

## THE LEGISLATIVE ASSEMBLY OF MANITOBA

9:30 o'clock, Saturday, April 16, 1966

Opening Prayer by Madam Speaker.

MADAM SPEAKER: Presenting Petitions  
 Reading and Receiving Petitions  
 Presenting Reports by Standing and Special Committees  
 Notices of Motion  
 Introduction of Bills

MR. JAMES COWAN, Q.C. (Winnipeg Centre) introduced Bill No. 114, an Act to amend The Optometry Act.

MADAM SPEAKER: Orders of the Day.

MR. T. P. HILLHOUSE, Q.C. (Selkirk): Madam Speaker, before the Orders of the Day are concerned, I wonder if I could address a question. I imagine it would be to the Honourable the Provincial Secretary. It deals with the intention of the CBC to discontinue this program known as "This Hour Has Seven Days." Would the Honourable Minister advise the House as to whether or no the Government of Manitoba intends to forward any protest to Ottawa in connection with that cessation.

HON. MAITLAND B. STEINKOPF, Q.C. (Provincial Secretary) (River Heights): Madam Chairman, I don't think this is within our jurisdiction and we have no knowledge of this. I'll take the question as noted and see if I can get a more definite reply.

MR. DOUGLAS L. CAMPBELL (Lakeside): Madam Speaker, before the Orders of the Day are proceeded with, I'd like to direct a question to the Honourable the Attorney-General. Will the Honourable the Attorney-General assure me that I can have an answer to the questions that I asked regarding payments made to a certain well-known lawyer of this city before the House prorogues.

HON. STEWART E. McLEAN (Attorney-General) (Dauphin): Yes, Madam Speaker, my impression would be that that would be ready by Monday or Tuesday of next week.

MR. SAUL CHERNIACK, Q.C. (St. John's): Madam Speaker, before the Orders of the Day, could I address a question to the Honourable the Attorney-General to inquire as to whether it is his intention to move concurrence on the report of the Standing Committee which was filed on February 23, 1966?

MR. McLEAN: Madam Speaker, as I answered on the previous occasion, the notice of concurrence has been given and when we reach it on the Order Paper it is my intention to present it.

MR. GILDAS MOLGAT (Leader of the Opposition) (Ste. Rose): Madam Speaker, before the Orders of the Day, I was going to ask of the Leader of the House when we might expect the balance of Orders for Return for an Address of Papers that are outstanding. There are many that are outstanding from last year that were repeated this year. I see a pile of material on his desk and I trust that it will be some of the Returns. Can we expect all of them before the end of the Session?

HON. GURNEY EVANS (Minister of Industry and Commerce) (Fort Rouge): This is just the few opening paragraphs of my address in presenting my estimates. I am to my own knowledge and in my own mind . . . . . how the individual returns stand. I think I should take notice of this and undertake to provide the information to the House at a later date.

Madam Speaker, I beg to move that Madam Speaker do now leave the Chair and the House resolve itself into a Committee to consider of the Supply to be granted to Her Majesty. Seconded by the Honourable the Minister of Public Utilities.

MADAM SPEAKER presented the motion and after a voice vote declared the motion carried, and the House resolved itself into a Committee of Supply with the Honourable Member for Winnipeg Centre in the Chair.

COMMITTEE OF SUPPLY

MR. EVANS: Mr. Chairman, before we begin our business, I'd like to make sure that we have an understanding in the House. It's my understanding that agreement has been arrived at between the parties for the conduct of the remaining business in the Committee of Supply. Let me recite my understanding of the matter and I'll see whether it's the same understanding on all sides of the House; and second, whether we have unanimous consent to proceed this way. It is my understanding that the House would like be willing to complete all of the remaining estimates, including the estimates involved in Capital Supply, by the end of the 80

(MR. EVANS cont'd.) . . . . hours, then a further four hours would be allotted for consideration of the estimates of the Department of Industry and Commerce including the presentation of and discussion of a statement in connection with the Monoca agreement. That being the case, I think the House has generally expressed an opinion informally - that is, informal discussions - and have arrived at an opinion that this must be conducted in a spirit of fairness; that is, in the remaining time that no party will attempt to pre-empt the small remaining time within - if I'm right it's about an hour and 20 minutes remaining - no party will try to pre-empt that time or to occupy so large a part of it as to be unfair, and that if we can proceed in the spirit of mutual agreement that this certainly appeals to our side of the House. Now it is my understanding that some informal discussions have taken place and that this is the general agreement in the House. I would like to hear whether this has been agreed to by the other parties.

- MR. MOLGAT: Mr. Chairman, this seems like the general agreement that I understood, except that I don't quite recall that the capital estimates were to come in specifically this morning; that is, I thought they were going to be dealt with at the end of the total estimates. Apart from that, that is the general understanding that I had, but my impression was that if we didn't finish Public Utilities within the one hour and 20 minutes left that we would then proceed immediately to Industry and Commerce and then to Capital after that. However . . . .

MR. EVANS: . . . . not my understanding. The piece of paper I have here says that it's agreed that we shall do our best to finish all the work presently before the Committee of Supply except the estimates for the Department of Industry and Commerce, before 80 hours. That I take to mean, and in fact such further verbal discussions I had with the Premier, confirms the point that he expects that the Capital estimates will indeed be done. I don't think there should be much time to spend on Capital estimates.

MR. RUSSELL PAULLEY (Leader of the New Democratic Party) (Radisson): Mr. Chairman, this is my understanding too; that is, the remaining hours up to 80 be utilized with Public Utilities, and the inference is there, it's implied if not explicit, then we could have our honourable friend the House Leader at our mercy for four hours or so on Monoca, if indeed it would be at our mercy.

MR. EVANS: . . . . you at my mercy for some considerable part of that four hours. Well - oh, I beg your pardon. Were you contributing to this discussion? I would say then, Mr. Chairman, take your marks, get set, go!

MR. CHAIRMAN: The Honourable Member for St. George.

MR. ELMAN GUTTORMSON (St. George): Mr. Chairman, in view of the debate originated Thursday night and continued yesterday, I feel that I should speak briefly in view of the remarks that were made. I think at the outset it should be pointed out that inasmuch as I found myself in disagreement with the findings of the Tritschler Commission, I have no intentions of bringing the matter up again at this Session. The First Minister condemned us for speaking on this subject yesterday, and I think that he should have -- in doing so he was really condemning the Minister of Public Utilities, because it was the Minister of Public Utilities who provoked the entire debate. He launched an attack on us and he launched an attack on the press in connection with this report. Had the Minister chosen to ignore the Tritschler Report in his estimates, most of us on this side of the House would have done likewise, but he has attacked us and I feel that we must in our defence reply to him, so if the First Minister feels it was wrong for us to speak on this debate on this subject, he is also damning his own Minister because he was the one who provoked the entire debate in introducing his estimates.

While I disagree -- as I said before, I disagreed with the . . . . but I don't intend to speak on it. However, I think it should be pointed out that those of us on this side are not the only ones that disagreed with the findings. Both the Winnipeg Tribune and the Winnipeg Free Press also found fault with the findings of the Commission, although admittedly for different reasons. I think it should be pointed out and brought to mind in this House why all this matter was brought into the House by me. We received a telephone call from a gentleman who was concerned about the intentions of the government, and I went to see this gentleman and he outlined to me the situation as he saw it, but what was really concerning him was the fact that the government was planning to enter into a new agreement with Drake-Pearson without putting it out for tender. He said the agreement was virtually to be signed any day, and it was this reason, Mr. Chairman, that this matter was raised in the first instance, because we felt it was unfair and wrong to extend this contract and we raised this matter in the Legislature. The fact of the matter is, as a result of my introducing this matter into the Legislature, the extension

(MR. GUTTORMSON cont'd.) . . . . of the contract given to Drake-Pearson was cancelled and never proceeded with.

I think it's important to point out that nowhere in our remarks were there any allegations of dishonesty or corruption. I didn't make any allegations at that time and I am not making any now. I just think the government at that time wasted the taxpayers' money. I still think the government wasted the taxpayers' money by entering into this agreement. My reason for thinking so was the fact that this company made an exorbitant profit. Now, we've been condemned for dealing with the subject of profit. When any company is given a contract to make the amount of money that Drake-Pearson made on this contract, I think it's unconscionable and I think that the best interests of the taxpayer were not looked after by entering into this contract. The responsibility of the Opposition, if they think the government has acted unwisely, is to raise the matter in this Legislature, and we did so at that time. We would be failing in our duties if we refused to bring matters of importance to this House, at least that we thought were important, because that's our responsibility, and if we shied away from these responsibilities we would not be doing the job that we are elected to do.

On the subject of profits, I think it is important to point out that this government recently appointed a Commission to investigate the Totogan Farms, and I'll just take one sentence out of one of their conditions, and it reads: "in order to ensure that the said land was acquired without hope or expectation of benefit or gain resulting from the construction of the Portage la Prairie Diversion Channel." In other words, they're trying to find out if profit was made.

Now if it is in the interests of the province to find out if profit was made in this particular situation, then why is it wrong for us to point out that exorbitant profit was made on another contract? At the Committee hearing, the Legislative Committee hearing, we were not allowed to bring in the profit figures, but the statement of Mr. Dick Hunter, counsel for Drake-Pearson, that the company had made somewhere in the neighbourhood of \$300,000 plus - \$320,000 I think was the figure he used - was accepted by this Committee. Now if they were prepared to accept that figure, why were they not prepared to accept the other figures? If you recall, a few years ago there was an inquiry regarding the profits of the breweries in this province, and the First Minister, who was then the Leader of the Opposition, as I recall it made quite a point to determine the profits that were made by the breweries.

On the matter of the contract being legal, no one has disputed that it was not legal. The present Minister of Public Works has on occasion - and I say this to his credit because I believe his actions have been right - has recalled cost tenders because he was not satisfied with them, and asked for other further tenders, and I think his actions in doing this was correct. Therefore we feel that in the issuing of this contract to Drake-Pearson, it should also have been recalled when it was out of line. No one denies that it was the lowest, but do we still accept the figure regardless of how much money is going to be made even if it's the lowest? This is not reasonable, and the Minister of Public Works has, as I have said before, has rejected the lowest tender on other occasions because he felt it was too high.

Now a great deal has been said by the Minister of Utilities about the criticisms of the Commissioner. Well, as I said, I for one disagree with his findings because I felt the whole thing was a waste of time in view of the fact he did not deal with the crux of the case, and that was the profit. If the Commissioner wasn't prepared to accept or look into the matter of profits, which is the matter that was the prime reason for raising these matters, then there was no point in having the inquiry at all. Is it the first time that people have found disagreement with this Commissioner when he sat on the Royal Commission or an inquiry? I recall a few years ago when this same Commissioner investigated the situation at Brandon Packers, and he brought down a report which is a damning indictment of the entire labour movement, and his findings were based on one isolated case. At the same time, he made recommendations for legislation that should be introduced by the government, and the government brought in their legislation based on this report. We on this side of the House opposed that legislation because we said it was unwise and was based on one isolated case, and it wasn't fair to the labour movement that they should damn the entire movement on the basis of one isolated case. However, despite our protests, the government did introduce legislation.

Well now, what have we got at this Session? We have this government bringing in legislation repealing the very legislation they brought in on the basis of the Tritschler Commission who inquired into the Brandon Packers. In other words, this government is rejecting the recommendations of the Tritschler Commission at that time by repealing the legislation that he recommended they bring in.

(MR. GUTTORMSON cont'd.)

I recall two or three years ago where the present Attorney-General wrote a letter to the same Commissioner and asked him for a comment on the debate that had been entered into in this Legislature, and the Commissioner replied to the Attorney-General and was critical of some of us in this Legislature. He based his entire opinion on the Hansard reports. As House members know, a lot of the members of the legal profession were rather surprised that this Commissioner would inject himself into a political debate in this Legislature.

We've been accused of attacking the Hydro. This is the government's prime statement - we're always attacking the Hydro. Mr. Chairman, we criticize the government because the government was the one that authorized the contract for the building of the road. The government is responsible for the Hydro, the Telephones and other utilities, and, Mr. Chairman, who was it that announced the Nelson River project at this Legislature? Was it Mr. Don Stephens of the Hydro? No, it was the First Minister. Who announced in the fall of 1962 that the government wanted a mandate to go ahead with the Nelson River? Was it Mr. Don Stephens? No, it was the First Minister. Whenever there is anything to be gained from the work or projects being entered into by Crown corporations, the government takes it upon themselves to make the announcement and take the . . . . . for it. However, if there's anything that maybe goes wrong then they shy away and hide behind the officials of the Hydro.

As was pointed out yesterday, it wasn't the members of this side of the House who brought criticisms of this contract. It was the trucking industry and others, and there were numerous stories about their unhappiness with the contract that had been entered into. We did not go seeking the information regarding Grand Rapids on this contract; these people came to us. A gentleman came to me, showed me the facts as he knew them; he produced audited statements and other documents to substantiate the profits that had been by Drake-Pearson, and it was evident to me that it was exorbitant. It was pointed out also that the contract to Drake-Pearson, although the tenders were put out for 155,000 firm tons of material, that they subsequently issued a contract for 145,000 tons.

One of the interesting developments of the whole matter is the fact that at the special Committee of the Legislature, a gentleman by the name of Mr. Tuckwell appeared. He was not a witness called by us, he appeared on his own behalf; and he volunteered to the Committee that he was a Conservative. He volunteered to the Committee that he was a member of the executive in the Fort Rouge constituency which is represented by the present House Leader. He described this contract as a nefarious contract. He also said it was a blot on the Province of Manitoba. Well, this is coming from a man who did not speak to us about his opinions; he wasn't solicited by us. He appeared before this Committee on his own behalf. He made these statements.

I think it's important to note, as I said before, that at no time were there any allegations of impropriety, although we have been accused of it. At all times were we concerned with the exorbitant profit. When we entered into this debate we produced these figures provided to us, and nothing has changed to this day. I have not changed my opinion in any way. I regret that the special Committee that delved into this matter refused to delve into the profit figure. Although they wouldn't accept the evidence that we were prepared to put up, they did accept the figure provided by Mr. Dick Hunter, and which was subsequently proven wrong by the Leader of the Opposition who produced an audited statement with figures which showed unquestionably that those figures that were produced at that Committee were wrong.

I think, Mr. Chairman, we should point out that when the Minister of Utilities introduced his Estimates he took issue with us and he took issue with the press for what they had reported. Well, I'm rather surprised at that Minister because I would have thought that this particular Minister would realize that without the freedom of the press we don't have a free society, and this condemnation of them for their views in this matter, I think was most unjust.

There are several things in the Commission Report which I think should be brought out, or that I would like to bring to the attention of the House. I was at a loss to understand a statement of the Commissioner who said; "A shortage of judges and the arrears of court work prevented the establishment of an inquiry commission until December 24, 1964, when the Grand Rapids Water Haulage Inquiry Commission was established." I don't know why he said that in the report because after the First Minister announced an inquiry would be held, the Federal Government subsequently appointed Mr. Justice Freedman to look into it and the CPR run-through, so why he made that statement, I don't know.

I was very interested in the statement here where he said great harm had been done by

(MR. GUTTORMSON cont'd.) . . . . Mr. Buie's initial television statements and the manner in which they had been completed in the news media, that those who brought Mr. Buie into Winnipeg and were in close contact with him for several days now knew that what he had said was without foundation and that he was anxious to retract them and make amends.

Mr. Chairman, that statement is not true, and why the Commissioner made this statement I have no idea, but it's not a fact, and I'd like to know the foundation for making those remarks because they're totally untrue. At no time were we aware that Mr. Buie was about to make the statement that he made to the Commission. When Mr. Buie was asked to come to Winnipeg by our counsel Mr. Schwartz, I was delegated to meet him at the airport, and I did so. He told me at that time that he was under pressure not to testify but he told me he planned to go ahead and testify. When he spoke to our counsel Mr. Sid Schwartz he confirmed everything that I have said in the Legislature and he also confirmed the statements that he had made on television, and at no time did Mr. Schwartz or members of the Liberal Party have any idea that he was going to make any other statement than that which he made to Mr. Schwartz when he was interviewed, and that statement made to Mr. Schwartz, as I said before - and I think this must be repeated - confirmed the remarks that we had made in the Legislature and he also re-affirms remarks that he had made on television.

Now he also says that Mr. Buie appeared drunk on CBC television when he made the remark. I wonder what the basis of those remarks are, because I took the liberty to contact the CBC regarding this allegation and the CBC pointed out to me that he was certainly not drunk when he appeared on their program, and they further stated that had he been drunk he would not have been interviewed. Now I think it's unfair that he should be casting reflections on the CBC. He's certainly casting reflections on Mr. Sid Schwartz, the counsel for the Liberal Party, and he's casting reflections on us by saying that we knew, and at no time were we aware that he was trying to make the statement that he did. As a matter of fact he was talking to a member of our Party the night before he made that statement, and at that time gave no indications that he wasn't going to make this statement as he had indicated he would to Mr. Schwartz.

Mr. Chairman, the profit that was made -- . . . . Drake-Pearson and this contract, was unquestionably exorbitant. The contract was issued after a former Minister of Public Works told this House that the road to Grand Rapids would be built in one year, and he's on record in Hansard as saying so. It was after this contract was issued to build the road to Grand Rapids - and as I said, the Minister indicated it would be built in one year - that a four-year contract was awarded. Truckers have told the Committee they could haul this material at \$10.00 a ton, in that neighbourhood, and the price that was being paid in total by the government was in the neighbourhood of \$27.00 a ton. I think it is important to note that prior to the road being built that only about 22,000 tons of material of the 145,000-ton contract had been hauled, and some of that material was loaned because they didn't have materials to haul -- materials weren't available for them to haul. We were told that there would be a black-out in Manitoba if they didn't proceed immediately. It's no secret now but the opening of the Hydro Plant was delayed by one year. There was no black-out. Yet we were told by the Minister of Mines and Natural Resources that if the Plant did not operate on time the Province would lose millions of dollars.

Mr. Chairman, I don't intend to take any more time of the committee on this matter or to indulge in personalities as the First Minister did. I'm not going to -- I think we should deal with the issues as they are and leave the innuendo and personal attacks aside. The present Minister of Public Utilities has nobody else to blame but himself for causing this debate. Again he attacked the press; he attacked us. He did so in an unfair manner I thought. He accused the press -- the press has been accused of reporting things that they shouldn't have. I suggest to them that the press has a responsibility, that the statements that are made in this Legislature regardless of who makes them and they should be reported. It's their responsibility. Editorial comments are those of the editorial board, and what they say is their privilege. At all times -- I shouldn't say at all times. I know I find myself in disagreement with editorials. I'm sure the members of the government side find themselves in disagreement with editorials, but this is their opinion and I think that they're entitled to make them. But as far as the handling of the news stories it's their responsibility, and if we want to keep a free society we must not try and curb and tell the press what they should report.

MR. EVANS: . . . . . rules just informally to say this, that of the hour and twenty minutes remaining to the committee he has now occupied some 33 minutes.

MR. GUTTORMSON: Mr. Chairman, I'm sorry that I've taken as long as that. I'll sum up and if someone else wishes to speak I'll allow him to do so.

Mr. Chairman, in summing up, I wish to point out that I have not changed my opinion. I feel that the profit figures should have been allowed. They're the crux of the whole case and without introducing them the inquiry was of no import. There were no allegations, as has been suggested, of impropriety. We suggest that the government wastes the taxpayers' money and I still believe this to be true, and despite the fact that the Commission refused to look at our figures hasn't changed my opinions, won't change them, and it won't change the opinions of a lot of others. However, I turn this to some other of the members wishing to reply. I will relinquish my time and abide by the wishes of the House Leader.

HON. STERLING R. LYON, Q. C. (Minister of Mines and Natural Resources) (Fort Garry): Mr. Chairman, I agree with the previous speaker who has just sat down that there is a responsibility on the Opposition to bring before the House and the people of Manitoba matters in which they feel there has been negligence in the handling of matters by government or by agencies of government. Nobody is going to dispute that question with them at all. There is also a responsibility on the part of the Opposition to pay some heed to the facts of the situation, and when the facts have been established, as they have in this instance, in two separate tribunals, then to have the courtesy, the grace, and the ordinary decency to admit that fact. It is not good enough for an Opposition to be like a broken-down record player that is stuck in a particular groove and to keep repeating and repeating and repeating a certain phrase or a certain charge or whatever, merely for the sake of hearing their voices. Reiteration, constant repetition, doesn't make something true. Facts bear upon issues. What is at issue here is much larger I think now than the original charges of Grand Rapids, the water haulage contract and Manitoba Hydro's handling of that contract. I repeat the Premier's words: what is at issue now and what is before the people of Manitoba is the credibility and the good faith of the chief critics of this matter. Their credibility and their good faith. That is the issue that is before the people of Manitoba today, and I want to deal with that question in the course of my few remarks this morning, because we can say what we want on either side of the House about believing this or not believing that, depending upon what selected portions of the Royal Commissioner's Report we choose to select and quote from. That issue has been settled, but the issue that remains unresolved and an issue that will probably have to be settled in the larger courtroom - the courtroom of public opinion - is that of the credibility of the people who made the charges in the first instance, and that is a very important issue because credibility, credibility is the life-line, the heart-beat of the life of the Legislature or indeed the life of an individual legislator.

My honourable friends opposite have been very careful not to quote, except for the speaker who just took his seat, from the Report and basically that's what is before us, the Report of the Royal Commissioner who looked into this matter. Now they can repeat all they wish that the question of profit has not been looked at and so on. They can say, as has the Member for St. George, that if the commission was not prepared to look into the question of profits, then there was no point in having the enquiry at all. Is that just not another way of the Liberal Party saying, "If the commission is not prepared to play according to our rules then the commission is no good." or "If you don't play the game the way we want it played, why then it's no good."

Well, that's not the way commissions are operated and that's not the way governments are operated, nor indeed is that the way that this Legislature is operated. There are certain common understood means, certain common understood rules that must be followed, and I suggest with the greatest of deference that the Commissioner attempted to follow those. I'm not going to say for a moment that that Commissioner any more than any member of this House, particularly myself, is infallible. Of course he isn't infallible and of course I'm not infallible. We're all fallible human beings. But I will say this, that he or any other commissioner who could have been appointed from the Court, why do we appoint him? Because they are in a position of judicial responsibility, their whole life is hearing both sides of cases and then making judicial interpretations and judicial findings upon these cases without fear or favour, and I don't think anyone opposite could honestly suggest, Mr. Chairman, that this Commissioner or any other Commissioner that has ever been appointed to look into one of these matters in this province has ever done anything but that. And if they are suggesting it, let them stand in their places and say so because I, for one, would like to hear it.

The honourable member who just took his seat, the Leader of the Opposition, yesterday

(MR. LYON cont'd.) . . . . said that they were unwilling to get into this debate but they were stimulated by the Minister of Public Utilities. I don't wonder at their unwillingness to get into the debate. I don't wonder, after receiving this report a week ago, that perhaps there are a few on the other side who have had trouble sleeping at night, because this is the kind of report that would affect a person with conscience, and I'm presuming that they have conscience.

Mr. Chairman, there were 42 separate charges detailed by the Commissioner who was appointed to look into this matter - 42 separate charges of negligence, lack of business sense and so on, which were attributed against Manitoba Hydro. He detailed these in the early part of his report. He made findings with respect to each of these charges throughout the body of this report, and in his index of the charges he indicates where those findings may be found. And, Mr. Chairman, he finds in each of those 42 charges, not all of which were levelled by the Leader of the Opposition or the Member for St. George or the Member for Emerson; some he says were in direction levelled by the press from editorial comments and so on, but by my count, which is only a rough count, some 36 of these charges emanated from the Liberal benches opposite, and in not one of these cases, Mr. Chairman, does he find a scintilla of evidence to support any one of those charges. Do you wonder then why we talk about credibility? In not one of these cases is a scintilla of evidence brought forward. Rather, we have the dramatic posturing taken by the Opposition.

First of all, in the committee in this House, when according to their standards of judgment evidence with respect to profits was not heard, what did they do? They got up and they walked out of the committee. The committee carried on its business, heard the facts of the case from the Hydro witnesses under oath, and brought in a finding, which completely exonerated Manitoba Hydro of any of the charges that were originally made in the Legislature by the Member for St. George. Now my honourable friends opposite, the Liberal Party, say well that was just the government majority operating. Yes, it was a government majority on that committee, and there were members of the New Democratic Party on that committee, and of those two parties the majority said that Hydro should be exonerated and exonerated they were. Notwithstanding this fact they continue their charges outside of the House and inside of the House, subtle, insinuating questions are asked on television and other news media by the Leader of the Opposition, - and these are not my words, these are the words of the Commissioner - to the point where Manitoba Hydro then requests that a Judicial Inquiry be established to put to rest once and for all their innocence or their guilt with respect to these charges, and that inquiry was established and the report of that inquiry is before us and the report again completely exonerates Manitoba Hydro. Thirty-six separate charges by the Leader of the Opposition and his minions.

Now where does this leave us, Mr. Chairman? Where does this leave us with respect to the question of credibility? And this is the burning question before the people of Manitoba today. Still they stand up in this House and say, "Well, we don't care about the first inquiry; we don't care about the second inquiry; we're still right and everybody else is wrong." You remember the old story about the mother watching the platoon of soldiers walking by and she said to her husband, "Look John, everybody is out of step but our David." Well, that's the position of the Liberal Party in Manitoba today. Everybody else is wrong except them.

Well, Mr. Chairman, that comment, regrettably for the Liberal Party, just won't wash, and the documentation of it is here before us in the Report of the Royal Commission. Let's take a look at a few of these comments that have been made about the question of profits. But first of all let's look at the whole general question as to whether or not Hydro were charged only with the question of profit. That's what we hear now. Our only concern, say the members opposite, is the question of profit. That's all we allege - no innuendo, nothing else at all, just the question of profit. On Page 8 of the report, Mr. Chairman - I think we should refer to it and I'll quote from it briefly: "The Commissioner pointed out what his terms of reference were and then he pointed out, in particular, paragraph (b) of the terms, which said he was empowered to inquire into and report upon all matters which in the opinion of the Commissioner are relevant to the subject referred to in sub-para (a) hereof." And then he goes on, and here I quote, "A combination of circumstances now to be related made it necessary to use the very wide terms of reference given by para (b). Manitoba Hydro's principal justification for arranging the water haulage services was the target base set for the commissioning of the Grand Rapids Hydro Electric Plant, which date was based upon Manitoba Hydro's assessment and forecasts of Manitoba's electricity requirements. Manitoba Hydro's critic challenged the validity of the timing and questioned the accuracy of Manitoba Hydro's estimate of the province's

(MR. LYON cont'd.) . . . . power needs and available supply. The critics charged that Manitoba Hydro in response to political pressure had commenced the project long before it was necessary and without adequate planning. The chief critic questioned "the whole concept of going into Grand Rapids," and whether it was "properly investigated beforehand." Because of alleged undue haste in preparation he was concerned with whether "the dams are leaking" and rumours that "the dam is crumbling."

And then, skipping a paragraph - "At a pre-inquiry conference, counsel for the critics of Manitoba Hydro outlined to the Commissioner the subject matter which his clients desired to investigate. It embraced the whole concept of the Grand Rapids project from its inception, through the execution, down to and including the delay in its commissioning." Not just the question of profits but the whole concept of Grand Rapids was put at issue by these people making their charges which snow-balled month by month as they carried along, flying the kite, as the Premier mentioned yesterday.

Let's turn quickly to the question of profit. I'll make it as fast as I can, because I merely want to put on the record for the sake of posterity some of the reasoning that was made by the Commissioner and certainly with which I think any reasonable person in the Province of Manitoba would agree, having been seized of the facts of the situation in such a thorough way and in such depth as was he. What about the profits of the contract?

I invite honourable members of the committee to turn to Page 198 of the Commission's report. "The profit of the water haulage contract. A prime charge against Manitoba Hydro" - and here I am quoting "concerned the profits said by the critics to have been made by the water haulage contractor. This was put at various sums, the lowest being \$1 million and the highest being related to a charge that 'the government', meaning Manitoba Hydro, have thrown away nearly \$2 million of our own taxpayers' money. (Mr. Elman Guttormson, St. George, Hansard, March 6, 1963, Page 43)."

This subject was not outside the Commission's terms of reference. A further quote from the record of the Commission: "In the opinion of the Commission it would be improper to require any contractor to show or even to discuss his profit or loss unless a proper foundation were laid or due cause shown." On March 19th at the opening of the fifth day of the hearing, the Commission ruled as follows on the submission of counsel for the critics that it should inquire into the profit made by the water-haulage contractor, and here follows a long quote containing the judgment of the Commissioner with respect to this issue, and I do not intend to quote all of that, but I will from Page 200 quote this paragraph which contains the nub of it:

"In my opinion it would be completely improper," say the commissioner, "for a government or a Crown corporation to require contractors against whom no allegation of impropriety was made to produce their books." Further on Page 201, "Nothing could be so well suited." - now listen to these words, Mr. Chairman, and I hope the people of Manitoba listen to them when they're evaluating these loose charges that are made by the Liberal Party of this province. Listen to what the Commissioner says about them: "If we were to fall into line and play the game according to their rather distorted rules, nothing" - and here's the quote: "nothing could be so well suited to damage the trading position of this province and its Crown corporations, and were I to concur with the submission of counsel for the Liberal Party, I would be doing irreparable harm to Manitoba and its Crown corporations."

But the Liberals stand up in this House, Mr. Chairman, and say, well, notwithstanding the fact that you're going to do irreparable harm to Manitoba and its Crown corporations, go ahead and look into the profit. What an example of responsibility in an Opposition? It doesn't matter about the interests of Manitoba. It doesn't matter about the interests of its Crown corporations in doing business for the people of Manitoba. Play the game our way, and if the public interest suffers, what's the difference? That's what the Liberal Party is saying to us today.

Carrying on with his judgment: "In essence the submission" - this is Page 203. "In essence the submission of counsel for the Liberal Party was that Hydro, before awarding the contract, should have made a reasonable, close estimate of the profit which would accrue to the low bidder at the end of the contract four years hence. In my opinion, this was an impossibility and by no amount of study and research could anyone have predicted the results. This must necessarily be the case with almost all contracts; otherwise there would be no proper reason for the wide variations which are commonplace in all bidding, or for the wide variations so often experienced between the architects' or engineers' estimates of cost and the bids actually received." And on and on the judgment goes, replete with logic, with fact - two



(MR. LYON cont'd.) . . . . elements which have been sadly missing, I'm afraid, from the comments made by the Liberal Party throughout this whole adventure that they have embarked upon.

Mr. Chairman, what did the Liberal Party do when the inquiry was under way, after the judgment was delivered? They withdrew. They withdrew from the inquiry. Why? Why? After the statement made by the Commissioner with respect to profit they withdrew; they withdrew from the inquiry. Have any of them stood in their place today and told us why? No, because the game wasn't being played according to their distorted idea of the rules, I suppose. We've been looking at the facts, Mr. Chairman, for four years. We know what the facts are. A Committee of this House looked at the facts and knows what the facts are. A Commissioner looked at the facts and knows what the facts are. Everybody in Manitoba, Mr. Chairman, knows what the facts are except the 13 members of the Liberal Party in this House. The bulk of the supporters of the Liberal Party in Manitoba know what the facts are and my honourable friend knows this as well as I do. He knows this as well as I do.

Well, Mr. Chairman, the Commissioner made it quite clear that he would look into profits if the proper foundation had been laid by the Liberal Party or its counsel. But they didn't lay the foundation. No, it's much easier to walk out; walk away from the problem; make the allegations; cause these innuendoes to be circulated throughout the province. It doesn't matter what harm it does to individual reputations of people who can't answer for themselves. And then when the test comes, walk away from it. That's the philosophy of the Liberal Party in their calls for inquiries. The Honourable Member for St. George knows what I mean, too, when I say that. He made some statements once with respect to a man from Brandon. He was asked to make the statements outside of the House, and what did he do? He never came out. He never came out.

MR. GUTTORMSON: Mr. Chairman, on a point of privilege, the man has raised a point and I am obliged to answer on this point, in an allegation about what I had said in regard to a man in Brandon. All right, why did subsequently this man settle out of Court and pay over a \$100,000. Why?

MR. LYON: Mr. Chairman, I'm not going to waste any time on my honourable friend, because he was asked to make a statement outside of the House where he didn't have parliamentary privilege and he refused to make it, and that fact remains. We can finish anything that my honourable friends wish to start, any time at all. We know, we know the manner in which our honourable friends opposite approach questions of inquiry.

What about the evidence of Mr. Buie? He's hardly mentioned by name by the Leader of the Opposition, and yet we know that the Leader of the Opposition places a great deal of faith in what this man says, because in the Winnipeg Tribune, May 19, 1964, and this is a quote from the Tribune. I can't vouch for the validity of it any more than anybody else can, but this is what he is quoted as saying; "Liberal Leader Gil Molgat said today he will demand a judicial inquiry into the water haulage contract between Hydro and Drake-Pearson Construction to supply the Grand Rapids Power Project. Mr. Molgat said statements made on television Friday 'by a man who should know' vindicated the fact his party had tried to bring out during the 1963 Session of the Legislature." And here is the Commissioner's footnote: "The Buie charges were a sensation. Their import was heightened by the press reports, whether accurate or not, that Mr. Molgat had endorsed Mr. Buie as 'a man who should know' and of being a credible witness whom the Opposition had sought to call."

Well what did they do with this credible witness when they had the opportunity to call him before the inquiry? Here is a documentation, Mr. Chairman, of action. Here is a documentation of action which I leave to the public of Manitoba to determine as to whether or not this is responsible Opposition. At Page 212, the Commissioner describes Mr. Buie's participation before the Commission. He describes his background. He says on Page 213, "He was then ill, suffering from alcoholism. On one occasion during the period of his illness he attempted to take his own life. Some time later he was hospitalized - Winnipeg General Hospital, February 17 to March 25, 1964. After release from hospital he was still very much disturbed and went back to drink. He made the statements which appeared in the newspapers and on television while he was under the influence of alcohol."

My honourable friend from St. George tries to suggest this is an attack on the CBC. How ridiculous! What happened to this witness when he was before the Committee? Page 218 -- I hope these words remain engraved on the minds of the members of the Liberal Party opposite, because it's a great commentary on the tactics of this Party, on their adherence to responsible

(MR. LYON cont'd.) . . . . opposition in this province. Page 218: "With reference to the remark 'I was prevented from making a statement at the inquiry,' he explained that he meant the Legislative Committee decided not to hear from him and he was not called." And these are the Commissioner's words: "The Commission is satisfied that counsel for the critics and his clients knew what Mr. Buie would say if called; that he would not support, but would repudiate his charges. Great harm had been done by Mr. Buie's initial television statements of the manner in which they had been treated in the news media. Those who had brought Mr. Buie to Winnipeg and were in close contact with him for several days now knew that what he had said was without foundation and that he was anxious to retract and make amends. It was clearly their duty" -- I am continuing the quote, "to disclose this to the Commission. Instead they withdrew. Only by accident was Mr. Buie's retraction heard. When Mr. Buie's public retraction took place, none of those who had propagated the stories he had told them while under the influence of alcohol came forward to explain their conduct, nor have any of them apologized or expressed regret to those in whose defamation they took part."

MR. MOLGAT: Mr. Chairman, could I ask the Honourable Minister a question?

MR. LYON: Yes.

MR. MOLGAT: Could he tell me what grounds there are for the statement of the Commissioner that we knew? Could he tell me what grounds there are for that statement?

MR. LYON: Mr. Chairman, the Commissioner had Mr. Buie as a witness. He did not have the pleasure of having my honourable friend as a witness because he had withdrawn from the inquiry. If my honourable friend wished to question the Commissioner about his findings, why didn't he stay at the inquiry and give evidence, as he was entitled to?

MR. MOLGAT: . . . . . what ground that statement is made?

MR. LYON: On the grounds . . . . .

MR. MOLGAT: . . . . . of opinion.

MR. LYON: On the grounds of evidence that appeared before . . . . .

MR. MOLGAT: There are no facts at all backing that statement.

MR. LYON: Well if my honourable friend now wishes to re-open the Commission, fine. -- (Interjection) -- I'm just in the course of summing up.

MR. PAULLEY: I thought we were going to have fair play in this remaining time of the Committee and I ask whether or not this is going to be adhered to.

MR. LYON: Mr. Chairman, I have nothing more to say on this matter because I think the Commission Report speaks for itself. It's a sad commentary on what is allegedly a responsible Opposition in Manitoba, a sad commentary on these critics who walk out of Committees, walk out of inquiries, and who are left with this document to record their participation in this rather sordid affair for the rest of all time. Mr. Chairman, as I've said before, the great court of public opinion will have the opportunity probably before too many months or years go by to record their opinion with respect to the credibility and good faith of these critics, and I for one have no doubt what that opinion is going to be.

MR. PAULLEY: Mr. Chairman, as one who is interested in the future of Manitoba, I want to express to this Committee how much I regret that for over the 3½ hours that we have been considering the estimates of the Department of Public Utilities, all that the Committee has done between the Conservative and Liberal Parties have hollered from one side of the House to the other, "You did. We did not. We did. You did." We have rehashed, time after time after time, whether or not an unconscionable profit was made as a result of a contract for water haulage at Grand Rapids. A couple of years ago we sat in Committee for two or three days hearing evidence of one nature or the other in regard of this matter. As we are well aware the subject matter was referred to Mr. Justice Tritschler, whom I feel that the members of this House feel is qualified in many respects to make judgments, to hear evidences, and to come to conclusions. It was that same learned gentleman that made the report on the question of the Brandon strikers, and I never heard his report torn apart in that regard as it is in this regard.

The whole basis of the argument here, Mr. Chairman, is whether or not a profit was made. This is inherent in our free enterprise system. Profit . . . . . is the basis. And what is happening here? The two presumed advocates of the free enterprise system are trying to tear each other apart as to whether it was justified or not. I say, Mr. Chairman, a plague on both of their houses. I say, Mr. Chairman, that we in this Committee have far more important things to consider than an event that took place three or four years ago. It is done. What good for Manitoba, and in particular, what good for Manitoba Hydro, our publicly-owned

(MR. PAULLEY cont'd.) . . . . enterprise, to continue raking this matter over the coals? Sure, it's sensationalism for the press and they gobble it up.

I wonder whether or not the press might take under consideration that while this has been going on now in this House, not one word has been said of the future of Manitoba in regard to future developments of Hydro. This year, Mr. Chairman, we requested, in opposition, that the management of the Manitoba Hydro appear before our Committee on Public Utilities to consider whether they can justify expansion of their energy-producing facilities to the magnitude of a billion dollars. A billion dollars, Mr. Chairman, in the Nelson River Development. And what has this Committee been doing? Talking of a million dollars that might have been a profit on a water haulage contract, and I say, Mr. Chairman, the people of Manitoba are deserving of something better.

During the Committee hearings, because of our great interest in the future of Manitoba, we asked the government to supply - and I give them credit; they did - full transcript services so that we might be enabled to cross-examine the officials of Hydro as to the advisability or otherwise of proceeding with the Nelson River Development. I'm not sure offhand, Mr. Chairman, of the total number of hours that we spent in the Public Utility Committee with the highest placed brass I think possibly that there is in the province, collectively, for the numbers that we have - answering our questions respecting the future, not the past, of Manitoba. I thought that this was our job to do that. And I want to say, Mr. Chairman, that as far as I am personally concerned, when the Development was first announced by the First Minister in the House and I stood in my place and I said, "My friend, in an undertaking of this magnitude, I'm not prepared to buy a pig in a poke, that I want the matter thoroughly investigated before we proceed." In some quarters I was somewhat chastized for my statement. However, Mr. Chairman, as I say, all of the investigations went on to endeavour to make sure that we weren't buying a pig in the poke, and one of the very important aspects of power development that was considered by the committee was that of the future development in the use of atomic power in regard to electrical energy. I have taken the stand, and I must confess when I say that I have taken the stand, I must confess that I don't hold my knowledge comparable to the officials of Hydro; but I say, Mr. Chairman, we have not had sufficient investigation into the future of the development of power by atomic energy as yet.

I have before me at the present time, Mr. Chairman, a document titled "Electric Power Industry in Japan 1965" dealing with the matter of the future of electrical energy production in that country; and in this report it is pointed out that there are vast changes taking place in the development of electrical energy. To quote, "Owing to recent attainment of high grade technology in Japan there have been completed in succession a number of large capacity highly efficient thermo electric power plants in Japan." They maintain that even in the Thermo power energies producing power that costs are going down rapidly. They claim that thermo power generation will prove to be a matter of great significance, for thermo power plants shall have to carry the base load of a power system in place of Hydro power plants more increasingly from now on. And I might say, Mr. Chairman, in connection with that statement, Japan still has a considerable amount of undeveloped Hydro sites that they could utilize for the purpose of developing Hydro energy - or electrical energy. In this report they say that judging from the general trend of Japan's recent energy demands it is clear that fuel as an energy resource in solid form such as coal will increasingly be replaced by those in liquid form such as petroleum, as the coal. At the same time, importation of fuel materials of energy resource will show a conspicuous increase in the amount - and herein they are referring to atomic use of power, of generation for power.

I say too, Mr. Chairman, that in Japan at the present time the emphasis is on the development of atomic energy as rapidly as possible. It is stated that among the trends in electrical power generation in Japan is that more emphasis is being placed on thermo generation than on Hydro generation today. And they're doing this, Mr. Chairman, because of a similar fact that they have there as here, that is a necessity for long lines of transmission between the source of the energy and the location where it may be used to a greater degree. They maintain, Mr. Chairman, that by the year 1977 in their opinion the development of atomic energy will be comparable to that of the cost of Hydro energy at comparable rates.

So I say, Mr. Chairman, if all here we have been discussing the past, when our emphasis should have been on the future, I regret very very much that we haven't had an opportunity to discuss in this committee among all of the members of the House the future of Manitoba. It is well, it is well, Mr. Chairman, I think from time to time for the members of this House to let

(MR. PAULLEY cont'd.) . . . . their hair down, to stand up on the proverbial soap box and say, "You did, that you didn't," but I want to say how deeply I regret, Mr. Chairman, that the - deeply regret the trend, the trend of politicians at least of two parties in this House, more to the political self gratifying nature, if indeed there can be any self satisfying results of the debates that have been taking place in respect of power, in respect of development.

I recognize the power of verbiage, Mr. Chairman, but I think the future of Manitoba will depend more on power that can be developed from our Hydro energy producing resources, from our coal, from our mines, than the power of the verbiage that we've had here during this committee, and I for one, whether my statements are spectacular, whether they will receive any publicity or not, I don't give a continental, but I do say to the people of Manitoba, your representatives here, both Liberal and Conservative, for all of the discussions that they took part in during the consideration of the estimates of the Department of Public Utilities in the year 1966 was devoted entirely to a rehash of things gone by and neither one apparently exhibit any interest in the future of Manitoba and future generations yet unborn.

MR. CHAIRMAN: . . . . . (a) -- passed, (b) -- passed

MR. STEINKOPF: Mr. Chairman . . . . .

MR. CHAIRMAN: We have the Capital Estimates to do before 11 o'clock as well as Utilities.

MR. STEINKOPF: That doesn't give me very much time, does it?

MR. CHAIRMAN: I suggest that you . . . . .

MR. STEINKOPF: I think I should get an opportunity to answer some of the questions that were put to me. It seems like an awfully long time ago, but I won't take very long then. I have prepared them, and these have nothing to do with the subject of the Grand Rapids Inquiry, but the Honourable Member for Lakeside was interested in knowing about what the policy of the Hydro was in connection with power for Moose Lake. I want to tell him that the Hydro have a policy now for all resort areas in which power is made available on the basis that a sufficient number of customers can be signed up and that the customers will be responsible for their own clearing . . . . . as much indicated that the telephone policy was wrong by one of the early questioners insofar as the rates that were charged for country as opposed to the urban customers. A full report of that - I have it available - because of time, I'll make it available to him personally, but this story is not a new one and the statistics are there to back up the reasons for the variation in the costs.

The question of direct distance dialing, practically all of the calls now that can be made by DDT are being made in the province, something like 95 percent of all the dialable traffic is being handled by direct distance dialing and there have been new stations set up during the past few months, and it is the intention of the telephones to have all of the areas in the province connected to the direct dialing system just as quickly as possible.

There was some questions regarding advertising of the telephone system. The telephone system has an advertising budget of less than one percent of its total volume. This advertising takes into account - or this figure does - everything from the promotion of yellow pages in the books to the trucks to the participation in fares to radio, television and newspapers advertising. I can see that there's not too much interest in what my remarks are so I think I'll let the committee get on with the last few minutes of its work.

MR. CHAIRMAN: (a) -- passed, (b) -- passed, Resolution No. 96 passed.

MR. MOLGAT: . . . . . on the contrary, as far as we're concerned there's a good deal of interest in what the Minister is saying. As far as we're concerned, we have no objections at all to having an extension of the time and we're quite prepared to give leave and have full discussion.

MR. CHAIRMAN: (Resolutions No. 96, 97, 98 and 99 were read and passed) Capital Estimates Schedule "A" --

MR. MOLGAT: Mr. Chairman, I wonder if we could get under Capital Estimates the carryovers in each one of the categories that are shown. These are normally supplied to us in each year so that we can see what the total amount available is for the course of the year.

MR. EVANS: Would my honourable friend be agreeable if these figures were supplied to each party or indeed to each member. I'm sorry that I haven't the figures here at the moment. -- (Interjection) -- I was inquiring as to whether my honourable friend would be satisfied to have these figures compiled and distributed. I know it is customary to provide them and I haven't them here at the moment and the Provincial Treasurer isn't here.

MR. MOLGAT: I have no objections, Mr. Chairman, as long as we get the figures. I think that the important thing for the committee to know is in addition to what has been asked this year what is carried over so that the committee knows clearly what the total amount available is in unexpended capital in view of the fact that it doesn't lapse at the end of the year.

MR. CHAIRMAN: Schedule A passed, Committee rise.

MR. MOLGAT: Mr. Chairman, may I ask one question regarding this. This is all under Schedule A this year. Is there a change in the procedures because in the past, for example, the University of Manitoba was under Schedule C. What is the difference between - is it being used in a different way, or advanced to the University in a different way than in the past?

MR. EVANS: Would my honourable friend be good enough to repeat the question. The Minister of Education may be able to help us.

MR. MOLGAT: The point is this, Mr. Chairman. In the past we had a number of schedules, A, B, C, and then separate appropriations as well, and I was just wondering this year the University which is normally under Schedule C, it's changed and brought into Schedule "A". Does this indicate any difference in the way the money is advanced, any difference in the way of the handling of the affair, the responsibility of the university - why has it been shifted?

HON. GEORGE JOHNSON (Minister of Education) (Gimli): Mr. Chairman, I'm not just sure why the shift occurred other than that I think we completed that original building program. These are 100 percent monies from the government toward the construction of capital works at the university this year and I think it must have been the Provincial Treasurer's choice to put it in here in this way under Capital. These are to carry out the building program of the university in the current year. Now I don't know any other reason really for it.

MR. MOLGAT: ..... as long as we get it the same time as we get the answer from the Provincial Treasurer with regard to the rest.

MR. EVANS: .....

MR. CHERNIACK: I didn't hear what the Leader said, but I wanted .....

MR. EVANS: I said that I will undertake to see that some statement - I'm not aware what it's going to be - will be made on that subject.

MR. CHERNIACK: Mr. Chairman, pardon my inexperience, are we dealing with Schedule A to the Manitoba Loan Act.

MR. CHAIRMAN: Yes.

MR. CHERNIACK: Well, I wanted to get some clarification from the Minister on the \$40 million to The Manitoba Development Fund. Is this just being poured into the Fund for all purposes of the Fund or is there any special designation for it or any conditions attaching to it or is it to be used in any different way from the way that past funds of the Development Fund have been used; and could the Minister also indicate the amount that the Fund now has to work with before this 50 million.

MR. EVANS: I think if my honourable friend would be willing to, I'll be glad to answer those questions on my estimates when we come to the Manitoba Development Fund.

MR. CHAIRMAN: Schedule "A" -- passed, Industry and Commerce, Resolution No. 45.

..... continued on next page

MR. EVANS: I would like to do my part to contribute to the economy of time with regard to these debates. I appreciate very much the consideration that the House has given to allow my estimates some additional time agreed upon as four hours. I think the matters to be raised are worthy of that consideration and I appreciate the fact that we've had this co-operation.

Short as the time is, I will not allow the occasion to go by without paying a tribute to my staff, the best industrial development staff in Canada -- and I make that statement subject to no argument -- as to their professional skill which is so clearly demonstrated, and the hard and devoted work that all of them put into the service of the people of Manitoba -- and by hard and devoted work I don't mean just during office hours, because this staff works well beyond office hours, works on their weekends and in doing a good many arduous tasks out in the field and up in the north. I think the people of Manitoba should know the quality of their civil servants and this is not confined to my department because during the negotiation of the integrated forest industry in the north, we have had the closest association with the members of the civil service from other departments, notably the Department of Mines and Natural Resources, and their work has been of equal devotion and of equal skill; not to mention other respects in which we are working with the Departments of Education and Labour, particularly in the inplant training field and in other ways. So I have had a good deal of experience now with respect to the civil service having at one time been the Chairman of the Civil Service Commission and able in that way to come to know the men and women involved and their work, and I rejoice in this opportunity to be able to pay tribute to them.

I pay tribute also to the brilliant leadership in my own department by Mr. Rex Gross, whose knowledge and energetic pursuit of the programs under his charge I think are an example to all in public service, whether in the elected side or not. So I'm sure the committee will recognize that I would want to take a minute or two even of the short time to mention an item as important as that.

Normally in presenting my estimates I review the activities of the department in the past year and then go on to mention the programs that are being proposed and the extension of programs for the coming year. In order to help conserve time, I have had compiled a review of activities during 1965 -- and I'm going to ask the pages if they would now distribute these so that each member can have a copy and that will enable me to abbreviate my remarks in this field.

I would invite members when they receive their copies to note that really the object of the Department of Industry and Commerce -- the activities of the Department of Industry and Commerce are really channeled toward the creation of jobs for Manitoba people to work at. We do this by means of encouraging the expansion of existing plants for the creation of jobs, to attract new factories to Manitoba with the object of increasing work opportunities for our people; to promote the tourist industry with the same object in view; and to help local communities outside of Greater Winnipeg particularly to organize themselves for the kind of industrial development which will produce more jobs for their people.

In Manitoba we are completing, have now completed a good year. Manufacturing production for the first time in Manitoba exceeded the sum of \$1 billion and we are achieving the job creation targets that were set for us by COMEF. COMEF set a target before Manitoba to create in secondary industry or in the manufacturing industry 1,770 new jobs per year. In 1963 which was the first year of operation after the COMEF report was received, we achieved 1,800 jobs, or just above the COMEF target; in 1964, 2,023 new jobs and the 1965 figure for new jobs was 2,293. Total employment in manufacturing reached as estimated 48,000 in 1965.

Turning to the last year, particularly, I would direct members attention to the third paragraph on Page 3, where it will be noted that 54 new manufacturing establishments were announced in 1965 involving a total capital commitment of \$32 million. Of this total, 38 were in Greater Winnipeg and the balance were located in rural Manitoba. Even more significant -- and I would ask members to note this -- that in my opinion it's even more significant that 304 existing manufacturers expanded their plants and that the total investment of capital in that regard was \$30.9 million and of this \$7 million was for entirely new buildings or equipment and \$23.9 million was for additions to present plant or equipment. Further details follow that my honourable friends are invited to read for themselves.

On Page 5, I draw attention to the fact that the COMEF report called for the establishment of certain basic industries which when created will of themselves cause the creation of further industries themselves. It is a chain reaction that if certain basic industries start certain others will automatically follow. And of these three, a major chemical fertilizer

(MR. EVANS cont'd)... complex costing \$30 million was announced for Brandon; The Nelson River Development was announced - and while of course this is not a project in my department, it was one that was contemplated by the COMEF report; and a third, a \$100 million newsprint, kraft, pulp and lumber development was announced for northern Manitoba.

I draw attention particularly to the bottom of Page 5, because this is a new announcement. The Brandon plant is expected to become the centre of a wide variety of chemical-based industries. That development has already been expanded from the time it was first announced. The anhydrous ammonia plant originally proposed was for 300 tons per day production; this has been increased to 345 tons per day. The capacity of the nitric acid plant has been increased from 200 to 250 tons per day. The ammonium nitrate plant has been increased 50 tons per day to 300 tons per day capacity. The ammonium phosphate plant has been increased in size from 225,000 tons per year capacity to a plant capable of producing 275,000 tons per year. A large nitrogen solutions plant capable of producing 450 tons during a 16-hour day has been added, and in addition we are informed a dry urea prilling plant capable of producing 200 tons of dry urea per day plus the necessary storage and bagging facilities will also be included in the final complex. That is a part of the natural multiplex, the self-creating nature of these basic industries, and those expansions are very gratifying indeed.

With regard to the Nelson River power development, it should be noted that the Aluminum Company of Canada's decision to build a \$3 million rod mill and electrical conductor cable mill in Transcona has been made. They have made that announcement and are going on and there will be other developments of a similar nature that I'm not in a position to announce now but I have every expectation that others of the same general nature will follow.

In the same way, The Pas forest industry could expand and I have every expectation that over the years it will expand and that once it is established at The Pas there can be and are expected to be further developments in the fields of paper converting, container production, moulded paper products, fine papers and writing papers, chemical supply industries, logging and sawmill equipment and supplies, and secondary wood products and so on.

The report goes on to give details for my honourable friends to study of the departmental activities in 1965. Details are there concerning the tourist business. On Page 8 we come to regional development activities. On Page 9, some details of applied research; on Page 10, industrial development, which really means - and I draw attention to this fact that a good deal of the industrial promotion that has taken place in this province has been as a result of face to face salesmanship on the part of the staff and to some very limited extent on calls that I have personally made myself. Some details of that activity are given on Page 10 and 11.

We come, on the bottom of Page 11 and Page 12, to the inplant training scheme and the details of what it has accomplished in the past year. Page 13, industrial design; page 14, marketing and industrial research. On Page 16, I invite particular attention to the fact that our drive to secure export markets for goods manufactured in Manitoba is achieving quite a remarkable success. I think if anybody knew anything for sure a number of years ago with respect to Manitoba it was that we're too far from markets, that freight rates were too high, that tariff barriers were too great, and besides the Americans were too smart for us and their mass production made it impossible for us to produce and compete in common markets. All these things just turn out to be not true, and we are achieving quite remarkable success in some of the export endeavours that have been made, and my honourable friends will see some of the details given here; lists of farms that are now participating in the export markets from Manitoba, and on Page 19 some quite remarkable examples chosen at random of the kinds of things that are now being exported from Manitoba that were not being exported at the time that this campaign began.

There are details on Page 20 of the exhibits that Manitoba has taken part in and the Department has helped to organize, and the activities of bringing in-coming buyers to Manitoba to see the goods that are made and to place orders. Similarly with sales missions.

An activity has been undertaken in helping Manitoba manufacturing and export managers to become more acquainted with some of the requirements for exporting goods from the province. On Page 23, the activities in connection with transportation, and some other matters are referred to.

So with that bare mention of the activities which have taken place in our department during the year 1965, I would like to turn now to the new programs and the new policies which are going to be pursued during the coming year, and for which the estimates ask the required financing. In addition to regular activities the department intends to carry out some special

(MR. EVANS cont'd)... plans and programs for the coming year. These are outlined in these remarks and represent a strengthening of the provinces industrial program. Much of it takes the form of expanding and extending the present programs because they are being successful, and one of the best principles is to re-enforce success, or to continue to press forward in the fields where you are achieving success.

The inplant training program that was started in 1964, has been successful in the soft goods industry. This program, last year was expanded to cover other manufacturing skills including structural steel draughting, mechanized logging operations, metal and wood fabrication, electronic assemblers, graphic arts and upholstering. So that program is no longer confined to the soft goods industry. It is intended that the inplant training program be further expanded this year and applied to other occupations and to certain approved service industries which have not been in that category before.

To step up the pace of the on-the-job training industry itself must take some active steps to enlist trainees. The hard truth is that Manitoba, in common with other industrial areas, is heading into a manpower shortage. Industry is complaining now about a shortage of workers, especially for jobs requiring skills. Business, or businesses that don't make use of in-plant training programs in order to develop their manpower resources are plainly going to be the ones that miss some of the growth opportunities for the future.

The Technical Assistance Program which commenced last year, and made available grants toward the cost of retaining consulting services for advice on modern management techniques in production, marketing, design and product development, is an important program to assist productivity in Manitoba firms, and it is intended that this program be continued in the present year. Because markets and economic research is the cornerstone of our Industrial Development Program it is proposed that this program be expanded so that we may make available to business every service which properly falls within the scope of government responsibility.

The Design Development Program has been very well received by business community, and has revitalized and has had good practical results through its Product Review Board, Design Seminars, and other activities. It's proposed to step up this program.

With respect to air transportation, air transports has a catalytic effect upon other forms of commerce. The accomplishment of Winnipeg, or the establishment of Winnipeg as an air freight centre will be an important factor in the economic and industrial development of Manitoba. One of the keys to the future growth of air freight traffic in Winnipeg will be a cargo terminal to meet the requirements of several airlines. Such a cargo terminal should facilitate the loading and unloading of cargo between airlines, and between air and ground carriers, and have common Customs clearance facilities and matters of that kind. I think it's important that any cargo centre provide free and easy access to all air carriers that may wish to use it; and it may surprise some to know as it did surprise me to find that we have something in the neighbourhood of 12 regional air carriers in Manitoba, and that if we are going to have the proper use of air transport, and the proper benefit from it in Manitoba we must make it easy for regional carriers to exchange loads with the trans-continental carriers -- the two great ones Air Canada and the Canadian Pacific Airlines. So there must be ease to exchange loads between airlines. But equally I feel that there must be access to this cargo terminal for highway transportation and rail transportation as well, so that in any load we can make the best possible and the most economic possible, combination of carriers to get it to it's destination.

Present air cargo facilities are totally inadequate for the present traffic volumes and are poorly situated in the Winnipeg Airport Terminal which is designed for passenger handling, together with some mail and small express parcels. Cargo traffic at the Winnipeg Airport is growing at a rate higher than the national and North-American rates. Excluding Dew Line traffic of about 2 1/2 million pounds annually, air cargo traffic in Winnipeg in 1965 is estimated to have exceeded eight million pounds, double the 1964 total. Air Canada's Winnipeg air cargo is now moving at 1 1/2 million pounds a month. This indicates not only the necessity for a greatly expanded air cargo terminal but also underlines Manitoba's conviction that these facilities must make provision for expansion in keeping with traffic growth. Winnipeg is now served by two trans-continental airlines. One trans-border line, and 12 regional carriers, including Trans Air. The needs of all carriers must be satisfied in any new cargo terminal. Including Dew Line consignments the regional carriers move about 40 percent of the air freight traffic passing through Winnipeg.

The Manitoba Government is convinced that an air freight centre that serves the needs



(MR. EVANS cont'd)... of all carriers and shippers must have the following characteristics: It must be accessible to all types of transportation, surface as well as air. It must have common clearance facilities. That is to say, customs and health inspection and other facilities of that kind. It must have handling facilities to facilitate the interchange of cargo between air carriers and air and surface carriers. Air Canada's plan for a separate terminal for its own use does not meet these requirements. Exclusion of other carriers from any particular terminal would result in time-consuming interchange between carriers; duplication of clearance facilities; and duplication of handling equipment. It's clear therefore that the proposed cargo terminal at Winnipeg must be planned to fill the needs of all cargo carriers and of shippers; and of course we must keep firmly in mind that public interest demands that shippers have the most economical and the most convenient means of shipping goods, whether it be by air or by surface.

Accordingly, the Minister of Transport in Ottawa has been informed that the Province of Manitoba is prepared to assume a most active role in developing an air cargo complex at the Winnipeg Airport. Specifically, we are prepared to provide financing for the facility if necessary; to take an active part in developing the necessary long-range plans for this project; and to ensure that suitable facilities will be provided as required. We are prepared to carry out this role in association with the Federal Government Air Canada, and all other private interests which might utilize the facility. We recognize that individual carriers have individual needs in accommodation. We are therefore, also prepared to provide for these various carriers the type of accommodation demanded by their mode of operation.

On the subject of general aviation, prime responsibility for aviation development rests with the Federal Government, but there is need to stimulate greater local participation in airport development. It is intended to institute a new general aviation development program to complement and extend federal programs. The essential points in this program are as follows: (1) Grants for local airport construction and for planning assistance with a ceiling of \$2,500 or 25 percent in the former case, and \$1,000 or 33 1/3 percent in the latter. (2) Publication of a new more comprehensive air travel guide plus special advertising aimed at private flying vacation markets. Such grants would not commit the province to complete construction, nor to operate an airport in the event of default by the organizations receiving the grants. It is believed that such a program will be of material assistance in developing small landing strips and airports and in promoting flying tourism in Manitoba.

One important field of development will be the establishment of major tourist development programs in the province. Tourism is now a \$50 million industry in Manitoba and it should be doubled by 1975. To accomplish this will take some very bold action. As a start, the department this year plans a greatly broadened program which will include the following: (1) Interesting and attracting to the Province an experienced resort operator in the establishment by 1967, of at least one major first class family resort in an area which can operate a minimum of 9 to 10 months in a year. The type of resort required would be capable of handling 300 to 350 guests with convention facilities, indoor swimming pools, sauna baths, indoor and outdoor recreation facilities, golf course, marina, and facilities for such winter sports as tobogganing, skating, etc., and if at all possible, ski runs. (2) Interesting and experienced operator in establishing by 1967, at least one major first-class hunting and fishing lodge, capable of handling 100 guests with such services as pool rooms, quick-freeze equipment, top notch boats, guides, and the things necessary to attract sophisticated and good paying fishermen and hunters to the Province. (3) The establishment of business management advisory services for existing tourist and hotel operators in the fields of accounting, modernization, advertising, promotion, and general business practices necessary for good and profitable operations. (4) The encouragement and professional development of new regional festivals, special events, and other attractions. (5) A competition for the design of economical tourist accommodation, which will be distinctive and meet the problem of seasonality in Manitoba. It is proposed that this competition be carried out under the auspices of the Manitoba Design Institute. (6) Extension of training on-the-job to the hospitality industry. Hospitality industry being further defined as people working in hotels, motels, resorts, and accommodation facilities of that kind, but includes also restaurants and other facilities that tourists use. And No. 7, the establishment of a strong and active convention program and the co-ordination of existing convention promotion efforts.

The matter of research is one of great and fundamental interest in the Province and is a great necessity - the further development of research facilities in the Province is a necessity for our further leap forward in economic development. The lack of adequate scientific and technical know-how is a problem facing many Manitoba industrial firms. The Manitoba Research

(MR. EVANS cont'd)... Council was established in 1963 and since that date has been examining the industrial needs of Manitoba for applied research and development as well as the facilities available from the National Research Council and other provincial research agencies. The results of these investigations indicate that time has now arrived when the Manitoba Research Council should establish physical facilities and that such facilities should be the focal point for a research park similar to Sheridan Park in Ontario. It is therefore proposed to establish an industrial research park and arrange for the construction in it of research facilities as recommended by the Manitoba Research Council. Prior to the development of actual construction plans for such a research facility a research conference will be called to ensure that the services to be offered are those required by business and industry and which will complement existing research facilities. In other words it is planned to get the views of business on the gaps in research that need to be filled.

Immigration of skilled and unskilled persons. A provincial labour shortage of both skilled and unskilled persons is becoming increasingly evident and requires constructive attention. The government must move quickly and adopt a realistic immigration program to ease shortages otherwise the degree of success of the other development programs could be seriously impaired. Such a program must complement federal immigration programs. It is proposed to put under way an immigration program involving employers as sponsors and it assumes the closest working relationship with the federal immigration officials. The Federal Department of Immigration does not, and cannot, direct people to specific positions. These people must be sold on Manitoba after they arrive in the country. It is therefore intended to institute the following programs:

(1) In co-operation with the Department of Labour and Immigration to identify or to find out what vacancies there are in the province - the kinds of people who are both required now and who will be required in the near future;

(2) Where employers or groups of employers are prepared to interview applicants and to sign employment agreements to share with them the cost of advertising for specific job openings;

(3) Where employers at their own expense are prepared to travel overseas or out of the country to meet and interview applicants to arrange government-employer recruiting missions and to arrange for interviews, testing, etcetera;

(4) This may sound like a fairly trite item - to publish informational pamphlets. But that is a more important item than it appears at first glance because one of the crying needs is that people shall have adequate information on many subjects before they will pick on one location in a country. We have come to believe that further development in this field is necessary;

(5) A program of employer-government assistance in the repayment of loans to immigrants from the Federal Immigration Branch for moving costs which will be shared as follows: the Federal Government will provide loans to move an immigrant. We now propose to refund these loans to immigrants on the following basis: there will be a program shared between the manufacturer and the province to repay these loans as follows: at the end of the first full year of employment, the manufacturer will repay 40 percent of the loan. At the end of the second full year of employment, the manufacturer will refund a further 10 percent and the province will refund 20 percent. At the end of the third full year of employment, the province will refund a further 30 percent; thus the refunding at the end of the three years has amounted to 50 percent by the manufacturer and 50 percent by the province.

(6) Employers will be made eligible to borrow their portion of the cost from the Manitoba Development Fund;

(7) Immigrants will be provided by the manufacturer with suitable arrangements on arrival, including an establishment grant equal to one month's salary or pay, temporary accommodation for two weeks and assistance in obtaining permanent housing accommodation.

Turning now to the field of transportation and in the light of the most recent developments in our province, considerable attention is going to be paid to northern transportation. Northern developments continue to be hampered by cost. The railways claim they are unable to quote lower rates and the province is not in a position to know whether or not northern rail lines produce revenues in excess of operating costs. This is a matter that's receiving the attention of the Prairie Economic Council. Meanwhile, Manitoba has asked the Government of Canada to establish a joint Provincial-Federal Enquiry to enquire into the existing operations of the Hudson's Bay Railway to determine ways and means by which it may be made more effective as a development tool within the context of changing regional, national and international conditions.

(MR. EVANS cont'd)...

The Hudson Bay Railway could be used more effectively to stimulate the economic development of the northern part of Manitoba. It is recognized, of course, that it has given rise to a number of small communities at various points between The Pas and Churchill. The developments such as the International Nickel Company in Thompson area were made easier by the existence of the line. The line however is not fulfilling its role as a development tool. At present, this situation is becoming particularly critical as the conditions within Northern Manitoba and in world markets are changing rapidly. It is considered that lower railway freight rates would lead to an almost immediate increased use of the railway and would therefore become another development tool. The inability of this transportation routes to achieve its potential as a development tool so far has resulted from several factors.

An official enquiry into the entire transportation situation in Northern Manitoba is essential to establish what is the appropriate balance in modern conditions. The following should be included in, and, in large measure, form the terms of reference of such an enquiry. These are as follows: The terms and conditions under which the railway should provide the necessary equipment, spurs, sidings, to encourage the development of resources and associated resource processing industries. Those general terms of course refer to some of the additional manufacturing productions that may follow from the establishment of the basic forest industry in the north.

The extent to which the institution of commodity rates that reflect the costs and distances on the Hudson Bay Railway and which are not competitively based would promote the development of Northern Manitoba. One of the facts of transportation life is that a railway will take competition into consideration only after the competition exists, and we believe that is a principle which should be reviewed, because what is the use of building either another railway or road merely to establish competition, and at that point the railways bring down their rates to what they should have brought them down to in the first place.

A further point would be the measures necessary to ensure that the Port of Churchill is able to take full advantage of its geographical position to serve as the major supply point for far northern developments compatible with new technologies and innovations. The economic feasibility of a through Manitoba rail-rate to Churchill to avoid the present detour through the Hudson's Bay Junction or, alternatively, a rate to reflect the shorter distance should be instituted. I think, from memory, it's about 200 additional miles to take the Hudson Bay Railway from Winnipeg to Hudson Bay Junction and then bring it back into Manitoba and up to Churchill. One alternative would be to construct a rail line which would go straight north and join on and be some 200 miles shorter, and instead of having to construct that, the railway could construct the same thing by hauling freight to Churchill on a rate which would reflect that shorter mileage.

The feasibility of other service routes through central Manitoba between Winnipeg and Churchill - rail lines could be extended north from Gypsumville or Riverton, or car and train ferries may have some application on Lake Winnipeg.

The role of air transportation in Northern Manitoba development - requirements to make air transportation a more efficient development tool in that area and the role of water transportation in Northern Manitoba development generally.

These are some, although certainly not all of the matters which should be investigated by a Northern Transportation Commission, and our request has been made to the Federal Government for the establishment of such an enquiry.

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(MR. EVANS, cont'd) . . . .

In aid of our export development program, it is proposed to take some practical steps - some further practical steps. If Manitoba industry is to expand, it must increase sales outside of Manitoba. One industry that has good potential is Women's Apparel Industry. There is a big opportunity in Eastern Canada. Investigations have shown that the most effective way to capture a bigger portion of this market would be for a group of, say, ten or more Manitoba manufacturers to work together to present what might be termed the "Manitoba Line" from one location in Eastern Canada. It has been determined that the logical location is Toronto.

A combined apparel-sales centre would reduce individual costs and make a bigger impact on eastern buyers than could be accomplished by Manitoba firms operating individually by themselves. It's believed that a combined sales centre could increase Manitoba's industry sales volume in Eastern Canada alone by \$4 million annually by the second year, and could reach an extra \$10 million by 1975. The annual cost to operate such a centre would be about \$50,000. To get such a centre started, we'll need some agency to underwrite the operation for a minimum of two to three years and this could be repaid at the rate of about 1-1/4 percent of the sales volume written by each of the participating firms.

There's a new program to help expand existing industry and increase export arrangements. Arrangements will be made for the Manitoba Development Fund to establish Export Sales Offices for groups of industries, providing a group of manufacturers are prepared to work together. The first centre will be established this year in Toronto for the Ladies Apparel Industry. At a future date, similar sales offices will be established in the United States and the United Kingdom, and for other products as well as the soft goods. This can be an exciting program but it will only be successful if Manitoba manufacturers increase production and if an increased number of workers can be found for the industries concerned.

Special attention is going to be paid to the chemical industry. The establishment in Manitoba of the chemical industry is a success story in which persistence has played its part because there was no shortage of those who said that the chemical industry could not become established or prosper in Manitoba, and some not very far from the sound of my voice didn't believe that and went ahead, and some others have also taken some steps in that direction. But it has been clearly established that there is a great future in Manitoba for the chemical industry and the department can take pride in the fact that at no time did they believe even some of the professional advice that was tendered to us by advisers that Manitoba is a little too far from the main stream of the chemical industry and it was not likely that it would grow up here. I was always convinced that this view was wrong, especially in contemplating the requirements of the farming industry with respect to the chemical industry at the start, and over a period of six to eight years now this program has been pursued.

The decision of the J.R. Simplot Company to build a major chemical industry complex in this province. In the next 12 months, a comprehensive analysis will be made, a comprehensive professional analysis will be made to evaluate the possibilities for chemical industry expansion in Manitoba. Some of this work has already been done. The results of preliminary screenings show that the following projects warrant further investigation. That should be noted carefully the phrase that is used there "warrants further investigation". They are sufficiently promising to be worth further investigation, but the further investigation must be made before it can be determined, whether, or at what point each of the following 15 operations can or will be started: 1. Caustic-Chlorine; 2. Soda Ash; 3. Chlorinated Hydrocarbons; 4. Insecticides and Fungicides; 5. Caustic Potash; 6. Detergents; 7. Electric Furnace Phosphorus; 8. Phosphoric Acid and Phosphates; 9. Methanol; 10. Formaldehyde; 11. Melamine Resins; 12. Phosphorus Electric Furnace; 13. Electric Furnace Iron Smelting; 14. Aluminum Smelter; 15. Soda-Lime Glass and Sodium Silicate.

I read those terms which not being a chemist I don't attempt to explain - some of them are very large indeed. The whole field, for example, of insecticides and fungicides is a very large one. We come to the matter of detergents - that's a very large field indeed. And those who know these things tell me that the others are in most cases equally important.

Undoubtedly further investigation will show that some of these projects are feasible now, and another five or ten years can bring about further developments. In addition, if it is found that there are certain factors limiting the feasibility of certain projects, some of these factors can be modified.

With respect to our policy on regional development, to date there has been little evidence of a national development policy. Economic fragmentation remains one of Canada's most serious

(MR. EVANS, cont'd) . . . problems. The central provinces have become the country's industrial giants, but at the cost of retarded industrial development, lower incomes and higher prices for other regions of the nation. Like Canadians everywhere, those who live in the industrially less-favoured regions contribute to the tax revenues only to be rewarded by being supplied with highcost goods manufactured by tariff protected industries in Canada and made even more expensive by high freight costs.

My purpose in pointing out these facts is merely to describe an existing situation and to suggest that Manitoba is faced by a problem that might become increasingly serious if plans are not made to combat it. These plans can best be made by Government and private business working together and it will continue to be a matter of government policy to urge the Government of Canada in co-operation with provincial and private interests, to adopt a national development policy of balanced regional growth which makes full allowance for the right of the Prairie Region to prosper and to grow. That is an outline of the new developments, the new policies and the new programs in the Department of Industry and Commerce in the coming year.

Now I would like to lay before the Committee some information concerning the Monoca development and to provide a basis for discussion of this important matter. The government of course has its responsibility to determine a number of things. First of all, the integrity of the people being dealt with, satisfy ourselves as to their financial means and their technical ability. Those at least had to be present before a proper industry could be established; and both at the staff level and on my own responsibility an extensive inquiry was made into these fields and a good deal of information was obtained and considered, and a good deal of advice was tendered to us, part of it verbal, much of it confidential. But in view of the interest in this subject that has been evinced in the Legislature, I have been given permission to refer to the substance in a number of cases of the advice that we were given and the source from which the information was given, and I think it's right that I should provide the Committee with some information for further discussion later on.

Questions have been asked recently in the Legislature with respect to Monoca -- I believe that's the way the people concerned pronounce it. I started off by pronouncing it Monoca myself; but I hear both pronunciations in the House -- about Monoca AG, which I understand represents an incorporated society. Those who speak German will no doubt laugh at me when I say Actien Gesellschaft. Doesn't that mean incorporated society or incorporated company? (INT) Yah.) Yah. Thank you. Well, my honourable friend and I travelled to Germany together on The Manitoba Trade Mission and I must say I admired his ability to carry on conversation with people in their own language in Germany, so I welcome his advice on this occasion about how to pronounce this.

Monoca AG is a private Swiss financial corporation investing in the pulp and paper industry, not only in its own account but also for the account of third party investors of western Europe and United States origin - substantial persons desirous of entering into long-term investments with growth potential. Monoca is associated with Technopulp AG, of Char, Switzerland. This company also engages in the establishment of factories and enterprises in the celanese and paper fields. Monoca and its Associates have been and still are associated with the Celanese Corporations of America and the SNIA Viscosa in a highly automated paper mill near Catania in Sicily. The 1965 annual report of Celanese makes a point of mentioning that this mill uses automatic process control and material handling equipment usually found in the most modern US mills. As honourable members will know, Celanese Corporation is an United States corporation that operates internationally with a sales last year, a sales volume, of \$860 million - something of the order I imagine of about three times the income of the Manitoba Government. Viscosa is a very large Italian fibre manufacturing company producing 350 million pounds of fibre annually and with annual sales last year of \$140 million.

The fact that Monoca and the group they represent are associated with companies of this stature is evidence that they will have available to them technical experience necessary to carry out the northern pulp development. Naturally we investigated the company during the course of our negotiations. In the first place we checked the company through normal banking channels. Although actual reports received are confidential and were provided on that basis, and were provided on the basis that they were not made public, I think it is proper that I should provide the following information and I do so with the consent of those providing the information: Royal Bank, Main Office, Winnipeg. The Manager advised that their banking associates in Switzerland reported Monoca AG St. Moritz is a valued client and that all their relations with the company had been most satisfactory. They further advised that it was their opinion that

(MR. EVANS, cont'd) . . . Monoca would not enter into any commitment that could not be fulfilled. The same report indicated that Dr. Oscar Reiser, President of Monoca, is well known; considered a competent and experienced businessman who enjoys an excellent reputation in the business community.

2. Swiss Bank Corporation of Kreuzlingen, Switzerland, advised that Monoca is well known and disposes of large funds and short term investments and is financing its business with means of their own and from other sources. The Swiss Bank Corporation advise Dr. Reiser is well known in Kreuzlingen and enjoys a very good reputation and is regarded as a serious, experienced and responsible businessman. The Swiss Bank Corporation also expressed the view that Monoca would not enter into any obligation which it cannot meet.

3. The Canadian Consular at Berne, Switzerland. He is of course an official of the Foreign Trade Service of Trade and Commerce of Canada - the Canadian Consular then advised, "Reliable financial sources report Monoca as a reputable private Swiss company specializing in arranging, financing and counselling services for large scale projects including woodpulp and paper industries." They pointed out Monoca's share capital amounted to 50,000 Swiss francs, but beyond the official capital, the company commands very substantial further financial means. They further reported the company meets its requirements and there have never been any prosecutions for debt.

4. The Union Bank of Switzerland. Information provided stated that Monoca was founded on October 17, 1961 with a fully paid-up capital stock of 50,000 Swiss francs. They pointed out that the object of the company is the acquisition and administration, construction and planning of paper mills and other industries. They reported Dr. Reiser was well known to them and that he was held in very high esteem and that they considered him as a trustworthy and experienced businessman. They stated the company has sufficient means at its disposal and can be trusted and that they were of the opinion that Monoca AG would not commit itself unless it could fulfill its engagements.

The First National Bank of Boston advise that Monoca is associated with Technopulp AG of Switzerland and that Technopulp has a Montclair, New Jersey plant. They advise that the principal of Technopulp, New Jersey is a Dr. A. Kasser, who is well known and regarded by American and foreign banks.

The President of the Royal Bank in Montreal, members will recall that my first item dealt with the local inquiry here - this is the President of the Royal Bank in Montreal. In addition to these normal checks, the government also asked Mr. McLaughlin, President of the Royal Bank of Canada to check into the bonafides of Monoca and he reported that this company is engaged in projecting and installing pulp and paper mills in the field of cellulose and related activities. He reported interlocking directorships existed with Technopulp AG of Char, Switzerland and that both companies have built pulp and paper mills in Italy and elsewhere. He advised the principals behind the two companies were reported to have at their disposal substantial funds.

During all this time we were in close association with the officials, and my officials were in close association with the employees of this company. These negotiations have been going on over a considerable period and in any business transaction I think you form your own impressions as you begin negotiations with the people concerned. During the period of negotiations, Monoca arranged for their own foresters and engineers to come to Manitoba.

The President of the company himself, accompanied by other senior officials, foresters and engineers spent a considerable amount of time in the north inspecting the timber and evaluating the economics and feasibility of a pulp development in that area. They were accompanied by engineers and other officials from the Department of Industry and Commerce, and foresters from the Department of Mines and Natural Resources.

Our officials gained a very high opinion of the thoroughness of their investigations and their practical understanding of methods that must be employed to overcome some of the difficulties inherent in northern forestry development. As a result our departmental people reported favourably on the impressions of the technical capacities of the Monoca officials, as well as the personal integrity of the people that they had met. At the request of Monoca, arrangements were made for their foresters and technical personnel to meet with consulting firms that had previously carried out investigations in the north so that various technical aspects could be checked. This was done, and again we were informed by our consultants that in their opinion, the Monoca officials were knowledgeable in forestry matters, and had a practical appreciation of the economics of forest development.

(MR. EVANS, cont'd) . . .

We were fortunate to have been able to interest Monoca and the group they represent in Manitoba. In accordance with the agreement with the government I can further report as follows; Churchill Forest Industries Manitoba Limited has been incorporated and organized under the laws of Manitoba with an initial authorized capital of \$5 million. At the request of the company, the Royal Bank has informed the government that \$500,000 in cash has been transferred to Winnipeg to be immediately applied on the purchase of shares in the Churchill Forest Industries.

As security for the proper performance of this obligation, under its agreement with the province, Churchill has provided the government with a performance bond in the amount of \$100,000 from a leading Canadian Bonding Company. As is usual in the case of a bond of this type, it is not only the monetary value that's concerned with \$100,000 that will be paid in certain eventualities, but it's the investigation people engaged in the investigating business make as to both the character and integrity, and on the other hand the means, both technical and financial that the people that they are bonding will bring to the accomplishment of the task on which the bond stands.

There have been some comments that Monoca itself has only a paid up capital of 50,000 Swiss francs. This is really beside the point. They have already transferred a half a million dollars in cash to Winnipeg and have provided a performance bond of \$100,000.00. They have entered into certain obligations and we are confident that they will fulfill them. Should they not do so of course, the agreement between the company and the government will be cancelled and the rights to the forest would immediately revert to the Crown. The only thing at risk really is the forest which cannot be picked up and taken away.

There's also been some comment regarding the authorized capital of the new Canadian company. In the first place may I point out that by agreement \$5 million is the initial authorized capital. The authorized capitalization of a company refers only to the share capital and does not represent the actual investment which may be made. The purchase of shares in a company is merely one method by which capital is provided. Other channels by which a corporation can provide capital are through the issue of bonds, or debentures or other securities. So the amount of the authorized capital is no indication whatsoever of the extent of the investment. The government has given no undertaking to guarantee funds, but the company is eligible to apply to the Manitoba Development Fund.

Turning now to the agreement itself. COMEF reported that the lumber industry, and I am quoting from the report, "is a sick industry which has been losing ground for a generation or more, particularly during the last decade." "The last decade, that is from the date of their report. It went on to point out that during the 1955 - 1959 period, the physical output of spruce lumber declined to 68 percent of the 1950 to 1954 level while the net value declined by 50 percent. During the same period total Canadian production increased by seven percent, and the net value held about constant. COMEF said "Integrated logging was essential for the combined production of pulpwood, together with saw log veneer boats and other things to be economically possible." COMEF also stated unequivocally, that "a shift to larger saw mills will make practicable better facilities for kiln drying and planning as well as the production of profitable by-products. With appropriate policies and programs COMEF felt employment in our forest industry could be doubled by 1975. It recommended a major forest development in northern Manitoba, and I quote, "should be pursued vigorously because there is some danger that if such development does not occur in the near future the opportunity for it may be lost permanently." COMEF then recommended the institution of policies and measures designed to overcome the locational disadvantages. COMEF said, "to make such an investment attractive, the government must be prepared to grant substantially higher reserve timber areas than in other parts of the province and for longer periods. Provide power at reasonable cost. Provide water without charge. Establish reduced stumpage rates. Assist in the construction of roads in timber areas. Provide fire protection and provide assistance in townsite development and community development facilities.

Certain honourable members have commented on various aspects of the agreement between the government and the Churchill Industries. First, it is in line with other similar agreements in other parts of Canada. We believe it is reasonable and fair to both the government and the investor. But prior to the execution of the agreement it was reviewed by two well-known consulting firms. The Stadler Hurter International Limited of Montreal and Arthur D. Little of Cambridge, Massachusetts. Both firms stated the agreement represented an equitable basis

(MR. EVANS, cont'd) . . . for northern forest development and recommended it to the government. In this connection, I wish to read to the Committee - in the one case, the complete letter by Stadler Hurter, and the other -- I will read the letter of Arthur D. Little, but only excerpts from the memorandum, but I have copies of the memorandum available and I'll be glad to pass both these documents across the House so they'll be available in case some points that I don't read are of interest to the members.

Now, reading a letter dated February 18, from Stadler Hurter International Limited -- I know they're in Montreal -- Oh, yes, St. Catherine Street, Montreal, addressed to my Deputy Minister. The subject is "Agreement between the Manitoba Government and Churchill Forest Industries (Manitoba) Limited, Dear Sir: We have reviewed your Agreement for the granting of timber rights to the Company known as Churchill Forest Industries (Manitoba) Limited, for the initial establishment of a lumbering operation and newsprint mill, and the ultimate establishment of a pulp mill for the Northern Forest Products project.

"The essence of such an agreement is to establish the conditions under which the Company may make the necessary financial investments and operate competitively on a world-wide basis, while at the same time safeguarding the interests of the Government.

"The northern forests present to your Government the opportunity to foster the expansion of industrial activity in an area presently quite dormant and yet of high potential value. To accomplish this, however, it must be recognized that operations will encounter many problems peculiar to the area apart from the nature of the operations themselves. Some of these problems are as follows: a) the under-developed nature of the whole area; b) the higher transport costs due to its remoteness; c) difficulties in attracting working staff; d) extreme weather conditions. Each of these problems will, to some extent, adversely affect the costs of production for timber, pulpwood, pulp or newsprint, and before any private interests would be prepared to make the necessary capital investments in such undertakings, they would have to receive some compensating considerations, particularly during the early years, to permit them to maintain their competitive position.

"We believe the Agreement accomplishes this by having the Government supply the aerial photography and forest inventory for the area, and by fixing the stumpage rate realistically at \$0.75 per cord on a liberal volume basis. The Agreement also calls for a 50 percent reduction in the stumpage rate for the first 7-1/2 years which is a desirable incentive for the early years of operation.

"We note further that after the 15th year stumpage rates are to be adjusted in accordance with the then current newsprint price index, which will serve to increase the rate after this period of time when the Company will be in a position to afford it.

"The building of a short all-weather road by the Government to the plant-site and the sharing of costs on other roads by the Government is reasonable, and forms part of many other agreements under similar circumstances. The interests of the Government are protected by the following means: a) Guarantee bond by the Company to ensure its adherence to the contract in its early years. b) Adequate capitalization by the Company with the paid-up capital permanently available for operating and financing. c) Setting up reasonable but rigid time schedules and productions for the various phases of operations by the Company. d) Setting forth impartial methods of arbitration in cases of disagreements. e) Limiting pollution of waters. We particularly mention this item as pollution has become a serious problem at established mills and is best regulated at the outset. In this connection while the Agreement stipulates that the Company generally must not dispose of bark into the water, it should be permitted to so dispose of those small quantities of bark which normally escape in the effluent from the bark disposal system. (bark screens). f) Protecting the rights of cutters presently operating in the area.

"In summary, it is our opinion that the proposed Agreement deals in a practical manner with the special problems inherently faced by the Company in establishing its operations in the Northern Forest area. The incentives granted by the Manitoba Government are realistic and do not exceed similar incentives granted by other authorities in similar circumstances. The Agreement also contains adequate safeguards for the Government.

"Based on the previous studies we have made for this project, and the information available to us, we are of the opinion that the proposed Agreement is reasonable and fair to both the Government and the private investor, and we can see no objection to the Manitoba Government entering into such an agreement with the Churchill Forest Products (Manitoba) Limited. Yours very truly, STADLER HURTER INTERNATIONAL per K. M. Segalowitz, Eng., Project Engineer."



(MR. EVANS, cont'd) . . . .

The other consultant's report is from Arthur D. Little Inc., It is addressed to myself. "Dear Mr. Evans, " -- It is dated February 18. "As requested, I have reviewed the proposed Memorandum of Agreement between the Government of Manitoba and Churchill Forest Industries (Manitoba) Limited. Attached please find our memorandum report in which we have commented on the acceptability of this Agreement and the general factors involved in the development of remote forest resources.

"We believe the Agreement represents an equitable basis for the northern forest development and recommend its acceptance." Signed by James L. Zeigler - who incidentally, has been up north so often and investigated our woods so closely that he is probably one of the best informed men on Manitoba's northern forest resources to be found anywhere.

I now propose to quote certain paragraphs from this 12-page memorandum. I'd be glad to read it all, but I am endeavouring to save the time of the Committee, and as I indicated, I will pass copies of this across the House. I do want to quote from page 2. "We have been asked to evaluate the Agreement made between the government of Manitoba and Churchill Forest Industries (Manitoba) Ltd. that form the basis of an integrated forest products development in The Pas and Lake Sipiwesk areas.

..... continued on next page

(MR. EVANS cont'd)...

We find this agreement provides a very equitable basis for this development. On one hand it requires the Company to proceed with an orderly development of facilities in the north. These facilities include logging of pulp wood, establishment of a newsprint mill at The Pas, a saw-mill at The Pas, facilities for pulpwood loading at Arnot, and facilities for pulpwood handling and shipping at Churchill. It also provides for future expansion of the operations, including the possible production of pulp at The Pas.

On the other hand, the agreement commits the Government of Manitoba to provide certain services, fire protection, low cost stumpage, building sites, and to share the cost of a road development program. We believe that the commitments made by the government provide the incentives necessary for obtaining the type of development the north needs, do not exceed incentives granted in similar cases elsewhere, and will allow the development of forest management plans that will not only maintain the forest resources of the area but will allow both the quantity and quality of these resources to be improved over the years.

Need for Incentives - In attempting to attract a large scale pulp or pulp and paper development in the north, Manitoba is competing with other areas in North America and overseas, where forest resources and specifically the pulp potential offer an important, if not, the only basis for industrial development. As an example, the Province of Newfoundland has for some time been attempting to obtain a pulp development in Labrador. The State of Alaska is attempting to expand the pulp industry to utilize additional volumes of mature and over mature timber. Several areas of the north Pacific Coast of the United States have large quantities of pulp mill and logging waste for which facilities are being considered. In addition, Africa and South America are becoming a source of available wood fibre and are actively attempting to obtain pulp developments. Manitoba is therefore not alone in its attempt to attract investment in the pulp and paper mill.

On Page 4 - The importance of a forest based industrial development in Northern Manitoba cannot be questioned. The employment such a development would provide will greatly assist in improving the welfare of the local people. It will provide much needed access to areas that have not been opened up by mineral development. Probably one of the most important aspects of the development would be the placing of the northern forests under free management. This certainly provides a sufficient incentive for the government to do everything necessary to ensure that the development occurs and that it will prove successful.

On Page 6 - Each of these areas are competing with Northern Manitoba, and he has described some of these areas that were named earlier. The Pas and Lake Sipiwesk areas fulfill the basic requirements for pulp and paper mills but are far from the principal markets. The markets even then are restricted, being primarily the central United States and overseas. The overseas market is limited because of the short shipping season through the Port of Churchill. The incentive to be provided by the Government of Manitoba, directed at improving access to timber and improving the cost of producing pulp and paper in the north, are necessary to overcome the disadvantages of remoteness and the limited availability of necessary services.

Further on Page 7, half-way through the first paragraph - In order to have the forest resources in the north, they must be managed and protected against fire. This is difficult and expensive if the timber is not being fully utilized. Only with a large scale pulp and paper development can management and cutting plans be established to bring the area under sustained yield management. It is important to have this development as soon as possible. And as in other papers, this authoritative firm has indicated to us that they believe that the eventual yield of this area on an annual basis can be increased by 50 to 100 percent if fire protection and other forest methods are taken as forest management methods.

On Page 8, they deal with the desirability of the agreement. We believe the Memorandum of Agreement between the Government of Manitoba and the Churchill Forest Industries (Manitoba) Limited is not only fair and equitable to both sides but is the minimum required for the successful development of the northern forest resources. On one hand, the agreement commits the company to an orderly and workable plan of development for an integrated forest products industry ideally suited to the areas of timber. This development will provide much needed employment in the area, will open up access to large areas presently cut off from those already developed, and will provide the Forestry Branch with the opportunity to put management plans into effect.

The government, on the other hand, has provided certain important incentives to assure the success of the development. We have not found that these incentives exceed what is necessary

(MR. EVANS cont'd)... nor exceed what has been given by governments elsewhere under similar or comparable conditions. They basically give the company the opportunity to be competitive.

The following specific incentives are considered important enough to discuss individually, however, the "incentive package" provides a basis for the cost reductions necessary for complete success of the venture. Then they discuss individually: (1) Establishment of a large specified area for cutting operations; (2) Lower than normal stumpage rates; (3) Sharing in the costs of all-weather roads and winter road construction; (4) Providing plantsites at low cost; (5) Providing up-to-date inventory and aerial photographs of the productive timber lands in the specified area; and (6) Providing fire protection at no cost to the operator.

In summary, we believe that the agreement provides for contributions by the company towards the establishment of a highly desirable forest products development in northern Manitoba. In order to make it possible for the development to succeed the government has agreed to certain contributions, most of which would be necessary just to maintain the forests. It is also our view that the government contributions do not exceed those normally required under similar conditions. We recommend that the agreement be accepted and the development of the northern forest resources be supported in every possible manner.

I'm going to repeat what I said when I announced this development in the Legislature. This development puts Manitoba into the main stream of Canada's expanding pulp and paper industry. The province will benefit from this project in the form of increased revenues from stumpage, added employment opportunities in an area with a large Indian and Metis population, and the utilization of presently unused timber.

At present, annual stumpage revenues from timber in the reserved area is about \$75,000 and may be expected to remain at this level. These operations are based largely on high grading of timber stands for saw logs and mine timbers, and in time such operations would become uneconomical, in the same way as did The Pas Lumber Company, unless economic pulpwood markets are found.

As I have pointed out in my previous statement to the Legislature, under the agreement existing operators will be allowed not only to continue but to double their production, and because of the local market created for pulpwood and saw timber, new opportunities for expansion and profit will be opened up for them.

As pointed out in both the Arthur Little and the Stadler Hurter reviews, the stumpage levels provided are realistic. At Hinton in northern Alberta, the stumpage rate is 75 cents per cord for all species. In Saskatchewan at Prince Albert, the rate is 70 cents for spruce and 60 cents for pine for ten years, with an escalation clause of 20 cents increase from 1980 to 1987. In British Columbia, stumpage rate was set at 45 cents for a recent development. The revenue to be received by the government of Manitoba is estimated to be some \$75,000 per year in the early years of operation, increasing to a potential of some \$450,000 per year in the late 1970's when the full development takes place.

With reference to the alleged subsidy of the project by the people of Manitoba, quite the reverse is the case. Besides realizing substantial indirect social and economic benefits - these indirect social benefits are estimated to exceed \$1 million a year - the project in full operation will develop direct net revenues for the province.

Comment has been made about the size of the reserve areas. It is a large area, but it must be appreciated that 13,000 square miles of the area is water, muskeg and other non-forest land. Of the 40,000, 13,000 are non-forest land. Also excluded from the area are the Grass River Provincial Park, the Cormorant Provincial Park, and a small timber area reserved for Inco. Much of the timber is widely scattered over extensive areas which will create some special problems in harvesting and extracting the timber. Until our inventories are complete, it's impossible to determine with certainty the amount, location and species of wood available in the area. However, at the end of 12 years, at which time the detailed forest inventory will have been completed, the area will be reduced to the exact requirements of the company, or alternatively, the company must undertake an expansion program to utilize the excess timber.

In the meantime, the rights of cutters presently operating in the area have been protected. Not only are they to be allowed to continue cutting in the reserve area but they can, if they wish, double their present rate of cutting. The decision as to whether or not the area has timber in excess of the requirements of the company at the end of 12 years is to be made by the government. The company has only been given cutting rights in the reserve area. The government has retained the rights to the land in the area for townsites, highways, railways, parks,

(MR. EVANS cont'd)... summer resorts, mining exploration and development, or for other purposes required for the industrial, mining, agricultural or recreational development of the province. New roads to be built in the area are open to the public and should help to stimulate other development.

There is something else that I want to say at this time. For the past several years a great deal of time and effort has been spent to interest responsible firms. Over a hundred companies in Canada, the United States, and overseas were contacted. Local companies, including the Manitoba Forest Products Association, were contacted soliciting their interest. Over the past four to five years about a dozen companies were sufficiently interested to arrange field trips. We have now made a contract with an experienced company. They understand the problems they are facing. They are confident they can succeed. Although this development has been a difficult one to establish, it is a major breakthrough for the north. We will be utilizing resources that were going to waste. We will provide new employment opportunities in the north, top grade lumber for our manufacturing and construction industries, the basis for important new industries in the rest of Manitoba, and a terrific boost for our export business. Manitoba will now rank with Nova Scotia and Ontario as a source of raw material in forest resources.

Mr. Chairman, the committee has been very patient indeed to allow me to present so much material in a row, as it were. I thought it would be as well for me to record all of that data and my honourable friends will have an opportunity to consider it before we meet again. I'll do my utmost to provide all of the information which I think the House is entitled to have that may arise in the course of any discussion that we may have from now on. And now I'd like to provide for my honourable friends the copies of the two consultants' reports that I mentioned, and if the Page would be good enough - one to the Leader of the Opposition and one to the Leader of the New Democratic Party - and I'll look forward to no doubt some further discussion of these and other matters as my estimates proceed.

A MEMBER: Mr. Chairman, are you going to call it 12:30 or will we proceed?

MR. CHAIRMAN: We won't really have time. Call in the speaker.

MR. EVANS: I take it my honourable friend wants more than one minute.

MR. CHAIRMAN: Committee rise. Call in the speaker. Madam Speaker, the committee has adopted certain resolutions and requests leave to sit again.

#### IN SESSION

MR. COWAN: Madam Speaker, I move, seconded by the Honourable Member for Pembina, that the report of the committee be received.

MADAM SPEAKER presented the motion and after a voice vote declared the motion carried.

MR. EVANS: Madam Speaker, may I suggest that you declare it 12:30 and leave the Chair since we go into private members' business this afternoon.

MADAM SPEAKER: The House does now adjourn. You'll have to move the adjournment of the House. These are separate sittings.

MR. EVANS: It is according to the motion that was passed . . . (Recording failure)... to go into government business. I would like to provide now, so that when we meet again this afternoon we could go into private members' business, and I would be only too willing to do it in any way that is right to do it.

MADAM SPEAKER: I call it 12:30 and leave the Chair until 2:30 this afternoon.