

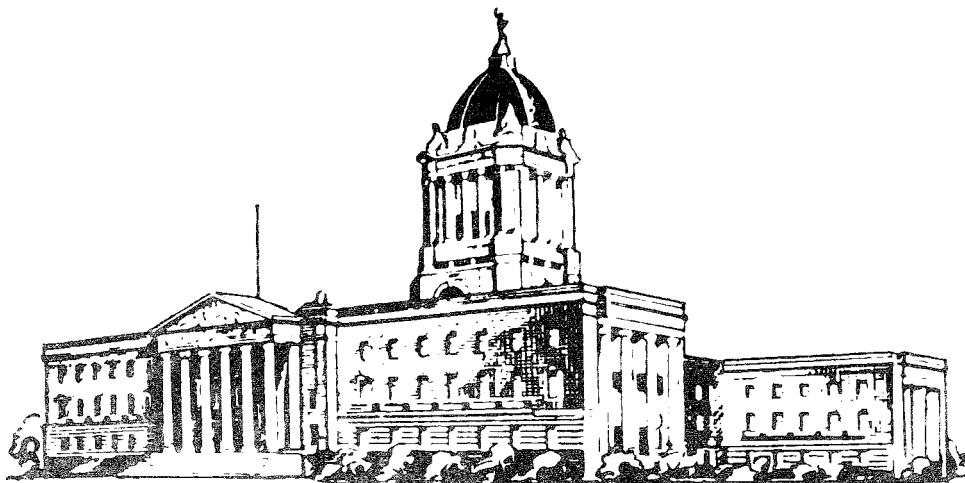


**First Session — Thirty-Fourth Legislature**  
of the  
**Legislative Assembly of Manitoba**

**STANDING COMMITTEE**  
on  
**PUBLIC UTILITIES**  
and  
**NATURAL RESOURCES**

37 Elizabeth II

*Chairman*  
*Mr. Parker Burrell*  
*Constituency of Swan River*



**VOL. XXXVII No. 13 - 10 a.m., TUESDAY, NOVEMBER 29, 1988.**

**MANITOBA LEGISLATIVE ASSEMBLY**  
**Thirty-Fourth Legislature**

**Members, Constituencies and Political Affiliation**

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

**LEGISLATIVE ASSEMBLY OF MANITOBA**  
**THE STANDING COMMITTEE ON**  
**PUBLIC UTILITIES AND NATURAL RESOURCES**  
**Tuesday, November 29, 1988**

**TIME — 10 a.m.**

**LOCATION — Winnipeg, Manitoba**

**CHAIRMAN — Mr. Parker Burrell (Swan River)**

**ATTENDANCE — QUORUM - 6**

*Members of the Committee present:*

Hon. Messr. Neufeld  
Messrs. Angus, Burrell, Driedger (Niakwa),  
Enns, Gilleshammer, Harper, Pankratz, Roch,  
Storie, Uruski

**APPEARING:** Manitoba Hydro Electric Board:

Mr. A.B. Ransom—Chairman Board of  
Directors  
Mr. G.H. Beatty—President and Chief  
Executive Officer  
Ms. L.M. Jolson—Vice-President Corporate  
Relations  
Mr. J. Cowan—MLA, Churchill  
Mr. R.B. Brennan—Vice-President Finance  
Mr. R.O. Lambert—Senior Vice-President  
Customer Service and Marketing  
Manitoba Energy Authority:  
Mr. G. Hastings—Executive Officer, Industrial  
Development  
Mr. H. Mordarski—Comptroller

**MATTERS UNDER DISCUSSION:**

The Annual Reports of the Manitoba Hydro Electric Board for the fiscal years ended March 31, 1987, and March 31, 1988, and the Annual Reports of the Manitoba Energy Authority for the fiscal years ended March 31, 1987, and March 31, 1988.

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**Mr. Chairman:** The floor is open for questions.

**Mr. Jerry Storie (Flin Flon):** I guess the main focus, at least from my point of view this morning, would be on the Northern Flood Agreement. We are going to spend some time examining where it is at and what direction it will be taking in some of the important sets of negotiations that are outstanding.

I wonder if perhaps the chairman could just begin by giving us an overview of recent discussions on the possibility of reopening the Northern Flood Agreement. Is there any change in direction in terms of the Northern Flood Agreement? Is it business as usual? Has the

Minister come to any determination about what might be in the province or in Manitoba Hydro's best interest in terms of dealing with that agreement?

**Hon. Harold Neufeld (Minister responsible for The Manitoba Hydro Act):** It is the Government's intention and the Government's hope that we will come to a reasonably quick resolution to the Northern Flood Agreement. The Minister of Northern Affairs (Mr. Downey) is the lead Minister on the negotiations. We have met with the leaders of the bands, with the chiefs. We are in hope of coming to a settlement as to the parameters of the negotiations. We have, from the province's point, appointed a negotiator. Manitoba Hydro will be appointing a negotiator, and we have asked that the federal Government appoint one so that they can get on with the negotiations as quickly as possible. We would have high hopes that they will meet very early in the next year.

**Mr. Brian Ransom (Chairman, Board of Directors):** Just to add to that, my understanding is the federal Government has appointed their special negotiator and Hydro will be prepared to do so rather soon.

**Mr. Storie:** The Minister had indicated that meetings have been held with the Flood Committee, the chiefs, or with representatives of the flood Committee.

**Mr. Neufeld:** The Ministers responsible have met with the chiefs.

**Mr. Storie:** The Minister indicated that the province has assigned a negotiator. Could the Minister indicate who will be doing the negotiating for the province?

**Mr. Neufeld:** Mr. Jarvis will be negotiating for the province.

**Mr. Storie:** Just so I know who the individual is, is that Paul Jarvis?

**Mr. Neufeld:** Yes.

**Mr. Storie:** Manitoba Hydro has not appointed a negotiator at this point. Is it likely that it will be someone internal to Hydro or will it be someone external?

\* (1005)

**Mr. Ransom:** We have not appointed the person yet but we have a person in mind. That person is not presently working for Manitoba Hydro.

**Mr. Storie:** The goal of this exceptional effort, I guess, in terms of renegotiating or negotiating, could we have just a clear statement what the goal of this negotiation

would be? Are we talking about resolving all of the outstanding issues at one point? Are we talking about coming to some agreement about the specific claims that are currently outstanding? Are we talking about a new package? What is the purpose, and could the Minister indicate whether the province has established, I guess, a ball-park figure? Perhaps I will not ask that because I think that would be unfair to have that on the record but I guess, maybe to go back to the first question, what are the objectives? What exactly do we intend to accomplish through this new set of negotiations?

**Mr. Neufeld:** The intention of the province is to negotiate each and every outstanding issue, attach a number to each and every outstanding issue and then, as payments are made, they are applied against those issues and we would then have the total amount that would, in the end, be paid.

**Mr. Storie:** Could we, as a committee, receive a list of the outstanding claims with a brief description perhaps of the nature of the claim? If I recall right, about half of them roughly or a little more have been settled so far, but if the committee could receive a claim so that at some point in the future we might be able to track more specifically the progress that is being made in terms of negotiations.

A couple of issues specifically come to mind. One of them was prior to—in fact, in the fall of 1987, the Northern Flood Committee had requested an advance of some \$10 million in light of the relative certainty that the claims expenses for the province and Manitoba Hydro would exceed that amount into the future. I am wondering whether that proposal is being pursued in these negotiations as well, or is that a proposal that is being pursued outside of these negotiations, or is it a non-issue at this point?

**Mr. Neufeld:** Dealing firstly with the request for \$10 million, it is on the table, it is a request at the moment by the bands. It is our hope that we can, as a condition of that payment, bring the negotiations to a head and negotiate then each and every individual item so that we know where we are going and how far we have gone.

**Mr. Storie:** Well at this point, is it the intention of the Government to have identified a couple of areas, claims that will be finalized, in effect, to advance the \$10 million, or would the \$10 million advance, as is being requested by the Northern Flood Committee, precede any final determination of specific claims?

**Mr. Neufeld:** I would not want to prejudge what the negotiators are going to deal with first. I would like to think that we will have a complete understanding. By a complete understanding, I mean that we would agree with the bands in advance which items are to be discussed, and it would be a complete list with both the request and our offers on the table. I would expect then that we will come to a decision on each and every item as we proceed through the negotiations, and any monies that are advanced would be advanced against the final resolution.

\* (1010)

**Mr. Storie:** We are talking here essentially, I guess, about compensation issues. There are a number of other outstanding issues and they include the resolution of Articles 3 and 4, the exchange areas and the hold areas. Are these part of the comprehensive negotiations or are these separate from the the negotiations on the compensation claims?

**Mr. Neufeld:** I am not familiar with those two areas, and I would ask Mr. Beatty to comment on those two.

**Mr. Garry Beatty (President and Chief Executive Officer):** I apologize, Mr. Chairman, I missed the question. Could I have it repeated, please?

**Mr. Storie:** I was asking whether the discussions on Articles 3 and 4, the exchange lands and the hold areas, were part of the comprehensive negotiations, or are those a separate set of negotiations?

**Mr. Beatty:** I think I would ask Ms. Jolson, our Vice-President, Corporate Relations to address that.

**Ms. Linda Jolson (Vice-President Corporate Relations):** Articles 3 and 4 responsibility, that has been led by the province, and I would expect that will be part of the global discussions.

**Mr. Chairman:** The Honourable Minister has a comment on that.

**Mr. Neufeld:** Anything that has to do with the Northern Flood Agreement that was in the original agreement will be dealt with at this time, and I would hope that every single issue will be resolved before we finalize.

**Mr. Storie:** I appreciate the Minister's wish on that. The Minister knows that this has been going on for a number of years. Particularly the land issues are vital, and I cannot see a comprehensive agreement not including the land but there are some difficult issues there. The policy in terms of the approach to providing exchange lands and developing the hold areas, I think, has changed considerably over the last 10 years. I am wondering whether there has been any inclination to change the criteria that were established when it comes to either exchange or hold areas.

**Mr. Neufeld:** No direction has come from the Government to change any criteria. That, I would suggest, will be dealt with by the negotiators.

**Mr. Storie:** So what the Minister is saying is that when it comes to requests for exchange lands, for example, where a decision has been made to allow for pieces of land that are non-contiguous to existing reserves of 100 acres or more, that policy is still in place and will be dealt with as an appropriate policy for the province in the negotiations.

**Mr. Neufeld:** As I have said, there has been no change in direction by the Government since we took office on May 9 and I see no reason to change that directive

Having said that, I will go back to what I said earlier, that the negotiators will be discussing the various issues and will be negotiating on each and every point. We will leave it to them to see what they recommend.

**Mr. Storie:** I guess obviously one of the factors that is going to determine whether negotiations are successful is ultimately the policies of the Government. One of the areas where there had not been any final, I guess, determination by the province was in the area of hold areas. The hold areas prescribed by the bands in some cases are more than 1 million acres, and it is not clear in the agreement what the real intent of the agreement was. The Minister is saying that, as far as he knows, there has been no change, no indication given to the Flood Committee that there is any change in terms of their expectations and what the province might be prepared to do.

\* (1015)

**Mr. Neufeld:** The success of any negotiation depends on the willingness of both sides to negotiate, to compromise and to come to a decision. It is not only the Government's position to have to meet the demands. It is up to both sides to try to negotiate a position that is acceptable to both sides.

**Mr. Storie:** I guess another question, one of the questions that concerned the bands—and the comprehensive kind of negotiations that the Minister is talking about have been tried before and met with some success, in the end, did not succeed. But the issue was finality, and whether the Minister is looking for an agreement which would, in effect, end the province's obligations in some determined and final way. Is that the Minister's goal?

**Mr. Neufeld:** That is our goal. Some time, we must come to a final decision on the agreement, and it is our goal to come to that final conclusion.

**Mr. Storie:** I guess to play the other side of that argument, of course, is that there may always be circumstances which come to light some time in the future which could not be anticipated. One of them may be, for example, the problem that we have had with mercury contamination to the extent that it is a problem. It was not anticipated at the time the Northern Flood Agreement, for example, was signed. It was not really found to be a problem or perceived as a problem until many years later, and that causes obviously the Flood Committee a great deal of anxiety when signing an agreement. Is the Minister saying that it is not a possibility to have a clause which deals with exceptional circumstance into the future?

**Mr. Neufeld:** As I said earlier, the conclusion of any negotiation depends on the willingness on both sides to compromise, to take positions other than the ones that they had when they started. I will repeat that there has to be a willingness on both sides to come to a conclusion on this, and we will make our best effort to conclude the negotiations and to bring the Northern Flood Agreement to an end.

**Mr. Storie:** Well, I think we all wish the Minister good luck, and Manitoba Hydro. I think it stands to benefit everyone if we can come to some agreement. I think the Minister knows, as well as people around this table, that there is a lot of quicksand between this point and the finish line. I think that the groundwork was established in the previous about five years for successful negotiations, as long as it is understood that the province's position in this is not as strong as it could be or perhaps should be. The negotiations, I think, have been fairly amicable and, as long as that continues, it is likely to succeed.

I was wondering whether any decision has been made on some of the claims that were pretty well advanced when the Government changed, and I am thinking particularly of the recreation claim at Nelson House. Has there been any discussion on that recently? What is the status of that specific claim?

**Ms. Jolson:** That claim is continuing to be discussed with the band representatives and Manitoba Hydro representatives, and we expect that we will have a recommendation for our board in January.

**Mr. Storie:** Mr. Chairperson, when Ms. Jolson says that they will have a recommendation for the board, is that a recommendation that will come and, in essence, have been approved through the process at the band level as well? Is that likely to be a recommendation which is acceptable, or is that Hydro's recommendation which then is to be negotiated with the band?

**Ms. Jolson:** Well, as the discussions are continuing and they are making progress, we believe that we will have a recommendation that will have arisen out of defining what the recourse will be and that we will be able to recommend it to our board as a solution.

**Mr. Storie:** Mr. Chairperson, if I understood it, then the recommendation would in all likelihood have been approved or tentatively approved by the band and it would be a solution?

**Ms. Jolson:** We would expect that it will be a solution.

**Mr. Beatty:** Just to add, Mr. Chairman, we hope that it will be a solution but that would be a management recommendation to the board. The board would have to consider it.

\* (1020)

**Mr. Jay Cowan (Churchill):** Mr. Chairperson, normally during the set of negotiations, the negotiating parties set out a time line. Hopefully, that time line is mutually agreeable. Sometimes it is not. I would ask the Minister if they have been able to establish a mutually agreeable time line for the negotiations with the Northern Flood Committee and, if not, do they have their own time line in mind?

**Mr. Neufeld:** We will allow the negotiators to set any time lines that they wish on it. The Government does not have one, except they will instruct that this proceed

quickly and is brought to a conclusion as quickly as it can.

**Mr. Cowan:** When the Minister says the Government's hope is that it will proceed quickly, I would assume that the Government is therefore giving some direction to the negotiator. In the Minister's mind, what is quickly? How long is he talking about—a year, two years, a month, two months?

**Mr. Neufeld:** I would not want to prejudge the time it will take. I will tell Mr. Cowan that they will start early in the new year or at the latest in early spring in their negotiations. It depends on how long it takes to come to decisions on the various negotiating points.

**Mr. Cowan:** I accept that, but I am not asking the Minister to prejudge. I am asking the Minister for his own opinion as to how long the process should take.

**Mr. Neufeld:** I do not think I will venture an opinion on how long it will take. It has taken too long now and I am sure that the negotiators of the past have felt that they could have come to a decision before now. I will only say again that we are determined to bring this to an end.

**Mr. Cowan:** When the Minister says he is determined to bring it to an end and he is determined to do so quickly, are we talking about perhaps the opportunity at the next meeting which will probably be in a year's time or thereabouts, a year's time of this committee being able to review the completed negotiations?

**Mr. Neufeld:** I cannot answer that. The negotiations are between people on both sides of any table and it depends on how quickly they can come to a decision. It is not a matter of the Government saying we will end these negotiations at any specific time. It is up to both parties to come to an agreement, however long that takes. It is our hope that it will not take too long, but we are not going to set any time limits on it.

**Mr. Cowan:** Just so the record is clear, I am not asking the Government to set time limits. I am asking the Government what it feels is a reasonable amount of time with respect to their anticipation of completion of the negotiations. Obviously the Minister is not going to tell us that so there is no sense in pursuing it, although I think it is a question that should be answered.

The Minister has also indicated on several occasions now today that he believes in negotiations. It is necessary for both sides to compromise. He said that in a number of different ways but the message has been the same on at least three or four occasions in answers to different questions. What compromises does the Minister expect the Northern Flood Committee to bring to the table?

**Mr. Neufeld:** If I had knowledge of what compromises the Northern Flood Committee would bring to the table or the Northern Flood bands would bring to the table, I would not need a negotiator, would I?

**Mr. Cowan:** I believe the Minister would even if he had that information available to him. Just what I am trying to obtain from the Minister is the objectives of the negotiations from the perspective of Manitoba Hydro, and from the perspective of the Government. Any negotiations take place within a framework. To be quite explicit, I am not asking the Minister for what negotiating mandate he is going to provide to his negotiators. I think that would be unfair to ask him that question, because it would in some way temper the negotiations. But what I am asking is what he believes to be the general objectives of the negotiations. What does he hope to accomplish of the negotiations generally, and what does he expect that the other side hopes to accomplish out of the negotiation generally?

If he has not given thought to that, then he has not done a very good job of setting up the framework for the negotiations. I think that is important information. I think it is information that will not, if made public, distract from the negotiations but rather will help the negotiations. In negotiations, it is always beneficial to know what the different parties want to accomplish generally. Again, I am not talking about specifics. I am not talking about a dollar figure. I am not talking about the outcome in any specific claim, or any specific area claims. But what is the general objective of the Government with respect to these negotiations, and what does the Government believe to be the general objective of the Northern Flood Committees and their bands?

**Mr. Neufeld:** I would like to think that the objectives of the Government and the objective of the northern bands are one and the same, and that is to conclude the negotiations and come to an agreement as to the settlement.

**Mr. Cowan:** Could the Minister be just a bit more explicit with respect to his own objectives?

**Mr. Neufeld:** How specific can we get? We are talking about negotiating something that is an agreement that has been going on for some years. We do not know at this point in time what the demands or the requests of the other side are going to be. It would be premature to put down any demands or requests that we have for the table.

**Mr. Cowan:** It is interesting that the Minister says two things which might on the surface appear contradictory. So I have asked him to clarify. He says that, firstly, the negotiations have been ongoing for a long time and we all agree that they have been, perhaps too long, as he has indicated earlier. And then he says, at this point in time, you do not know what demands the other side is going to bring forward. Now if the negotiations have been ongoing for some time, one would expect to have some sense of what the demands of each of the parties are going to be. Let us use some different wording on that. One should expect to know what the objectives of each of the parties are going to be, and what the suggestions for a compromise solution are going to be on the part of each of the parties. Let us not call it demands at this point in time. So, the Minister is saying that even although they have been ongoing

\* (1025)

for a long time he expects that there will be an entirely new set of suggestions for a way to solve this problem.

**Mr. Neufeld:** I do not think I said that it would be an entirely new set. But his own colleague, Mr. Storie, a few minutes ago suggested that there may be some things come up that were not contemplated when the original agreement was signed. I will leave it to Mr. Cowan to tell me, is there going to be anything else that comes up, or is there not going to be anything else that comes up? I do not know. So, I will leave it to the negotiators.

**Mr. Cowan:** With all due respect, I think the Minister might have misunderstood what point Mr. Storie was trying to make. I think Mr. Storie was trying to make the point that even if one resolves the negotiations in finality—and we will come back to that word in a minute—that there may in the future be things that happen that were not contemplated when the finalization of the negotiations was accomplished. Therefore, there was a suggestion that there should be an ongoing mechanism that would be available to both parties to bring issues back to the table in the event that, when the negotiations were finalized, one did not anticipate a particular problem occurring in the future.

\* (1030)

I do not believe he was talking about, at this point in time, there being a lot of issues that are unknown. I think most of the issues are known at this point in time, but there are issues that may not be anticipated. His suggestion was the development of a mechanism to deal with those issues on an ongoing basis without eroding the principle of trying to conclude as complete an agreement as possible. I look to Mr. Storie to see if that is the case. He indicates that is the case, so I hope that clarification has been beneficial to the Minister.

With that clarification in mind, can he now answer my previous question?

**Mr. Neufeld:** We have gone 11 years since the original agreement was signed and, if they have not all come to surface at this point, then when will they all come to surface, the issues that are unknown at this point? I repeat what I said earlier, the negotiators will do the negotiating and we do not want to tie their hands completely in bringing all the negotiating points to the table over here. I do not think we can negotiate this in public.

**Mr. Cowan:** I will be very specific and explicit in my questioning so the Minister does not misunderstand. What we are asking for is not that they address all the points of the negotiations here in public, because we agree negotiating in public in this issue would be counterproductive and we all want to see a successful resolution of the agreement. I have said that before, I will say it again, I will say it as directly as I can to the Minister so that he does not misinterpret or misunderstand what I am saying. What I am asking for, however, is an analysis or some indication of the general objectives, the overall objectives of the Government with respect to the negotiations.

What is their intention with respect to time line? How or what do they hope to accomplish from a general perspective out of this agreement, and what sort of framework are they providing to their negotiators? I say that, even although I do not believe the Minister is going to answer the question, because he has refused to answer it to date.

It must be noted that he is refusing to answer questions which are put forward to him in this particular forum where those questions should be asked, and he is doing so even although the information we are asking for, I believe, would not have a detrimental impact on the negotiations, but would have a positive impact on the negotiations.

One of the first things one wants to do in any set of negotiations is to determine what they believe they want out of the negotiations and communicate that to the other side, and determine what they believe the other side wants out of the negotiations and make certain that they understand that themselves. I do not have any sense that the Minister has done that to date, and I think it is regrettable.

If we can offer him some advice, the advice we would offer to him is to very clearly make those determinations and make those determinations known in a public forum so that all sides are operating from a common set of assumptions. If he is not going to do that and if he does not do that, then I think he is trying to delay the negotiations rather than speed them up.

We would encourage him to attempt to continue the momentum that had been built in the last couple of years with respect to the negotiations. That momentum was there. There is no doubt in anyone's mind that it was there. There are still difficult issues to resolve, but I think there was a better understanding of those issues and a better understanding of how to resolve them that had come about because of some sharing of information, sharing of concerns and some good negotiations during the latter part of the last two years, the latter part of the previous Government's term. We hope that he will continue though with the negotiations.

**Mr. Neufeld:** While Mr. Cowan says he does not want specifics, every question that he asks deals with specifics. Insofar as his advice to me in negotiations, I do not need his advice in negotiations. I have probably done more negotiating than he has ever done, and I have done it with my own money. I will treat the negotiations in the future with Government money as I did my own. I do not need any advice from Mr. Cowan on the negotiations.

**Mr. Cowan:** That is interesting. The Minister has now indicated that they do have a negotiating policy and that is the personal negotiating policy that the Minister carries forward with him from this private sector experience and his own money. I would ask the Minister if he could elaborate upon that. What was his personal negotiating style and policy?

**Mr. Neufeld:** Negotiations are between two parties and you come to a decision between, in discussions with one party with the other. You do not negotiate

unilaterally. You have two people at the table. You have to discuss with the points brought out by both people, and you have to come to a conclusion. If that means compromise by both or one of the parties, it means compromise. That is negotiation.

**Mr. Cowan:** When the Minister did his own negotiating, did he, before he sat down with the other party or parties, set out in his own mind a general objective as to what he hoped to accomplish out of those negotiations?

**Mr. Neufeld:** You do not come to the table with predetermined conclusions. You come to the table with an open mind.

**Mr. Cowan:** Would the Minister please listen carefully to my question. When the Minister sat down for his own personal negotiations, did he before he sat down at the table develop his, from his own perspective, not a pre-conceived notion as to how the negotiations would end, but some analysis as to what he hoped to accomplish from the negotiations, what his own objective was?

**Mr. Neufeld:** If you are going to come to the table the way Mr. Cowan suggests, you may as well take a computer or a robot to the table. You have to change as you go along. You do not come to the table with one set of ideas and end up with that set of ideas. You change as negotiations go along.

**Mr. Cowan:** Maybe we can, and this is interesting—it is important as well, because it is becoming more and more of a concern as the Minister talks more and more as to how these negotiations are going to be conducted. Let us assume that the Minister went into a set of negotiations over a building. He wanted to purchase a building. Would he before he sat down at the table develop in his own mind what he felt was the best possible price that he could pay and what he thought was the worst, from his perspective, possible price that he could pay for that building, or would he just go into negotiations and say, as I hear him saying, well, whatever flows from the negotiations is acceptable? I am not going to spend time now determining what I think is the most reasonable offer and the least reasonable offer.

**Mr. Neufeld:** We are hardly buying buildings here, Mr. Cowan. We are negotiating an agreement that has been in negotiation for some 11 years, and that is hardly the same as buying a building.

**Mr. Cowan:** Well, the Minister indicates that he did personal negotiations, that he developed a style, and he is very proud of that style, and perhaps he has a right to be proud of that style with respect to negotiating with his own money. What I am trying to find from the Minister is, what is that particular style?

It is a concern because we saw very little happen with the Northern Flood Agreement when the previous Conservative administration was in place. We remember that. We are concerned about that. We did not see as

much happen, by the way, with the Northern Flood Agreement as we would like to have seen when we were in Government, and I will be quite frank about that. There, hopefully, would have been more done but that was not the case because they are very difficult and complex negotiations. It was not until I thought that we had developed a fairly substantive framework and determined some clear objectives which we could then share with the other parties that the negotiations began to take on more force and momentum. So, what I am trying to find from the Minister, and I do believe it is important, is if they are continuing on with the negotiations with the same objectives which the previous administration had in mind, or are they carrying on negotiations with new objectives in mind.

**Mr. Neufeld:** I have said before and I will say it again, the negotiators will determine the ground rules. We will monitor those and we will come to a conclusion. We have been in office some seven months and he expects us to come to a decision and to a conclusion on a matter that they could not come to a conclusion on in seven years, so I fail to see what Mr. Cowan is driving at.

**Mr. Cowan:** I appreciate the fact that the Minister is failing to understand what is happening here. The fact is that he said earlier that he expects negotiations to recommence in earnest shortly after the start of the new year. It is about a month away, maybe two months away, depending on what he believes to be shortly after the start of the new year. He has said that he is going to send the negotiators in to negotiate with the other negotiators. I can only assume from what he has told me that he is sending those negotiators in blind, that he is not giving those negotiators any idea as to what the objectives of the Government are with respect to settling the Northern Flood Agreement.

He is not giving those negotiators some targets that they should shoot at within the context of negotiating. He is not giving the negotiators any idea of what sort of a settlement at the end of the negotiations would be acceptable to the Government. I think, if he is doing that, then the negotiations are doomed to failure. If that is the way he negotiated in his private life, then I would suggest he was probably a more lucky negotiator than a good negotiator. You cannot go into negotiations without some framework, some objectives, some analysis of what you can afford to give in the negotiations and what you want to take out of the negotiations because, as the Minister says, it is a matter of give and take or compromise.

I am asking the Minister specifically now when he sends his negotiators in, in a couple of short months or perhaps in less than that, a month, to negotiate this agreement, is he sending them in on the basis of the objectives for the negotiations which were developed by the previous administration or is he sending them in with new objectives?

**Mr. Neufeld:** Mr. Cowan keeps saying he does not want to negotiate this in public and at the same time every question he asks, if answered, would be a negotiating point made public. I do not see that is going to lead to a fruitful conclusion.



**Tuesday, November 29, 1988**

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**Mr. Cowan:** The Minister indicated earlier that he wants to resolve all the issues in one package. Is that not the case?

**Mr. Neufeld:** That is what I said.

**Mr. Cowan:** Is that not part of the negotiating framework in the package, that one carries the guiding principles which one carries into the negotiations?

**Mr. Neufeld:** You also asked for concessions we would make and concessions we expect them to make. That is what I call negotiating points which should not be brought out at this point.

\* (1040)

**Mr. Cowan:** I asked the Minister what compromises he expected the other side to bring to the table and what compromises they expect to bring to the table, not concessions, and there is a difference. The Minister should understand that. The question specifically to the Minister was, when he indicated that he wanted all the negotiations completed in one package, was he not enunciating at that point in time one of the guiding principles of the negotiations?

**Mr. Neufeld:** If you like it to be, it was.

**Mr. Cowan:** Well I do not assume that any one member of this committee has the power to make things happen if that were not the case. Does the Minister believe that he in that point in time enunciated one of the guiding principles of the negotiations? If he does not believe that to be the case, then he can say no. I do not know what he is frightened about with respect to saying whether or not that is one of the guiding principles he has already enunciated.

**Mr. Neufeld:** I said it was my hope and that it is the Government's hope that we would conclude all of the negotiating points.

**Mr. Cowan:** Are there any other, and I go back to my original question of several minutes ago, general hopes that the Minister is bringing to the table?

**Mr. Neufeld:** If we could conclude the negotiations, that would be the hope fulfilled.

**Mr. Cowan:** Then we have developed now or at least we have some sense of the overall, most global aspect of the negotiations. Does the Minister care to fill in that circle any?

**Mr. Neufeld:** No.

**Mr. Cowan:** How does the Minister feel about finality?

**Mr. Neufeld:** In what?

**Mr. Cowan:** The Minister is trying to be cute. I can tell him that he does not wear that well but he will wear that approach—finality with respect to the Northern Flood Agreement.

**Mr. Neufeld:** I have already said that I would hope that we could finalize it. That is finality then.

**Mr. Cowan:** Finalize it in what respect? So that all claims are extinguished?

**Mr. Neufeld:** That is my hope.

**Mr. Cowan:** Now we have two guiding principles of the negotiations. The Minister could save us all a lot of time if he would just say I have three or four sets of general objectives, and that is all I have asked for, three or four general objectives that guide the negotiations. It is unfortunately like pulling teeth to get any of them out of the Minister. But let us try another one. Does the Minister believe that some of the negotiations which involve non-monetary items can be settled by the application of monetary agreements?

**Mr. Neufeld:** That falls fully into the realm of negotiations.

**Mr. Cowan:** I thought that was what we were talking about. Okay, the Minister prefers not to answer that question. Is that the case?

**Mr. Neufeld:** It depends on what the other side wants. We can say what we wish. It is a matter of two sides agreeing. You are asking, therefore, a movement totally away from the information we have today.

**Mr. Cowan:** The Minister is suggesting that in his opinion, the other side would not be prepared to compromise on that issue.

**Mr. Neufeld:** Well, I obviously do not know. We would have to wait and see what they have to say, would we not?

**Mr. Cowan:** Yes, we would. Would the Minister be prepared to review such a suggestion if it were to come forward?

**Mr. Neufeld:** I am not prepared to discuss that before it comes up.

**Mr. Cowan:** Maybe just one more question, with respect to Northern Flood Committee communities such as South Indian Lake, and Pikwitonei and other communities that have been involved in the settlements, are there any ongoing negotiations at this point in time?

**Mr. Neufeld:** Ms. Jolson will answer that question.

**Ms. Jolson:** I understand that there has been an approach to Manitoba Hydro from legal counsel representing South Indian Lake with respect to some of the non-commercial settlements, the domestic fishing item for example.

**Mr. Cowan:** Can the Minister or staff tell me the status of that approach within the Manitoba Hydro or the Government system?

**Ms. Jolson:** The discussions have not taken place. There has just been an approach and an indication

that the parties would like to meet to discuss the matter, and Manitoba Hydro will meet and discuss it.

**Mr. Cowan:** So Manitoba Hydro is prepared to sit down and negotiate a settlement of the non-commercial claims from the community of South Indian Lake, is that the case?

**Ms. Jolson:** We will meet and ascertain what the proposal is and put forward recommendations to our management that we are willing to sit down and take their concerns into consideration.

**Mr. Cowan:** Are there any negotiations ongoing with non-Northern Flood Agreement entities such as Pikwitonei or the Fox Lake Band?

**Ms. Jolson:** I do not believe there are any current discussions at this time. There have been settlements in the past with Pikwitonei.

**Mr. Cowan:** So that I understand, the Government is prepared to sit down and discuss with South Indian Lake their most recent proposal, but they are not committed to negotiations process to date. But that has not been ruled out. We may in fact see negotiations commence there in the near future. Secondly, there are no other outstanding negotiations ongoing but the Government would be prepared, as they did with South Indian Lake, to sit down with the parties if they were to make proposals for settlements of Hydro-related issues in the future. Is that the case?

**Ms. Jolson:** Yes.

**Mr. Cowan:** I just have to tell the Government, and I do not believe I am giving away any negotiating strategy on the part of South Indian Lake community when I tell them this, but I think they should know this because I already sense some miscommunication happening, and miscommunication is probably the most deadly flaw of any set of negotiations. That is, having just come out of the community of South Indian Lake after a short visit, I was told that they are expecting these negotiations to conclude very quickly, and they believe in the community that they are at obviously a higher level within the system than they already are. So I would like to see these negotiations start out on the right track. I believe there are some concerns there. They should be discussed and negotiations should take place around those concerns.

I would encourage Manitoba Hydro to meet very quickly with representatives of the community and/or their legal counsel so as to clarify any misconceptions which might be arising out there. I tell the Minister and his staff that, because I think that this is an area where progress can be made but, if expectations are created that cannot be fulfilled even in the short term, then it will throw the negotiations off.

\* (1050)

**Mr. Chairman:** Did you want to add to that, Mr. Beatty?

**Mr. Beatty:** No. We hear what the Member says, and Manitoba Hydro has its machinery for carrying on

discussions with these communities, non-Northern Flood Committee areas.

With respect to the Northern Flood Committee global negotiations, those initiatives have taken place at a ministerial level. There are four parties to these negotiations: Canada, Province of Manitoba, Manitoba Hydro, and the Northern Flood Committee bands. Not all of these parties have named a negotiator. Not all of these parties have all of their positions established with respect to various issues so that the situation is extremely fluid.

With respect to Manitoba Hydro, which is what we are discussing today, we are in the process of getting our position together. We will, as the chairman said, soon name a negotiator and we will consult with our board, who in turn I presume will consult with the Minister about the general guidelines we provide that negotiator. At that point, we will, hopefully, be positioned to join with the other parties, who I believe are in a similar state of fluidity at the moment. I think that is the global situation.

**Mr. Cowan:** Just to be clear, Manitoba Hydro has not yet developed the general guidelines or the guiding principles of the negotiations but will be doing so in the near future and will be sharing with the Minister. Is that the case?

**Mr. Beatty:** Manitoba Hydro has been giving a good deal of consideration to these positions but these negotiations, if they can go ahead, will be important and we will want to consult with the board who in turn, I am sure, will want to discuss some of the broad outlines with the Government.

**Mr. Cowan:** Obviously, Manitoba Hydro had in place objectives up to the change in administration with respect to negotiations and Manitoba Hydro is considering its guiding principle for these negotiations. I can conclude from that there will be changes in respect to the guiding principles?

**Mr. Beatty:** No, I do not think you can conclude from that. We are reviewing the situation and will arrive at conclusions that are current, and we will have to take it from there.

**Mr. Cowan:** Those conclusions may be exactly the same as previous conclusions. Is that the case?

**Mr. Beatty:** I suppose that is possible.

**Mr. Elijah Harper (Rupert's Land):** For the Minister, I wanted to find out—the Minister has said there were negotiations going on with respect to the Northern Flood bands in terms of asking for an advance. Is that still being pursued by Manitoba Hydro and the bands?

**Mr. Neufeld:** Yes, Mr. Chairman. The bands approached the Government in the fall of 1987, I believe, for a \$10 million advance. We were approached after we took office for that same \$10 million inasmuch as the former Government did not comply with the request. We, as a result of the request, met with the chiefs to discuss

the conditions on which any advance would be made at this time. It is as a result of that meeting that we agreed with the bands that negotiations should proceed quickly and bring to a conclusion the entire agreement, not just an interim payment. But, yes, you are right, there is a request on the table, and the Minister of Northern Affairs (Mr. Downey) is dealing with that request.

**Mr. Harper:** Mr. Chairman, the Minister has said that the negotiations are going on. As Minister responsible for Hydro, is he prepared to—not prepared, but rather are these being negotiated, this \$10 million, on individual items or item-by-item claim that it could be advanced, or to obtain finality? Is that the objective of the negotiators?

**Mr. Neufeld:** The request was not specifically against any items. The request was a block payment of \$10 million. It is our hope that as a part of the negotiations for this request for an advance that we can come to a conclusion on all the individual issues that are on the table, and agree with the bands on each and every issue that is still outstanding from the Northern Flood Agreement as part of the negotiation for the request.

**Mr. Harper:** Yes sir, my understanding from that is that the Minister would like to conclude a sort of a global agreement. Is that the case?

**Mr. Neufeld:** We would initially like to see an agreement between the Manitoba Hydro, the bands, and the Canadian Government in the issues outstanding, total agreement on what issues are outstanding and what dollar values are attached to each and every issue so that we can get on with the negotiations and resolve each issue.

**Mr. Harper:** The Minister mentioned about the negotiator. Is it the position of the Hydro that they would not proceed until they have assigned a negotiator in the near future?

**Mr. Neufeld:** The Manitoba Government has engaged a negotiator.

**Mr. Harper:** I am talking about Manitoba Hydro.

**Mr. Neufeld:** Manitoba Hydro will be appointing a negotiator shortly. We have informed the Canadian Government of the fact that we are dealing with it and asked them to appoint a negotiator, so that I have high hopes that the negotiations could commence early in the new year.

**Mr. Harper:** These negotiations that are commencing, is it contingent upon obtaining the \$10 million, settling the agreement with the bands? Is that their position on this?

**Mr. Neufeld:** I do not want to speak for the Minister of Northern Affairs (Mr. Downey) or for Cabinet, but it would be my expectation that the payment of any requests right now would be conditional upon us arriving at an agreement as to the outstanding issues.

**Mr. Harper:** This \$10 million would be put against an agreement as reached, this \$10 million would be applied against any kind of a item-by-item conclusion that we have would be to settle that or to obtain finality?

**Mr. Neufeld:** When the agreement is finally concluded and the total amounts are arrived at—it will be from that amount deductions of all the monies that have been paid as interim payments. That is from Manitoba Hydro and also from the Manitoba Government. I am not sure where the Canadian Government stands on that, whether or not they have advanced some monies.

\* (1100)

**Mr. Harper:** I wanted to ask a specific question in relation to Article 17 which is dealing with Cross Lake. They had a specific Claim 109 dealing with the all-weather road access. There is a Pipestone River crossing that they filed and when we were in Government we had indicated that we would pursue that. Is that the case with this present Government and Hydro's position on it that they would pursue that?

**Mr. Neufeld:** There has been no directive for changes in any of the negotiations. So if that was on the table, then it is on the table now.

**Mr. Harper:** We had indicated to the band that we would be pursuing it and I was just wondering whether the Hydro officials are pursuing that or have they just left it as is until negotiations have been completed and a global sort of agreement has been reached.

**Mr. Neufeld:** Specifically, on Hydro negotiations, I defer to Mr. Beatty to see if he has any comments on the Cross Lake negotiations, or Ms. Jolson.

**Ms. Jolson:** I am sorry, I do not know the status of that particular claim. I would expect that is something the province has been dealing with but I cannot tell you.

**Mr. Harper:** I was just wondering because Article 17 deals with Manitoba and also with Hydro in terms of environmental policy. Under Article 17, there was a recommendation done by the Lake Winnipeg, Churchill and Nelson River study board, recommendation No. 25, and this was a recommendation that an all-weather access be developed. That is where I am coming from in terms of indicating to the band that we would be pursuing that and we had written to them that we would be pursuing that. I guess if you cannot give me that information, I was wondering if you could get back to me on that.

**Mr. Neufeld:** I will get back to you on that, Mr. Harper.

**Mr. Storie:** Just following up on my colleague's questions about the negotiation strategy, I guess I find it somewhat surprising that the Minister has not been more forthright in terms of laying out the position or the issues, at least, that need to be resolved and establishing some criteria. It is not as if negotiations have gone on in complete secrecy in the past. There

have been public statements about the expectations when it comes to the Government and Manitoba Hydro in terms of the Northern Flood Agreement.

When you sit down to negotiate, and I do not know what the Minister's experience is, but clearly if his explanation of it today is consistent with his practice, it is not usual, to say the least. Negotiations usually proceed based on proposals and both sides understand what they would optimally like to get out of a set of negotiations. They also know what they may be prepared, in the final analysis, to give up and what, under no circumstances, are they prepared to give up.

The Minister would have us believe that everything is in flux in this set of negotiations and I would be willing to bet that that is not the case. The Minister indicated in a couple of areas what he expects. I am sure the Minister could also indicate quite clearly what he is not prepared to accept as a result of the negotiations. So I am not sure whether the Minister is playing games with us or he really does not understand how important these negotiations are. I think the last thing that the province needs, I know that the last thing the Northern Flood communities and the Northern Flood bands need is a set of negotiations that lead to two years or three years of frustration.

There are many things on the table that have been laid on the table by the province in past negotiations, including specific objectives that the province has when it comes to exchange areas, the number of exchange parcels that are going to be allowed, the size of exchange parcels, the size of hold areas, a whole series of quite specific objectives that the province has—a mandate that was given to the negotiating committee. I think it would be extremely sad if we got into a set of negotiations where both sides, in effect, floundered because no one clearly understood what they wanted to achieve from these negotiations. That is not acceptable and I can tell you that it will lead to not only frustration and dissatisfaction but anger in the Northern Flood communities if things do not proceed.

From 1977 to 1981, there were no negotiations. As of 1983, we finally got some land proposals. As of 1985, we had a set of proposals on the table from the Province of Manitoba Hydro which, for the Minister's information, were almost accepted—it was very close—but clearly there are still questions that need to be answered by both sides in terms of finally coming to some conclusion, but I think it is important that the Minister try. I believe that for both sides, because there are and have been continuing effects of Hydro development in northern Manitoba which are not acceptable from anyone's point of view, resolving some of the outstanding issues is going to bring justice to those communities that were disrupted without consultation, without their consent and only retroactively considered important enough to discuss and negotiate with and compensate. It is not a beautiful chapter in Manitoba's history and the Minister now has an opportunity to continue some work to close that chapter in a successful way and I hope he will do it.

I wonder whether the Minister could refresh my memory for a minute on the question of resource policy in the area of where bands have chosen exchange lands

and where bands have identified hold areas. Could the Minister indicate whether the Government has a policy of holding development proposals in, for example, hold areas of any of the bands?

**Mr. Neufeld:** Mr. Storie admits that for five years they could not come to a resolution on the matter of exchange in 1983. They said they had a proposal in 1985 that was almost resolved and three years later it still was not and now he expects a resolution in several months. I have said earlier that the Government's position, or the Government's directive has not changed since we took office and I do believe that if we put our position as to which compromises we are not prepared to take and which compromises we are prepared to take, as he suggests, then we will be making public our negotiating stance which we cannot do inasmuch as we are only one of the four parties that are at the table.

I can probably speak a little bit for the Manitoba Hydro, but I cannot speak for the Federal Government, nor can I speak for the bands.

**Mr. Storie:** I guess the Minister may feel persecuted as a result of this morning's questions. That certainly was not the intention. The intention was to identify what the goals, as far as the Minister was concerned, these negotiations were attempting to achieve. He indicated a couple rather reluctantly but has not said anymore specifically what he hopes to achieve for the province. I can tell him that the bands will be much more forthcoming when you ask them publicly or otherwise what their objectives are in terms of hold areas and exchange lands and compensation. Be that as it may, obviously negotiations are going to proceed and that in itself is encouraging.

The specific question I asked, though, was how the province is currently dealing with development requests, proposals coming from private sector communities, whatever, for development in areas currently deemed to be within specific community hold areas? Is there a moratorium on development? Has there been any change in the policy that existed before? How does the Minister handle requests for development in areas where the existing communities believe they have some say?

\* (1110)

**Mr. Neufeld:** The Member is asking questions that are more properly directed at either the Minister of Northern Affairs (Mr. Downey) or the Minister of Natural Resources (Mr. Penner). They are the ones that will determine what development can take place from the private sector.

**Mr. Storie:** The Minister is going to create a problem for himself if he does not involve himself in those questions because clearly you have parties to the negotiations who, if they come to the table and feel they have been abused by another Government department, if Natural Resources is allocating resources, whether they are fish resources, land leases or whatever, in areas that they believe, as a result of

signing the agreement in 1977, they are entitled to, the Minister is going to create a problem for himself.

Is the Minister saying he is not aware of what Natural Resources' policy is? Is there no coordinated policy when it comes to resource allocation? Is there no policy?

**Mr. Neufeld:** The Ministers responsible for discussing with the northern bands are the Minister of Natural Resources (Mr. Penner), the Minister of Northern Affairs (Mr. Downey) and myself, and we will continue to work jointly on discussions wherever it affects provincial matters.

**Mr. Storie:** The Minister has said that, yes, he is part of the team that is going to deal with the negotiations and related matters but he does not know whether the Government has a policy which says there is a moratorium on resource development in hold areas. Is there a policy or is there not? Does the Minister know or does he not?

**Mr. Neufeld:** With respect to holds on development in resource areas, that is clearly a responsibility of the Minister of Natural Resources (Mr. Penner).

**Mr. Storie:** There are three Ministers involved but the Minister of Natural Resources has the say when it comes to whether there is a moratorium on resource development. Could the Minister tell us whether there is or is not then?

**Mr. Neufeld:** I fail to see what that has to do with Manitoba Hydro.

**Mr. Storie:** This has everything to do with Manitoba Hydro. It has everything to do with the Minister's responsibility as a Member of the Government, a member of the team that supposedly forms policy. This is important not only to the flood communities. Many who see the opportunities in those exchange areas, in those hold areas, as being an opportunity to develop an economic base, it is important to the outlying communities and to entrepreneurs who are looking to have those issues resolved so they can get on with their own developments. This has everything to do with economic development in the province. It has everything to do with justice for the people who signed the Northern Flood Agreement. It is an important issue. Does the Government have a policy when it comes to land use in hold areas or exchange areas?

**Mr. Neufeld:** The Government policy with respect to land use has not changed since the Government took office. If the Member thinks that is not adequate, it was not adequate when he was in office.

**Mr. Storie:** Then the policy is that there will be no development unless there is an agreement with the band. Is that what the Minister is saying, that the policy still exists as it was interpreted prior to the election?

**Mr. Neufeld:** There was no policy prior to the election is what the Member is saying?

**Mr. Storie:** No, I just outlined what part of the policy was. I can certainly explain. I could probably provide

the Minister with papers which would explain in detail what the policy was. I am trying to decipher what the Minister's policy is, what this Government's policy is, and if they have any. Is the Minister saying that the policy that was in effect is still in effect?

**Mr. Neufeld:** I am saying that there have been no directives from the Government to change any policies with respect to the Northern Flood Agreement or with the lands that affect the Northern Flood Agreement.

**Mr. Storie:** So there is a policy and the Minister seems to know it now.

**Mr. Neufeld:** Was that a question?

**Mr. Storie:** Well, so there is a policy and the Minister seems to know it now.

**Mr. Neufeld:** Was that a question?

**Mr. Storie:** Does the Minister now acknowledge that there is a policy, and is that policy being enforced?

**Mr. Neufeld:** When he says is that policy being enforced, I am not sure I know what he means. What policy should be enforced at this point that is not being enforced?

**Mr. Storie:** Mr. Chairperson, I am aware of individuals, companies, who have made proposals for resource use in areas which are deemed to be by the bands involved by the communities party to the Northern Flood Agreement, within their old areas. They believe that it is in violation of the agreement, particularly Article 4 of the Northern Flood Agreement. They believe it is in violation of it; they believe they have an undertaking that the resources within those hold areas will be allocated on a first-use basis to them. The Minister has an obligation as one of the Ministers in negotiations to make sure that there are not irritants to the negotiations. He also has an obligation to make sure that the obligations that were signed into the Northern Flood Agreement are upheld. If the whole question of resource use is not being addressed, is not being protected, then the Minister is creating a problem for himself in the negotiations, and perhaps dooming them to failure.

**Mr. Neufeld:** Well, since Mr. Storie brought up Article 4, I will read from Article 4. It says there are no specific Manitoba Hydro obligations under this article. So we are dealing with Manitoba Hydro.

**Mr. Storie:** Mr. Chairperson, I recognize that Articles 3 and 4 are within the domain of the province, particularly Natural Resources. They do however form part of the comprehensive negotiations that the Minister says he is undertaking. They do also, the resolution of those issues, impact very clearly on the negotiations. The Minister has indicated that he is part of a team who is overseeing the negotiations of the Northern Flood Agreement and the implementation of the—or the renegotiation of the Northern Flood Agreement and the implementation of that agreement. I simply want to

know, are there things going on in the hold areas in particular with respect to resources which are going to inhibit negotiations? Are they in violation of the understanding at least that the bands have of that agreement?

**Mr. Neufeld:** Since it is not a Hydro matter, I think the question would be better asked at Estimates for the Department of Natural Resources.

**Mr. Storie:** Mr. Chairperson, I am somewhat dissatisfied but I have no right. I cannot demand that the Minister know something that he may not know, and that the whole issue of the policy this Government is taking with respect to negotiations and with respect to particular issues that are left unresolved in the Northern Flood Agreement has not been addressed, I guess.

I would like to move on to another area. The Saskatchewan Government, it is my understanding, is currently rebuilding, redesigning a dam on the Churchill River at Island Falls. I wonder whether this is impact upon Manitoba Hydro's operations of the Laurie River Dam for example or has other downstream implications. I wonder if Manitoba Hydro is familiar in this undertaking, and what role they have played in it.

**Mr. Beatty:** We are aware that there are plans to redevelop Island Falls. I would have to check, I am not aware of any serious implications as a result of those plans, but I would have to check and get back to the committee, Mr. Chairman.

**Mr. Storie:** I appreciate the president's undertaking to report back. I would just outline two concerns that I have and I speak on behalf of the community of Pukatawagan in this as well. One of them is that the operation of the Island Falls plant creates tremendous fluctuations on the Churchill River which have caused problems now for some 50 years. Because the impact is also on Reindeer River, the communities of Pukatawagan and Brochet have been looking for compensation or attempting to establish a vehicle for pursuing compensation claims with Sask Power. One of the things that Saskatchewan Power requires in Manitoba is a licence from the Department of Natural Resources to vary the water regime. I am wondering whether Manitoba Hydro also has an interest in the variation of the water regime given its downstream implications for, as I say, Laurie River and some others downstream on the Nelson.

\* (1120)

**Mr. Beatty:** Mr. Chairman, we certainly have an interest. We are, as I said, aware of those plans. I would have to check with our planning people to see whether we have as yet determined any implications for that further development which is what I am assuming you are talking about. I cannot at this time. I can get back to the committee on that.

**Mr. Storie:** One further question, would the president or the CEO or the chairman of Manitoba Hydro undertake to contact the communities of Pukatawagan

and Brochet to share their concerns, Granville Lake, to share their concerns with respect to the water regime so that those communities might feel they have somewhat of an ally in making sure that if there are changes that their interests, along with Manitoba Hydro's, are protected. This is a very important issue for those communities. So if the CEO or the chairman can undertake to contact the communities, I think it would be much appreciated.

**Mr. Chairman:** Are there any more questions on Manitoba Hydro? We might as well get them off our chest. I will remind you we are also considering the Annual Report of the Energy Authority for the year at this sitting so I do not want to leave anybody short.

**Mr. Harry Enns (Lakeside):** Mr. Chairman, on a point of order. I understand dealing with Manitoba . . . , at this time is probably the appropriate thing to do, but perhaps we could conclude with the consideration of the Annual Report of Manitoba Hydro.

**Mr. Chairman:** I am sorry, I could not hear you, Mr. Enns.

**Mr. Enns:** I am simply suggesting that we conclude the consideration of the Annual Report of Manitoba Hydro before considering the Energy Authority.

**Mr. Chairman:** Thank you, Mr. Enns. Mr. Driedger, did you have some specific questions on Manitoba Hydro before we ask the question.

**Mr. Herold Driedger (Niakwa):** If I may, I do have some questions, but I would rather have them more topical on the general area that will be addressed by Mr. Storie shortly. I understand he has some financial questions coming up and that they will be more effective at that point in time. So now, while the New Democratic Party Members are addressing some specific constituency concerns, I am permitting them to continue to do this without delaying the work of the committee any further.

**Mr. Storie:** Mr. Chairperson, I agree with my colleague from Lakeside (Mr. Enns) that we will in due course pass Manitoba Hydro's report and deal with MEA hopefully before the adjourning of the committee today.

I would like to ask some other questions about the current reserves of Manitoba Hydro and prospects for the future. Perhaps we could just have an update and I would ask whether Manitoba Hydro has any more up-to-date assessment of the current projections for the 1989 year in terms of operating surplus deficit, what reserve levels may look like at the end of the next fiscal year.

**Mr. Beatty:** Mr. Brennan can comment on that, Mr. Chairman. I though did give a brief update at the last meeting, at the outset of the last meeting, covering this ground. We can table that again; I think it covers the ground that was covered, but it may be that Mr. Brennan could add something at this point.

**Mr. Bob Brennan (Vice-President Finance):** Mr. Beatty said that the latest forecast we had for the current

fiscal year—but after considering all the changes in the current revisions to the forecast, is a projected loss of \$36.8 million. This considered a relatively significant change in the accounting for pension costs and that was a set-up as well, when that liability was set up, the liability that is presently not recorded on the books of Manitoba Hydro.

**Mr. Storie:** Then the reserves for Manitoba Hydro in the subsequent fiscal year would be in the area of \$80 million?

**Mr. Brennan:** \$82 million or something in that neighbourhood.

**Mr. Storie:** Perhaps, then, we could ask the Chairman, the Minister, Mr. Brennan, what the appropriate reserve level would deem to be, what is the reserve level that Manitoba Hydro would feel most comfortable with? I am sure that it is not \$80 million.

**Mr. Ransom:** Mr. Chairman, the level of reserves that Hydro has used as a broad objective I believe is sufficient to offset the effects of two years of drought in a row. When the Hydro appeared before the Public Utilities Board in February, I believe the figure that was used then was 262, and that the Public Utilities Board concluded that was not an unreasonable target. I think we have to, for financial security, aim in the long run for larger reserves than that because, if the next plant should be Conawapa and comes on stream, there is going to be a tremendous impact on the revenues and expenses of Manitoba Hydro. Without adequate reserves in place, that would have an effect upon the rate structure that would probably be rather difficult for the ratepayers to accept. So we have not specifically, as a board, addressed a change in the targets because we realize that at the moment that any target that we set that is higher than this is presently in place, we simply do not have a possibility of achieving that target in the short term.

**Mr. Storie:** Perhaps just for the information of the committee, we could understand what a 1 percent increase in hydro rates generates for Manitoba Hydro in terms of revenue.

**Mr. Beatty:** Approximately \$5 million, Mr. Chairman.

**Mr. Storie:** So 1 percent is approximately \$5 million, so obviously to recoup, to build the reserves in a year, would be a 30 percent increase or a 25 or 26 percent increase in one year, plus the deficit. I would ask the Chief Executive Officer, Mr. Beatty, whether the projected \$36.8 million loss includes any provision for a normal increase in hydro rates?

**Mr. Beatty:** The normal increase meaning not drought related—

**Mr. Storie:** Right.

**Mr. Beatty:** —or other special circumstances? The answer is yes. I would ask Bob Brennan to touch on that.

**Mr. Brennan:** \$36.8 million is the current year's financial projection. So there would be no future rate increases that we are projecting for the current fiscal year.

**Mr. Storie:** That clears it up. I thought when Mr. Beatty was talking about \$36.8 million, it was for the following fiscal year. You are saying it is for this year, which is now six months old.

**Mr. Brennan:** Mr. Beatty was updating the committee on the difference between the \$45 million and the current projection.

**Mr. Storie:** Then can we now have a projection from Manitoba Hydro, given the current water level assumptions for normal precipitation, can we now have an estimate of the financial projections for next year? Are we looking at a larger loss than this year given the existing water levels and normal precipitation henceforth?

**Mr. Brennan:** That would depend on the rate increase that the Board of Manitoba Hydro approve for next year which is presently under consideration. If we project based on average flows and some kind of future rate increase, we would not be projecting a loss, if we based on average inflows and the future rate increases.

**Mr. Storie:** Two questions, there is average flows, is it likely or is it possible to return Manitoba Hydro to average flows in this season?

**Mr. Brennan:** We are talking about current reservoir levels and average inflows. So your guess is as good as mine, I guess. We are hopeful of getting it.

**Mr. Storie:** Then let us take a moderate case scenario in which Manitoba Hydro, the precipitation this year is the same as last. What happens to Manitoba Hydro's projections?

**Mr. Brennan:** Clearly we would then lose money. There is no doubt about it.

**Mr. Storie:** Significantly more than this year?

**Mr. Brennan:** I would have to take a look at that, Mr. Storie.

**Mr. Storie:** You indicated that next year we may, given the current water levels with normal inflow that Manitoba Hydro would break even, given that there was some increase—modest, what, in Mr. Brennan's opinion, is a modest increase?

**Mr. Brennan:** I guess that is really a board policy decision. I am not sure if I am the best one to talk to that, Mr. Storie.

**Mr. Storie:** Perhaps to the Minister or the Chairman, what is Manitoba Hydro's timetable for rebuilding the reserve? Does Manitoba Hydro have something fixed in terms of rebuilding the reserves?

**Mr. Ransom:** The stated policy of the previous board was that if rate increases were kept in line with inflation,

that would have been an adequate ongoing increase to build up the reserves and to offset the effects of drought and to accommodate the impact of Limestone coming on stream in the 1990s. We now have the drought and it appears that policy was inadequate because the reserves, as Mr. Storie has pointed out, are being depleted and are inadequate. So we are now in the situation of having to try and reconcile the commitment that was made to keep rate increases more or less in line with inflation and still not allow the financial integrity of the corporation to deteriorate in an unacceptable way.

\* (1130)

**Mr. Storie:** The chairman of Manitoba Hydro may be softening us up for larger than cost-of-living increases, it sounds like. The chairman of Manitoba Hydro knows as well as I do that the policy of the previous Government which imposed a rate freeze on Manitoba Hydro created an unfair burden on Manitoba Hydro and led to its serious financial position in 1982-83. This position is much more modest and the chairman is now suggesting that Manitobans may in fact be faced with increases of significantly more than that.

I am wondering whether the potential for drought is actually going to create a situation where Manitoba Hydro is going to have to raise rates dramatically to protect the integrity of Manitoba Hydro.

**Mr. Ransom:** I just point out for the record that when the rate freeze was in place, Manitoba Hydro was also relieved of very significant costs. I cannot give an exact figure—perhaps some of the staff could—but we are talking about hundreds of millions of dollars of foreign debt losses. So one has to balance the rate freeze with the offsetting reduction of expenses for Manitoba Hydro. In any case, the rate freeze has now been lifted for some six years. I would not anticipate that there would be a dramatic increase. I expect that we will see an increase that is close to inflation, plus a small additional increase in recognition of the drought losses that we have had this year.

I think bearing in mind that many of our customers are in a difficult situation as a consequence of the drought as well, and for us to do any more at this time than basically try and maintain our position—or maybe even maintaining our position is too strong at the moment—but we have to recognize that we have suffered serious losses as a consequence of the drought. We will have to have some small increase to offset that, but we are not going to be looking at a dramatic increase this year, assuming that the board makes it a conclusion in line with the preliminary discussions that we have had to this point.

**Mr. Storie:** Mr. Ransom and I do not want to get into a debate over old battles, but just for the record, the \$250 million the Manitoba taxpayers paid as a result of the energy rate stabilization to accommodate the foreign debt of Manitoba Hydro was a subsidy by the taxpayers to Manitoba Hydro. Despite that subsidy, the reserves of Manitoba Hydro did drop. They dropped to between \$60 million and \$70 million, which left Manitoba Hydro in a financially untenable position.

However, that is past history. We do have a policy now, or did have a policy, I should say, of increases in line with the rate of inflation. The chairperson of Manitoba Hydro is now suggesting that there may have to be some modest increases tacked on to that policy to ensure the stability of Manitoba Hydro. If my calculations are right, simply eliminating this year's deficit for Manitoba Hydro would require, according to Mr. Beatty's figures, approximately 7 percent plus a modest increase on top of that. Next year's deficit, if we do not see any significant change in weather patterns, is going to be as large or larger. So we are going to be looking at 7 or 8 percent again next year, and that is to maintain the reserves where we are. If we intend, as the chairman of Manitoba Hydro suggests, to move to a position where the reserves are 200 million, even over a period of five years, we are going to be talking about rate increases in the next couple of years of 10 or 15 or more percent a year.

I am wondering whether the chairman of Manitoba Hydro is considering some other alternatives. Are there other ways of preventing this kind of situation?

**Mr. Ransom:** I think it is becoming evident that the reserves that Manitoba Hydro had in place have not been adequate. It was satisfactory to say that you could hold rate increases in line with inflation and be able to offset the impact of Limestone coming on stream, plus a drought, but the fact is that when we experienced a drought, the rate increases were inadequate. The reserves were inadequate. It is simply not possible, it is not realistic, for Manitoba Hydro now, in the face of drought. This year has been severe, last year was really a drought year as well. It is just not realistic for us now to heap on huge increases to try and build up those reserves that were too low going into this drought.

**Mr. Storie:** The Minister is giving Manitobans the assurance then that Manitoba Hydro increases will be within the realm of inflation?

**Mr. Ransom:** No. I would suspect that Manitobans will probably be looking at a recommendation that will be in the range of 6 percent, which is probably a little bit higher than inflation. It is higher than inflation but we have to recognize that the reserves are deteriorating.

When Mr. Storie asked if there was some other thing that we might be looking at, I suppose one thing that would fall within that category, and this would not take place until sometime in the future, but that would be that the entire revenues from export sales would go to Manitoba Hydro. It would involve the elimination of the Manitoba Energy Foundation and that Hydro would be able to keep its revenues from its sales to prevent this type of very significant increase that the Member has been referring to.

**Mr. Storie:** I cannot say that I am surprised at that suggestion. I thought that was probably in line with the thinking of the chairman when he assumed his responsibilities. I guess the question is what is the expectation of the chairman in terms of those revenues and when might we expect those to be applied to maintain the rate base for Manitoba?



\* (1140)

**Mr. Ransom:** I cannot give the Member the exact timing of it. We could provide that.

As the Member is probably aware, under The Energy Foundation Act, there was a requirement to negotiate the cost sharing, or the profit sharing, I guess one might call it, over and above the cost of the export sales and that half of that was to go to the Energy Foundation and half was to go to Manitoba Hydro. The position that Manitoba Hydro had worked out and was considered to be most satisfactory called for a sharing of, I believe, \$245 million in 1986 dollars.

So the profit as it has been presented to the public in terms of being a \$1.7 billion profit in fact was not of that magnitude when one comes down to the actual sharing of revenues over and above expenses. That is the range that it would be and we would be receiving that money of course through starting in 1993 and going through to 2005, but whatever the amount should turn out to be, then it seems most reasonable to me that given the financial situation, the level of reserves in Hydro, it is only reasonable that Hydro should be able to project its future financial position on the basis of having all of the revenues from hydro sales.

We, after all, could be looking at an expenditure with Conawapa and the attendant Bi-pole Three line of close to \$5 billion. Cash flow for that could well be commencing in the early 1990s and flowing right through to about say, the year 2000 or a little better, at the time that those revenues are coming in from the Northern States Power sales. So to think that on the one hand revenues coming from the sale of electrical energy in Manitoba would not be going to Manitoba Hydro at the time that it was making an expenditure in the realm of \$5 billion in as spent dollars does not seem reasonable to me. That is why I have made the recommendation to the Government that they eliminate that foundation. So I think that would help for the future financial security of Manitoba Hydro.

**Mr. Storie:** Some people would see a certain degree of irony in the fact that it will turn out that the Northern States Power Agreement which was attacked rather vociferously may in fact end up saving Manitoba ratepayers substantially in the future. It may in fact—because it was a profitable sale—help us to maintain low rates in Manitoba. The chairman of Manitoba Hydro is now suggesting that rather than turn over 50 percent or some proportion of what profit there is from that sale that his inclination would be to ask that Manitoba receive the full benefit from its export sales. I suppose that is a legitimate perspective to take and say that, given the mandate of Manitoba Hydro, that is we want to do. I think there is an equally valid argument to be made on the other side that this is our resources, oil is Alberta's resource, and that we should be using it to build a base for other parallel economic development from it that the wealth is generated from hydro development.

I do not think that it is appropriate at this time to start talking about eliminating the energy foundation, given that the revenues from that foundation will not

flow to Hydro whether it is 50 percent or 100 percent for another five years. At this time, Manitoba Hydro's problems may only be temporary although we certainly do not want to count on that given the experience of the last couple of years, but I think that is an argument for another day. That is one option. Are there any others? What is Manitoba Hydro doing in terms of its own organizational structure? Are there any technological developments on the horizon which may help Manitoba Hydro reduce its costs, for example, superconductors or whatever?

**Mr. Ransom:** Some additional comment with respect to the Energy Foundation and whether or not Manitoba Hydro should have all of the revenues coming from the sales of hydro-electricity. I think it is a rather fundamental point. The sales, the revenue from electrical sales, surely makes sense, belong to Manitoba Hydro. The revenues from water rentals belong to the people of Manitoba, and to draw revenues off from Manitoba Hydro that then results in an increase in the rates that customers pay. These can be people on fixed income, low income people who are being asked to pay what amounts to additional taxation outside of the tax system. One would assume—I would assume that if one wants to be just and fair in raising revenues from the people of Manitoba that one would want to do that through their taxation system which recognizes that people on low income should not pay the amount of tax that people of higher incomes pay.

So from both of those points of view it seems to me to make eminent good sense that revenues from electricity go to Manitoba Hydro and if Manitoba Hydro's revenue reserves should be built up to a level that is higher than necessary, and I believe at the moment we are either the lowest or second lowest in Canada, then the Government can choose to take additional revenue by raising water rentals. Of course, Mr. Storie would be aware that this has in fact been done in the past.

In response to the other half of the question, we do not see anything in the near future that is going to have an impact but the problem that we have is rather immediate and therefore Manitoba Hydro has to be looking at its own operations to attempt to control our expenses in every way that we can. It is simply not good enough in my judgment that when we run into a difficult situation that we simply turn to the ratepayers of Hydro and say we need more money, we have to cover these losses but it is going to be business as usual. I think we have to approach it from the point of view of what can we do to control our own expenses, recognizing that service still has to be provided. People have to be available when the lines go down and there are limited opportunities for us to control expenditures but we are going to control them where it is possible to do that.

**Mr. Chairman:** Do you want to kind of sum up here and then let Mr. Driedger take over, please?

**Mr. Storie:** Thank you, Mr. Chairperson. Just on the final point Mr. Ransom made, I think there are obviously two views of the potential use of our hydro resources

and to whom it ultimately belongs. Hydro resources belong to the people of Manitoba. The fact that they are harnessed by Manitoba Hydro does not negate the fact that it is wealth generated for Manitoba by Manitobans and that is at it should be. That is why it is not a private corporation. That is why, thank goodness, some Government had the foresight to create a public corporation.

The question is whether the wealth is generated, not by the cost and distribution of power from Manitobans should be used for other purposes, but whether the wealth generated by the export of sale, by the profit that is made through export sales should not be used for other purposes. So I think there is a philosophical argument and it is certainly probably not appropriate to debate it in the committee, but Mr. Ransom and I are going to have to disagree on whether it is appropriate and under what conditions it might be appropriate.

I guess the final point is that Manitoba Hydro's reserves should have been higher, they should be higher. Undoubtedly, if the reserves, and I remind the chairman that the reserves are currently—even with the experience of losses of \$18 million last year and \$36 million this year—are still higher when the previous Government took over responsibility for Manitoba Hydro.

\* (1150)

I can only wish Mr. Ransom and his colleagues and the board of Hydro good luck because I am afraid that Manitobans are going to experience significant increases and the chairman of Manitoba Hydro is going to wrestle with the difficult proposition of either leaving Manitoba in a fiscally untenable position or taxing, in effect, Manitoba Hydro ratepayers. It is not going to be an easy decision. I hope he is taking seriously, and I know he is, the review of alternatives and ways of reducing the operating costs of Manitoba Hydro.

I would like with that to pass it on to my colleague from Niakwa.

**Mr. Herold Driedger:** I suppose the reason I am interjecting with some questions at this particular point in time is that the thrust of the questioning in the last few moments has actually sort of come full circle again, insofar that some of the points raised at the very beginning of the committee stages are being reintroduced, reference particularly to the fact that we are talking—we just referenced briefly superconductors and the fact that the Manitoba Energy Foundation suggestion by the Chairman, that the revenues that were to be apportioned between Manitoba Hydro and Manitoba Energy Foundation should now all flow to Manitoba Hydro.

I do not wish to get into that particular argument. I do have to agree with Mr. Storie that it is the fact that Hydro is a resource for Manitobans and that the resource should be used for the benefit of Manitobans. I think that is a bottom line. We should recognize that and accept that. We have to act on that.

Now, whether that particular resource is used to engage in, not necessarily investment but economic

adventurism, or whether that resource is used to actually try to benefit Manitobans by trying not only keeping rates down but also trying to keep the installation of next generating capacity perhaps at a less intensive rate. Those are questions I do not wish to enter into at this particular point, either. I think it suffices simply to say that I believe that I asked once earlier that if the NSP export sale had not been made, and the fact that particular decision not to go ahead with that sale which resulted in the advancement of Limestone which, irrespective of the fact that the Limestone station now being on stream as it is, will create positive benefits to Manitoba Hydro.

Irrespective of that, had this whole decision not been made at that time, the decision for the next generating capacity for 1999, which we have been talking about, could have been deferred to 2000-and-some-odd years.

Hence, suggesting that all of these particular decisions require the kind of crystal-ball gazing which sometimes in retrospect can indicate that we made a bad decision or else we could have made a different decision which would have ended up putting us into a different place. None of us could have anticipated the effect of the drought this year which prevented the charge of the water reservoirs and which essentially also cuts back on the potential interruptible sales that you can make.

I wish also to just briefly refer to the fact that we have also, in the last round of Public Utility Board hearings, had a move from a policy which at one point in time was perfectly adequate with respect to reserve levels and how reserve levels were to be increased, was recognized to be faulty and a new policy was adopted whereby reserve levels were now to be pushed up higher so as to accommodate the potential of drought, and to have drought—this particular potential, to be able to be survived two years in a row. This particular policy change at that point in time requires different ways of addressing some of the needs of Manitoba Hydro itself and we see some of these things taking place.

I believe we had in the not-so-distant past, a 9 percent rate increase, or a 9.5 percent rate increase, imposed. We had quite high rate increases which had to be borne by the ratepayers simply to bring the utility back on stream with reflecting the new philosophy with respect to reserves. Again, we have heard the new recommendation—not the recommendation I think, just simply the speculation on the part of the chairman that the next year's rate increase may end up being somewhere in the neighbourhood of 6 percent. I think we will wait for the decision actually to be made to react to that at that point in time.

I also recognize that the chairman just referenced a question that I wished to ask actually today, when the appropriate time occurred, which was a result of the fact that people on fixed incomes having to bear suddenly rate increases because the utility had to fend off either tremendous drops in reserves or to fend off drought or whatever, to also assist in preparing for the next installation of generating capacity and that it essentially hits them very, very hard.

I was going to ask a question with respect to whether it would be possible to somehow in the hydro pricing

structure—or not so much the pricing structure, but hydro billing structure to accommodate special rates, shall we say, for people on fixed incomes. But I subsequently to that also had some discussions with some of my colleagues and realized that this two-tier system is probably very difficult to try and implement, particularly when you have people moving from one place to another place and also recognizing earlier in one of my questions that the move for hydro in the billing is to move to totally metered billing.

I think this is an area that Government needs to address with respect to accommodating the costs of the utility through perhaps either tax credits or some mechanism of that nature which will assist people on fixed incomes to bear some of the rising costs that are going to occur in a better fashion.

Since the questions that I had actually asked, was going to ask, were already answered, I think perhaps there is just one comment I would like to make in addition, as well. The fact that I believe in the last summation comment of Mr. Storie, he discussed the philosophy of whether to do something with hydro one way or another way. I think that essentially is probably a summation of exactly what happened in this particular round of hearings. We have had different approaches with respect to, in this particular round of question, whether we continue to explore the export philosophy and have generating capacity built in order to take advantage of the fact that we can export and can make sales with respect to another kind of questioning strategy, which I attempted to use which was to try and find out why some of the decisions in the past had been made and to see whether or not these decisions in retrospect are economically defensible. Whether they are or not, it ultimately flows to us to make a decision with respect to this utility.

We do know that we have ample generating capacity for ourselves. Whether or not—and I think I asked this question of Mr. Brennan probably about six months ago by telephone, just to see in what way hydro could be competitive with natural gas. He at that time told me probably that we would have to wait 20 or 30 years at the current rates before hydro might become competitive with gas as far as providing the domestic heating requirements of Manitobans. I suspect probably that the Free Trade Agreement and the implementation of the Free Trade Agreement and the fact that gas supplies are now going to be bartered or sold to a much larger market which means that we perhaps may not have the same ability to purchase long range supplies at low cost may end up forcing domestic supplies of natural gas higher, which may actually mean that the fact Hydro may be able to compete with natural gas much more quickly than Mr. Brennan's earlier suggestion might have been and it was not a suggestion that he made with any degree of finality or conclusion. It was just a speculative comment made at the time.

\* (1200)

One of the things that we also have to recognize with respect to Manitoba Hydro is that we are at a geographic disadvantage with some parts of the rest of the continent. We are in a low populated province,

in a rather low populated part of the continent, and we do not have the same kind of market numbers that other utilities may have which suggests that we have to watch how we develop our resource, specifically with respect to when to build our next generating capacity, what to do with the surplus capacity and how far do we lock that into our particular rate structure and our load forecasting structure.

I hear the comment from Mr. Enns that we should pass this particular report and I wish to actually—I will come to that point shortly. I just wish to underscore the fact that we have to capitalize through a determination of what we want our hydro resource to do and I think it is not so much the utility that will make that decision but actually the Government, that the politicians need to decide what ultimately the philosophy we are to follow and entrust that the utility will end up being able to deliver on that particular philosophy, whether that is export philosophy, a philosophy that will try and increase the effect of energy intensive industries being located in Manitoba and that we actually use the energy here and export a higher value product, rather than exporting the energy and then importing the higher value product.

I have put onto the record questions in question areas which I intend to investigate further and I will be investigating further at some other point in time, but probably for the sake of this particular committee hearing at this stage, I am prepared to pass this report on the Manitoba Hydro-Electric Board.

**Mr. Cowan:** A couple of specific questions regarding hydro line power to specific communities in my constituency. The first is Pikwitonei. It is my understanding there were some discussions ongoing with respect to perhaps an experimental line into Pikwitonei and Thicket Portage. This of course is an area that is not now served by hydro power but is in close proximity to Thompson and it may be possible, using other new methods or existing methods, to provide line power to the communities. We have been working on this issue for some time. I would ask the Minister or staff if they can provide an update as to the status of that project.

**Mr. Ralph Lambert (Senior Vice-President, Customer Service and Marketing):** We had looked at the possibility of using direct current transmission for supplying those two communities and I am not entirely up to date on it but my understanding is that it was found that that was too expensive and that particular approach is on hold right now.

**Mr. Cowan:** Is there any work being undertaken then to substitute for that approach so those communities could in fact receive line power?

**Mr. Lambert:** I believe the answer is, no. We are continually looking at the opportunity to put line power into the diesel sites and in some instances it is prohibitively expensive and that has been the problem with these two communities all along.

**Mr. Cowan:** The previous administration shared that objective. It has been an objective of the Manitoba

Hydro, regardless of the administration in place. We found that using the Government's vehicles such as job creation funds and programs of that nature it was sometimes possible to negotiate with the federal Government agreements with respect to the provisional line power to communities. Thicket Portage and Pikwitonei being Northern Affairs communities would be a bit more difficult, but it was my understanding that with Bill C-31 there are a lot more Treaty Indians in those communities than there were previously. Is the Government prepared to enter into negotiations with the Federal Government with respect to those two communities based on any new analysis of the status of individuals in those communities arising out of Bill C-31?

**Mr. Neufeld:** If the approach is taken by the bands and a request is made to the Government we will approach the federal Government to see if anything can be done.

**Mr. Cowan:** In that instance we would not be dealing with bands but we would be dealing with Treaty Indian individuals. The bands, of course, are not there presently. It is my understanding that the federal Government is dragging its heels on the development or establishment of any new bands so you would not be dealing with bands per se and you would have to approach it in a somewhat different perspective than you have done in the past but may be able to do so in a creative fashion. I would ask the Minister if he is prepared to instruct the staff to review that option given possible changes that may result in those communities because of Bill C-31 as another possible way of negotiating an agreement that would enable them to have line power?

**Mr. Neufeld:** If we were given details on the project we would ask our staff to look at it and discuss with Hydro the costs and discuss with the federal Government whether or not they are interested in participating.

**Mr. Cowan:** I would suggest to the Minister that if he were to check his files and ask his staff to forward to him those files—I do not expect him to have all that information absorbed to date—he would find that there is a great bulk of detail on the Pikwitonei and Thicket Portage line. All the studies that need to be done with respect to costing have probably been done and now all it is is a matter of finding a way to pay for the cost of the line. Those figures, of course, change with time but I am certain that staff can update them as required.

I guess I am asking the question to him, would he initiate discussions with the Department of Indian Affairs from that prospective to see if there is any opportunity there? I am not certain whether there is or is not opportunity there, but what I am certain of is that the communities themselves want power; that there has been a lot of work done in the past to try to find ways to provide them with power. I am told now that the experimental concept of providing them the DC line power has not proved to be one that is economically feasible so that one has to take a different tack and a different approach and that approach might be to

encourage, and as a matter of fact one will be to do more than that when dealing with the federal Government in this area, to push the federal Government to live up to its part of responsibility with respect to Status Indian people under the provisions of Bill C-31 and the provisions of The Indian Act. I am asking the Minister to undertake that sort of initiative which will require a specific plan of action that is initiated by the Government and Manitoba Hydro jointly for that purpose.

**Mr. Neufeld:** We have to bear in mind that there are negotiations under way for the supplying of power to a number of northern communities at a cost of some \$60 million. Now, it is a limit to how much any Government can undertake at one time, but as I said earlier, if there is some information we will deal with it and if it comes forward from the northern communities then we will undertake to take it up with the federal Government and with Manitoba Hydro.

**Mr. Cowan:** I think given the Minister's understanding of the situation that is the best we can expect today but I can assure you that the northern communities have made those sorts of requests in the past through their mayor and council, through individuals, through their MLA and through the Northern Association of Community Councils so it is very clearly on the record that there is a desire on the part of the communities to have line power. Those two communities, and there are others which I want to come to.

The second point I want to make is that certainly one works within a budget but these are two communities that are extremely close to the source of power. They are communities that are long-standing communities. They are stable communities. We are not concerned about the communities disappearing; we are not concerned about people moving away from the area. They are communities, in my mind, that are growing and are going to grow, so that there is, I think, a need to provide line power to them. The previous administration looked at a number of options. We were hoping that the direct current option would be a feasible one and that we could work with the universities, and work with some of the industrial suppliers to build a package that would save the province some money, provide line power and at the same time perhaps continue Manitoba Hydro's tradition of being on the leading edge of new technology.

If that is not the case, then one has to accept the analysis that has been provided here, at least for the time being, then we have to look at a different way of accomplishing that goal. So the need is there, the data is there. I think what is necessary is a new approach on the part of the Government. I would encourage them to undertake that approach.

\* (1210)

Secondly, with respect to Shamattawa, my understanding is that the community of Shamattawa has been meeting with the Manitoba Hydro and the Government, and the Department of Indian Affairs, over the past year and a half with the objective in mind of

developing a proposal for line power to the community of Shamattawa. I am informed that at the last meeting a consultant who had been provided to the band under the Executive Support Program—I am not certain, the Canadian Executives Support Operation or something—that consultant had developed a proposal which in fact did show that there would be a positive cost-benefit return to the Manitoba Hydro if power was brought in, I believe on a three-phase 60 kV basis by line.

I would ask the Minister or staff if they had done any further work on that. There was a small task group I understand, that was supposed to be structured and meeting with respect to detailing out that proposal.

**Mr. Lambert:** Yes, the work is ongoing. In that regard, I personally have not seen the results of the work but it is ongoing right at the moment. I cannot comment on what the outcome of that work is but it is in process. In due course, we will look at the results of the work that had been done and then analyze what we might do.

**Mr. Cowan:** I just want to make the point that again this is another long-standing request to Manitoba Hydro and to the Government for line power. The community of Shamattawa is a community that over the last number of years has undergone a number of changes. I think in a lot of ways those changes have been positive changes, and that the community is stabilizing; the community is looking to its future, and when it does look to its future it becomes somewhat understandably concerned if they do not see line power in that future. The absence of line power in the community of Shamattawa does in fact inhibit the way in which they can grow and in which they can develop a community over a period of time. So the community members themselves have worked very hard, the chief and council have worked very hard. They have solicited whatever support they can and whatever expert advice they can to deal with the concerns of Manitoba Hydro and the concerns of both the provincial and federal Governments.

As I understand it, those concerns basically were that over a period of time the provision of line power accrue net benefits to Manitoba Hydro. It pays for itself in other words. We have been able to provide line power to Pukatawagan through, I think, some good negotiations with the federal Government and some innovative use of existing Government programs, and through the work of the chief and council there and the MLA there, with respect to developing some proposals that did meet the tests of Manitoba Hydro and the Department of Indian Affairs and Northern Development. So Shamattawa having looked at that example, and having seen the progress that has been brought to the community of Pukatawagan in a very short period since they have received line power, wanted to follow that example. The proposal which I saw, and I assume that it had been tested by Manitoba Hydro—perhaps that is not the case, but the proposal that I saw showed that over the period of a number of years, 12 to 20, in that range, line power could be paid off with respect to the service in the community, unanticipated growth levels.

So I would encourage the Minister and Manitoba Hydro to provide special emphasis on that particular project given the work to the community and given the fact that it is probably so near to completion. It is something that will benefit the community immensely. I can tell the Minister just one small example; in that community now people have to travel sometimes 15, 20, 30 miles for wood. All their heating is done by wood heating for the most part I should say, particularly in the residences in the community. It is costing them up to \$130 to \$160 and perhaps more this year for a cord of wood, just given the need to travel that far by skiddoo. You do not bring in a lot of wood on each skiddoo trip. It takes a few trips to get a cord and if you have to travel 20 or 30 miles it is very time consuming and it is very expensive.

I was just in the community a couple of weeks ago and I can tell the Minister that there is a problem there this year because of the weather conditions. Weather conditions in the North have been extremely bad for travel. The trappers are experiencing difficulties in getting out to their traplines. Their skiddoos are encountering a great deal of slush ice when they do travel, and a lot of snow which makes it very difficult to break trails and maintain trails. There is more snow in northern Manitoba this year than most can remember for a long period of time, and the weather has been much warmer. When I walked from door to door in the community, which I did, I notice that where normally there was a stockpile of a lot of wood at this time, there was very little wood being stockpiled. That could be a tragic circumstance for the community. It is a circumstance that they could avoid if they did have line power which would have enabled them to have electric heating in the community. Also, line power would enable them to develop a bit more of a business base in the community because commercial businesses over a certain size are paying the full rate, and the full rate of diesel-generated power is very expensive.

So for those two reasons alone, I would strongly urge the Government to fast track this particular proposal, and to determine what needs to be determined on the basis of the information that has been provided to them, and come up with a positive solution using whatever programs are available to them to provide line power to the community of Shamattawa.

**Mr. Chairman:** Thank you, Mr. Cowan. Is there anyone else? Mr. Enns, did you want to rebut on Mr. Cowan?

**Mr. Cowan:** He agrees, Harry agrees.

**Mr. Harper:** From your last meeting, I had asked about the northeast hydro line. At that time, I was advised a meeting was taking place on that particular day. Can the staff provide an update on what is happened there?

**Mr. Lambert:** As I indicated last day I met with a representative of the Government of Canada last Thursday afternoon. My sense was that there was some optimism for proceeding with the project. Having said that though, my sense was that there are going to be some difficulties possibly with respect to the agreeing on cost-sharing. So we will be getting back together

again in the fairly near future to look at the cost-sharing aspects.

**Mr. Harper:** To the Minister, could the Minister take a lead role in this and ask the federal Government to come to the table as soon as possible because we have been dealing with this issue for some time? The cost of providing the line is increasing every year. The agreement originally was that the cost formula, I know, is being negotiated but it would be paid back on a surcharge basis over a number of years. Each year goes by and I think the taxpayers are going to pick up the cost, a greater burden of the cost will be felt than in later years. At the same time, I know I find it difficult for the federal Government not to come to the table because they would be saving money over the long period of time. Also, at the same time they are not asked to be providing the capital costs of the building of the hydro line. Rather they would be paying it off over a number of years, the surcharge rates that are being applied presently. So I find it astonishing that the federal Government has not come to the table. I would urge this Government, since they have also indicated positively and also indicated in the Throne Speech that they will be pursuing this matter.

So I would ask the Minister to pursue this aggressively. It means a lot to the communities. Mr. Cowan had indicated a number of the benefits that accrue from having a power line. I can just give you an example, a personal example, which I experienced in Red Sucker Lake when I was chief of the band. We installed a water line throughout the community. I believe it was January 1, the power went off and the power was not restored until the following day. It was a cold day and the water line that we installed, I think, probably cost us \$1 million. Because of that unfortunate incident the whole water line is totally useless because it froze, and you would have to dig up the entire line again. So as a result of the benefits like having safe water supply is no longer possible. That is the reason why I say that the sooner the better. It will save us a lot of money and also the benefits that accrue from having a hydro line to those communities. So I would urge this Minister to pursue that. Would he undertake to do that?

\* (1220)

**Mr. Neufeld:** I can tell Mr. Harper that the Minister of Native and Northern Affairs (Mr. Downey) is a lead Minister on that project and that I am supporting him wholeheartedly.

**Mr. Chairman:** Is there anyone else who wants to add a comment here? Mr. Angus?

**Mr. Angus:** No thank you, Mr. Chairman, I will pass.

**Mr. Chairman:** Shall the Annual Reports of the Manitoba Hydro-Electric Board for the fiscal years ended March 31, 1987 and March 31, 1988 pass? (Agreed) What is the will of the committee?

**An Honourable Member:** Unless you can do it in 10 minutes?

**Mr. Chairman:** Did you want to take a try at it? Mr. Enns. I am sorry, the Chair recognizes Mr. Enns.

**Mr. Enns:** On a point of order, I, without in any way—

**Mr. John Angus (St. Norbert):** On a point of order, Mr. Chairperson, you should be advising the Member that he is smoking and it is not allowed in this room or at this table.

**Mr. Chairman:** Mr. Angus, I cannot see that far down the table.

**Mr. Enns:** Your perception is appreciated, Mr. Chairman.

I was just going to suggest to the committee that much of the discussion has dwelt understandably on the planning and the sales, marketing of Manitoba Hydro and Energy in Manitoba, which really is the domain of the Manitoba Energy Authority as well. I think some consideration ought to be given by the committee as to whether or not we could not call it a discussion, the lengthy discussions, this I believe, being the sixth meeting of this committee dealing with Manitoba Hydro and Energy, as inclusive of the Energy Authority as well on approved passage of those Estimates.

**Mr. Storie:** Just to comment on Mr. Enns' suggestion, first of all, I recognize that you may not be able to see that far, farsightedness has never been a Tory strong point, but the fact is that he is smoking and it is not allowed in this committee. We appreciate that he is leaving, for only that reason you understand.

Mr. Chairperson, I think that there is a will here to perhaps deal with MEA in an expeditious way, but we may take a few minutes longer than the normal adjourning time of 12:30 and, if it is the will of the committee to carry on a few minutes past 12:30, then I think we can wrap it up in a few more minutes.

**Mr. Chairman:** What is the will of the committee? Does everyone want to carry on and get this over with?

**An Honourable Member:** Get started.

**Mr. Chairman:** Okay then, let us give it a shot.

## THE MANITOBA ENERGY AUTHORITY

**Mr. Jerry Storie (Flin Flon):** I gather MEA is now operating on a year-by-year budget basis from Energy and Mines. I would wonder if we could have an update on the anticipated cost of operating MEA for the current year. I do not have all of the background with me.

The second question is whether this report refers to the Limestone Training Employment Agency. I understand that operations responsibility for what is now the Northern Training Employment Agency has gone to the Department of Education. I am wondering if that was on the advice of the Manitoba Energy Authority. How was that decision made?

**Hon. Harold Neufeld (Minister of Energy and Mines):** The decision to move the Limestone training to Education was taken by Cabinet.

**Mr. Storie:** Could we have an answer, Mr. Chairperson, to the first question about the current budget for Manitoba Energy Authority and where the money comes from?

**Mr. Neufeld:** We can deal with it here or we can deal with it in the Estimates. It will come up in the Energy and Mines Estimates.

**Mr. Storie:** Let us save ourselves some time and deal with it here.

**Mr. G. Hastings (Executive Officer Industrial Development):** Last year, to refer you to the annual report, the year-ending 1988, we had \$1.5 million for the operating budget. Essentially that was the expenditures for 1988. The operating budget for 1988-89, the current year, is essentially the same. It is in the same order.

**Mr. Storie:** Perhaps Mr. Hastings can refresh my memory on how the Provincial Auditor required MEA to deal with that portion of its budget which was not deemed to be recoverable. What portion of the current budget is going to be considered a loss, part of the provincial debt?

**Mr. Hastings:** Perhaps the comptroller for the corporation could answer that.

**Mr. H. Mordarski (Comptroller):** The Government deemed, by way of Government policy, that non-recoverable expenditures would be written off in the fiscal year ending March 31, 1987. The Government wrote off \$1,411,905.00. That policy is still in effect. It is my understanding that there is a recommendation to write-off the current deficit of \$3.288 million.

**Mr. Storie:** That is the entire accumulated deficit to date? There is an intention to write that off.

**Mr. Mordarski:** Yes.

**Mr. Storie:** Which means what to the committee, that there is no anticipation that any of the costs incurred were related to activities where there will be recoverable—

**Mr. Mordarski:** There will be no recoveries.

**Mr. Storie:** That is the expectation. Of the \$1.5 million that is anticipated to be used in the '88, '89 fiscal year, how much of that will be written-off, in effect?

**Mr. Mordarski:** None of it.

**Mr. Storie:** None of it.

**Mr. Mordarski:** The entire amount is funded by way of budgetary authorities.

**Mr. Storie:** It is budgetary authority from Energy and Mines.

**Mr. Mordarski:** Yes.

**Mr. Storie:** Okay, I understand.

The decision to write off the entire accumulated deficit of MEA was a decision of Cabinet?

**Mr. Neufeld:** It was the decision of the Government, yes.

**Mr. Storie:** Given that much of the cost and much of that \$3.5 million, \$3.3 million was accrued because of negotiations of the Ontario Hydro sale, NSP sale, is there not some rationale for assuming that some of that will be recoverable through the sale and the profit generated by those sales? Was that not a reasonable assumption on this?

\* (1230)

**Mr. Neufeld:** It may well be an assumption but the Government's decision has been that we will not be recovering any of the expenses and as such this amount should be written off.

**Mr. Storie:** The decision, obviously the Government made its decision and the rationale for that, I guess we can discuss at some other point. I am not sure that it was necessary but the Government made the decision.

Moving on to some of the other areas of responsibility within MEA, I wonder if we could have an update on the results of the trip that was just taken to Japan. What is the status of projects like DKK, the caesium plant? What other prospects have been developed over the last year?

**Mr. Brian Ransom (Chairman, Board of Directors):** Mr. Chairman, the recent trip to Japan which involved myself and Mr. Curtis, the Chief Executive Officer of the Energy Authority, and also the Deputy Minister of Finance and Mr. Hastings, one of our executive officers, involved meeting with a number of financial institutions in line with initiatives that had been started over the previous two or three years. We followed up on some of the Memoranda of Understanding that were already in place, and I think another three have been put in place. The object, of course, is to use the contacts that the financial institutions have with various of their clients so that the province can be put in touch with those clients who are potential investors, outside of Japan, simply in an effort to establish contacts through financial institutions that we would otherwise have difficulty in establishing ourselves. I am sure Mr. Storie is familiar with that. Some of the other members of the committee may not be.

We had a total of about 20 different meetings, including social events at dinner and that sort of thing. There had been a period of time of approximately a year since the last trip was made and so this was, to some extent, an effort to revive what had been ongoing. As a consequence of this trip, we expect that we will have two potential investors coming to Manitoba within the next few months to look at possibilities here.

We will be doing an evaluation. I am awaiting a report from Mr. Curtis and Mr. Hastings as to their evaluation of the program, and what sort of expenditure the

Government might have to make to carry this initiative on in a way that would have a reasonable prospect of success and just how we might coordinate it with Industry, Trade and Technology. So I am awaiting that at the moment.

Specifically with respect to the caesium project, there seems to be some problem that has arisen there and we have provided an extension of nine months, I think it was, on the Memorandum of Understanding in that regard. So we do not know at this point what is going to happen there.

**Mr. Storie:** What has MEA's role been in the Alumax discussions?

**Mr. Ransom:** The MEA has been leading the discussions with respect to Alumax.

**Mr. Storie:** Have there been any discussions with Alumax in the last week?

**Mr. Ransom:** There have not been any discussions at my level, Mr. Chairman. Our staff person, Mr. Sprange, is frequently in contact with more or less an opposite number in Alumax, so he may have spoken to him but I have not had any contact with him. I do not believe the Minister has had any contact.

**Mr. Storie:** Could Mr. Ransom share with the committee, I guess, any analysis that has been done of the economic benefit, the spin-off benefit of an aluminum smelter, a recent one? Could he indicate to the committee whether Manitoba ever getting an aluminum smelter is within the realm of possibility, or if this particular set of discussions achieving success for Manitoba is in the realm of possibility?

**Mr. Ransom:** It is in the realm of possibility, Mr. Chairman. It is a question of what probability does one attach to that, and Mr. Storie will be aware that there have been negotiations ongoing with various companies, of the possibility of establishing an aluminum smelter in Manitoba, going back to 1980. So far, there has been no success. The Member would know that we have one major disadvantage, and that is the disadvantage of our inland location and the attendant transportation problems, and that despite the fact that we have low Hydro rates, we perhaps are not low enough in terms of some of the competition even within Canada.

**Mr. Storie:** I guess the question that we need to address, and we have had the Minister's point of view on what we can or should or should not do in terms of Manitoba's Hydro rates to energy-intensive users, I guess what I want to see, I think what the committee wants to see, and what Manitobans deserve is something not more than an explanation, but an accounting for what we may be able to do. When is it still an economic advantage to the province to provide lower-than-cost energy to energy-intensive users to establish an industrial base? Is there a point? I have asked the Minister to expound on what is possible for Manitoba Hydro to do and still maintain an economic advantage for the province and maybe for itself.

**Mr. Ransom:** The Government has made the decision that Manitoba Hydro should receive its published rates for the sale of power to an aluminum smelter, for example, and that if there were to be other forms of assistance provided, then they would simply be provided by another means. I would assume that part of the Government's reasoning on that is that we come back to the discussion that we had previously about who should pay for any financial assistance that is required, whether you call upon all of the rate payers in Manitoba Hydro, including those people who are on low incomes and fixed incomes to help finance a corporation such as Alumax to come here, or whether you call on the general taxpayers to provide that, because there definitely would be some requirement that amounts to a subsidy, a reduction from the published rates of Manitoba Hydro.

**Mr. Storie:** Well, I appreciate that Mr. Ransom has laid that on the table. I do not think anyone around the table expected that it was going to be otherwise. The fact of the matter is that in this and in terms of attracting other industrial projects, Governments have been competing with subsidies in effect in one way or another across the country and around the world.

I have spoken to the president of Alumax and I know that they have alternatives, including Quebec, including Brazil or Argentina, I cannot remember which, Venezuela. They have alternatives and essentially what we need to know from this chairperson and the Minister is, is there a point at which we can do that and still maintain a net economic benefit to the province? Mr. Ransom's concern whether it comes out of the left pocket or the right pocket really begs the question of is there a net economic benefit to the province over the longer term? I do not think anybody expects to have an aluminum smelter which is here for 10 years.

We expect if an aluminum smelter is located in Manitoba the capital investment is such that they will be here for 25 years or 50 years. It does not seem to me to be beyond the capability of someone within IT&T or MEA or somewhere, to say, here is the amount of subsidy we can provide and still obtain some economic benefit over the longer term, whether it is from Hydro or Government, I guess it is relatively immaterial to the taxpayers of Manitoba.

\* (1240)

**Mr. Ransom:** We can do those things and we are doing those things. We will make our recommendation to the Government. I think it would be inappropriate for the Energy Authority to make that information available to the committee before the Government has had an opportunity to review it and to make their decision.

**Mr. Storie:** I have no problem with that. What I wanted was recognition of the fact, or confirmation of the fact that the whole issue of the Government wanting to provide a subsidy really is a non-issue if we want to attract that kind of class of industrial development. Our competitors are doing it. The chairperson was part of a Government who saw the kind of competition that goes on interprovincially even. So we should not be



kidding ourselves about what we are going to be obliged to do. The bottom-line question is: in the long term is it good for Manitoba or is it not? I am hoping that the Minister's or the chairperson's comments reflect that reality.

**Mr. Herold Driedger (Niakwa):** I have one or two questions. I think that the last comment Mr. Storie made is probably the one that we really need to govern ourselves with, and that is, is it good for Manitoba or is it not? I think that with respect to that I would be very interested in when the decision finally is made with respect to whether encouragements by virtue of subsidies or by special rates, or by whatever, the loan guarantees shared by federal Government or provincial Government or a contribution by a corporation or whatever, that the bottom line still is that it is a net benefit to Manitoba and I think in that none of us disagree.

I just want to refer to one thing that I think the chairman referred to in answer to Mr. Storie when he said that with respect to the Alumax negotiations the MEA was providing a leading role. Do I understand that is an active courting role, or is that the role of merely keeping the negotiations alive?

**Mr. Ransom:** It is a question of carrying on the negotiations in an attempt to bring them to a satisfactory conclusion.

**Mr. Herold Driedger:** I just want to make certain I understand that term, that rather than moving forward and really looking at encouraging the negotiations, the philosophy is more one of making certain that the negotiations are—I guess the word I want is—not going to be negatively impacting on Manitobans.

I have got this a little bit twisted around. Maybe we should start that question all over again. When I started off with the question with respect to courting, as opposed to actively courting, that means looking to find any way to try to encourage to make whatever deal is possible, that is how I interpreted the word "courting." The other term would be when just keeping them alive is essentially just making certain that there is no net negative detraction from the Manitoba negotiating position, that you are not giving away the store, as it were.

**Mr. Ransom:** We are taking the lead in negotiating and attempting to arrive at a good conclusion for Manitoba. We want to see this conclusion arrived at as quickly as we can because the potential impact on our electricity requirements and the subsequent decision with respect to the next generation, the impact of these negotiations can be very significant and so we do not want them to drag on, we want them to come to a satisfactory conclusion as quickly as possible.

**Mr. Herold Driedger:** Just one last question, I think, in the annual report, you list a number of areas that you are actually actively undertaking, the caesium was referenced, the ceramics applications using silicone deposits and Manitoba's chromite deposits, and liquid hydrogen plants. Is there any other area, other than

the potential aluminum smelter that is being actively investigated by the MEA to attract energy-intensive industries to Manitoba?

**Mr. Ransom:** Yes, there is. We expect that within the next week we will have some announcement with respect to—we will have concluded a certain level of negotiation with another company and we will be making those details known to the public.

**Mr. Herold Driedger:** I see. So we have to wait a week.

**Mr. Ransom:** I think the Honourable Member would probably appreciate the fact that when negotiations are ongoing with the company and there is an agreement to make an announcement at a certain time, and prior to that time to keep the negotiations confidential, I hope the Honourable Member would recognize the validity of that.

**Mr. Herold Driedger:** Oh yes, I was not suggesting—it was actually a tongue-in-cheek kind of comment and I can understand it.—(Interjection)—The Member for Churchill (Mr. Cowan) does not think I have that ability to distinguish those things but I must tell him that I definitely can do those things.

One last question, is there, other than this particular announcement that is pending, is there any other general area that is being investigated other than those listed here in the annual report—just in general terms. I mean, I am not looking at any specific negotiations.

**Mr. Hastings:** Well, those are really the general projects that we are pursuing. One of the large ones that is under consideration that we have been talking with companies about is a magnesium smelter, the possibility of a magnesium smelter for Manitoba. There is a whole list of smaller, minor, lesser projects falling under hi-tech ceramics things, like silicon carbide, and alumina and zeconia, fume silica and things like that which are a specialty, ceramic powders that are used as catalysts and as lubricants in industry. They are relatively much smaller. The larger ones are pretty much all mentioned in the annual report with the exception of the magnesium smelter.

**Mr. John Angus (St. Norbert):** Mr. Chairperson, on a point of order, it is now a quarter to one and we have gone considerably past the 12:30 deadline. I would be guided by the collective wisdom of the committee. In light of a major announcement of a major project being done within a week, is there any value in keeping the committee open so that we can fully investigate this major announcement, or are we close to terminating this meeting?

**Mr. Chairman:** We are just dealing with a report here. What is the will of the committee? Did you want to carry on and pass the report or did you want to leave it?

**Mr. Storie:** I am certainly not opposed to remaining a few more minutes and passing the report. I think we indicated we would do that. I just have a couple of

questions and one of them is to the Minister in terms of the MEA's role. I know we have heard some, have seen some comments on the part of the First Minister (Mr. Filmon) and the Minister (Mr. Neufeld) about the role of MEA in terms of negotiating Hydro sales in particular, given the reality of free trade. I am wondering whether the Minister could comment on that, and the prospects for an even more aggressive role taken by MEA in terms of export sales, in terms of looking for energy-intensive users. Is that on the horizon, a more extensive role for MEA?

**Mr. Neufeld:** The lead on any negotiations will be that of the MEA, be that power-intensive industry or export sales. With respect to export sales, I personally do not see a great future for immediate agreements to be signed, down the road there may be some. I am talking now about fixed agreements, fixed terms. There will be diversity agreements undoubtedly, but I do not see on the immediate horizon any great sales.

**Mr. Storie:** I am reluctant to say that I do not either. It should not reflect on the capacity of Manitoba Hydro or MEA to conclude those agreements or to deliver power. It reflects more the Minister's rather lackadaisical attitude toward those kinds of negotiations. The laissez-faire attitude seems to pervade this Minister's department, and pervade his attitude toward development of our Hydro resources and I think that is unfortunate.

The question I had asked, though, was whether the Minister saw a role for MEA, in particular, in negotiating contracts and pursuing the possibility of having energy-intensive industries in the province? Is that their role? Will they continue to do that into the future?

**Mr. Neufeld:** As with respect to Mr. Storie's preamble, I should say that we have to be realistic. We may be optimistic, but we have to be realistic as well. With respect to export sales we have to bear in mind the needs out there. We cannot create needs. The needs have to come from somewhere else to create a sale, and then we have to meet the price that they wish. I am sure Mr. Storie recognizes that. So it is not a matter of not being aggressive with respect to the future export sales, it is a matter of being realistic.

With respect to your question on the MEA, yes, the MEA will continue to take the lead role in negotiating sales be they export or be they energy intensive.

**Mr. Storie:** Mr. Chairperson, I beg to differ with the Minister about what it is possible to do in terms of developing export markets. Clearly, our position right now with a major contract to Northern States Power, gives us a much better position than the mid-western United States power market than if we had no contract. If it had not been the aggressive pursuit of those power sales, profitable power sales, we would not have had it. If we take the combined attitude of this Government and this Minister, with respect to negotiations, the attitude seems to be let us sit on our hands, and if something drops on our lap that is fine. I think that is a rather negative view of what we are capable of doing. I think it is a rather negative view of what the Manitoba

Hydro can do for the province and for its ratepayers by pursuing sales, by attracting industry to the province.

One further question, I had asked about the decision to move the Limestone Training and Employment Agency to the Department of Education. What was the recommendation from MEA on that transfer? Was there a recommendation? If so, did it concur with what Cabinet ultimately decided?

\* (1250)

**Mr. Ransom:** It was my understanding that the previous Government had it set up so that the Limestone Training Authority reported directly to the Minister and not through the Energy Authority as such. So it really has very little impact on the Energy Authority as such; it is just a different line of communication.

**Mr. Storie:** I appreciate that comment; from a technical administrative point of view, that is quite correct. Unfortunately, the Limestone Training and Employment Agency, because it had a separate mandate, I think did have more flexibility and responded admirably to the task at hand. The concern is that it loses that flexibility and also is removed from its direct involvement in Manitoba Hydro.

**Mr. Chairman:** Can I go on to Mr. Angus, or have you got another—

**Mr. Storie. Sure. That is it as far as I am concerned.**

**Mr. Angus:** Mr. Chairman, I would like to propose to the committee that we continue the hearings next week. I do not make that suggestion lightly. There simply is not sufficient time here today for committee to do justice in relation to the potential announcement of successful negotiations on any form of an agreement with anybody from outside Manitoba to do some development work here in Manitoba. I appreciate the Minister saying that we do not want to compromise the negotiations, and we certainly do not. I suspect, Mr. Chairperson, that it is the system that does not allow the Opposition to know what the agreement is, or what the process is, or what is happening until an announcement is made, and then we are restricted to Question Period to asking those questions, legitimate questions.

Mr. Chairperson, I would propose that as time is moving on and there could be a lengthy series of questions in relation to the announcement, that we rise and re-schedule the hearing.

**Mr. Neufeld:** The announcement has nothing to do with the report which we are passing and I would suggest perhaps, if we pass the report and if Mr. Angus wishes to meet next week, we will meet informally to answer any questions he has.

**Mr. Chairman:** Would Mr. Storie—

**Mr. Storie:** Perhaps I can allay the fears of Mr. Angus about what kind of an announcement we might expect, I think Mr. Ransom was quite candid. He said we have an announcement of some level of cooperation. I do

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not expect we are going to see a major announcement, in terms of a project that is decided. It is probably a decision to study. Many of those memorandums have been signed in the past and some have come to more fruition than others. I do not expect a major announcement about a new plant in Manitoba at next week's meeting and if Mr. Ransom has such an announcement then I agree with Mr. Angus. But perhaps he can clarify for us what we can anticipate.

**Mr. Ransom:** I cannot really tell the committee a great deal about the announcement. We think it is a significant announcement.

**Mr. Chairman:** Does that allay your fears, Mr. Angus?

**Mr. Angus:** Hardly.

**Mr. Neufeld:** Well, let us meet next week then.

**Mr. Angus:** Mr. Chairperson, they are not "fears." Let me get it straight. "Fears" indicates that I think there might be something going on that is not proper or

appropriate or anything of that nature, and that is not the case. The case is that we have had a chairman of the board travelling overseas and into the States. There has been a lot of speculation on major plants and things of that nature. He has indicated that they have a significant announcement. I appreciate that they cannot give us any more details and we will not get a serious opportunity to ask legitimate questions about the impact of this announcement.

**Mr. Chairman:** Mr. Cowan, did you want to take a crack at allaying his fears?

**Mr. Jay Cowan (Churchill):** A quick question on the Limestone Training Employment Agency, if I can, I think it can be answered relatively quickly. It seems to me that there is a willingness to keep the committee open and -(Interjection)- Ask next time? Okay.

**Mr. Chairman:** Committee rise.

**COMMITTEE ROSE AT:** 12:57 p.m.