximize the returns for the taxpayers of the Province of Manitoba on an ill-advised venture that they went into some several years ago. I do not know whether I can be more—I cannot be polite and continue to say any more to the Member in my response. You know I think it is important that everything is being done to maximize the return to the taxpayers of Manitoba in the divestiture of the Manitoba Oil and Gas Corporation. We are committed to do that, and will do that.

Mr. Storie: Given that the Minister's interpretation of the fiscal results of this year and previous years, given his, I gather, rather bleak projections for the potential in the future, does that mean that Manitobans can expect this Government to give away a corporation that has, as of 1987, assets of \$15 million approximately, a shareholder who holds some \$13 million equity, is the Minister going to recoup that value, what percentage? Is there no bottom line for this Minister in terms of protecting the investment that we have?

* (1100)

Mr. Downey: Yes, Mr. Chairman. What I would like to say is that to make sure the Member is clear. Whether we sell it or whether we do not, there will be a major write-down in the value of the Manitoba Oil and Gas Company this year. There will be a major write-down evaluation because of the current depletion of the wells that are held by Manitoba Oil and Gas. We are facing that regardless.

I will assure him that we will do everything in our power to divest of this company in a far better and a more profitable way than any divestitures that he took part in as the former administration.

Mr. Storie: Mr. Chairperson, if the Minister wants to relive history, then we just need to remind the Minister who got the province involved in Flyer in 1966 or in Manfor in 1967-1968. The fact is the record of this Government and this Minister and his involvement is not perfect. The difference between Flyer and the Manitoba Oil and Gas Corporation are significant, including the indications today that under another accounting policy prevalent in the industry that this would be a profitable corporation as of today.

However, I did not get a satisfactory answer from the Minister in terms of what expectations there are for a sale. Are we going to get close to our investment, or a return on our investment? The Minister says now we see the new policy of the Tory Government is to write down all corporations like Manfor to a dollar and then say we are getting our value for it. It is written down to a dollar, so we got a dollar back.

The fact of the matter is that this corporation is today valued at some \$13.7 million. That is our equity in it. The assets are valued at \$14.6 million. What is this Minister leading to? Are we going to start playing games as we did with Manfor and have this re-evaluated? What is the expectation of the Minister in terms of its re-evaluation? What is going to be the revalued position of MOGC? Can the Minister indicate to the committee what the next report will value this corporation at or how the next report will value this corporation?

Mr. Downey: Mr. Chairman, all I am making reference to, what would be normal accounting procedures, as far as talking about the write-down of concern as far as the operations of the Manitoba Oil and Gas Corporation. I have had indicated to me there will be a major write-down of the value of the corporation.—(Interjection)—

An Honourable Member: To \$1.00.?

Mr. Downey: No, Mr. Chairman. Let me tell the Member that everything is being carried out, as I indicated previously, to try to maximize the return of the sale of the Manitoba Oil and Gas Corporation to the maximum of what we can get for it. That is what our objective is, that is what it has been and, as I said, I will let our record stand against his record any time and let the people of Manitoba judge. If it had not have been for he and his Government's desire to philosophically get

involved in the Manitoba Oil and Gas Company, then we would not have been here today discussing this very issue and talking about money again that we lost in a Crown corporation that he and his administration were so bound and bent to get into.

Mr. Storie: Well, the accumulated losses of this company are \$1.24 million. That is the accumulated loss, unless of course we have a Government whose intention is as they did in the case of the divestiture effort of Manfor to devalue the corporation to \$1 for their own purposes to attempt to embarrass and disparage the efforts of other Governments which was a futile effort, an effort which has not gained this Government one shred of additional political credit and is in fact inevitably going to cost the taxpayers money because of the weakened bargaining position. Is the Minister about to embark on the same kind of process with Manitoba Oil and Gas?

Mr. Downey: Let me just put some numbers on the record for the Honourable Member. The actual loss to date for the corporation, Manitoba Oil and Gas, is \$1,244,903. When you add to the end of November 30, 1988 and you add the interest that we are paying on the \$12.8 million, it comes to a loss of \$4.6 million to the taxpayers and the people of Manitoba. That is what we have got in it as far as our tax money losses accumulated and the carrying charges of \$12.8 million, \$4.6 million. Now could the Member not find some other area that he would sooner spend that money in than carrying an oil and gas company? Is that his priority?

I am saying that it is not our priority and that we feel that the private sector have been. We have the ability to tax, to use royalty taxes on the production of those companies that are producing oil in Manitoba, as any other province has. We have a window into the company by looking into what the companies are doing. We know what the drilling activities are. We have Crown-owned properties, oil properties that are able to be offered to the private sector for revenue to know what is going on there. There has not been one—I have not seen one justification for the Manitoba Oil and Gas Company as it was established for the taxpayers in Manitoba. I have not seen one positive thing that has come out of it.

Yes, I should not say that. I have had the privilege of meeting Mr. John Sadler, who is a very fine gentlemen, and the staff of the Manitoba Oil and Gas Company and have put every bit of effort into it, very dedicated people. Those are opportunities and advantages and he has contributed to the province in the work that he has done. I would have to say that as far as the investment is concerned, dollars and cents wise at the end of November, when you calculate the money we have invested, we are at \$4.6 million loss. I have other areas that I believe the taxpayers of Manitoba would sooner that we spend the money in.

Mr. Storie: Mr. Chairperson, all other things being equal, I would also have liked to have seen a different set of numbers. Certainly, we would have liked to have seen a corporation that was profitable from Day One.

I am no better at predicting nor were my colleagues, nor is Mr. Sadler at predicting the future of oil prices. For the Minister to say that there has been no benefit, I think is mischievous to say the least. The fact is that we have been a significant player in the industry, contributed to the economic well-being of southwestern Manitoba. The economics that the Minister talks about are not clearly as clear-cut as he would pretend.

I guess I have another concern, and that is the attitude of the Minister when it comes to the current operations of MOGC, and I have two questions. No. 1, have there been any further land acquisitions by MOGC in the last six or eight months?

Mr. Downey: No.

Mr. Storie: Could the Minister or could Mr. Sadler or Mr. Osborne give us some indication of the exploration activity in 1988 and the expected activity in 1989?

Mr. Downey: I am not too clear. There will not be any for the Manitoba Oil and Gas. We drilled, I believe, three wells since we came into office of which two of them are producers. As far as further activity, no, there is not.

Mr. Storie: Here we have another example of Tory management. We have a corporation which is going to be, in effect, run into the ground and devalued under a Tory Government. We have heard from the general manager of the corporation that in order to maintain the reserves, in order to maintain the corporation in a sound position, we are going to need to continue to explore and develop new wells. Is the Minister's position that none of that will take place while we have a Conservative Government in office?

Mr. Downey: Mr. Chairman, I do not know where the Member is coming from. The reserves are not going to disappear. The reserves are there. They are like the potash that is out in the western region of the province. It has been there since our creator made this country and the oil has been there for that length of time. We have got deposits of oil that are lying under Crown lands. We have deposits of oil that are part of the negotiations that are now taking place in the proposed divestiture of Manitoba Oil and Gas, which are calculated into the value of the operations. The oil is not going to go away.

When it is economical, I am sure that the private sector will move in and produce. The Government will be able to collect royalties, which pays for the hospital beds and the health care and the education systems of this province. We are not turning around, taking those royalties, and speculating in the oil business and gambling with the taxpayers' money. We are using it and using it in essential services where the taxpayers, I believe, want us to use it in.

Mr. Chairman: Mr. Storie.

* (1110)

Mr. Downey: There will be oil—I am sorry, Mr. Chairman, I am not quite finished. I am sure there will

be oil produced in Tory times and I am sure that the climate which is created for that production is the important factor.

Mr. Storie: We just heard the general manager state that there is a decline in production at the well head over time in Manitoba. The initial production is fairly high and it declines. To maintain the reserves—and the Minister is quite wrong. If you do not find additional reserves, your reserves are being depleted and, in this case, 51,000 barrels or—pardon me, I am in the wrong. Obviously, we are using 212,000 barrels in 1987. We are depleting our reserves as we go and, if you do not find additional reserves which produce initially at least better results, then you are putting the corporation in a less favourable position for sale clearly. There can be no argument about that.

Is this Minister saying now we are going to stop investing money. We are going to stop doing what we need to do to develop new reserves and to maintain our position as a company, we are going to devalue the company. In other words, we are doing everything we possibly can to put ourselves in a position where we cannot sell this corporation for anything near what its true value is. Is that what he is saying?

Mr. Downey: No, I think the Member should pay attention. The bidding has closed; we have offered the company for sale. The bidding has closed. In the period of time in which that was taking place, the management recommended that we drill some additional oil wells and we did that. We did not try to devalue it. Why would one want to do that with taxpayers' money? For goodness sakes, we are Conservatives, not NDP, Mr. Chairman.

Mr. Storie: Tell us about Manfor then.

Mr. Downey: We did carry out the activities of drilling three more oil wells to carry out a commitment with the partners but also to put us in as good a position as we can. The tenders have closed. We are now in the process of assessing those, Mr. Chairman. So the Member can put all kinds of red herrings on the records that he likes but, I am sorry, it is just—yes, it is red herrings that we are trying to drive the Manitoba Oil Gas Company into the ground to make it look bad. We are trying to maximize our return. We are trying to make the best out of a bad deal that the NDP got us into, another one of the many.

Mr. Storie: The Minister is dead wrong when he says he is leaving the corporation in a better position. It is just unbelievable that you can have depletion of 200,000 barrels of oil from your reserves and you are leaving us in a better position because you are not - (Interjection)- well, Mr. Chairperson, the Minister's biases are obvious. His comments about doing the best they can when it comes to putting themselves in a good negotiating position, I think, are indicative of their lack of understanding of how negotiations really take place.

I had a couple of other questions about the current position. What is the current production, the 1988 production, the average and perhaps the current monthly barrels per day?

Mr. Sadler: We are currently at about 225 barrels a day and I believe our production for this year is estimated or projected to be, I believe, in the order of 80,000 barrels of oil, perhaps a bit more than that. I think we are projecting about 85,000 barrels of oil produced this year.

Just by way of correction to the Member, you were right the first time in your statements several statements ago when you talked about 51,000 barrels for the year in '87, and it will be about 85,000 this year.

Mr. Leonard Evans (Brandon East): I have a couple of questions of clarification. Perhaps Mr. Sadler may be in the best position to answer this. How much cash, how much—I think I have some of the answers in the report but I want to ask him for clarification. How much cash has the Government put into the company recently? Has there been any money put in in the last year or two or three?

Mr. Sadler: This was touched on earlier. The short answer is that the Government would have \$12.8 million that we have drawn against shares issued to date.

Mr. Leonard Evans: This is what I understood. The term \$12.8 million, that is the total accumulated to date but my question was, was some of that put in in the last year or two?

Mr. Sadler: We did draw \$1.5 million in 1988 and most of that in the first three months. We had a rather ambitious drilling program in the first three months of this year and so the bulk of that \$1.5 million would have been invested during that period.

Mr. Leonard Evans: I understand now but, at any rate, the cumulative—this is the agreed-upon figure. The amount of money that the Government has invested in the company is \$12.8 million to date.

Another question, in the mandate of the corporation, there is reference to not only being profitable but to be utilized as a development vehicle of the oil and gas industry in Manitoba. I was going to ask Mr. Sadler, has he seen any positive benefits to the oil and gas industry from the existence of the corporation?

Mr. Sadler: The Minister says he will let me answer that. First of all, most of all of those funds were spent in this province. Now, it is true that in the oil industry some of the service companies and so on operate from outside of the province, out of Calgary or Estevan or whatever, but I would say that a very large percentage of all of those funds were spent in the province, either Crown land sales or acquiring mineral rights from freeholders, engaging drilling contractors which were operating within the province.

We had at one point, the first of the year, 15 well-paid people. The oil industry has in the good years got to the point where they paid people pretty well. So there were some geologists and engineers and so on who we had attracted from outside the province who were living here. Also, we had a staff of three in Virden. I guess I would say to you that benefit to the province

has been that all of those funds were virtually reinvested and recycled here in the province.

In addition to that, I think in a modest way we can take credit for finding some new pools of oil here along with partners. I think that while we would have liked to have had a major find during our short existence, we were not, I guess, fortunate enough to find a major large field. I think that has been beneficial to the province.

In addition to that, for every dollar that the people of the province invested through this corporation, there was approximately another dollar invested by outside investors. In other words, we did endeavour to bring in joint venture partners from either within or outside the province.

Mr. Leonard Evans: This was a point I was trying to get clarified and that is, has the corporation—and Mr. Sadler has partly answered it—stimulated activity in the private sector in the oil and gas industry in Manitoba? I gather his answer is yes. For every dollar spent by ManOil, he estimates that probably we encouraged another dollar to be spent by the private sector. Would you say then, as a result, we found more oil in Manitoba and perhaps are producing more than we would otherwise have been able to do?

Mr. Downey: I would like to add a comment as well. I think it should be fair to put on the record as well, if ManOil had not done it, I am sure, given the entrepreneurial spirit of the oil companies that were interested during good times, that probably would have flowed from the private sector as well as from the Manitoba Oil and Gas Company. It did not necessarily have to come from the taxpayers. It may have, and I use the word may, been some additional stimulation. Let us remember today, we are looking at the bottom line as far as the taxpayers are concerned. We have a loss of \$4.6 million in that stimulation. So let us look at the total picture.

* (1120)

I know the other day, in McKenzie Seeds, the Member has tried to make the case that one can never say there are not benefits as far as the expenditure of taxpayers. However, one cannot forget that there are costs to those benefits. The decision is made that the costs of those benefits currently outweigh the benefits. If the activity is there, the profitability is there, then the taxation climate particularly is more of a stimulus to the oil industry, the royalty charges are more of a stimulus to the industry than is the forced expenditure of taxpayers' money.

Let me use an example. In 1977, when we were elected, there was virtually no oil activity in the Province of Manitoba. In fact, he and his former administration said it had to be a participation, in every oil well drilled that the Province of Manitoba had to participate. There was virtually none. Our royalty taxes were at least twice that of Saskatchewan—no activity. The changing in royalty taxation made the southwest corner of the province boom. I know, I live there, I represent that area. They were pleased with the activity from the private sector.

The impact that ManOil had was very, very minimal visibility. Yes, it did allow some farmers who could not sell or could not lease their oil properties to some of the other companies. ManOil was aggressively looking for land. It did create some income there as well. I am not of the opinion that one cannot give some credit where credit is due. I say the costs of it far outweigh the benefits, particularly when there are other ways of stimulating that activity.

So I respect Mr. Sadler's comments and input. That is certainly his right and privilege and I ask him to do so. But I say, when asked in my position, when we are looking at all areas of expenditure, I have to make that assessment.

Mr. Leonard Evans: Mr. Chairman, of course, we have to look at the costs and benefits. The point is that the costs the Minister is referring to are strictly related to the cash input by the Government into the company, whereas the benefits cannot be measured by what the company has done. The point is the benefits have to be measured by what has happened in the private sector. If you have helped and encouraged the private sector to do that which they might not have done and there were jobs created, there was income created or whatever—I am generalizing now—but that has to be taken into account.

You cannot just say, well, we are just going to look at this is the amount of tax money put in it, this is the amount of profit that particular company produced. If that has not covered your investment, then it is not a good deal. We are saying the balance sheet is much larger. It is a provincial-wide balance sheet that we have to look at. If you have done something to encourage private enterprise, then I say—this is the point of the question, of course, is just to find out how much were we responsible for in stimulating the private sector in the oil and gas in Manitoba that might not have happened otherwise. That is where I would like to get Mr. Sadler's expert opinion. To what extent do you think that we have had private sector involvement that we might not have had without the work and involvement of ManOil?

Mr. Sadler: Well, one measure one might use would be to look at the number of wells drilled. We have participated in in excess of 60 wells, and our net participation would be in the order of 50 percent. So, in other words, our net wells would be 30-some wells. You could say that our partners then were induced, if you like, to drill a similar amount so there are sort of 30 additional wells there, I guess you could say. In total, it is 60 to 70 wells. Right now, to put it into context, it is unlikely that there will be any more than 70 wells drilled in the province this year, which is of course a very low point because of the low oil prices.

Mr. Leonard Evans: I would like to ask Mr. Sadler, reference may have been made to this but what price per barrel of oil do we need to be able to sell ManOil and clear it, pay off all of the investment, all the accrued interest and everything, so that we are selling it at a clear profit. What would be the magic price per gallon that you need? You see, the point being made obviously is that you want to sell when the price is low.

I agree with Mr. Kozak of Transcona and others who have said that who knows what the future holds for the oil and gas industry. It is so volatile. You could have a crisis in the Middle East and have the price of oil double, triple, or whatever within months. Who knows? -(Interjection)- MTX yeah, that is right. Ask Donny Orchard about all his activities with Saudi Arabia and, frankly -(Interjection)- that is right, Mr. Chairman, let us have some control here.

The fact is that this is an industry that is very difficult to forecast. In the long run, we know that oil is a depleting resource. It is a non-renewable resource, and there is a likelihood—and everyone who is in the industry today does live on the hope, I guess, that there is a likelihood that the prices will be going up, will be escalating in the future. How long that future is, we do not know. But at some point, we believe or people believe in the industry that the price per barrel will be going up. Just about what level of pricing do we need to be in a position to recoup the monies that have been invested, plus accumulated interest, or whatever else you want to put into that equation?

Mr. Osborne: This is a very difficult exercise obviously, because the price that you obtain for the assets of an oil company or a share is not dependent entirely on where the price of oil is today. It is where people think the price of oil is going to be in the future. If you have a steep curve in terms of that expectation as translated by engineering consultants, then that is a very favourable environment to sell an oil company.

If you have a less steep curve, which we currently have, the price is going to be less because the future expectation for the price of oil is less. We are not yet at a flat curve but there are people who are talking—flat in terms of the real price of energy inflated by CPI or whatever. Currently, we still have a sloping curve from current pricing, and that really is the determinant for what people would be prepared to pay for an oil company.

Now, trying to translate that back into your question—and this is just a wild guess but I guess after the exercise that we have gone through for the last three, four months, it is a little less than a wild guess. My guess would be \$25 Canadian at least and soon. That is not five years from now. That is soon like tomorrow or next year.

Mr. Leonard Evans: In that case, why do you say soon if the curve is

Mr. Osborne: Because your costs are increasing at whatever the current inflation is. Fifteen dollars today will equate through inflation to \$25 in 1997. So getting \$25 in 1997 is not going to help—time value of money.

* (1130)

Mr. Leonard Evans: I will just conclude, because I know there are a couple of other Members who want to ask questions. I just want to say that in Manitoba we have to try harder for economic growth, economic development. We have to use every vehicle possible

and, historically, in this province we have used the public ownership of utilities and indeed previous Conservative Governments, through the Manitoba Development Fund, have spent tens of millions of dollars on high-risk ventures. They were the father of CFI and they meant well, but the fatherhood ended up in a rather odd situation which turned out -(Interjection)- Yes, this great private enterprise that was funded 100 percent or 110 percent by the people of Manitoba, thanks to the Roblin or the Weir Government, but the fact is that Governments historically have tried to use different tools of economic development. I would submit that ManOil was developed in that respect, to try to develop the oil and gas industry at a more favourable rate than would have occurred otherwise and, hopefully, in the process to make a return. There would not be a subsidy. Ultimately, there would be a profitable return to the taxpayers in the process.

As my colleague for Flin Flon (Mr. Storie) said, we really did hope and thought that this would come about. However, there is no question in my mind that—and I think this has been expressed by some other Members—if you are going to dispose of an asset, you should try to dispose of it at the most favourable time, under the most favourable conditions. This goes without saying. There is a question in our minds whether this is the most favourable time, because this is a low period. We have seen much better prices in oil in the last several years. This is quite a low period, and it does not seem to me at least that this is a favourable time to sell it.

Mr. Osborne: The timing question is a problem in terms of, if you wait, you have to believe that the environment is going to be better. But there are some other problems. One relates to, as the corporation now stands or as it stood, June 30—and I think it was alluded to that there was a reduction in drilling activity. Coincident, there has also been a reduction in staff. It is still an operating oil company but with considerably less staff. At some point within the coming year—I have to be a little careful here because you know we are still in negotiations of sorts. At some point towards the end or the second half of the coming year, a further capital injection would quite likely be required.

You know, as I suspect that you understand and Mr. Kozak, oil companies cannot stand still but, for this one in the current price environment, to not stand still means more capital. You have had expressions from the president that go back to last year and he has effectively said them again today that, unless you are pretty confident that the realization is going to be somewhere in the area of \$20 plus Canadian, this is a very difficult proposition as an economic venture. I am only commenting on the economic nature of the venture, not other things that may flow from that.

Mr. Herold Dreidger (Niakwa): I just have a few questions, I guess for clarification, so I can get a proper idea of some of the historical changes that have occurred here.

Mr. Sadler mentioned earlier when he talked about the current activity, he felt that total Manitoba activity would be about 70 wells in 1988. Mr. Sadler nods his affirmation. What would the kind of activity have been

in Manitoba, say, in—and I am just asking for a rough guess—1982 and 1983, before ManOil actually came into existence?

Mr. Downey: Although it may be of general interest, it is not specifically dealing with the Manitoba Oil and Gas report. We can get that information. It may more properly be asked at Mines and Energy but, if Mr. Sadler has the information, I have no difficulty in him providing it.

Mr. Herold Driedger: It is just to get an idea of a question I wish to ask on the report.

Mr. Sadler: During the 1983 to '85 period, which would have been the most active drilling period in the last two decades in Manitoba, and this was taken out of the Manitoba Energy and Mines information, there were about between 250 and 275 wells a year drilled. I would like to indicate to you though, with my knowledge of the people who were active, that was during the period when Omega Hydrocarbons were drilling up the Waskada field. So there was a very major expansion in the activity in the province during that period of drilling up the Waskada field.

That activity now has pretty well concluded. In other words, the field is pretty well drilled up. That, along with the dramatic drop in prices, has served to see the reduction now to where it may be down around 70 wells a year.

Mr. Herold Driedger: Actually, the numbers are essentially what I was asking about, just as a rough estimate because, if I look at some of the data that I have here, when ManOil came, actually was incorporated—it began operations in January 1 of 1984. Oil prices at that time were approximately \$33 U.S. a barrel. That is the high end of the market. At that time, I think it has been mentioned here that when you do have a lot of activity already by virtue of the fact that returns looked to be good, then perhaps at that point in time we could—I think the Minister referenced this—question whether or not ManOil was necessary to actually generate the kind of activity that it was intended for it to generate.

But that is not an area I wish to go into at this moment. We are now at the low end of the oil prices. I think that Mr. Sadler mentioned \$14.00. He did say Canadian, but I think he meant U.S., did you not?

Mr. Chairman: Mr. Osborne? Mr. Sadler? The Honourable Minister.

Mr. Downey: Just before the response is made, I had indicated at the opening of committee that Mr. Osborne had another commitment. If there are other questions relating to the chairman, I could take them as notice and have a response, if that would be satisfactory with the Members, if we cannot deal with it. Is there an objection to the—(Interjection)— Okay, thank you.

Mr. Chairman: Mr. Driedger, Niakwa, did you have a question to put on the record?

Mr. Herold Driedger: I would like to just ask Mr. Sadler, he did reference the fact that today the price of oil,

on average, was about \$14 and he said “Canadian,” and I am thinking that is probably “U.S.”

Mr. Sadler: Yes, you are correct. We have seen prices as low as \$14 Canadian but, as you know in the last couple of weeks, there has been some strengthening there, so we are probably up around \$15.50 Canadian at Virten.

Mr. Herold Driedger: Thank you. I consider that to be a correction because I actually did not realize the prices had gone that far down. They have so then with this, because you see the report we are looking at which is 1987 which, as has been referenced, looks quite positive. It looks quite healthy.

We are now in 1988 and the price has actually dropped considerably from the average price, which was mentioned in the report, of about \$22 Canadian to something like \$16 Canadian. With this fall-out in oil prices and since we are anticipating from the Minister's comments the divestiture of Manitoba Oil and Gas Corporation, could I then ask the Minister what this lower oil price has done to the number of bids that were actually received when Manitoba Oil and Gas Corporation was put on the market for divestiture?

Mr. Downey: As I have indicated publicly, there was an initial interest of over 100 companies or individuals. The lower oil prices, I am sure, did not help but at this particular point I am not able to disclose specifically what the final bid numbers were. There were more than one, but there were not 100. I am sorry I cannot be more specific. To be honest, it did have, I am sure, some impact on the numbers of final bids that came in.

* (1140)

Mr. Herold Driedger: All right then, actually this is the direction I wish to start questioning now essentially. I did hear the Minister state that the bids from the bidders, undisclosed number of bidders, are in, and essentially you are now in the evaluation stage of those.

Mr. Downey: That is correct.

Mr. Herold Driedger: Is there any other information that you can give us that you are at liberty to give us with respect to those bids and bidders, or are we going to have to simply wait until the proper time later? I realize that this is an area where we have to look at protocol.

Mr. Downey: I have provided all the information I think that I can. I am not trying to keep any information from the Members, but in the best interests of the negotiations that are currently taking place.

Mr. Herold Driedger: I appreciate that. Can you indicate for the committee when you might be able to make a decision?

Mr. Downey: In light of, I think, the best interests of the public and the committee and the people who we

are talking to, as quickly as that decision can be finalized, the better everyone is. I am pressing to have it concluded as quickly as possible.

Mr. Herold Driedger: I recognize the indefiniteness of the answer—as quickly as possible, as soon as you can, yes. I was just wondering if you would be able to indicate weeks, months, or something like that.

Mr. Downey: Within weeks.

Mr. Herold Driedger: Thank you very much, within weeks. So we will then be able to make decisions with respect to some of the questions that have been asked here about whether or not the bids that are made are in line with some of the expectations we might have, based upon some of the good things that are in the report. I think we must recognize that aspect, but I would have to also take into account the fact that oil prices did drop and that the activity has slowed down considerably, particularly since there is a slowdown now in that sector. They may be lower than we might have anticipated.

Mr. Downey: I would say yes. There is one other thing I should add for the record. In talking about a write-down, it is not the Government that would be doing any write-down. It is the auditors of the Manitoba Oil and Gas Company who would be carrying out that particular activity, not the Government.

Mr. Kozak: I will take this opportunity at this point to reassert the fact that the Official Opposition does not dispute the Minister's statements regarding the accumulated losses of the Manitoba Oil and Gas Corporation. We do not dispute the Government's statement regarding opportunity costs to the Government as a result of its participation in Manitoba Oil and Gas Corporation.

However, to reiterate, we feel that many of the losses referred to by the Minister and his staff are bookkeeping losses largely attributable to accounting practices common within the oil and gas industry, designed in part to minimize the tax liability of oil and gas companies. In addition, we note that Manitoba Oil and Gas Corporation has experienced a rapid buildup of assets in the form of additions to proved reserves, which could provide a very attractive return to a long-term investor. The typical long-term investor to which I refer is an operating public oil and gas company such as any number of those traded on the Toronto Stock Exchange and held widely by investors.

We do not dispute that the Government may not be in a position to be such an ideal long-term investor. We do not dispute that the Government might benefit from redeploying the capital it has invested in the Manitoba Oil and Gas Corporation. However, our top priority is to ensure a good sale price, a sale price obtained from an appropriate long-term investor that knows how attractive this company is. We are extremely anxious that the Government inform itself on the accounting peculiarities of the oil and gas industry so that it can obtain a good price for the public of Manitoba.

I note that, as of fiscal year-end December 31, 1987, the corporation showed shareholders' equity in the amount of \$13,755,097.00. I realize that in certain respects, in that the Government has probably not advanced certain funds that the corporation had reason to expect at fiscal year-end, that figure of thirteen and three-quarter million dollars may be overstated. However, I feel and reiterate that in another respect the shareholders' equity, the real value of this company, is understated. The prime area in which this understatement occurs, in my view and in the view of the Official Opposition, is in the area of proved reserves that the company has established over a period of some years now.

Therefore, Mr. Chairman, in concluding my portion of the remarks made on behalf of my party, I would like to take the opportunity once again to urge the Government to obtain top dollar for this attractive company on behalf of the people of Manitoba.

Mr. Downey: Mr. Chairman, I think that the Member's comments I take very seriously. I know exactly what he is referring to. I can assure him that the exercise of the board, the exercise of the management, has been put forward and we would be fully prepared to explain and show the exercises that have been gone through to make sure it has been exposed to those people who know the oil and gas business, who have truly a clear understanding of the oil and gas company accounting. I have every confidence in the world that has been done. However, what I cannot force are people to put money forward that they do not feel that they are prepared to risk. One is limited in that.

Being an auctioneer by profession—he may be an oil bookkeeper by profession—one does try to maximize the return whenever they are trying to dispose or divest of a particular property, and you go to every exercise possible to do that. I am putting myself in the position of the taxpayers of Manitoba as a trustee that we have to endeavour to do that. Everything we have done and will do has that in mind, to recover to the best of our ability the returns that we can. I appreciate his support in the exercise of divestiture and I would—there will be another time for the full disclosure of what process we have gone through, if in fact a sale is accepted. That is the way I leave it.

Mr. Bill Uruski (Interlake): Mr. Kozak was probably very kind in his assessment of the Government's intention in the words that he chose, but I wanted to cover an area, although I want to put on the record that I am not very familiar with the corporation but there is one aspect that we have not touched on. That is the income that the province receives from the Crown land sales and the bidding. Can Mr. Sadler indicate to us, when lands come up in the bidding process, how active has the corporation been in that bidding process? What I am asking, and maybe he can run us through some scenarios, what role had that corporation played in the bidding process on the land because that is one area that certainly has not been touched on.

* (1150)

Mr. Sadler: As you may be aware, about a third of the petroleum-prone lands in southwestern Manitoba

are Crown owned and about two-thirds are owned by freeholders. The oil industry negotiate directly with freeholders on acquiring leases and, as you point out, there are semi-annual land sales conducted for Crown lands.

We were very aggressive bidders for several years in the '84-85 period because we were trying to build a company and we had to acquire land. That is the first thing you have to do. After having undertaken some geological studies and so on, then we identified lands that we had posted and bid on them.

Over the course of the short history of the corporation, we acquired in excess of 40,000 net acres of land, about 50 percent or 60 percent of which would have been Crown lands. The total outlays that the corporation made in that regard at sales would have been in the order of \$1.2 million on the Crown lands, and we would have probably spent an additional \$100,000 over the period on rentals to the Crown, and then of course in addition to that there are the royalties that would go to the Crown. Does that answer your question?

Mr. Uruski: Mr. Chairman, it does. In terms of the 40,000 acres that the corporation acquired, can Mr. Sadler indicate how many acres were in fact put up for bid in that period of time? What percentage of the Crown acres would the corporation have bid on that were in fact put up, or would Mr. Sadler know?

Mr. Sadler: That would be very difficult for me to say with any certainty. I know that there were some sales where ourselves along with partners would have maybe got as much as 30 percent, 40 percent of a particular sale. I am afraid I do not have the information to provide a clear answer on that.

Mr. Uruski: Would I be overstating my case to indicate that you would have been a significant player in the enhancement of the value of Crown land that was being put up for tender in those areas in terms of the bidding process?

Mr. Sadler: I suppose one might say, under certain conditions, we might have almost set a reserve bid on some lands in that, but I can tell you that we approached it from a businesslike and a technical view where we put our own assessment on those lands in the context of what previous competitive bidding had taken place and so on. So we tried to be very businesslike about it and not take the advantage of having, if you like, taxpayers' funds sort of bidding high, too high on the lands, over, excessively. We endeavoured to be very businesslike on it.

Mr. Uruski: Mr. Chairman, I—oh, I am sorry.

Mr. Downey: My only comment was—I will let the Member finish and then I have a comment to make on it.

Mr. Uruski: Mr. Chairman, I would have expected that the corporation would have bid in terms of what they felt the reserves might be worth at that period of time of course, when oil prices were at an all-time high.

Would Mr. Sadler indicate whether the interest was equally high in terms of all other bidders, or was the competition in fact very keen for the lands that were coming up for bid?

Mr. Sadler: I would say that during that high-price period that you would probably characterize it right. There was intense competitive activity. There were a number of people in the province bidding.

Mr. Uruski: Then the corporation would have, notwithstanding, played some fairly significant role in acquiring a portion of the Crown lands that were in fact put up on tender, of keeping the competitiveness to its probably high point, adding a fairly major player into the marketplace.

Mr. Sadler: Yes, that is the likely effect that it would have.

Mr. Uruski: I am not sure that I got the answer from Mr. Sadler. Does he know as to what percentage of the total lands that were put up for tender that ManOil would have picked up during that period of time of Crown land, with partners or in joint ventures?

Mr. Sadler: I think it would be certainly under 30 percent during the period that we have been in existence. I can check if he would like something more accurate.

Mr. Uruski: So that 40,000 acres that he speaks of would be about 30 percent of the total or thereabouts?

Mr. Sadler: It could be as low as 15 percent. I am afraid I cannot be more accurate than that.

Mr. Uruski: Maybe the Minister or Mr. Sadler knows. Would he know the total provincial revenues from those leases during that entire Crown land? Would there be an estimate? Maybe you would know from the figures, and I am not expecting definite answers if we do not know what the provincial revenues would be from the land sales or at least the lease sales.

Mr. Downey: I have no difficulty in trying to help the Member out with that information. It would be easier obtained from Mines and Energy. What we can come closer to what actually the Manitoba Oil and Gas Corporation purchased during the period of time in the report but, to get that information, we can get it provided from Mines and Energy, talking about the totals of land sold and that type of thing would be more appropriate than at this time. That would be an easier place to get the information.

Mr. Uruski: I venture to say it would be in the millions that they were talking about. I guess the only point that I wanted to leave on the record is that this is one area of the operations of the corporation that I, for one, believe, and I think it has been fairly well confirmed, that the competition or at least the additional player in the marketplace has added to provincial revenues on the other side in terms of the bottom line and has never, never—and in terms of the annual report, I agree

it should not play a role but we should recognize that having an additional major competitor in the marketplace has likely—and I am certain of that and I think it has been confirmed—strengthened the price of the Crown leases that were up for bid. The province, on the other hand, benefitted. The question is, to what extent has that occurred over the years and how would one be able to quantify that if it is quantifiable?

Mr. Downey: I guess, Mr. Chairman, following on Mr. Sadler's comment, being new in the marketplace trying to build themselves an oil base and that being some of the land that was put up for offer, their activity could have well had some kind of a minimal impact, although I think Mr. Sadler said it was more based on the projected reserves that were in the ground rather than anything else, that it was their ambition to get into the oil industry. So the impact that it would have would be very hard to measure. To put a dollar on it would be very difficult, if there was any. It is an area that would be hard to quantify, I am sure.

* (1200)

Mr. Angus: I apologize if this has been answered but, through you to the Minister, I was wondering if in terms of the negotiations that he had considered giving fair value to the shares and then selling off a portion of the company, that is 50 percent of the company, and retaining 50 percent? It is my horse trader's mentality that suggests that we maybe have a little bit of a good thing going here and that it might make the company a bit more attractive if they had a viable senior partner and that type of thought. I just wonder, through you, Mr. Chairperson, to the Minister, if they have considered that as an option of divesting themselves from the organization.

Mr. Downey: Mr. Chairman, and I am speaking just from recollection, a discussion with the board and with management—and Mr. Sadler may have something further to add—that there were not any restrictions put on the type of bidding that we were prepared to receive as far as ManOil is concerned. I am sure if that was a part of a bid that came in for a portion of it, to get to the maximum for the taxpayers, that would have been considered. I am not aware of every bid that came in. It may or not have been that way. So I say, I do not think there were any restrictions stopping people if they wanted to buy a portion of it from coming in. It may not have been spelled out in that manner in the bid. I think that particular area probably is covered in the way in which it was bid, but I stand to be corrected if in fact that is the case.

Mr. Angus: I certainly have not been privy to the deliberations of the board. The statements do not seem to indicate to me a representation by share of the value of the organization. At the price that the shares are right now, I might even invest if I was allowed to. It is an undervalued representation, just based on the discussion and my limited knowledge of the corporation.

It also occurs to me, Mr. Chairperson, that both of our Parties have been suggesting along the same lines that we do not believe we should actively be in this

business. Where we may differ is the method of dispensing or getting out of the business in relation to the betterment of Manitobans. While we may philosophically disagree with the New Democratic Party on this particular issue as to whether or not we should be in this business, we are very adamant about how we get out of this business. I want to be assured that all of the options have been explored.

Mr. Chairperson, sometimes I wish that we had an opportunity, as we do in the city, to discuss items of this nature in camera. I believe that we have contributing advice or contributing opinions that, when they are aired publicly, may in fact jeopardize any negotiations that are happening. That is an unfortunate set of circumstances for the citizens of Manitoba because they may not be getting the best opportunity to get the best return on their investment. They may be getting one particular Minister's or one particular Government's or Cabinet's slant on how to do things, not suggesting that the board is not capable of looking at all of the avenues but quite frankly, Mr. Minister, they take their marching orders from the Minister. When the Minister, whatever Minister it happens to be in the system we currently work under, they may interpret what the Minister wants and not adequately explore all of the options.

I am sure that they have. I am sure that they have tried to explore all of the options and are doing their professional best. But again, I would like more assurances, I guess, from you that all of these options have been legitimately explored and have been legitimately exercised so that we do give ourselves the best chance of getting a good return on investment and do not continue, to use the phrase, to give away the farm.

Mr. Downey: Just a brief response to the Member, it is absolutely true. The more minds you have, the more knowledge you have, and they are in a position of Opposition politically and have to carry out their roles as critic. I take it as constructive criticism. I think we are all trying to maximize. I am sure that is what every Member, whether you are a New Democrat or a Liberal or a Conservative in this area, your objectives should be the betterment of the province and the use of the taxpayers' money. That is what we are weighed on, and that is what we are being judged on. Everything that we can do to maximize the input to some exercise like this is extremely important, so I take his comments very seriously. The comments that are made on the record here today prior to the conclusion of any final decision will be certainly taken into account as well.

If there were anything further that I could discuss with the Member in camera that was not going to treat one Party differently than the other, then I would discuss it, as I have with my discussions with the introduction of the Bill yesterday. I briefly spoke to the Member for Fliin Flon (Mr. Storie), as I spoke to the Member for Niakwa (Mr. Herold Driedger), just briefly as to what the purpose of it was.

So I do not disagree with what he is saying. A maximization of the return has to be accomplished. If other minds of other Parties can be of assistance and

we can use that without any prejudice of any kind, then I have no difficulty with that.

Mr. Angus: Mr. Chairperson, through you to the Minister, specifically I would like you to, as inexpensively as possible, ask the board or outside firms to, as fair and as equitably as possible, value the organization on a per-share basis and explore the option of selling off a portion of it publicly, putting it on a public chopping block to find out what net effect that would have in terms of the overall sale. I recognize that it may be a tad late, especially if you are in the final throes of negotiating with someone else, but I would caution the Minister that review will probably be done publicly. He may be subjected to some criticism and, in preparing himself, he may want to explore those options.

Mr. Downey: I again take those comments seriously. As I said, it has been the exercise of the board—and I do not take totally that the board are directed. What the board had the mandate to do was to work towards the divestiture of Manitoba Oil and Gas and to do the work. We will be prepared to lay out precisely the activities that we went through and stand by that activity. The board, I am sure, has done everything, as I again compliment the management in their willingness to cooperate. I can say that very sincerely. There has been a real hard lot of work gone into this, and you are right. We have to stand by the actions we take, as any Government Member does, so again I will review Hansard.

Mr. Storie: I would like just to follow up on the points that were made by my two colleagues across the table. and that is that certainly we respect the right of the Government to proceed with divestiture. I think there were logical reasons for the development, the introduction of MOGC, and I think that in its short history it has done a sound job of preparing the groundwork for a stable financial future.

I think that the fact is that the concerns that the Minister is raising at the committee today are based on, I think, perhaps the position the Government is taking about the necessity of a sale and obviously the necessity of an immediate sale. The Minister tells us that perhaps we are within weeks of a sale.

I do not think the Minister is being quite honest with the people of the committee or the people of Manitoba if he says that his concern is with the taxpayers. I know that if the Minister owned 100 acres of farm land and it was at the worst possible time to sell that farm land when the prospects of improved prices were perhaps around the corner, he would not divest himself of that 100 acres.

We are at a low point in terms of oil prices. I remind the Minister that, even at today's oil prices with proven reserves, the value of the corporation is something like \$15 million. At \$14 a barrel, you consider that we have a reserve of 1.3 million barrels of oil. My colleague, the accountant from Transcona (Mr. Kozak), has said that this corporation is undervalued. I am concerned that the Minister's agenda not only includes divestiture but divestiture at any cost, and I think that it is unseemly

haste and I think we require due diligence in the divestiture of this enterprise if we are going to do it all. The Member for St. Norbert (Mr. Angus) has put some alternatives on the table that I will certainly want to know whether they have been explored. I will also want to know what this divestiture at this point is going to cost Manitobans.

* (1210)

The history of this corporation is that the cumulative losses are \$1.24 million. I believe that in this Minister's rush and this Government's rush to divest itself of MOGC that they will be costing the taxpayers many more millions of dollars and obviously eliminating any prospect of some return on investment as a result of operations, never mind the sale. I think that the Minister and his Government are making a mistake, and I hope that he is not going to stampee the board or is not going to allow himself to be stampee into a sale which does not return any kind of rate of return, does not get a return for the people of Manitoba. There is no necessity for selling the corporation next week.

The fact of the matter is that the Minister is failing on two counts. One is his haste is creating a problem for him in terms of selling it, I believe, because of the circumstances of the oil industry. I also believe his actions in terms of discontinuing acquisitions on the part of the corporation and discontinuing exploration on the part of the corporation is also jeopardizing the likelihood of a fair return to Manitoba.

I hope that on both of those counts the Minister may reverse himself and that we may see a more thoughtful process in terms of the divestiture exercise. The Minister says, well, we will show you that we have contacted every person. Well, if you contacted every person in a buyer's market, it does not mean that you are going to get a good price for what you are selling.

I think we are proceeding with undue haste, and the timing, even if it were determined it were necessary to sell MOGC because of its financial position or its financial prospects, is unequivocally wrong for this exercise. Perhaps the Minister can tell us whether there has been a Cabinet decision to divest at any particular time.

Mr. Downey: Mr. Chairman, I will try and keep my comments brief. The Member knows that Cabinet decisions are Cabinet decisions and are not discussed publicly until there is an appropriate time.

What I am going to say is that the Member again tries to make reference to any loss that may be incurred. Mr. Chairman, the losses that may be incurred will come from the decision to enter into this venture to start with. That is where the loss will incur.

The additional concerns about the oil that is in the ground and the loss of money from that oil—I mean, the oil is still there. I mean, the province have every ability to get a royalty off of that oil. The province does not lose its ability to generate income from oil. It is there, it has been and it will be. Because we are players in the activity does not do anything to change that particular side of it.

You know, without getting into a philosophical long-term debate, I can assure him that everything possible, and the Members of the Liberal Party, will be done to maximize the return. I do not suppose he felt very comfortable—I give him credit—when they had to sell or when they sold Flyer Bus. I mean that was a decision that he and his Government made. It was a loss of millions and millions of dollars. Mr. Chairman, again I do not suppose he was happy, but it was a decision he made and it is a process. I do not know whether he directed or his Government-directed the board of Flyer Bus or whoever was in charge of it, but that had to be done. It was done and he has to live by his decision.

We have gone through an exercise in the process that we can certainly work to maximizing the return to taxpayers in the divestiture of Manitoba Oil and Gas, and I do not agree that we are being rushed into this. There is a due process that is being carried out and I guess, if one were to carry on and retain it, he is suggesting that it is the job of Cabinet Ministers in Governments to speculate with taxpayers' money in business. I do not totally—

Mr. Storie: I did not say that.

Mr. Downey: He just said he did not say that. I would say that he is saying that. It is a low point of the market. Can he and will his Party and the Members of the Legislature give us the assurance that the oil prices are not going to go lower? It is a 50-50 situation. They can go up or they can go down. Well, the Member for St. Norbert says it is a bad time to sell. It was a bad time to get into it.— (Interjection)— Okay. Thank you for the participation of the committee Members and their comments will be taken very seriously in the activities of Government.

Mr. Chairman: Shall the Annual Report for the Manitoba Oil and Gas Corporation ending December—

Mr. Storie: No, Mr. Chairperson.

Mr. Chairman: Okay, Mr. Storie.

Mr. Storie: I appreciate the Minister's final comment. I guess, if the Government is intent on selling at this time, we will have to review the outcome. I hope it is clearly on the record that the people of this committee view the value of this corporation to be significantly above the stated value in the Annual Report of 1987. The people of Manitoba can do simple arithmetic as easy as the Minister. If you have got reserves of 1.3 million and the current price is \$14 a barrel, it is not very difficult to figure out about what you should be getting for the corporation.

The fact of the matter is this Minister and the Government are intent on doing it, regardless of the cost. They are going to make the accusation that it was another Government's responsibility that got us into this mess. This Government, if indeed the people

of Manitoba do not believe we should have gotten into it, are compounding the problem because they are going to lose additional millions of dollars. The loss for 1987 was some \$244,000.00. I can assure the Minister that he is losing millions of dollars by the timing of this sale. I expect that this is going to be another giveaway. We will await the outcome.

One final question, what is Antler River Resources?

Mr. Downey: The Member is well aware, if he has checked my conflict-of-interest documents, Antler River Resources is a small private oil company of which I am a very small shareholder.

Mr. Storie: Does the Minister see any conflict, being responsible for a provincially owned corporation about which he is now currently talking divestiture with his position as a small part owner of an oil company in southwestern Manitoba?

Mr. Downey: I do not know what kind of a game the Minister is trying to play. No, I do not. I fully disclosed what I have shares in, in the conflict-of-interest forms—no secret to anybody. They are wide open to anybody. If anybody wants to check it out, they can. As I said, I am a small shareholder in a small oil company that operates out of Melita. I am not a director, just a small investment. If he sees a conflict, I would ask him to challenge me so that we could carry out the proper procedure, or is he just playing some kind of a little game here? I do not want to play games with that kind of sleaze, Mr. Chairman.

I have absolutely no conflict. When I was appointed Minister responsible for it, I offered all my shares in writing to the current shareholders to see if they wanted to purchase it. There were no offers from anyone. It is fully public knowledge what I own. As I say, if he wants to make some accusations, let him put them on the record and be man enough to do so right now.

Mr. Storie: I have not made any accusations. It is simply a piece of information that the Minister is defensive about. The question, it is a simple question.

The final question is, has the Minister placed his holdings in a blind trust, as the First Minister (Mr. Filmon) suggested all of his Cabinet Minister had done?

Mr. Downey: No, I have not. The operations of my farm and my shares are fully disclosed. My wife operates the farm business, auction business. If he wants to do a full investigation, I would invite him to do so.

Mr. Storie: I thank the Minister.

Mr. Chairman: Is it the will of the committee to pass the ManOil and Gas Corporation Annual Report, 1987? (Agreed)

Committee rise.

COMMITTEE ROSE AT: 12:17 p.m.