

THE LEGISLATIVE ASSEMBLY OF MANITOBA
2:30 p.m., Wednesday, May 26, 1976

Opening Prayer by Mr. Speaker.

INTRODUCTION OF GUESTS

MR. SPEAKER: Before we proceed I should like to direct the attention of the honourable members to the gallery where we have 24 students, Grade 6 standing of the Robertson School. These students are under the direction of Mrs. Schroeder. This school is located in the constituency of the Honourable Member for Inkster, the Minister of Mines, Natural Resources and Environmental Management.

And we have 75 students, Grade 5 standing of the Provencher School. These students are under the direction of Madame Lucille Benoit. This school is located in the constituency of the Honourable Member for St. Boniface, the Minister of Health and Social Development.

On behalf of all the honourable members I welcome you here this afternoon.

Presenting Petitions; Reading and Receiving Petitions; Presenting Reports by Standing and Special Committees; Ministerial Statements and Tabling of Reports; Notices of Motion; Introduction of Bills; Questions. The Honourable Leader of the Opposition.

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MR. DONALD W. CRAIK (Leader of the Official Opposition) (Riel): Mr. Speaker, I direct a question to the First Minister in regard to the Federal Budget. I wonder if he could advise whether the Provincial Government has given any further thought to removal of the Provincial Sales Tax from energy conserving products such as insulation in houses and triple glazing in houses, and other features such as heat pumps which have been recognized or partially recognized by the Federal Government.

MR. SPEAKER: The Honourable First Minister.

HON. EDWARD SCHREYER (Premier) (Rossmere): Mr. Speaker, the matter that my honourable friend refers to is something which no doubt can be given consideration in a real way for possible inclusion in next year's budget. At this stage it would be extremely difficult to make those kind of changes in an ad hoc manner, particularly when he makes reference to heat pumps, for example. This is not something which will be coming into significant widespread use for some considerable time.

MR. CRAIK: Well, Mr. Speaker, in view of the fact that the government turned down a resolution last year in this House with regard to removal of sales tax from . . .

MR. SPEAKER: Question please.

MR. CRAIK: . . . from insulation, I would ask whether or not this could not be done, if they change their minds, if it could not be done by Order-in-Council rather than by any changes in the legislation, therefore not necessitating waiting another year's budget.

MR. SCHREYER: Mr. Speaker, by Order-in-Council it is possible to make remissions, but it is not possible to disestablish a whole category of tax. I might add that the particular tax my honourable friend's referring to was enacted by this House and the government in 1967.

MR. CRAIK: Mr. Speaker, I direct a question to the Minister of Industry and Commerce to ask him whether his department has determined whether in fact a large number of heat pumps are not being used in the Province of Manitoba at the present time, or are on the design boards?

MR. SPEAKER: The Honourable Minister of Industry.

HON. LEONARD S. EVANS (Minister of Industry and Commerce) (Brandon East): Well, Mr. Speaker, I can't answer the honourable member offhand. I haven't any direct knowledge of this.

MR. SPEAKER: The Honourable Member for Birtle-Russell.

MR. HARRY E. GRAHAM (Birtle-Russell): Thank you, Mr. Speaker. I have a question for the Honourable Attorney-General. I would like to ask the Attorney-General if

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(MR. GRAHAM cont'd) any Crown Prosecutors in this province have left the employ of the Government of Manitoba and gone to work for the Government of Alberta?

MR. SPEAKER: The Honourable Attorney-General.

HON. HOWARD PAWLEY (Attorney-General) (Selkirk): Yes, there have, Mr. Speaker.

MR. GRAHAM: A supplementary question. Can the Minister indicate if the salary range for Crown Prosecutors in the Province of Manitoba is roughly equal to that paid by the Government of Alberta?

MR. PAWLEY: Mr. Speaker, the Government of Alberta while maintaining its solid support of the Federal Anti-Inflation Guidelines has at the same time indicated that it is exempting one group, one professional group, from the guidelines, namely, that of government lawyers, and this is the one group that they have exempted from the guidelines and I must say, Mr. Speaker, it makes it very very difficult for other provinces to compete with that type of situation.

MR. GRAHAM: A further supplementary. Can the Minister assure the House that there will be sufficient Crown Prosecutors to carry out the activities within the province without farming it out to other down-town lawyers?

MR. PAWLEY: Mr. Speaker, all we can do is attempt to do our very best. I see that not developing in the near future. I'm in no position of course to guarantee anything along those lines.

MR. GRAHAM: A further supplementary. Can the Minister indicate how many Crown Prosecutors have left the employ of the government in the last six months?

MR. SPEAKER: Order for return. The Honourable Member for Fort Rouge.

MR. LLOYD AXWORTHY (Fort Rouge): Mr. Speaker, I have a question for the Minister of Health and Social Development. Can the Minister indicate whether he has received any complaints or requests from the practicing doctors concerning the confidentiality of medical files that are made available to Autopac?

MR. SPEAKER: The Honourable Minister of Health.

HON. LAURENT L. DESJARDINS (Minister of Health and Social Development) (St. Boniface): Mr. Speaker, not to my knowledge. I'd have to check these complaints and probably go out to the Manitoba Health Services Commission.

MR. SPEAKER: The Honourable Leader of the Opposition.

MR. CRAIK: Mr. Speaker, I direct a question to the Attorney-General on the same topic, and ask him whether the number of Crown Prosecutors that have left the employ of the province at this point is to be considered as significant?

MR. SPEAKER: Asking for an opinion. The Honourable Attorney-General.

MR. PAWLEY: Mr. Speaker, it certainly is not insignificant. We managed over a course of 18 months to have very little turnover, but due to the initiative of the Conservative Government in Alberta in exempting lawyers from the Anti-Inflation Guidelines, we have faced a problem which has resulted in an abnormal departure of some Crown attorneys in the Province of Manitoba.

MR. CRAIK: Mr. Speaker, I wonder if the Attorney-General could indicate whether all of those that have left Manitoba have been for the reason of going to Alberta? --(Interjection)-- No, have all those resignations or threatened resignations from the province, are they all because of the reason that they're going to relocate their employment in Alberta.

MR. PAWLEY: Mr. Speaker, there have been a number that have gone to Alberta; I believe there is one that has gone to British Columbia, and some others that have gone to the private Bar, but that is not abnormal, that from time to time lawyers do leave government service to join the private Bar, that's a constant process.

MR. SPEAKER: The Honourable Member for Roblin.

MR. J. WALLY MCKENZIE (Roblin): Mr. Speaker, I have a question for the Honourable Minister of Tourism, Recreation and Cultural Affairs. I wonder if the Minister could advise the House if he's monitoring the spruce bud worm infestation in the parks of Manitoba?

MR. SPEAKER: The Honourable Minister of Tourism, Recreation.

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HON. RENE TOUPIN (Minister of Tourism, Recreation and Cultural Affairs) (Springfield): No, Mr. Speaker, we're not monitoring the effects of the worms. We've only attempted to control the infestation in campgrounds and areas where we offer service to the public with a very small buffer zone, but we're certainly not monitoring the effects on provincial parks.

MR. MCKENZIE: Mr. Speaker, can I ask the Minister then if he's looked at the report of one of the foresters regarding Spruce Woods Park, where in fact if it's not controlled it could destroy most of the park?

MR. TOUPIN: Well first, Mr. Speaker, I did not receive such a report. Once I do, I'll look at it.

MR. SPEAKER: The Honourable Member for Wolseley.

MR. ROBERT G. WILSON (Wolseley): Thank you, Mr. Speaker, to the Minister of Consumer Affairs. Can the Minister confirm that consumers are writing his department regarding the price differences between Manitoba and North Dakota in consumer goods?

MR. SPEAKER: The Honourable Minister of Consumer Affairs.

HON. IAN TURNBULL (Minister of Consumer, Corporate and Internal Services) (Osborne): Mr. Speaker, I do not recall seeing any letters with regard to price differentials between North Dakota and Manitoba, but I can assure him that when I was 18 years old I used to go to Fargo for the benefit of the price differential and for other benefits.

MR. WILSON: I'm speechless about the other benefits. A supplementary to the Minister of Tourism. What does the Minister intend to do about this reverse tourist movement and lost revenue?

MR. SPEAKER: The Honourable Minister of Tourism.

MR. TOUPIN: Mr. Speaker, that certainly is against the percentage increase that we have had over last year and the prediction that we have for 1976 pertaining to the neighboring states. We anticipate an increase of American tourists, especially from North and South Dakota in 1976.

MR. SPEAKER: The Honourable Member for River Heights.

MR. SIDNEY SPIVAK, Q.C. (River Heights): Mr. Speaker, my question is to the First Minister and it relates to the preliminary report of the Auditor with respect to Flyer Industries. I wonder if he can indicate to the House whether the Auditor recommended a new management consultant firm to be hired by Flyer Coach Industries, notwithstanding the fact that Stevenson and Kellogg had in fact completed an undertaking.

MR. SPEAKER: The Honourable First Minister.

MR. SCHREYER: Mr. Speaker, that question was basically the same question as was asked yesterday, and I responded to it by indicating that the Provincial Auditor suggested that we consider the advisability of retaining a firm. And I believe he suggested by way of example, Stothert and Company for the purpose of looking at and recommending on possible ways of improvement in Flyer operations and management. This was considered; it has been forwarded, I am advised by my colleague, to the Board of Directors of the Manitoba Development Corporation and the matter rests there. Certainly there is nothing in the report to suggest that a suggestion was to be taken as mandatory.

MR. SPIVAK: Mr. Speaker, again the First Minister replied today and yesterday by using the example Stothert. --(Interjection)-- The Auditor indicated Stothert, as an example, and that was notwithstanding the fact that Stevenson and Kellogg had in fact completed the report.

MR. SPEAKER: Question please. Question please.

MR. SPIVAK: Mr. Speaker, my question then really, my question comes down to this: Will the First Minister table the preliminary report of the Provincial Auditor in this House so that we can understand what the recommendation was and be in a position to deal with it before the Committee on Economic Development tomorrow.

MR. SCHREYER: Mr. Speaker, I am not exactly clear what my honourable friend is suggesting. It is rather ironic that when a suggestion was received as to the possible retaining of a consulting firm to look at operations that there had been one already previously retained for the purpose of offering management consultation advice.

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(MR. SCHREYER cont'd) So it's not as though this was some novel suggestion that had never been considered.

MR. SPIVAK: Mr. Speaker, because there appears to be fair confusion on the part of the First Minister in his answers in connection with this, I would ask him to table . . .

MR. SPEAKER: Order please. Order please. This is a question period not for making statements or delivering information to the House. I wish the honourable member would realize that. The Honourable Member for River Heights.

MR. SPIVAK: Mr. Speaker, I ask the First Minister to table the report of the Provincial Auditor, the preliminary report dealing with Flyer Industries, so that we can deal with it in this House and deal with it before we meet at the Standing Committee on Economics Development.

MR. SCHREYER: Mr. Speaker, I will say very bluntly that the Provincial Auditor has complete discretion as to his tabling of his Annual Report - indeed it is statutory - and we do not presume to advise the Auditor on what he should or should not include in his report. If this particular subject matter is in his report, fine. It is his judgment. I will not intervene on behalf of the Honourable Member for River Heights or anyone else in that regard. It is up to the Auditor.

MR. SPEAKER: Orders of the Day. The Honourable House Leader.

MR. GREEN: Mr. Speaker, I would like to move quickly to Capital Supply, so I now move, seconded by the Attorney-General, that the House resolve itself into a Committee to consider of the Supply to be granted to Her Majesty.

MOTION presented and carried and the House resolved itself into a Committee of Capital Supply with the Honourable Member for Logan in the Chair.

COMMITTEE OF SUPPLY - CAPITAL SUPPLY

MR. CHAIRMAN: I refer honourable members to the foolscap sheet that was distributed about a month ago and we will deal item by item with Schedule A and then Schedule B, and then move the resolution. The Honourable First Minister.

MR. SCHREYER: I think it's customary to make a brief opening statement with respect to consideration of Capital Supply, and I would proceed to do so now and at the conclusion, Mr. Chairman, I would ask you to call the Leaf Rapids Development Corporation item, and then after that to proceed sequentially.

So if I may, Mr. Chairman, I would like to indicate that the Capital Authority Estimates constitute \$398 million, and as such are in aggregate approximately \$146 million less than the amount that was presented to this House last year. The decrease in the request for capital authority of roughly \$150 million is largely attributable to uncommitted authority remaining from the previous year and years. The accumulation of voted but uncommitted authority makes it possible to reduce the request this year by some \$150 million. It should be pointed out however that the cash borrowing requirements pursuant to the authority to be voted this year and accumulated from last year will be in the order of \$500 million as compared to an amount of about \$470 million last year. Total authority requested in Schedule A for self-sustaining programs is down \$170 million from last year. A lesser request by that amount, but this is offset to a degree by an increase of \$24 million . . .

MR. CHAIRMAN: Order please. Order please. Could we just have a little less noise so we can hear what's going on.

MR. SCHREYER: . . . an increase of \$24 million in Schedule B for direct government programs, capital programs. The majority of the Schedule B increase relates to the Department of Public Works, where construction on a number of public buildings is contemplated and in the event that all of the necessary preliminary arrangements design and planning are completed, then the capital authority would exist to commence construction later this year.

I also wish to advise members of the government's intent to acquire some \$45 million of equity shares in the Manitoba Development Corporation by assuming a comparable amount of MDC debt. The MDC has the authority to issue the \$45 million of

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(MR. SCHREYER cont'd) additional equity shares however; the province does not yet have the authority to purchase or acquire the shares, and this is a provision which will be requested in the Loan Act (1976), which will be introduced in this Chamber relatively soon. More detail with respect to this proposal I've just referred to will be given at the time of second reading of consideration of the Loans Act (1976).

With those opening remarks, Mr. Chairman, I would ask you to call the Leaf Rapids Development Corporation Item first and for clarity sake I repeat, and then sequentially thereafter.

MR. CHAIRMAN: The Honourable Leader of the Opposition.

MR. CRAIK: Does the first Minister mean sequentially backwards up the list from Leaf Rapids.

MR. SCHREYER: The Leaf Rapids Development Corporation Item and then starting at the top of the page and proceeding sequentially down the page.

MR. CHAIRMAN: Leaf Rapids Development Corporation. The Honourable Minister of Mines and Natural Resources.

MR. GREEN: Well, Mr. Chairman, I wanted this item called first to indicate that the item is being deleted. There was a suggestion that that amount of capital authority would be needed in addition to the moneys already advanced. That is now not the case and therefore I want the item deleted.

I would also think, Mr. Chairman, that this is an appropriate time to present an up-to-date report on the role of the Provincial Government in the development of the Leaf Rapids Community. It will be recalled that when the Sherritt Gordon Mining Company made the decision to exploit the mineral potential of the Ruttan Lake reserves, the Provincial Government made a concurrent decision that the townsite at Leaf Rapids would be developed through the agency of the Leaf Rapids Development Corporation Limited, a Crown corporation established under Part II of the Manitoba Development Act. An agreement was entered into between the Sherritt Gordon Mining Company and the Government of Manitoba which basically provided that the Manitoba Government would provide the major share of the capital for the development of the town services and that the Sherritt Gordon Mining Company would pay its share of these services by being placed on the tax rolls of the municipalities.

It was also decided that the Leaf Rapids Development Corporation would retain developmental responsibility for all of the health, social development, educational and commercial facilities required by the community. The actual expenditures to supply the town development requirements are as follows, and I'm giving, Mr. Chairman, the results of those activities:

Town services \$3,303 million, \$3,303,000. A breakdown: The Public Works garage \$146,000; paving curb and gutter \$701,000; Public Works and Public Safety equipment \$390,000; the water system enlined \$1,248,000; the sewage treatment plant \$818,000, total again, \$3,303,000.

The town centre - this is non-commercial facilities \$5,378,000. The breakdown: The Public Safety Building \$475,000; the school \$2,213,000; the Recreation Centre \$1,631,000; the Health Centre \$742,000; the municipal offices \$184,000; the Exhibition Centre \$133,000; repeat, the total \$5.378 million.

The town centre, commercial, \$5,181,000. The breakdown: Leased premises \$1,463,000; the White Water Inn \$1,784,000; the theatre \$213,000; the Public Mall \$940,000; start-up capital and inventory supplies (these are miscellaneous expenditures associated with the operation going into movement) \$781,000. As I repeat, it includes inventory.

The fourth item, rental property \$2,088,000. The breakdown: The Industrial Park \$702,000; the Trailer Court \$143,000; the Commercial Building \$176,000; the Town Centre expansion site \$115,000; land development costs which were not recovered through the initial sales is \$523,000. Honourable members will be aware that initially lots were being sold at a rate which was less than the amount of the cost of development and it's hoped eventually that this amount would be recovered through the re-sale of lots, through the subsequent sale of lots.

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(MR. GREEN cont'd)

The capital expenditures of the Leaf Rapids Development Corporation accordingly amount to \$15,521,000. This amount has been arrived at by calculating interest of the amounts advanced as if they had been advanced in accordance with share capital as hereinafter indicated being the first moneys advanced to the corporation. Now we've calculated interest on the basis of the capital breakdown, which I'm going to be coming to in a moment, that the first moneys advanced would be share-capital; the second moneys advanced would be share-capital with an interest rate; but I'll be dealing with that in a few moments.

Of this amount, that is of the total amount of \$15,521,000, \$5,598,000 represents municipal services provided to the Local Government District of Leaf Rapids, comprising the aforementioned town services of \$3,303,000, together with certain town centre non-commercial components. Such components as the Public Safety Building, the Recreation Centre and the municipal offices in the amount of \$2,290,000. Part of these expenditures have been recovered by the corporation from the proceeds of debentures issued by the Local Government District for \$3,119,000; from special adjustment cash payment from Sherritt Gordon in the amount of \$436,000; and a grant from the Department of Recreation in the amount of \$20,000 aggregating a total cash payment of \$3,575,000. The balance is recoverable from the payments on 20-year leases on the Recreation Centre and municipal offices in the amount of \$1,815,000, together with a special adjustment contribution by the Leaf Rapids Corporation through its equity investment in the amount of \$203,000. This providing a total recovery of \$5,593,000. Now that is the Leaf Rapid Development Corporation municipal services, the total is \$5,593,000, and it's made up of \$3,119,000 by the sale of debentures; \$436,000 being the Sherritt Gordon adjustment; \$20,000 from Tourism; and the balance of \$1,805,000 on the 20-year lease of the recreation facility.

After deduction of the said cash payment of \$3,575,000 and certain other items of short-term debt and recoveries of \$67,000, there remains outstanding capital expenditures by the Leaf Rapids Development Corporation in the sum of \$11,879,000; indicating after the municipal portion is removed there is \$11,879,000 remaining payable on the books of the Development Corporation. Of this amount, \$4,808,000 is funded by series B, 8.15 percent first mortgage debentures which are secured by the leases on those facilities which are ordinarily the responsibility of the Provincial Government. The school and Health Centre and by leases on those facilities leased to the Local Government District of Leaf Rapids, the Recreation Centre, Exhibition Centre and municipal office, with repayment over 20 years in accordance with the lease payment terms. This is merely to indicate, Mr. Chairman, that of the \$11 million, \$4.8 million is secured by Provincial Government facilities and municipal facilities such as those mentioned, the Recreation Centre, the Exhibition Centre, etc.

The remaining indebtedness of \$7,071,000 is being capitalized as follows - that's the remaining debt after taking the municipal debt, the provincial debt - there remains the debt to the corporation which has to be recovered by the corporation's activities of \$7,071,000, and this is being capitalized as follows: \$2,621,000 will be held in 8.15 percent non-cumulative redeemable preferred voting shares with a par value of \$100 each; \$2,450,000 will be retained in 10 percent income debentures; principal and interest to be repaid in annual amounts equal to 50 percent of the Corporation's annual cash flow. Security for repayment of the income debentures will be a floating charge on all assets of the Corporation.

It should be pointed out that this income debenture can be expected to provide principal and interest installments only as the level of activity at Leaf Rapids expands to that which was anticipated when the townsite was first established. So the income debenture will not return payments until expansion takes place as anticipated by the original townsite planning agreement. And the balance of \$2 million, this amount of money is reflected by series A, 8.15 percent first mortgage debentures, repayable in equal annual payments over a period of 20 years, repayment of which is expected to be realized at the present level activity within the townsite.

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(MR. GREEN cont'd)

So of the \$7 million, 2 million will be paid in the normal course of operations from the existing cash flow; \$2,450,000 can be realized if the activities reach the level that was originally anticipated; \$2.6 will remain in shares which would be reflected by the assets at the corporation.

The \$7,071,000 of capital remaining invested by the Leaf Rapids Development Corporation represents assets having a current value cost which reflects this expenditure. And the terms of repayment of this amount will result in more favourable or less favourable ultimate results depending on the future of the community. That is, we have \$7 million invested, it's reflected in existing assets, it will be repaid in more favourable or less favourable terms depending on how the community proceeds. \$2 million we feel will be repaid on existing level of performance; additional \$2.4 million will depend on the increased activity.

Given reasonable circumstances, the least favourable forecast which I would now give is that after 20 years there will remain an outstanding indebtedness of \$5 million - that's rough - \$5,071,000, secured by assets which should reflect their value at that time. Since the facilities are unlikely to depreciate in real value, although our financial forecast provides for normal rates of depreciation, we are taking depreciation in our financial forecast but if after 20 years nothing is paid on the income debenture there will remain owing \$5,071,000, which will be reflected by the assets which are there and we think that the assets will have that value. The most favourable forecast which I would now state can reasonably be presented at the present time is that after 20 years the first mortgage debenture and the income debentures will have been paid in full, and the equity shares would be outstanding and would be reflected by existing assets, that's \$2.6 million. I think the best thing that I could forecast would be that after 20 years there would be owing \$2.6 million reflected by the physical assets, on which we would have taken normal depreciation. I think that they would be well worth that amount. The least favourable forecast is that there would be \$5 million owing reflected by those assets.

The foregoing represents the basic financial status of Leaf Rapids Development Corporation. In evaluating the performance of this endeavour at this stage, it would be fair to say that there are some significant advantages although it has not escaped its share of difficulties and problems. The basic objectives and philosophy of the program have been realized and are justified. I would make the following observations: Leaf Rapids Development Corporation has proved itself capable of providing an administration and expertise necessary for the creation of a sophisticated townsite development. Indeed this is probably somewhat understated. You will recall that construction costs across Canada soared during the peak period of development, the price of most materials increased in the order of 50 percent. The Corporation successfully minimized the impact of these conditions. I think that the projected costs and the ultimate costs are certainly more favourable than most other projects that we've dealt with.

The Corporation successfully minimized the impact of these conditions. The Development has received national recognition and has been awarded the Vincent Massey Award for excellence in urban environment in the fall of 1975 and was selected as a demonstration project for the United Nations Conference on Habitat to be held in Vancouver this spring.

The rationale of having the mining company make its contribution as an ordinary taxpayer rather than as a contributor of services appears to be justified both on financial and social grounds. It is noteworthy that in 1975, excluding the special levies from Sherritt Gordon, the annual taxes payable to the Local Government District of Leaf Rapids were \$1.206 million, of which Sherritt Gordon paid \$1,015,000, or 84 percent of the total tax levy. It can therefore be expected that they will continue to pay approximately 80 percent of the annual municipal and education costs of the town, together with 3.806 million of debentures and leases by way of special annual levies. Rather than being considered the paternal benefactor for the community, the mining company is considered as a corporate tax paying citizen by the residents. It would

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(MR. GREEN cont'd) appear that the government rather than the mining company becomes the target for citizen complaints and demands for services in the community. In our opinion this is as it should be even though it results in some problems for the government.

I would point out to the honourable member in many of the discussions that we have had with the town, the mining company and the residents are at one because any provincial help that they get comes off the total tax roll, and the citizens have been arguing in many cases the position that the mining company would be wanting to argue if they were seeking to argue if they were seeking to reduce their expenditures. So rather than the citizens and the mining company fighting with each other, they are apparently a much more united community. At least we get it that way when they are talking to us.

The financial philosophy which proceeded on the assumption that all services at Leaf Rapids would be paid for out of either municipal taxation or the revenue from the commercial services has been substantially realized. It is our understanding that less provincial moneys have been expended in Leaf Rapids than in the development of similar new towns, both in Manitoba and outside the province.

The provincial grants to this community have been no greater than those made to other communities with the exception of the following amounts which dealt with expenses incurred for provincial services at the very commencement of activity. That's before there was a real organization of the town councils, etc.

There was a payment of the provincial share of the operating costs of the Local Government District and the Leaf Rapids School District for the period 1971-73 prior to the implementation of municipal taxes in 1974. The Department of Education, \$224,000, and the Department of Municipal Affairs for a total of \$363,000. In addition to the above Sherritt Gordon's share of the costs is \$481,000 paid by way of special levy over 20 years. So I think that honourable members can see that we have not been tempted to try to make this appear better than other communities by investing more than what would be a reasonable share of provincial funds as a start-up.

In terms of social and recreational opportunities it is our view that Leaf Rapids has provided those things which citizens working in the north are entitled to expect but which have not been readily available as features of northern communities under a previous development system. Particularly the housing program at Leaf Rapids has provided a wide option of choices and has not resulted in the multiple family use of single family dwellings which characterized in particular the Town of Thompson in its early stages. It is also a fact that the health, recreational and social opportunities as created by the townsite are amongst the finest in northern Manitoba.

In view of the fact that the townsite was financed by a public corporation, it is probably the case that there has been less urgency to realize the return from existing residents as distinct from spreading the cost on the basis of the long term existence of the townsite. This has had the disadvantage of maintaining a relatively high long-term debt. On the other hand, it would be unfair to expect existing residents to finance too high a share of the capital facilities.

The taxes and prices in Leaf Rapids are no higher and are in many cases lower than those which exist in other northern communities. This despite the fact that the town was built during the period of very high cost. This again can be attributed to the corporation's willingness to assume a long term debt and also to the fact that the public is under no pressure to realize a return based on valuation at current investment values as distinct from the cost of its investment when it was made.

Now, Mr. Chairman, the Chairman of the Leaf Rapids Development Corporation will appear again before committee to give the operating performance of the Corporation. He will also answer any questions relative to Leaf Rapids generally, as he has done in the past two years. I would point out that the operating statements - this is not an operating statement that I have given but once this capitalization is completed, which is now been authorized by Order-in-Council, then there will be the commencement of operating statements which are projected to show short-term losses in the initial stage to be recovered by excess of revenue over expenditures at the later

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(MR. GREEN cont'd)periods as the depreciation figures go down and as the initial costs and the responsibility for them become less and less on the ongoing statements.

So I felt that it would be an appropriate time to deal with this question in view of the OC indicating this Capital assessment and I had the item in the Capital Estimates. We don't need it there any more. It's not needed so I asked that it be deleted.

MR. CHAIRMAN: The Honourable Leader of the Opposition.

MR. CRAIK: Mr. Chairman, there's been an awful lot of information presented by the Minister of Mines and Natural Resources there that can't be analyzed from a verbal presentation so the only way that we'll get at the real picture is when the operating statement is presented by the Leaf Rapids Corporation itself.

However, in looking at the financing arrangements that have been outlined here with some regular debentures, loans to the corporation, some income debentures and some equity, they're split up in proportions that may not be the same but in character have a similarity to the same sort of financing that the government undertook in the refinancing of Churchill Forest Industries or ManFor. Basically the only way I think you can look at it is that the government has a \$15-1/2 million total investment there, and if you look at it as a straight business venture, you'd have to look at what is the rate of return on the present value of the investment, what is the rate of return at best and at worst. So that in overall terms and in terms of public money being invested, that's the only thing that the taxpayer can be ultimately and finally interested in.

Government taking equity position in something like this is very much similar to giving a grant, a public works grant because they don't expect to basically get a return on equity. I'm sure they don't. At best you said at the end of 20 years that you would have a \$2.6 million equity investment, which means that you haven't a returned interest return on that investment. At worst, it would be a \$5 million residual that hadn't been collected of course. I presume that's a present value figure that doesn't show an accumulation of interest charges against it over that period of 20 years, if that were the case here and you were really only talking about 1 or 2 million, but I assume you are talking about the \$5 million remaining there as a present value and not showing its accumulated value over that period.

Anyway, Mr. Chairman, I don't think there's much point really in getting into a lot of the details of this until it's much more . . . The only adequate way to do it is to have the operating statement before us. So I don't intend to deal much longer with it.

I want to ask under this item whether or not it is a fact that the Government of Manitoba has plans for other significant capital investments in the north that are being looked at by their planning people, and this includes major developments in the Mafeking and The Pas area, at Manigotagan and in the Cranberry Portage, Flin Flon area. Can the government at this time verify, or otherwise, that their planners are looking at major government investments, first of all, somewhere in the order of a cement plant at The Pas, somewhere around a \$20 million investment; a glass plant at Manigotagan for utilization of Black Island Silica sand, somewhere again in the order of a \$20 million investment; and a plant for copper refining in the Cranberry Portage, Flin Flon area in the order of \$35 million investment, bringing the total to somewhere in the order of \$75 million for the three projects. Mr. Chairman, this of course would be patterned I assume under the similar sort of rationalization that is used in the setting up of Leaf Rapids except in these cases they would be going directly not into the provision of public services through a way of towns but directly into the production sector, the traditional private sector of the economy, in the way of cement plants, glass plants and copper refining plants. The copper refining of course is now a new idea, it's one that has been studied for many years. I'd like the --(Interjection)-- Well, Mr. Chairman, the proposal for the South Indian Lake monorail did not come from this particular party, it came from another who is not presently in the Chamber, as I recall. But I would ask the government whether these other projects that have apparently been studied by their researchers and planners are in fact close to a reality and how seriously are they being taken by the government at this time? We look forward to some information on that before they first of all get too far ahead of the pack in involving northern people in the

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(MR. CRAIK cont'd) planning of these ventures; and secondly, get too far ahead of the taxpayers who don't take kindly to these flyers that the government goes on every once in a while, particularly in industrial development areas.

So with that Mr. Chairman, I would appreciate the First Minister or the Minister of Mines' comments.

MR. CHAIRMAN: The Honourable Minister of Mines.

MR. GREEN: Mr. Chairman, first of all, with regard to the Leaf Rapids, the total government expenditure was \$15 million but there is \$7,500,000 is dealt with in provincial services such as schools, hospitals, etc. The part that the Leaf Rapids Development Corporation as a commercial entity has to deal with, is roughly 7.1 million, I think I read the figure - that's the figure that I think would be dealt with on a straight commercial basis.

In regard to the other items that the Honourable Member mentioned, I'm going to try and close this off by saying that they are not included in the figure. --(Interjection)-- The Minister of Urban Affairs says that we should say we'll think about those suggestions.

To follow through the Member for River Heights' suggestion that whatever we need in the north, spend it, I can tell the honourable member that the Planning Committee does try to envisage any kind of possible development program or the various options that can be considered in northern Manitoba. I think that I'm quite safe in saying that none of the things that I have heard you mention have been considered as a . . . First of all some of them I've heard I think I've heard for myself for the first time. None of them have come forward, as I can recall it, as a suggestion for government activity at this time.

MR. SPEAKER: The Honourable Member for River Heights.

MR. SPIVAK: Mr. Speaker, I rise simply because of the reference that was made by the Honourable Minister with respect to myself by saying that whatever the north needs, spend it, and I think it is very germane to the discussion that has just taken place. Mr. Speaker, with respect to Leaf Rapids and the government's basic policy there, there were essential services required and things that had to be done for the community to be built and they were done by government, and what I have stated, and I want to make it very clear that it would seem to me that with respect to the essential services that are required for people to be able to provide a standard which is reasonable in the period of the seventies, it is very necessary that government in fact undertake and spend the money for all the reasons that are obvious, and I don't have to recite them again.

When we get into the area of the kinds of activity that the Honourable Member for Riel was suggesting, which may very well be part of some particular design of the government --(Interjection)-- I'm not saying it is, I'm simply saying it may be, then I think we have an opportunity for debate on how best to achieve the results that are intended: Job formation, the creation of something sustaining in terms of the economic life of the northern parts of the province. Here, Mr. Chairman, I think the debate would then centre on the exact amount of government involvement - in other words, not total government involvement, but the nature of government involvement to encourage the people to do the things that they can for themselves and to encourage the private sector itself, and that's a very different kind of debate, and I'm certainly prepared and the members opposite are prepared to debate it. And if these projects are in fact contemplated, then I think we can talk realistically about their completion by the interaction of government and the private sector.

But coming back to basic requirements, with respect to the reasonable amenities of life, particularly in the north, I think it's very necessary that there be a, you know, a very real debate on the question of timing. Do we stage it over 20 years - in which case, at least for 20 years, many people are going to suffer - or do we take the responsibility and exercise it now, and that's a question that the government has to address itself to, and there has been a partial debate. I don't accept, nor will I accept any kind of statement from the members on the opposite side that whatever the

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(MR. SPIVAK cont'd). . . . north needs, we spent it; what we're talking is about whatever people really require for basic amenities and standards that we've accepted as, you know, the basic criteria for the south, that in fact we do provide it. There is no reason why children should suffer for health reasons because of the lack of proper water, or proper sewage facilities, if it can be done and it's only a question of money, then let's get it done. We're going to do it in any case over the 20 years, let's do it now. I'm not prepared to accept the Honourable Minister's remark about whatever the north needs, spend it. It may be that a cement plant is needed for whatever purposes. If that is needed, then the determination is, who's going to build it? And here again we come back to the whole question of whether it should be the government alone, the government with the private sector, or the private sector alone.

And that debate will continue, and that debate is a very necessary part of I think the determination on the part of the people as to who they want to continue to govern this province, or if they want a change. All right, that debate we have, but I will not accept the statement from the Minister that whatever the north needs, spend it. I think we've got to come down to a point where what people require and where a government has an obligation and is intending to do it over a period of years, let's do it now, not later.

MR. CHAIRMAN: The Honourable Minister of Mines.

MR. GREEN: I'm sorry I don't think that I ever said whatever the north needs, spend it. If I'm incorrect in attributing that remark to the Member for River Heights, I'll withdraw it. That's what I thought he said; I have never made it. I don't wish it to now be made as the Minister's statement. If he didn't make the statement, then I'm sorry that I referred to him as having made it.

MR. SPIVAK: Mr. Chairman, I'm prepared to debate with the Minister, and I'm prepared to use whatever debating skills I have and he can use whatever debating skills he wants. But I want --(Interjection)-- Well, maybe I'll lose, but I'm not sure that the Honourable Minister of Consumer Affairs would be the judge. But, Mr. Chairman, I want to make this point, that my statement, I've repeated my statement, I've repeated my reasons, if the honourable member wants to interpret it that way, that's up to him, but that only shows the weakness of his argument and really the failure of his position, because, Mr. Chairman, what I'm saying is very different from the kinds of remarks that were addressed to the Honourable Member for Riel, on the basis of his questions of government. They're legitimate questions, if these things are not going to happen then simply say, it's not going to happen, that's fine, but don't try to suggest that in terms of the obligation of government that their provision of essential services is something that if the north wants, it should or should not be spent, it's something that's pretty basic in terms of the responsibility of government, and it is simply a question of determining whether you're going to amortize your cost over a period of time, and do it now, and thus help people achieve the kind of quality of life that has been requested and determined as the basic policy of government.

MR. CHAIRMAN: Do we have a motion to delete the item?

MR. GREEN: I would so move that the item be deleted from Schedule A, \$850,000.

MR. CHAIRMAN: It has been moved that the item concerning the Leaf Rapids Development Corporation in the sum of \$850,000 be deleted. The Honourable Leader of the Opposition.

MR. CRAIK: Mr. Chairman, I'm not clear here on what the technical advantage is in deleting it from Schedule A.

MR. GREEN: It's not required.

MR. CRAIK: Pardon? Just because it's not required at this time. This was your explanation in the financing of the 15 odd million.

MR. GREEN: They can get by on the existing capital authority that they have.

MR. CHAIRMAN: The Honourable Leader of the Opposition.

MR. CRAIK: Mr. Chairman, before we put the question, I wonder on the matter which I raised with regard to the other developments that I've asked the government about, can the First Minister as head of the Planning and Priorities Committees of

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(MR. CRAIK cont'd) Cabinet indicate whether in fact consideration is being given to the cement plant, the glass plant, and the copper refining plant referred to.

MR. CHAIRMAN: The Honourable First Minister.

MR. SCHREYER: Mr. Chairman, the Minister of Mines has already indicated that none of these items, and I rather apologize for being amused at the way in which the Honourable Member for Riel has just reeled off those various, those various topical possibilities, none of them are at a stage where they have any kind of definitive acceptance or approval. I think the best way to describe them all in their totality is that they are perhaps, and even that I'm not sure of, being conceptualized and brought to some stage of tangibility for submission, for consideration, but they certainly have not been considered, I don't believe that any exist that even as a submission, and that at most some, perhaps all, although I'd be surprised, exist in some conceptual format, for discussion's sake, at some echelon or another of the RED Secretariat, the Resources and Economic Development Secretariat.

MR. CHAIRMAN: The Honourable Leader of the Opposition.

MR. CRAIK: Mr. Chairman, then the First Minister is saying the possibility that the RED Secretariat is in fact looking at these matters and that these and other matters are part of their job requirement to do feasibility studies, I presume, on items such as this.

MR. SCHREYER: Just by way of example of the entire list that the Member for Riel has referred to there is one which has an existence in file going back to 1967, perhaps the Honourable the Member for River Heights may have recollection, and that is that a study was done - I think it would have to be described as a preliminary study - with respect to the feasibility of a custom copper smelter in the northwestern northern Manitoba, and I believe that that one has been brought forward and updated and revised as to production levels and whether production levels move forward in time, the threshold date by which a custom smelter might become a feasibility, but other than that the others are as new to me as they are to him.

MR. CHAIRMAN: Now I've allowed a certain amount of latitude here because we seem to be drifting all over the place. We're dealing with a deletion of an item with Leaf Rapids Development Corporation and I'd ask the honourable members please try and get on the topic that we are discussing. The Honourable Member for Assiniboia.

MR. STEVE PATRICK (Assiniboia): Thank you, Mr. Chairman, I know that discussion has taken place on Leaf Rapids for the last hour, so I hope I can raise at least a couple of questions. The Minister indicated that some \$7 million was put in government services and \$7 million in commercial and housing. Can I ask the Minister if the commercial and the housing sector, is that area amortizing itself or is there need of subsidization?

MR. CHAIRMAN: The Honourable Minister of Mines.

MR. GREEN: Mr. Chairman, I didn't mention housing. The commercial I mentioned is roughly 7 million, and I mentioned, I'm sorry, the way in which it can amortize at best or at least favourable circumstances. At best we will be left with a debt of approximately 2 million in 20 years, which would be reflected by the assets that are there, which would really put us in a pretty good position, because we would have taken depreciation on those assets and we'd still be left with all of them and a share capital of 20 million. At worst it could be in the nature of 5 million that we would be left with the assets there, and this again amortized over a period of 20 years. Share capital of 2 million not 20 million.

MR. PATRICK: So, the Minister feels that the government's in a pretty safe position. After 20 years the assets will still be there, at least \$2 million worth, and that's the portion that is not going to be amortized.

The other question that I wish to ask the Minister: Has the government in developing a place like say, Leaf Rapids, and perhaps you'll have others, is there any indication or studies or indicators that the government has of the life expectancy of a town, a mining town, because I think it is important. The greatest thing I think that people in Manitoba are looking to, the last frontier, the northern Manitoba, the sort of

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(MR. PATRICK cont'd) old folklore thing. I believe that it's also important to sort of know what happens if there is no more mine. Is there any possibility that that's even taking place, like, not only Leaf Rapids, but let's consider Thompson. Let's consider Thompson. What happens if there is no more mining, what is the potential and what is the expectancy of that mine? Is it 25 years or more? And what will happen? I'm sure that the government must be concerned and must have some indicators and knowledge and research in this area. Can the Minister indicate?

MR. GREEN: Mr. Chairman, these things are often not 100 percent defined. What we do know is that Sherritt Gordon put roughly \$60 to \$70 million I believe into the mining facilities in Leaf Rapids, that they have expectations that would include 20 years, that we are not sitting down and resting with regard to exploration in northern Manitoba, and that the townsites that are there should be available for the future development of the north and the future mining development. There is never an assurance but what we have done is to say that if we expect people to live there, if we expect them to take the risk of raising a family and going out there, then we have to show some courage in what we are going to do towards their well being, and therefore to the extent that that is a problem we are willing to face that problem. We do with regard to some of the assets have the guarantee of the mining company to pay off certain debentures, if in fact there was a termination of their activities, but we don't look to that we think that Leaf Rapids will be a major centre in northern Manitoba - at least we hope it will be - for many many years. The Honourable Member raises a question that somebody could have raised in Flin Flon, I suppose in 1920, when did it start? It's now 1976. I think there is still lots of life left in Flin Flon.

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MR. CHAIRMAN: The Honourable Member for Rock Lake.

MR. HENRY J. EINARSON (Rock Lake): Mr. Chairman, just one very brief question because I've been interested in the comments about Leaf Rapids. Can the Minister indicate what the population of that town is right now?

MR. CHAIRMAN: The Honourable Minister of Mines.

MR. GREEN: I would say between 2,200 and 2,500. It's expected that it could with full activity go up to the neighbourhood of 3,500. If they develop additional industries, which there is a built-in incentive for Sherritt Gordon to do, because if they can get anything else built there, to the extent that someone else built, their share of the total municipal assessment would go down. Then it could go up. I'm not being very optimistic about that. It's very difficult to establish new and varied type of industries in those locations, but at least there's an incentive here for them to do so.

MR. CHAIRMAN: Leaf Rapids Development Corporation in the sum of \$850,000 be deleted--pass; Self-sustaining Programs, the Manitoba Hydro Electric Board in the amount of \$200,700,000--pass. The Honourable Leader of the Opposition.

MR. CRAIK: Mr. Chairman, there are a number of items that we want to deal with under this topic. There hasn't been an opportunity up to this point to adequately deal with the tabled document that resulted from the comments by the Liberal Party. The enclosures in the document that have been tabled I believe lead you to recognize that many of the things that are being said in that document, and particularly by Mr. Kieran's comments, are not far off the comments that were being made by the Conservative Party over the last few years with regard to Manitoba Hydro.

Mr. Chairman, I made the comment in the House one day that I was pleased to see that the Liberal Party had joined the Conservative Party in its position with regard to Manitoba Hydro and this has been brought up in the House since that I made this comment. In saying that I was referring to what appeared to be a recognition by the Liberal Party that what was at stake in Manitoba Hydro was primarily of an economic nature. The problems that were associated with the arguments on Manitoba Hydro were primarily of an economic nature and I felt that much of what had been said by the Liberal Party, in just gleaning the headlines of the comments reported in the media, were that they were showing a recognition now after probably down-playing that particular aspect of the Hydro development, they were showing a recognition that the economics of the situation presented by Hydro Development were taking on an importance to them which they hadn't recognized as fully to that time. I think it's fair to say that they had been directing their concern and their attack on the Hydro issues more at the other issues other than economics up to that date.

So I'm not trying to say by that comment, Mr. Chairman, that their position and our position is identical. I made the comment because I felt that they were showing a degree of concern and respect for the economics at stake in the Hydro development which was a good thing, and that's the one issue that has preoccupied us from Square One in the development of the Nelson River scheme.

Our position has consistently been that the Nelson River Development and the Churchill River Diversion associated with it were so massive and so large in relation to the capacity of the Province of Manitoba - I'm not referring to hydro capacity or electrical capacity but the financial and economic capacity of the province as a whole - that it had to be considered as being the overriding issue. Our position consistently has been that the government has chosen a sequence of development that has led to unrealistically high cost in the total provision of electrical power in the Province of Manitoba; and a concern in behind it all that the government was extending the borrowing credit of the Province of Manitoba to a degree that was of some concern to the total well-being of the province by putting so much into the front-end load costs that were associated with the sequence of development that they chose. We still, of course, maintain that and we have stated on different occasions, and we're quite willing to demonstrate it, that the unnecessary costs will have amounted to in excess of \$400 million in total, Mr. Chairman, and a lot of that lies primarily in the control of structures that were placed in Lake Winnipeg that were embarked upon at a price which is a fraction only of the final price that we

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(MR. CRAIK cont'd) know it's going to be, and the same being true for the diversion of the South Indian Lake, and the gains that are commensurate with that investment in terms of stability of our power supply, and in the better utilization of our energy resource, particularly from the Churchill River, were not enhanced in any way commensurate with that extra front-end cost.

I think that Kierans basically has touched on that as well. He has referred in his comments to the economic position of the province and the over investment and the extension of investment to too large a degree in the Hydro development without concern by Hydro, and without justification from them to the province, that the dollars that they were spending out of the limited amount, the finite amount that a province can borrow could be justified. Now we've never put it in those terms before. We've never said before that the amount of Hydro borrowing was in total a threat to the total borrowing capacity of the province to achieve whatever objectives it may wish to achieve in the next few years. In fact, Mr. Kierans refers directly to the four goals, I believe it is, out of the targets for development that the government itself has espoused, the Guidelines for the Seventies, and makes direct comment about the threat that over-borrowing for one particular aspect of our economy, namely power development, may be a threat to achieving the other goals that the government - whoever that government may be - may wish to embark upon through programs that require borrowing.

Now we've tried to refrain from dealing with the technicalities of the development. We haven't questioned Hydro's ability to actually develop a structurally, mechanically, technically, sound system. We grant them recognition of their abilities to do so. Our argument has consistently been that the economic planning that has gone into the total development has been weak. Again the Kierans' Report basically vindicates the position that we have taken. As a matter of fact we have never gone quite as far, with one possible exception, we may have come close to it or done the same thing earlier in the stages of development shortly after the government changed, we haven't gone quite as far in condemning those people who are making those decisions. Our position has been that we have condemned the government because the Government of Manitoba has imposed its will upon a public Crown corporation to follow a certain course of action, and that Crown corporation has too willingly gone along with it in deference to the very clear terms of the legislation that created that Crown corporation, that the clause in the Manitoba Hydro Act which forces upon it by legislation the requirement to produce power at the lowest cost to the power consumer of Manitoba, has been overlooked in acquiescing to the overall political objectives and impositions of the government of the day in holding up and planning and taking time to make alterations that in the long run ended up being very un-economic.

I don't believe that if Manitoba Hydro had been given more freedom and been charged with the responsibility of looking more closely at that provision of the Act that forces them to produce economic power in the Province of Manitoba, I don't think we would have been faced by these front-end costs that are so burdensome and we're now seeing show up on the Hydro bills.

Kierans suggests here that by 1980 we're looking at 25 mill power. That's probably a realistic estimate of what we expected to do. There was a study done as late as 1968 that showed us still in 1980 with a power rate of approximately 10 mills. Now, Mr. Chairman, it did not foresee at that point the escalation of construction costs as they now exist. But even if a person took into account the increase in construction costs and applied a more than adequate allowance for inflationary effects on construction costs, we would at 1980 have been nowhere near 25 mill power, which is where we're going to be at as it now stands, and his predictions, I'm sure, are reasonably accurate in that sense.

So, Mr. Chairman, I want to point out that much of what Kierans is saying in his economic analysis agrees with what we've been trying to say over about the last seven years, that somewhere between the body politic and the executive branch of government and the administration of Hydro what has emerged out of it, whatever those forces were that took place between those two groups, what has emerged out of is an excessively

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(MR. CRAIK cont'd) costly system that has resulted now in the requirement in these Estimates here of another \$200 million. Now the figure is down somewhat from what it was last year and we recognize that it's necessary to borrow ahead of time and carry a reserve, and it's necessary to always have at the call of the Executive Branch more money available than is actually required in the forthcoming year, and with that of course we agree.

But I want to again repeat and point out an argument that was used, and again I want to point out that it's a fallacious argument, that has been used by both the government and by the Hydro administration, when they really get cornered they say: "Well, you can't go wrong by spending more money at this point because with the inflationary spiral that's taking place it will have proved to be a good investment X number of years down the road."

Well that, Mr. Chairman, is what we've maintained as an argument that can only be sound if you're prepared to capitalize on the inflation that's taking place on the inflationary spiral. You then become part of a commitment to carry on the inflationary spiral, because it's only if it continues that you can be proven right, and that's what the government has done, and that's what Hydro has done, when they really get stuck for an answer on these exorbitant front end costs that they revert back. They haven't done it in the last few months, but they were doing it last year, reverting back to the basic argument, well, if we hadn't done the work last year, look what it would have cost this year, and that's an argument that I see Kierans as well has attacked. It's a fallacious sort of an argument to use. It's an argument that can only substantiate that the government becomes part and parcel of seeing that inflation continues. The government is acknowledging and adopting an inflationary policy by saying that that is how they justify major capital investments, because if you do it now, it's going to prove to be cheaper a few years from now. Now if that argument were true, if you took it to its extreme, the government would say, we should build all of the projects now, all of the major power installations should be built now because the inflationary spiral is going to eventually make them economical. So that argument does not hold up, but it's the only adequate argument that the government can put up. It's the only adequate argument that they can put up to justify many of the capital investments that have taken place in the last few years.

Well that brings us up to the point, Mr. Chairman, where we are at the present time. Where we are at the present time, is that the major investments that were on economics have now been made. The Winnipeg Lake Patrol is now in place, and soon to be operational. The Churchill River Diversion we're told, as soon as the big ditch is built between the Lake and the Notigi structure, as soon as it's complete, that portion will be operational as well. So those two big items that are the major ones that we have taken issue with are completed. The problem that's being faced now, is that there is very little more that can be done by way of a changing pattern of development that could bring major economics. The only one that could possibly be done is to again go from the Nelson River and look at the plants on the Churchill River instead, because they are better tailored to the incremental blocks of power that are going to be required while the system is still relatively small. That may be the only possible thing that can be done.

So we're not taking exception, Mr. Chairman, to this particular expenditure of \$200 million. We realize that it has to be done, and it can't be opposed because you can't stop swimming in the middle of the stream, because that's exactly where we are. But the major expenditures that took place in the last five years in the developments on both the Churchill River and on the Nelson River and Lake Winnipeg Patrol are now all done. They can't be reversed, there's no savings that can now be gained from them. And there's evidence, Mr. Chairman, as we've maintained before, that the amount of money expended is in excess of \$400 million; it was unnecessary and will never be regained from the power sales, whether it's to the United States or to Manitobans.

I point out one other thing, where I agree with Kierans, and that is that Hydro has not ever been able to say what a thing costs or what the mill rate is as a result of the decisions to be made. He points out in some of his calculations at the same time that he points out that we're aiming for 25-mill power by 1980, that the present sale of

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(MR. CRAIK cont'd) surplus power to NSP is less than five mills, and the only 1980 price alluded to is 9 to 10 mills on NSP exchanges to the States. That's exactly what we tried to maintain at the National Energy Board Hearings, and to try and determine from Hydro what does it cost to provide the power that's going to be sold in the American market? And the consistent answer that you get back is that you can't determine the cost because the water is going to go over the dam anyway and you can only apportion a bit of the distribution cost back to that particular power and therefore the power rate is almost indeterminate.

But, again I point out that he comes up with the same sort of observation. Why is it when we ask in very simple layman's terms, what is the cost of production of the power, and what are you going to sell it for. Hydro, whether they want to or whether they deliberately avoid telling you, or they are afraid to tell you, in the hard cold layman's terms, by apportioning a part of all of the costs of the development to that export power, for some reason or other they never want to say in direct terms what the cost of production actually is, or what the power is going to be sold for. Now, I think that their position basically is that there are offsetting advantages in being tied in a north-south exchange so that you can get power back in the wintertime from areas where their air conditioning load requires a higher demand factor in the summertime and therefore it's surplus to southern areas in the winter and you can shuffle it back and forth, and the exchange rate really doesn't matter that much.

I think that probably is behind why they don't want to put a realistic value and a straight figure on the cost of production of power and the cost of the sale, because it will be used in political argument against them, or be misinterpreted, or whatever it may be. But for whatever reason it is, it has been said many times in the debates that have gone on, and in the questioning that's gone on in Public Utilities Committee, that you can never pin them down to a price. What is the current cost, the current construction prices of the production of power from the new Limestone plant? You can't get an answer to that.

But when somebody like Kierans can say, we're looking at 25-mill power in 1980 - and I agree - the only reason that we have reasonable power costs in Manitoba at the present time is the fact that we have still a heavy influence from the old system based on cheap power from the Winnipeg River, and that's the only thing, the saving grace we have about the system. If it was based on the cost of the new plants, I'm sure, even at this point, not 1980 but 1976, that the cost of production of power from those plants is at this point in excess of 25 mills, or in that order, if you attribute all the cost to them that should be attributed to them, the construction cost, the transmission cost, the conversion cost, and so on, and subtract from it, the leavening effect of an existing distribution system that predates the time of construction on the Nelson River.

So, Mr. Chairman, I don't agree with all the comments that Mr. Kierans makes in his report but there's no doubt about it that he has pointed out many of the arguments and underlined many of the arguments that have been presented by the Conservative Party over the last seven years on this topic in this debate that has gone in the Legislature and in the Public Utilities Committee, and I find it somewhat difficult to rationalize why the government has not responded to the Kierans Report. I suppose you could say that because of so many of the things that he has said are similar to the positions that we have taken, that the government may have found themselves in an embarrassing position to recognize some of the problems that they were getting into in Hydro, because they would have been, in recognizing it, agreeing with many of the things that the Conservative Party were saying over those periods of years.

Now, Mr. Chairman, I expect that we're going to get a debate coming back at us about how we were going to high level flood South Indian Lake because that seems to be the only out that the government has when it comes down to arguing back against the positions that we've taken. I want to say, Mr. Chairman, I want to underline that the position upon which we have based our economic calculations has been based on a level of 852 on South Indian Lake, not 869 that the government tries to put forward as the goal of the Conservative Government. We recognize and accept that the studies of the

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(MR. CRAIK cont'd) professional people that were done in 1969 and '70, that pointed out that the intermediate level would have given all the basic economics and reduced the cost of construction very significantly over what they turned out to be, and with that system in place the exorbitant front-end costs would have been avoided and we probably wouldn't be looking at requiring at this point anywhere near the amount of capital expenditures that is now being asked for.

MR. CHAIRMAN: The Honourable First Minister.

MR. SCHREYER: Mr. Chairman, I well know that under Parliamentary rules it is not acceptable to impute motives to other honourable gentlemen, and therefore I will not suggest that there is some kind of malice intended in the remarks of the Honourable the House Leader of the Opposition, but I want to say to him right at the outset that his anticipation is wrong when he suggests that all we will want to come back with is reference to the 30 feet of flooding on the South Indian Lake. I have at least a baker's dozen of other major substantive points to come back to him on. Perhaps the best way to start is to say to him that he will understand I'm sure why we are skeptical when he talks about their alternative as being 852, he said, but I think he meant 854 foot so-called medium level diversion. The fact of the matter is I wasn't here but my colleague certainly was, the Minister of Mines, and a number of other members, and there was a most peculiar thing introduced in this House a Bill of Statute Law to set down engineering parameters, and I believe that the bill provided for 870 feet, or 869. Now I just point that out that that was obviously the intent at the time otherwise they wouldn't have gone to the trouble of putting into statute law and bringing it to the House in the form of proposed statute law, I mean.

But that is no longer at issue. That is in a sense history now, except that I have to add to this observation. My honourable friend keeps talking now, completely ignoring Bill 15 of 1969 and keeps insisting that 852 or 854, whichever way he wants it, was some kind of viable alternative and just the other day, on the 20th of April to be exact, it was specifically asked of the Chairman of Manitoba Hydro, former Chief Engineer of Manitoba Hydro, former head of Systems Planning for Manitoba Hydro, whether the 850-foot proposal, or 854, was something which had been considered by Manitoba Hydro and he makes it clear. There's no imposition of government in terms of how a chief engineer shall answer, and he indicated that this idea of 854 was interesting but it was one which on consideration they never accepted. Now what's the use of banging our head against a brick wall pretending - and there is no better word to describe it - continuing the pretense that 854 was some kind of prudent alternative. It's on Page 94 of the transcript of the hearing. And, Mr. Chairman, if we keep hearing more persistence on this nonsense I vow I will read every exchange from this transcript onto the record of Hansard, because every one of the points that my honourable friend brings forward he had ample opportunity to question and requestion and requestion again the Chairman of Manitoba Hydro and he did so - he didn't like the answers, so he keeps repeating them in another form.

Of course what I resent most of all is his complete misreading of the Kierans Report. The Kierans Report is a critique which is to be understood as taking place in the context of a proposal, a proposal to the effect that we should move ahead the sequence and timing of construction of major Nelson River plants so as to have for a period of at least a couple of decades into the future, the export of a firm large block of at least 1,000 megawatts to the United States. Well, Mr. Chairman, that proposal was never proceeded with and the Kierans' critique is in that context academic.

As a matter of fact what is implicit in all of the maunderings that are uttered about the development of the Nelson River, what is assumed or silently predicated as the premise of all debate, is that Manitoba Hydro has proceeded with too rapid a pace of development of the power potential. Mr. Chairman, that too was really the nub of the series of questions put to Mr. Bateman back on the 20th of April and the meeting before that. The fact of the matter is that if Manitoba Hydro has to date proceeded with too rapid a pace of development, then Manitoba Hydro Systems Planners and Engineers and the Board of Directors of Manitoba Hydro obviously today would not have to be considering

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(MR. SCHREYER cont'd) the timing of the third major Nelson River plant. But that is precisely what they are doing, Mr. Chairman, because in their considered opinion having postponed the timing of the construction of the Limestone, the third major plant, by a year beyond the initial estimated schedule, they now feel that they have no alternative but to urge and recommend for prudence sake that construction be timed so that the third plant can be made ready for commissioning of the first units by the fall of 1983, the winter of 1983-84. So that one point alone should certainly raise into serious doubt and question the argument that Hydro has proceeded too quickly. Because indeed they are now considering, and indeed they are a little bit concerned to say the least, that we may have perhaps delayed just a bit too long with respect to the timing of the construction of the third plant, construction of which hasn't started yet, so the room for decision-making, the scope for decision-making is certainly there.

I would invite the Member for Riel to, at his heart's content, pose questions to the Chairman of Manitoba Hydro at the next meeting of that committee as to how in the world, how possibly could there be a case made for the commencement of construction of the Limestone plant anytime earlier than four years from now, if it's true that Hydro has over-extended, over-expanded and over-built? I invite him to ask those questions. If he doesn't I will, just so we can have the truth come forward and be examined.

It is difficult to understand the Kierans Report unless you understand that it was a critique in response to a proposition or proposal that we move the schedule forward so as to have a large block of firm power in the order of 1,000 megawatts for continuous export. Well, we never proceeded that route - therefore, the Kierans Report in that context is academic. But let no one be any vestal virgin about this, Mr. Chairman, if my honourable friend the Member for Riel is pretending that they never had it in mind to proceed with the pace of construction which would provide for export, because the Canada-Manitoba-Nelson River Agreement of 1966 actually postulates that there shall be a sequence in timing of construction which shall permit for the export of given blocks of power.

Indeed, I would suggest that the Canada-Manitoba-Nelson River Agreement - which I have never been a critic of, let that be clear, never - it is one of the most prudent courses of action that this province has ever taken. Unfortunately the sequel to the continued living up to that agreement and carrying through with it has been subject to an awful lot of pot-shots, or perhaps I should say snipes, from all manner of sources, but that will not divert us from the essential proposition that it makes sense where there is renewable energy source to proceed to harness it just as quickly as prudence and market possibilities permit. The less we do of that the more we continue our present, I would say, irresponsible over-dependency on fossil fuels. But that is another large question.

I want to point out that the national power policy with respect to the harnessing of any hydro electric site was laid down by the Honourable Mitchell Sharp back more than a decade ago. It has not been refuted. I hope it never is refuted because it is a policy which makes eminent good sense. What are the essential features of that national power policy? I will read the five essential features of it:

"1. National power policy places particular emphasis on the desirability of Canada taking fullest advantage of the evolutionary changes that have taken place in the nature of the power industry, including technological improvements in generating and transmission facilities and the reduced costs of power associated with these."

"2. The provision of abundant supplies of electrical energy to consumers throughout Canada at the lowest possible cost to encourage and exhilarate economic development and growth."

"3. The need for Canada to have a flexible export policy which among other things would permit the export of large blocks of power to the United States for a relatively long period of time to assist in the immediate development of certain large scale Canadian power projects, particularly undeveloped hydro resources which might not be viable in the near future unless provision were made for the marketing of the United States of a significant portion of their output."

That was recognized then. It was confirmed in spirit and in essence in the Canada-Manitoba-Nelson River Agreement, which flows from this statement, and now,

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(MR. SCHREYER cont'd) Mr. Chairman, certain people are pretending that they never heard of the Mitchell Sharp statement on National Power Policy or that they never heard of the Canada-Manitoba-Nelson River Agreement, or that they never heard of Bill 15.

You'll understand, Mr. Chairman, that this is extremely difficult to live with and maintain one's sanity because there has been that constant misrepresenting of the basic essential features of Canadian power policy since this statement was made by Mitchell Sharp some 13 years ago, 12½ years ago. It is also inconsistent with the intent of the Canada-Manitoba-Nelson River Agreement.

I want to say further that Mr. Kierans' report was based on a proposal which at the time it was felt to be important enough to merit full analysis, discussion, and if I can put it that way, devil's advocacy, in terms of the pros and the cons.

After the matter was thoroughly reviewed by the Hydro Task Force and by Systems Planners within Hydro itself - and the Task Force I might add included not only Mr. Kierans but Mr. Bateman and I believe a Mr. Lee Briggs who formerly had been the Chief Engineer and General Manager of Winnipeg City Hydro - their conclusion was that it was not prudent in the circumstances to advance the construction of Nelson River plants in order to go for this large a scale of firm export. So that course of action was never followed. The course of action, not having been followed, the Kierans Report became - what's the legal expression, *functus*? - at least it became null, it became a nullity in that regard. How people can generate all manner of accusations, and so on, three years after the fact and in light of the fact that the proposition was dropped, is of course you will understand a complete puzzlement to me.

But perhaps the most important point of all is to repeat to the Honourable the Member for Riel that if he still harbours the thought that in Manitoba Hydro's considered engineering opinion, Executive Management Committee view, that it was possible (a) to proceed with the Nelson River development by means of an 854-foot level diversion at South Indian Lake, that we have it here in the transcript of the 20th of April - we had it in the record before a number of times - but again repeated it on the record by the Chief Engineer of Hydro that that was not accepted by their considered engineering opinion as being prudent and realistic in the circumstance, that in fact the whole predication upon which the 854-foot idea is put forward, was put forward on a particular type of engineering analysis technique which they consider because of the limitations under which it was done, to be invalid. I can't go beyond that in second-guessing that group.

The second point of (b) I invite the Honourable Member for Riel to again put forward, as I know he likes to do, that one other alternative would have been to harness certain smaller Burntwood River sites and thus avoid construction, or at least postpone many years' construction of Long Spruce and/or Limestone. Well, they have done their computer runs on this and they have not recommended the construction of the smaller Burntwood River sites. They don't dismiss it as being a future possibility. But repeated in the transcript is the clear statement that even with the benefit of hindsight on Monday morning they would not have seen fit to have proceeded as an alternative with the development of the Burntwood River sites as the immediate alternative.

The last point, one that I think is vital in the sense that it really pulls all of these doubts and second-guesses together is that if all of the argumentation is based on the premise that Manitoba Hydro has for a province our size given to the nature of our electric energy market, over-built too soon, too quickly, then it should follow should it not that the last thing that Manitoba Hydro Systems Planners and Directors would have to be doing now is pondering the pros and cons of starting construction of the Limestone third plant. But that is precisely what they are doing, Mr. Chairman.

Speaking politically rather than with the benefit of all facts, I would rather wish that we could postpone the commencement of construction of the Limestone plant for another year or two beyond what seems to be recommended now. But in the final analysis if on the basis of load forecast projections, if on the basis of all of the factors which enter into the analysis and decision-making, the Executive Management Committee of Hydro and their Board of Directors feel that their considered view is that it is prudent to so time things that commencement of construction of the third 1,000 megawatt plant should

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(MR. SCHREYER cont'd) take place as of 1978, then what alternatives do I have, Mr. Chairman? To listen to their considered views backed up by facts, or to listen to the opinion of others, which unfortunately in too many cases is not backed up by facts, but rather by hearsay, supposition, the use of certain analysis techniques that are rejected by Hydro engineers, etc., etc., etc.

MR. CHAIRMAN: The Honourable Leader of the Opposition.

MR. CRAIK: Mr. Chairman, I don't intend to prolong this debate at great length. But I want to answer the First Minister's questions as to why don't we accept the statements made by the General Manager of Manitoba Hydro at the Public Utilities Committee meetings. I want to say that not one person is going to decide what's good and what's bad in Hydro or any other act of government or government's Crown corporations. I prefer to base my positions on what appears to be the best evidence coming from people in the fields, and not one person's interpretation. I don't any more intend to accept his recommendations and let it go at that than anybody else's. You know, if I was standing there myself and had to pass objective judgment on what I had decided to do back three or four years, you can bet that what you hear is not going to be objective judgment, it's going to be subjective opinion.

But I want to answer the First Minister more directly by reading to you the first two or three recommendations that were presented in the Kierans Report. "Recommendations:

1. A thorough reorganization and strengthening of Hydro management. The corporation is obviously weak in financial management, utility economics and marketing."

A pretty strong statement. That's not a biased subject of opinion coming from the Conservative opposition.

"No. 2. A cutback in the existing pace of investment and capital construction. Rising energy exports during the rest of the seventies indicate that capacity exceeds the needs and the rate of growth in Manitoba. The province will pay heavily for the excess investment in hydro facilities by limits to the growth of other sectors."

Exactly what we've been trying to say for the last seven years. Exactly. \$400 million of surplus expenditure.

"3. Instructions to Hydro management to build up its reserves and net worth position to at least 20 percent of assets. This can best be done by proper pricing in the mining, industrial and export areas; building up reserves will take some of the burden of investment off taxpayers and place it on users."

Mr. Chairman, I can't say that we have dwelt on that matter and I can't tell you whether that's good or bad in our opinion.

"4. Cancellation of further discussions with NSP on the acceleration proposal." Well, Mr. Chairman, I'm not saying I agree with that.

So I don't agree. As I said before, we don't agree with everything that Kierans has said in his report. But I'll tell you one thing, that it would have been far better for the Province of Manitoba if you had an agreement with NSP before you started building the facilities at Long Spruce and Limestone because you're not in any bargaining position at all if they see you with surplus power on your doorstep waiting to sell it to only one market. How are you going to bargain for price? Far better to bargain from the position that you accelerate your negotiations with them, establish the price from the point of view of their wanting the power rather than you having the power and having to spill it, which is exactly the position you're in. And that's exactly the position that the Hydro went to the NEB in, to ask for their license to export on the smaller line that they applied for to Minnesota. They were going on the basis of it being a buyer's market. Why not go to them on a seller's market? And I don't know whether that's what he's trying to say in his report or not but I can say that we'd have been far better off in Manitoba if the sale of power to the States had come about from the point of view of them being purchasing it in a seller's market because Manitoba is the seller. And the way we are, at the rate now, we're selling it into a buyer's market because we have the power and we have the construction advanced. And according to the schedule that he's given here, we're not far off that advanced schedule.

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(MR. CRAIK cont'd)

Long Spruce is probably ahead by a good year over where it would have had to have been built. Still, it's over a year. It's a billion-dollar plant, and you have to carry the carrying costs on it for that period of time with a relatively small Hydro system to pick up those interest costs even for one year on an investment of that size. And that's where the problem comes. But I repeat the first recommendation of Kierans, a thorough reorganization of strength in Hydro management, we haven't called that. We've attacked people in Hydro mainly because we felt that they were adhering too much to the government's objectives as a government, we haven't attacked them on the basis of being poor managers.

I am reading here what Kierans was saying. "The corporation is obviously weak in financial management, utility economics and marketing." I'm saying that the First Minister, if he uses as his text or for his claim, that the answers are all achieved by asking one person in one utility committee for an answer, if that's his entire basis for a decision, I'd say that the basis for his decision is not entirely in agreement with what at least one person is saying, Mr. Kierans, who was hired by the government to look at it and told the government that they should be watching what they're using as their source of information.

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MR. CHAIRMAN: The Honourable Member for Fort Rouge.

MR. AXWORTHY: Mr. Chairman, I wanted to raise some questions with the Minister concerning his remarks, because he said some curious things. He attempted to dismiss the Kierans Report simply as an exercise and devil's advocacy, something that was simply brought in to provide a commentary on a specific project, a specific project that's no longer available, therefore we don't have to deal with it any more. But the fact of the matter is, Mr. Chairman, that this particular report raises much larger questions about the whole financial capacity of the government and its management of capital resources than Hydro's management of capital resources - by looking at the real tip of the iceberg we all of a sudden see a much wider base for that iceberg and a need. I think that that is the importance of the Kierans Report, is not in its specific critiques of the proposal for acceleration, but it raises much wider questions about the stewardship of this particular government in its whole capital expenditure program. And I think that is the thing, that as you read Kierans you can almost see his breath being taken away as he writes this, just sort of simply saying, that how can we be getting into a position where we're committing hundreds of millions of dollars on the basis of absolutely no information or knowledge about what the value of that capital will be what the replacement costs of the capital will be and really when there are no priorities for the spending of capital. He says and I quote: "I expected Hydro to prove that it could do more with capital required than any other government agency or department." The conclusion ends up is that they couldn't prove it. He goes on, he says: "In retrospect the Task Force is doomed to failure for three major reasons. Hydro has avoided from the beginning any statement as to the price at which 1000 megawatts would be sold." He then goes on to say: "The government itself does not have a projection of its own capital requirements for ten years". He then goes on to say: "The overall capital requirements of the province that priorities have not been related to the province's borrowing capacity." I think that is the importance of this report, that while its relevance in terms of the specific issue with which it was commissioned three years ago has been dismissed, the lessons of the Kierans Report concerning the management of Hydro and the management of government's capital resources still remain. And the fact of the matter is he is saying that the kind of investment of capital to a small province like Manitoba must make to these particular monuments of grandeur, as he likes to call them, are going to make us capital short, are going to impoverish the province, will mean that we won't have capital available for investment in housing, or roads or services or for other forms of economic development activities, and that therefore you've got to relate the benefits accruing from the investment in this particular energy resource as compared to other investment for capital investment purposes.

The fact of the matter is, Mr. Chairman, one of the concerns that we have is that we are in a game of catch-up all the time, is that Hydro has to keep building more hydro dams and power facilities to generate a cash flow in order to pay for the ones they've built previously. And that is the problem we're getting into now, is that we're simply trying to catch our tail. That is the real problem, that you're always having to get into position where you're reinvesting in order to pay for the last investment. It's a classic loser poker game syndrome, is that once you start losing you gotta keep putting more money out in order to keep covering your losses. Mr. Chairman, the fact of the matter is it can't be taken lightly, because there's been several major jurisdictions, one that's much larger than the Province of Manitoba called New York City that went bankrupt by following exactly these kinds of financial practices, by getting itself caught in exactly the same kind of capital short, cash flow shrinkage problems that Kierans is warning in this report to watch out for. That's the emphasis and underlying reasons behind Kierans Report. And he uses the argument, he says, look at for example in comparison to other hydro facilities across Canada - it was in 1972 and I think it's a question the Premier should answer. He points out that the net worth investment of Hydro is only 5 percent of total investment, or 4.9 percent as it was in 1972. He said that Hydro Quebec has a 24 percent net worth, all other provincial hydro rates are 21.7, and Northern States Power is at 39.9. We're at 4.9. In other words he is saying that it's

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(MR. AXWORTHY cont'd)the taxpayer who must pay the continual rate of return on those investments. And if they're not generating enough revenue out of their own rates, do it. That's the point that he's making. He's saying, look at your rate structures, that you're asking for a 4-mill rate from Northern States Power when in fact we're paying 7 mills in other cases where street lighting is being charged 41 mills. This is all 1972 figures. I don't expect they've changed. He's saying that the financial investment management that both the hydro and the government is engaged in, is really a form of folly, and I take some exception to the Leader of the Opposition's attempt to embrace us with his particular argument.

I wasn't in the province at the time, being in Ottawa, but certainly the position of this party has been right from the beginning, has been this question of the management of Hydro going back to the very start when they were talking about high level flooding. We're saying you don't get into billion dollar projects without being a little more careful about how you get into them and what the end results are going to be. And that that has been the basic message of this party now for nine or ten years, saying, for goodness sake, you don't get into these kind of heavy investments without being able to assess your economic costs, your environmental costs, your management costs and your capital costs, and that all these things should have been reviewed and assessed with a great deal more caution and a great deal more care than they were rather than rushing into them. And when the Premier says, well lookit, his final argument as I gather was to justify the case by saying we're now having to ponder going into the building of the limestone plant. Well I agree with him. But the fact of the matter is, that one of the reasons why they may be forced into it is, I think that Hydro is so up against the wall in terms of getting a cash flow in to pay off its investment that it is forced into that game of having to continually invest more in order to get some money back to pay for its past investments, and because of its borrowing capacity. I think that the argument that we want to raise with the First Minister is the degree to which the heavy involvement in these kinds of capital borrowings have distorted the capital picture of the Province of Manitoba.

I think Mr. Chairman, when you go into the Economic Council report of last year, and the Bank of Canada, they said that the major problem with inflation is not the operating expenditures of government but the capital programs of government. That's where they say the real distortions and the real inflationary pressures have emanated from. And I think our own problems is a case in point. That it is the capital side, not the operating side, which is far more dangerous and damaging to economic stability because you're not getting proper value. And the Bank of Canada report commented on how province after province has engaged in the sort of large scale investment programs for limited returns and getting themselves caught in the problem where they are constantly running capital short, I mean to the point now, Mr. Chairman, I think it's a question that we legitimately should ask the First Minister responsible for Hydro.

I can recall two years ago when Hydro was more than anxious to get people signed up for electrical heat in the residential areas. We were being told that this is the best thing that could happen. It now appears that because of the cost of electrical power, it's no longer economical for Hydro to plug people into residential heat. And all of a sudden a campaign goes out, and I'm not sure how many hookups Manitoba Hydro is encouraging any more for residential purposes, because they realize that every time they hook up a house to electrical heat, they're going to lose money because of the capital costs that are involved. Now that is the kind of problem we got ourselves caught into, that they're very heavy investments for the limited returns, and that that is the issue which we have been raising continually about this, along with the unintended consequences. I mean, the Kierans Report doesn't deal with all the other losses to the province in terms of the timing of the projects involved. We've gone to the Public Utilities Board, questioning the Chairman of Hydro and saying, what has been the cost related to the so-called remedial work, the problems of dealing with rebuilding new communities, the court cost, all the other kinds of holdups that probably could have been avoided if there had been a little bit more consideration in terms of developing this project and looking at the alternatives to it. But that isn't even taken into Hydro costs in many cases but is being borne

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(MR. AXWORTHY cont'd) by the Province of Manitoba or by other people. And the kind of replacement cost that we're losing again in money because of holdups, that people say well gosh, those Indians in the Reserve, what a bunch of people, they're really holding us up. They have every right. And if Manitoba Hydro had been doing the job properly they should have foreseen those kinds of problems in terms of building these projects, that those were expected difficulties they should have foreseen, rather than rushing pell mell ahead and not taking them into consideration. And they can't, because they're just a bunch of soreheads up there. You know, they're dealing with their rights as well. And I think that the government - and there were alternatives --(Interjection)-- well, there goes the Member for Sturgeon Creek again. --(Interjection)-- Well I think that there were alternatives at that point, at that time for example. --(Interjection)-- Well, that's right.

The question is, Mr. Chairman, is that there were a number of alternatives considered at the time being offered which were not examined, the one for example where you would simply use the Nelson itself. And making the Churchill without going into the Diversion Program was one

MR. CHAIRMAN: The Honourable

MR. GREEN: Mr. Speaker, I wonder if the honourable member would permit a question, Sir. The honourable member has said that the Liberal Party position on this issue has been consistent throughout, that they would have spent more time considering. Is the honourable member aware that in 1969 in the election campaign, the Liberal Party took the only firm position on this question of any political party saying: "With Bend in, flooding's out" and announced a program for low level Churchill River Diversion plus the regulation of Lake Winnipeg, both of which programs are proceeding now and the second of which would have involved the Indians in Nelson House.

MR. CHAIRMAN: The Honourable Member for Fort Rouge.

MR. AXWORTHY: Mr. Chairman, as I said, I was not in the province at the time. But looking at the record and the statement made at that time, they have made that commitment, but they also made the commitment that any program would have been done on the basis of considered time period of planning and development of those programs not the immediate inception of them. And that I think has been the consistent position, is that you don't get into projects like that and both parties rushing into them without looking at the consequences. And now we're paying an awful high price for those consequences, and a very heavy price. And this Province of Manitoba is paying that price, Mr. Chairman. And no one takes any glee in the fact that successive parties and governments have been so mesmerized by that kind of search for the big strike and the easy answer that they didn't take the proper caution in looking at what the alternatives were, what the costs of those alternatives would have been, and what the ultimate price would have been in terms of the capital allocations that would have to be made in comparison to different kinds of capital allocations. And that should at least be the lesson that we have learned and should be applying now. And I think that if nothing else, I suppose that we should be able to use that hindsight in terms of looking at the future projects as we get into the nuclear developments and elsewhere.

But I think it goes back to the case that Kierans made in '72 and which is still the case, is that we don't have proper capital planning in this province. We don't know almost from one year to the next as to where our priorities may be. It's what do we have to pay for this year and then let's go out and raise the money for it, without having some sense of real plan of economic development in mind as to where we're going to sink those things or have any real idea as to what the economic benefits on each dollar of capital spent might be. And to lay out the proper balance between energy requirements, service requirements, transportation requirements and industrial development requirements. I don't think we have them. Kierans said in '72 there was no such set of priorities. We have not heard of any being announced since then. There's no blueprint, there's no allocation, there's no plan. The City of Winnipeg, as primitive as it might have been, came forward with a five-year Capital Works Program, and when they went to the Province of Manitoba to say, what are you prepared to fund in as part of that capital works and then the generating, continual growth and development, well the City of Winnipeg they were

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(MR. AXWORTHY cont'd) basically told, we can't tell you what your five-year commitments can be because we don't know what our five-year commitments are going to be.

So here in a sense was one jurisdiction trying to get some sense of its own capital requirements in order and the senior level of government not being able to really respond to it because they didn't know what their's were going to be. I think that that is the much larger issue that this Hydro thing raises, that we follow peculiar kinds of directives. I think we'll be looking at the same thing when we get to Manitoba Telephone System without really recognizing what the priorities will be. And Mr. Chairman, I think that is the import and the argument of Kierans, that aside from the specific issue with which he was supposed to deal, he raises a number of much larger issues which I think it is incumbent upon us to raise with the First Minister, about the capital program of the government, and its priorities that it raises and really ask for answers. Because I think that that is probably as much on the minds of people in Manitoba as anything else, and rather than having to be faced with sudden announcements that your rates are going up 20 percent each year, if they know what to expect, and are able to say, slow down here, or put money in there and get some debate going on, then that makes an awful lot more sense than the way we proceed right now.

MR. CHAIRMAN: The Honourable First Minister.

MR. SCHREYER: Mr. Chairman, it's a peculiar thing and amusing as well, to have the Honourable the Member for Fort Rouge, who doesn't know what the context was in which the Task Force was established in the first place, which Mr. Kierans was asked to serve on the Task Force. He doesn't know about the discussion that took place at the time when the Task Force reported in the debriefing of Mr. Kierens with respect to his addendum to the Task Force report. He reads it now three years after the fact, and I rather suspect he hasn't even spoken to Mr. Kierans in this context and he is proceeding to pontificate as to what lessons we should glean from Mr. Kierans' analysis. Mr. Kierans never posed as an expert on utility operations, and his comments are for the most part relating to the basic proposition as to whether or not there should be an advancing of the schedule of construction so as to have a large block firm power for export. And indeed, if the Task Force had come forward with a positive recommendation, it would have posed a dilemma for us as to whether or not this was consistent with our perception as to whether it would be in the public interests or not; but if they had, the fact is it would have been consistent with the National Liberal Government's National Export Power Policy, National Power Policy.

And indeed, if the Honourable Member for Fort Rouge wants to do some extra curricular reading, I would give him a photostatic copy of the Honourable Mitchell Sharp's statement, which if anything encourages the advancing forward in time of power development, even if this means major firm large blocks of export, and it's right in his statement, it's explicit, it's not just implicit. He talks as though he doesn't know that that's the National Power Policy, or if it is, he wishes it wasn't. I would suggest that he address himself to his Liberal colleagues in Ottawa, and he has the ear of the Honourable James Richardson, I would invite him to make his communication through him that he is diametrically opposed to National Liberal Power Policy. I mean, I don't know what else would be logical to do. But there is no point berating us as to whether or not National Power Policy does make sense, whether it is in the public interest to proceed sooner rather than later, to harness renewable Hydro-Electric sites, and because it is done earlier rather than later, there will be that much more quantum of energy for export. If you accept the first premise, everything else flows consistently. We did not over-commit, Mr. Chairman, I repeat that, because we did not proceed with the sale of a 1,000 megawatts of the capacity on a long term basis to the United States. The Honourable the Member for Riel is suggesting that maybe we should, and that is a moot point. I would as well indicate to him, however, that he is I think giving bad advice when he suggests that we should know now precisely what price we want to charge and to proceed then to make a large multi hundred million dollar commitment to build a plant, to export on a large block basis at a given price, that has no provision in it I suppose for future

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(MR. SCHREYER cont'd)change. --(Interjection)-- Well, but you didn't say that it should be indexed.

If the advice is that the pricing should be really pursuant to a formula that has inherent in it the means by which it can change with changing times, and inflation and value of the dollar in costs, then I would be in agreement with him. But we have a very dramatic example in Canada, where a province went ahead concurring with a private utility, Brinco, to sell power to another province; they thought they really had all the facts and they were going to set a price that they knew was inherent value, and so they signed an agreement that runs to the year 2037 for the sale of power to the Province of Quebec at 3 ½ mills. Today Quebec is insisting on its rights to have that contract continued, and it is taking that power at 3 ½ mills, wheeling it through the province on their transmission network and reselling it to New York State in the order of 30 mills, and there is no provision in there for escalation to the vendor. In the case of Manitoba Hydro, they do not pretend, probably because they do not have the great expertise and intelligence that is enjoyed by the Member for Fort Rouge; they do not pretend that they have complete foresight and perception as to what should be the price today with respect to power sold in 1980 or 1984, or '86 or whatever. But all of the negotiations have been predicated on prevailing rates in power pools and on indexing the price as well to coal, and as the price of various forms of energy change, the price is indexed and changes with it, that is a prudent common sense approach which I would be surprised if anyone would want to gain-say.

The Honourable Member for Fort Rouge makes some reference, the exact details of which are not clear to me, that we are selling some power for 4 mills and some for 9, and no one seems to know what it's all about. I would say to him, that indeed it has always been, as far as I know, and it always will be, that different kinds of energy sell for different prices at different circumstances. It is no secret that at the same time as Manitoba Hydro was charging domestic rates such as they were over the past decade and more, that certain blocks of power were being sold of an interruptable nature or kind, to the Province of Saskatchewan's Power Corporation for as low as 2 and 2 ½ mills, at the same time as Manitoba Hydro was charging 3 and 4 times as much for power to some of our own local industry, and even more than that to domestic residential and commercial customers. There is nothing outrageous about that because that is the nature of utility pricing. I would say to him that there is indeed a basis for a difference in pricing as between interruptable power, firm power and distressed power, the latter is the kind which captures always the higher price, and it is on a reciprocal basis among utilities whenever they are in conditions of emergency of the moment.

I am not in a position, Mr. Chairman, to explain the glossary of terms to the Honourable the Member for Fort Rouge. I invite him however to ask to his heart's content some of the basis concepts in glossary of terms with respect to utility operations at the meeting of the Utilities Committee. Why he assumes that it is attainable for a utility to have a uniform price for energy, is beyond me. It's never worked that way and I don't know that why he assumes it can in the future. There is a reducing of the great number of different rates that have been charged, if anything, the number of different rates charged within Manitoba has been significantly reduced by consolidation. But I am not so bold as to suggest that some day we can arrive at a postage stamp type of rate, a uniform rate for all forms of energy. I suppose in a casual academic way I could hope it would be so, but I don't believe that it will be found to be feasible in the near future.

He also makes some kind of point to the effect that Manitoba Hydro has a debt to equity ratio of 1.05, I believe he said. I want to tell him that that has not changed, in the case of Manitoba Hydro, since the Act establishing Manitoba Hydro went into effect; indeed, even prior to that, in the days of the Manitoba Power Commission, or rather the Manitoba Hydro-Electric Board, predating the present Act, back to the late 40s and early 50s, the debt to equity ratio has been constant. If we hold to the assumption, as we have in this province for 25 years, that there shall not be any transfer of funds from the utility to general revenues, and if we accept the premise as has been the case of power at cost, then there is no point in changing the debt to equity ratio. If we do that, then

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(MR. SCHREYER cont'd)of course that is an impingement on the concept of power at basic cost. There is no magic about changing the debt to equity ratio, that can be done, but I don't know why it is that issue today, given that it has been in that ratio for about a quarter of a century, perhaps slightly more.

The other points he makes, I will repeat once again, he has opportunity at the Utility Committee to pose his questions and even his assumptions, silly as some of them are, including particularly his allegation that Hydro is over-built. If Hydro is over-built then the last thing we need is the commencement of construction of the limestone plant. I would invite my honourable friend to probe away at the Utility Committee hearing as to why we need the commencement of construction of limestone. If he is not satisfied with the answers, I would like to hear what his alternatives are. Unless his alternatives of course are a course of action which will result in our becoming sooner than is necessary dependent on forms other than Hydro electric energy.

The Honourable Member for Fort Rouge accuses Manitoba Hydro of advertising and promoting electrical heating. I think it is fair to say that Manitoba Hydro has been under advice to desist from the kind of major advertising and promotion campaign on the scale that it used to engage in years back; and as far as I know, unless that has been changed without my being made aware of it, Manitoba Hydro has not recommenced any advertising program on the scale of the early 70s or the 1960s, and that is concurred in, at least there is some integrity which I thank the honourable member for. Manitoba Hydro did not seek out heating customers for electrical heating mode. One of the reasons why there was admittedly a rather significant if not sharp increase in the number of homes hooking into the electric heating system, is because some of the builders in 1975 were under advice from Greater Winnipeg Gas that they could not get assurance as to the availability of natural gas supplies for incremental new housing home heating, and as a consequence some builders on their own initiative, instead of waiting, which I don't blame them for, proceeded to order electric heating appliances and equipment and installed it.

Now we could get into a very very prolonged debate, one which personally I would love very much except I think it is perhaps not germane to the immediate matter under discussion, and that is how much longer does mankind continue to take the wrong policy direction with respect to the kinds of energy sources that it uses most, maximizes the use of most, and what kinds does it continue to hold back on the fullest development of - and up until now, for some reasons that frankly are not clear to me, we have succeeded in building each year a greater and greater dependency on a form of energy which is by every definition finite and non-renewable, and that is the form which we have succeeded in creating the greatest dependency on. Some day will come a day of reckoning, and perhaps "day" is an over dramatization, but in some period of time, in some decade, will come a day of reckoning, at which time the pace of substitution and conversion away from the depleting form will have to be so rapid that it will have a disruptive effect on our industrial system and our way of life. And instead of trying to muster in Canada a greater public awareness of this lurking and not so hidden danger, we have instead certain people who are giving advice which amounts to nothing more than continuation of the present indolent, nonchalance dependency on a finite fast depleting and non-renewable form of energy. There is no way that our country and the next generation who follow us, the immediate next generation who follow us, can be anything but the worse off because of our present pattern of continuing to blindly believe in some miracle; that at some future date, as if by magic, we will have the answers on a scale that is so huge that it boggles the mind; that namely, that from an energy utilization system which amounts to 2 million barrels a day in Canada alone, we will be able to make a smooth and quick and painless transition to something else; and that something else nobody can agree on, nobody is even sure what it is, but whatever it is, we will make the transition painlessly.

I will make sure, Mr. Chairman, that I do not bore this Legislature with much more speculation in that regard, except that I think it is no insult to the Member from Fort Rouge if I say to him that he can characterize all he wishes those who speak about this future problem facing us as being Old Testament prophets of doom, but unless we

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(MR. SCHREYER cont'd) have some concern about the future and ways in which we can, even at some sacrifice to ourselves, provide for substitution so that we use wherever feasible, renewable rather than non-renewable energy, I would sooner be guilty of being called an Old Testament prophet than to be one who is a living, walking example of the saying "that ignorance is bliss" for those who would like to postpone any thought about some of these very major problems. And that is the reason why, at the risk of sounding like a partisan Federal Liberal, I say that this statement of Mitchell Sharp's is one of the few statements of National Policy that is so meritorious that it deserves literally universal Canadian support. But instead of being supported by those whom you would think should support it, it is being nit-picked at because they are off on some kick as to whether or not we should postpone or avoid harnessing 25,000 cubic feet per second of renewable energy because it intrudes on 1,400 or 1,800 acres in a river course of hundreds of miles, it intrudes to the extent of 1,400 or 1,800 acres of uninhabited northern land if we take his advice literally then we would have to either not do it, hold back, or negotiate till we get unanimous consent. Mr. Chairman, the floodway was not built on the basis of unanimous consent; the St. Lawrence Seaway was not built on the basis of unanimous consent. There is a under British Parliamentary law and government a way for settling these matters, and that is to have demonstrable damage adjudicated and awarded by the courts. I don't know any other alternative, and those who suggest that there is are doing grave mischief.

MR. CHAIRMAN: The Honourable Member for River Heights.

MR. SPIVAK: Mr. Speaker, we listened to the First Minister who is an experienced First Minister, and I listened intently to his speech and to the last few remarks and I recall his first speech I believe when he dealt with the issue in this House, when he dealt with the issue of Hydro, and the issue of Southern Indian Lake, and the flooding of Southern Indian Lake, and I have no intention of going back into that first debate, nor the first presentation, nor have I any intention of trying to indicate to him what I consider to be a significant change in attitude as a result of his experience in government. Now he may not want to acknowledge that and he may not want to admit that, but I suggest to him that it's there. Having said that. . .--(Interjection)-- Well I say to you that I think that the overall concern. . . first of all the experience of the last few years, the debate on the national scene with respect to the problems of supply of energy and sources, the concern for the ecology, the concern for people, has been tempered I think to a certain extent by the realities of the need to commit where required where government resources and the resources of people to be able to provide what are the requirements that can be perceived at this particular time. Having said that, I suggest to him that there is in fact a significant difference in attitude, which I think is pretty important, and I don't say that in a derogatory manner, nor do I say that in a debating manner, I simply say it as an impression, which may not be correct and the Honourable Minister of Mines and Natural Resources can shake his head and say that it's not correct, but I suggest to the First Minister that it appears to be correct from my point of view.

Having said that I'd like to get back to the debate, and I would now like to suggest that there is one element in this debate that we have not discussed, and one which I think is very important in understanding what has happened over the last few years. What's happened in the past to a large extent has happened and the events have already taken place, and the debate has already taken place, and to a certain extent there is really no purpose to be served by discussing again things that have already occurred. But I think that it's important if we're going to discuss it, to understand the perspective in which the government acted, and to recognize that the government properly, but it may not want to acknowledge it, but properly used Hydro as it used the Manitoba Housing Renewal Corporation as effective economic tools at a period of time where it was necessary for the economy itself to be primed, where it was necessary for certain things to happen to be able to meet the requirements of job formation and continuation of jobs and continuation of economic activity.

Mr. Chairman, we can talk all we want about what the effects are today of what has taken place, and we can talk about the independence of the Board of Hydro and the realities that the decisions were made by them, or the suggestion that the decisions

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(MR. SPIVAK cont'd) were made, but I think it would be utterly foolish to suggest that they were not agreed to by the government without a perspective of the total economic problems facing the government of the day and the problems that we would face in future planning. And to a large extent the argument about future planning, I think, has to be adjusted to suggest that the arguments that have to be advanced was that the planning was short-term rather than long-term and was to meet the short-term needs. Now there may be a reluctance on the part of the government to acknowledge that, but I don't think there is any question that events have proved that this is the case, and it is very obvious that what had taken place was the need to do certain things because of the state of the economy of Canada and the state of the economy of Manitoba. I want to suggest to the First Minister, so that there will be no question - I recognize that that was a decision that had to be made because things had to happen, and because in effect there had to be an effective total government involvement in the economy to find the economic pump and to continue to do the things that were necessary so that in fact there would be a maintenance of a reasonable economic level in this province.

I'm not quarrelling at this point with the fact that Hydro was used as one of the economic tools, as the Manitoba Housing and Renewal Corporation was. There is no question about that. What I'm quarrelling about at this point in the discussion is that we have to be realistic, objective about what really happened in the past and understand what has brought us to this point, and that there are adjustments that may have to be made in the light of the economy of the province and the needs of the people; and our ability to be able to sell whatever surplus power we have at whatever price we can achieve, and the ability of Manitoba to be able to go to the capital market and find the money for whatever is required. Because one of the other considerations was, that in balancing the needs that were required, the needs of Hydro, the needs of the political solution with respect to the issue of Southern Indian Lake and the Churchill River Diversion, the ability to be able to find sufficient moneys in the capital requirements of Hydro; and the need to use Hydro or recognize that Hydro is one of the fiscal tools that has to be used by government; that all of these things have to be balanced. And that there may very well have been unintended results with respect to either over-building or an acceleration that may have accomplished one result, but at the same time may, because of that result have provided something else, in which case that would have to be balanced out and it's a question of simply adjusting it. And what every government does in every situation, is to try and hold the ball of wax in their hand, and try and hold it firm, and if something comes out one side it pushes it in hoping that if it comes out the other side it will be able to adjust that as well, whatever the circumstances would be, and whatever the issue would be.

Having said that, I come back to something which is fairly basic to the introduction of the proposal that I made with respect to Manitoba Hydro and the necessity to have the rates reviewed and approved by the Public Utilities Board. Because I think that the basic argument for that still exists, and I think that if we debate this, and the honourable members opposite may not want to agree to it, but I think as we debate this, I would suggest that if ever there was a realization that the form that we have in this Legislature is not appropriate for . . .

MR. SCHREYER: On a point of order, Mr. Chairman.

MR. CHAIRMAN: The Honourable First Minister, on a point of order.

MR. SCHREYER: Yes, Mr. Chairman, I don't want to make too much of a point of it, but I believe that House rules are such that if there is a measure that is on the Order Paper that deals with the same subject matter, that debate outside of that is considered to be out of order. In any case, not to avoid dealing with the substance, the Honourable Member for River Heights is the sponsor of this other measure, this bill, and I believe that events will have debate on it and he will have the opportunity to close debate. So that we can properly deal with it now, and at the moment I am not positive, but I believe it is not in order to duplicate the debate.

MR. CHAIRMAN: Well taken, and it should be against the rules. The Honourable Member for River Heights.

MR. SPIVAK: Mr. Chairman, on a point of order, one of the remarks that I

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(MR. SPIVAK cont'd) made during the presentation of the private act was the fact that I thought it was appropriate that the question of Capital Supply be discussed in the Legislature, and the fact that the question of the rate be a matter subject to the review of the Public Utility Board. We are now in Capital Supply and Manitoba Hydro, and while in effect there may very well be an Act before the Legislature, I would like to be able to logically present in Capital Supply my reasons for believing that that is an appropriate matter to be discussed in the Legislature, because of the necessity of legislative approval and the fact that the rate is something that more appropriately should be discussed not in the Legislature but before the Public Utility Board. And it would seem to me, Mr. Chairman, that it would be rather appropriate at this time to be allowed on Capital Supply to be able to make these points. I recognize, and I would hope that the opportunity would occur for me to close the debate because that would mean that we're at least going to vote on that particular private bill, and if that's the case I welcome the acknowledgment by the Premier that will take place. And I look forward to the government supporting me, and I look forward to the government standing up and in effect supporting the position they adopted in opposition as the New Democratic Party. I think that would be very important and very helpful. But I want to again suggest that, again with reference to debate, we are in a very complex situation with respect to Hydro. And the appearance by the Chairman of Manitoba Hydro before the Committee, and the suggestion that somehow or other we can get answers in itself, I don't believe he is a sufficient protection for the public. I believe that I have indicated that there were reasons why the government had to adopt certain positions with respect to Hydro, and not quarrelling with the exercise of that authority that they had, I'm suggesting that their judgments may or may not have been correct, and we've argued that before. But having said that, the public in Manitoba are going to have to pay for what has happened, and I think it is important that if that's to take place in the years to come, that it not be something to be adjusted by the Board with the approval of government, the Board of Hydro, but rather it's something that should be determined by the Public Utility Board, who in effect would present . . .

MR. CHAIRMAN: Order please. Now, is the honourable member still on the point of order?

MR. SPIVAK: No, I'm sorry, Mr. Chairman, I thought . . .

MR. CHAIRMAN: I'm going to have to stop you, because Rule 31: No member shall revive a debate already concluded during a session, or anticipate a matter appointed for consideration of which notice has been given. The bill standing in your name, presented to this House, is exactly the subject matter the honourable member wishes to debate, and that is out of order.

MR. SPIVAK: Mr. Chairman, before you make that final determination, may I suggest to you that in this House . . .

MR. CHAIRMAN: I'm not making that determination, I'm telling you what the rules are, and that's what they will be. If you don't wish to abide by them, you can challenge my ruling.

MR. SPIVAK: Mr. Chairman, can I suggest that past precedence in this House is also a very important consideration in determining the rules. --(Interjection)-- Well, Mr. Chairman, I hope that I will have this opportunity. I don't think there has been a bill that has been presented in this House that has not at one time or another been debated in the Estimates of a department, while the bill has been before the House. From my limited knowledge of the last 11 years, Mr. Chairman, that has taken place, and to suggest that a private bill or a sponsor of a private bill should be put in any different position than the government who brought in the bill, so that in effect there cannot be a discussion when the matter of the Estimates of a department come up in which the same . . . I think it's rather ludicrous and I would suggest that if you recall over the years, you'll find that while that rule may read as you have suggested, the precedents of this House have in fact allowed the kind of debate that I propose to continue on here if I'm allowed. And I think that if, Mr. Chairman . . .

MR. CHAIRMAN: Order please. I do not intend to debate the matter with the member. I suggested that that is the rules of the House, you have an opportunity to

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(MR. CHAIRMAN cont'd)debate it; the issue will come up again, you will have the opportunity to close the debate. Now if you don't wish to abide by the ruling that I'm making, you have the right to challenge my ruling.

MR. CHAIRMAN: The Honourable Minister of Finance.

MR. SCHREYER: If I may, Mr. Chairman, I having raised the point of order feel in retrospect that I perhaps did not contribute to the smooth functioning of the Assembly, and I rather regret I even raised it. Nevertheless, Mr. Chairman, even if one takes a relatively non-technical view of the operations of this Assembly, and that is certainly mine, it's non-technical, it's based on the premise that members some time or another obviously must have the opportunity to debate whatever they wish to debate. But if you follow that literally, then there is no point in having rules of relevance whatsoever, so that ends up in a conundrum in logic as well. So my final point on this point of order, Mr. Chairman, is to simply reinforce the position as the rules exist, the honourable member will have opportunity to make every point he wishes at the time of closing of debate, prior to the vote, so that he is insisting really on being able to make his points twice, and that is what this Assembly has rules for to avoid.

MR. CHAIRMAN: The Honourable Member for River Heights.

MR. SPIVAK: Mr. Chairman, really I guess on a point of order, I would like to understand your ruling so that we would understand the precedent that is being set here.

MR. CHAIRMAN: There is no precedent being set, these are the rules of the House; if you want them changed, we have a Rules Committee, there is the place to change them.

MR. SPIVAK: Mr. Chairman. . .

MR. CHAIRMAN: Order please. I am just interpreting the rules the way they are. I have suggested a method to the member, that if he doesn't agree with my ruling he has all the right in the world to challenge my ruling. But I am here as the custodian of your rules, and if you don't like them you can change them. Right now I'm interpreting the rules and I will also quote for the member, 31 - the member is going to put himself in a very difficult position - that no member shall revive a debate already concluded, and if he's going to debate it now, he's going to preclude himself from debating the issue when his bill comes up. The Honourable Member for River Heights. The Honourable House Leader.

MR. GREEN: Mr. Chairman, I wonder if the honourable member could expedite the matter by not dealing with the specific bill that is before the House but dealing with the Capital Supply and how it affects rates - I think he has the ingenuity to do it, and it has been done - so as to deal with the estimate, but not deal with the question of rates going to the Utility Board and whether that should or should not happen, because he has a bill before the House dealing with that question. It would seem to be that the honourable member should be able to do that. I was going to ask the honourable member a question, but if he still wants to pursue the point of order or to deal with that, I have no power to stop him from doing so, except I think he could make his debate within the Chairman's ruling if he chose to do so.

MR. CHAIRMAN: The Honourable Member for River Heights.

MR. SPIVAK: Mr. Chairman, if I understand correctly, my reference to the bill is one thing; my reference to the question of rates to the Utility Board has nothing to do with it. So, in effect, I still have a right to discuss that, but not the bill. That's really all the Minister of Mines and Natural Resources was saying although he didn't say that in those exact words. --(Interjection)-- Well I think it is important that I try. . .

MR. GREEN: . . .the honourable member a question on his remarks.

MR. CHAIRMAN: The House Leader.

MR. GREEN: He has indicated that he believes that the rate at which we have been proceeding and the capital that has been invested has really been partly an instrument of fiscal and economic policy on the part of the government. At least that's what I gather. He doesn't really argue with that but he says that there has been a decision reached by the government with regard to fiscal and economic policy in maintaining

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(MR. GREEN cont'd) economic activity and that the hydro development has been part of that fiscal and economic policy. Now I would like to ask him where - and I am not saying that perhaps the two do not coincide from time to time. I believe it to be by chance rather than by design in the particular case. Could the honourable member tell me when there was a fiscal and economic policy which was communicated to Hydro which caused them to move in the direction that they are moving?

MR. SPIVAK: Mr. Chairman, what I indicated was that the Hydro Board had to make its decision of what its requirements were and those requirements were then presented to the government. The decisions by the government at that time with respect to the ability to provide the Capital Supply was based on all the requirements of capital plus the recognition of the impact of what Hydro would be doing in the economy because Hydro as well as the Manitoba Housing and Renewal Corporation were part of the fiscal tools available to meet the economic requirements.

MR. GREEN: So then, Mr. Chairman, and I'd like to get this clear. You're not suggesting that there was a fiscal and economic strategy then communicated to Hydro who designed their programs in accordance therewith. There was a Hydro program communicated to the government which we accepted in concurrence with the fiscal and economic program, the second of the two.

A MEMBER: Big difference.

MR. SPIVAK: There is a difference in the question of degree in this sense. Now let me just explain that. It's important because we're not on this side as far as I know, privy to the discussions and haven't been privy of the discussions of what has taken place with the Board or with its Chairman. But it would appear to me that Hydro's requirements have been projected on short term and long term needs and they've been adjusted according to the circumstances and according to the capital market and according to the nature of the construction and the timing of the construction and estimated costs. These are all factors. But in those determinations as to the decision, the government has had to look at this from the overall view of the economy. I'm saying that that is also a very important factor in determining where we are today and what had to happen. It may very well have been that in spite of all Hydro's requirements - and I'm not suggesting that this would have been the case but it could have been - that if the economy of the country had been such that there had been a need for the withdrawal of government capital programs, then the government would have taken the position that we had to withdraw because of the nature of inflation. This is of course something that has been suggested with respect to the Capital Supply programs in the Budget of the present government.

I then come back to the very basic point that I do not believe that this Chamber or the committee is the appropriate place to deal with the rates of Hydro. I believe that there has to be a more effective way of dealing with it to protect the public's interest and so that in effect the costs that will have to be borne by the public will be determined and will be apportioned in such a way that they will be known not by Hydro's declaration of what the cost will be but by the independent kind of review that would take place so that review will take into consideration all the economic factors. If it is the determination of a board such as the Public Utility Board who, in fact, would suggest that rates would have to be this amount this year, and this amount next year, for these and these reasons, then the public would have to recognize that that would have to be an obligation to pay. It would not be for the politicians to argue back and forth as to the reasons why this has to be done nor would there be any ability, Mr. Chairman - and this is important - any ability on the part of the government to make a decision to postpone the increase of a rate or for any political reasons to become involved in that aspect.

We've gone through several years of this debate. It hasn't proved fruitful. There are charges and counter-charges --(Interjection)-- It hasn't proved fruitful in this sense. The charges and counter-charges have not been finally or appropriately determined. The public are confused. The knowledge of what really has happened is not really available in its completed form. Mr. Kierans' report is only one aspect of this.

My belief, if I can just conclude this one remark and then the Honourable

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(MR. SPIVAK cont'd) Minister can answer the question. My belief is that the kind of review that the Public Utility Board undertook the last time when they had to deal with rates is the kind of questioning and examination and cross-examination that should take place appropriately before the Utility Board and thus it would give the public the opportunity to at least have the information on the record in a more detailed way and the judgments of the Public Utility Board could be and should be the basis upon which the rate increases should take place.

MR. GREEN: Mr. Chairman, again I would ask the honourable member a question. In doing so I want to shortly preface the statement by saying that I am not going to take the position that enquiries are never necessary and never of value. But would the honourable member be of the opinion that the public enquiry with regard to Churchill Forest Industries Complex which spent several million dollars, I believe, altogether, and cross-examined and examined witnesses and rendered a decision, has settled the matter insofar as charges and counter-charges are concerned?

MR. SPIVAK: The question asked of me by the Minister of Mines and Natural Resources is very revealing. You know I have not suggested in this discussion a public enquiry such as the Churchill Forest enquiry. What I have discussed is the regulation of a systematic enquiry which means an enquiry on an annual basis or what-have-you when hydro has to apply for its rates. When the expertise will be built up with respect to the hydro operation and when there'd be approval. I do not believe that that is the same as the CFI Inquiry or as a judicial investigation.

There have been claims and there have been requests for that. But I am now talking with respect to the rates that have to be charged. I do not believe those rates should be left in the hands of the government or the board. I believe that there has to be a check and balance and I believe that the best check and balance would appropriately be the Public Utility Board. I do not believe that this Chamber is appropriate for that discussion nor is a Legislative Committee.

The Premier says the Chairman of Hydro will give answers and he will give answers. But those answers will be given on one day and the systematic enquiry that should be made in terms of - and I'm now talking about cost, not in terms of broad policy matters or some things that are more appropriately now I believe, undertaken by the other body. But I suggest that the capital requirements - and that's what we're dealing with here - obviously, of necessity, must be approved here. I think it would be of great merit in the debate to have available to us an understanding of the requirements of Hydro checked by the Utility Board who would give us the projections of what income will be required and what costs will have to be borne by the taxpayers or those who are users of hydro and at the same time will give us the ability to analyze the particular capital requirements in the light of the economic conditions and the future prospects of Hydro and their broad determination of policy matters. While there may not be an agreement on the part of the government for this position I would suggest to you that the time will come when this will actually take place in Manitoba.

MR. CHAIRMAN (Mr. Walding): The Honourable Minister of Finance.

MR. SCHREYER: Mr. Chairman, the remarks of the Honourable the Member for River Heights have been put forward in a serious vein, and I only wish that I could find myself in agreement with his arguments and his assumptions.

Certainly it seems reasonable the way he puts it, that the government which has the responsibility for the supply, including the Capital Supply of any of the operating agencies of the Crown, would want to so order things as to have it compatible with its overall strategy for maintaining economic equilibrium, and as near as possible full employment and the like.

Yet I have to say to him that while, with respect to housing, the government strategy was to try and so order things that we were meeting a demand for housing in a way that would optimally correspond to the ups and downs of the construction sector, manpower availability and the like, nevertheless insofar as Manitoba Hydro is concerned, because of the scale of capital investment involved, the fact that this has to be finally tuned to growth load, to market demand, the possibility of extra provincial sales, I say

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(MR. SCHREYER cont'd) very bluntly to the Honourable Member for River Heights that at no time, either verbally or by memo or by letter, at no time did the government lay out a strategy of timing and sequence for Manitoba Hydro to follow in order to meet our overall design of construction and manpower employment and the like.

However, in those cases where Manitoba Hydro came to a decision as to what course of construction, what sequence of construction, what timing was prudent in order to meet load demand and the like, then of course once a decision was taken to proceed with construction, we did attempt to utilize that fact to try and work into it northern employment, manpower training and the like. There's an awful big difference as to what was the primary intent and what was the optimized incidental effect. I don't know any other way to put it.

Now, insofar as the question of rate establishment is concerned, Mr. Chairman, frankly I don't know how my honourable friend can work up such a great enthusiasm for an idea, although it's always nice to see an individual become enthusiastic about a concept or an idea, providing he can justify it, that is. In the case of rate establishment, I want to say in the 60 seconds or so remaining, that if Manitoba Hydro's rate structure were in error, if a mistake was made in one year with respect to rate adjustment, the worst that could happen would be that the contingency and stabilization reserve would be that much higher or lower. There is no diversion of funds into general revenues, which would be kind of analagous to the payment out of dividends from the utility's operation.

The worst that can happen is that the rate, the stabilization fund and the contingency fund would be too high or too low in relation to our standards of prudent level of reserves. But when that happens my honourable friend will have a point. But until it happens it is academic. Let me tell him what happened in another province in Canada, it's not even necessary to name the jurisdiction. They had a process whereby the hydro utility had to go to a Utilities Commission analagous to a board. There was complaint, then they set up a ministry who - yes, the Minister had authority with respect to determination of rates. There was even more criticism. So then they referred it to a Standing Committee shared by a member of the opposition. After great deliberation, triple consideration, they ended up recommending that the rate instead of being increased 26 percent should be increased 24 percent. And all that happened, Mr. Chairman, is that there was two percent less going into stabilization and contingency reserve. What's the point of it all? All I know is this, that if there is non-diversion of funds to general revenue there can be nothing happening that is seriously injurious to the public interest, because if they estimate wrongly then the next year the reserve being that much higher will enable that much less of an adjustment the next time an adjustment is necessary.

I would like to say much more about this, but I will confine my remarks to the debate on the bill itself.

MR. CHAIRMAN: Order please. The hour of adjournment having arrived, committee rise, call in the Speaker.

Mr. Speaker, your Committee of Supply has considered certain resolutions, requests me to report progress, and begs leave to sit again.

IN SESSION

MR. SPEAKER: The Honourable Member for St. Vital.

MR. D. JAMES WALDING (St. Vital): Mr. Speaker, I beg to move, seconded by the Honourable Member for Flin Flon, that the report of the committee be received.

MOTION presented and carried.

MR. SPEAKER: The Honourable Member for Flin Flon.

MR. THOMAS BARROW (Flin Flon): Mr. Speaker, with leave I'd like to make two replacements on the Economic Development Committee; The Member for Gimli replace the Member for Flin Flon. The Member for Emerson to replace the Member for Brandon. Thank you.

MR. SPEAKER: The hour of adjournment having arrived, the House is adjourned and will stand adjourned until 2:30 tomorrow afternoon (Thursday).