

**LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE
ON ECONOMIC DEVELOPMENT**

Tuesday, 19 August, 1986

TIME — 10:00 a.m.

LOCATION — Winnipeg, Manitoba

CHAIRMAN — Mr. C. Santos (Burrows)

ATTENDANCE — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Harapiak (The Pas) and Harapiak (Swan River), Hon. Ms. Hemphill, Hon. Mr. Storie

Messrs. Connery, Dolin, Downey, Ducharme, Maloway, Pankratz and Santos

APPEARING: Isaac Silver, Office of Legislative Counsel

MATTERS UNDER DISCUSSION:

Bill No. 5 — An Act to amend The Trade Practices Inquiry Act; Loi modifiant la Loi sur les enquêtes relatives aux pratiques de commerce. (Hon. Mr. Mackling)

Bill No. 38 — An Act to amend The Securities Act; Loi modifiant la Loi sur les valeurs mobilières. (Hon. Mr. Mackling)

Bill No. 39 — An Act to amend The Manitoba Energy Authority Act; Loi modifiant la Loi sur la Régie de l'énergie du Manitoba. (Hon. Mr. Schroeder)

Bill No. 40 — An Act to amend The Corporations Act; Loi modifiant la Loi sur les corporations. (Hon. Mr. Mackling)

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MR. CHAIRMAN: The Standing Committee on Economic Development is called to order. We are now to consider Bills Nos. 5, 38, 39 and 40. By leave, can we start with Bill No. 39? (Agreed)

Are there any persons who are present wishing to be heard before this committee? Hearing none, we'll start with Bill No. 39.

**BILL NO. 39 - THE MANITOBA
ENERGY AUTHORITY ACT**

MR. CHAIRMAN: Shall we proceed page-by-page or clause-by-clause? Page-by-page.

Page 1—pass; Page 2 - the Member for Portage.

MR. E. CONNERY: We're talking about, in (c): "to promote the establishment, development and operation within the province of . . . undertakings that are, by their nature, energy-dependent." Like it all goes through

to the other sections where - is this an opportunity now to have the government go into businesses that are energy-dependent or high-energy use? Is this the major intent of the bill?

MR. CHAIRMAN: The Minister of Energy and Mines.

HON. V. SCHROEDER: Mr. Chairman, ever since its inception, the Manitoba Energy Authority has been involved in attracting energy-intensive industry to the province. What we're trying to do is make it very clear that we do have that authority, that there will be no questions as to the authority of the Authority, which had been established back in 1980, and its board of directors was first set up in March of 1981.

Then in September of 1981, just to demonstrate the importance to the government of the proposition that it should be looking for energy-intensive industries - and at that time, the government was looking at things such as aluminum and sale of power and so on - they had Mr. Craik placed as Chairman of the Authority. There was very clear direction as to the purpose, but there have been questions as to whether the act provides that power. We want to make it very clear that it has that power.

MR. CHAIRMAN: The Member for Arthur.

MR. J. DOWNEY: Mr. Chairman, as this section reads, ". . . to promote the establishment, development and operation within the province." Does that mean the establishment of it has to take place - and I'm sure it does - but the activities have to be maintained within the province, or can we get into another situation that the government finds themselves in with MTX frittering the taxpayers' money away throughout the world? Will it be contained? It reads to me that it will have to be carried out within the province. Is that correct?

HON. V. SCHROEDER: Certainly, the energy-dependent industries which we are attempting to attract to the province, clearly it requires that those activities take place. The industries are to be attracted to Manitoba, not somewhere else. Obviously the work, by its very nature, tends to be something that has to take place outside the province. That is, we're looking for, not only - obviously we're looking inside the province, but also outside the province for energy-intensive industry.

MR. J. DOWNEY: So he's talking about the physical activities. Any development that may take place would be within the province, but any negotiations, partnerships, deals could well be struck outside of the province with a company that's based outside the province. Is that correct?

HON. V. SCHROEDER: Yes, Mr. Chairman.

MR. J. DOWNEY: Well, I'm somewhat reluctant to see this pass, Mr. Chairman, without some kind of a check or balance in here so that the Legislative Assembly or the public-at-large are fully aware of what is going on. One would hope that the government has learned a lesson.

Would it not be possible to put some form or some clause in here which would force the - and maybe there is in some other part of the act - to fully disclose to the public any negotiations or deals that are being carried out by any government, say, an annual report of activities to come before the committee.

That's really the concern that we have right now is all this cover-up and activity that's taking place with MTX. We do not want to get the people of Manitoba into the situation where they're funding, or the possibilities are there, another one without having the opportunity to fully assess the activities, to fully have disclosure by annual report or report to the Legislature of what is taking place on the development of some program on which the government would embark.

HON. V. SCHROEDER: Mr. Chairman, the Energy Authority is required to appear before the Legislative Committee, I believe it's on Economic Development, once a year. Also, in accordance with Section 33.1: "The board shall prepare and submit to the minister on or before the last day of September in each year, a report of the operations of the Authority carried on during the immediately preceding year." I don't have the particular authority or requirement for it, but that report is made to the House. So in that sense the member's concerns, I believe, are being taken care of.

MR. CHAIRMAN: The Member for Portage.

MR. E. CONNERY: Are we still going page-by-page?

Clause (c) really relates then to Section 5. Clause (c) sets up Section 5, and that's what concerns me. In Section 5, then you go to (i): "... on the direction of the Minister and subject to the approval of the Lieutenant-Governor-in-Council, carry on, either alone or in conjunction with any person or business or undertaking," which means now the government's going to go into business alone or with other people in energy-related businesses. Is this what it says?

HON. V. SCHROEDER: Mr. Chairman, the member will recall that, when we appeared before the National Energy Board in November of 1984, there were questions as to the right of the Energy Authority to do what it was doing.

The Progressive Conservative Party, the Conservative Energy Critic made the suggestion and others made the suggestion that, because there was an absence of the power, we didn't have that particular right. The board didn't really rule on it. What they said was, if the legal capacity of the MEA to enter into such an agreement is open to question, this does not, in the board's view, diminish the commitment of Manitoba Hydro to the export.

What they were saying was that, in that particular instance, there was another corporation behind it so they didn't have to worry about whether the MEA had the authority or didn't have the authority.

Well, when you are negotiating with someone about either the sale of power or establishing an industry in the province, there should be no question as to whether you have the power to enter into an agreement or not enter into an agreement as, for instance, if we were to enter into an agreement with respect to, say, potash where we've had two successive governments agreeing to have a portion of the equity interest in a potash mine in this province. If we were to do that through the Energy Authority, there should be no question as to whether we have the right to do that and as to whether this entity has the right to do that. We are just trying to clarify exactly what right we have.

We don't want similar criticism to what we had at that hearing. The NEB hearing the last time around, as I've read from the report, they didn't say whether we have the authority or didn't have the authority. We wouldn't want to be in a position the next time we come before the National Energy Board of not having resolved that issue so that we could say the next time if someone raises that question, very clearly, this is the entity which has been charged by the Government of Manitoba to do the negotiating, and this entity has, subsequent to the time when there was a question raised about its power, clarified that issue so that we shouldn't have to waste time dealing with that question.

MR. E. CONNERY: So then if an aluminum company came along, it would be well within the power of The Energy Authority Act to go into business with them? Is that the kind of answer I'm getting?

HON. V. SCHROEDER: Yes, in the same way as the potash example.

MR. J. DOWNEY: Mr. Chairman, you know the Minister uses the example of potash but, on Page 1, the reason for the establishment of this is, by their nature, energy dependent operations. That's a fairly broad encompassing statement of the kind of activities that they can get in. I'm not so sure that the development of potash would be - there is a certain amount of heavy energy, but what form of energy are we talking about? Are we talking about hydro energy, fossil-fuel-powered equipment?

Would the Minister give me a little bit of an explanation as to the meaning of "energy dependent"? Because I would take it as heavily dependent upon hydro-electric power, heavily dependent upon natural gas or some other fuel to produce economic development for the province. That's one question I have.

The other question I have: What process would have to be gone through? Would the same process have to be gone through, for example, if the Energy Authority were to negotiate with Company X to do something in Manitoba? The funds for their participation - I'm sure it's in here - would be passed by Order-in-Council; it would come out of general revenues; it would just be a normal process of Cabinet authority? Is that correct?

I would like the Minister to explain a little bit more about how they were using the term "energy dependent," so we are a little more clear as to what they are going to use the whole act for. I'm not so sure that the mining of potash is a heavy electrical

Tuesday, 19 August, 1986

component. I'm not that familiar with the process, but I think there's

HON. V. SCHROEDER: Mr. Chairman, on the first question, I don't have any particular numbers for potash but I do know, as an example, that the nickel mine at Thompson, which probably uses a lot more electric power, is a very, very large consumer of hydro-electric power.

The intent clearly is that as from the beginning hydro-electric power is the area that we're interested in marketing. That's what we've got and that's what we're interested in, in marketing.

On the second question, finding the funds, basically at the moment the only way we would be able to provide any capital funds would be through Loan Act Authority. I don't have the numbers handy, as to what unused authority there is right now, but I would presume that there would be some based on statutes that have been passed since 1980, Loan Act bills.

MR. J. DOWNEY: Mr. Chairman, so we're clear on it, the Cabinet Authority would be restricted by Loan Act Authority that was passed by the Minister of Finance through the legislative process. So there would be an opportunity under The Loan Act Debate, to give some public airing of the money that is going to be spent.

I guess the other reason why I'm asking these questions, Mr. Chairman, is that our experience with the current chairman of the Energy Authority in the, what would almost appear to be an unlimited ability to spend money - taxpayers' money - for contractual agreements which certainly had been carried out by him - and the figure of \$500,000 stands in my mind - and he has that kind of authority.

I think we have to make sure, and I keep stressing this, Mr. Chairman, that there is a check on the Energy Authority in the carrying out of the expenditures and money which flows from the approval of this act.

Can the Minister give us the assurance that there is a full opportunity to debate, through The Loan Act or some other process in the Legislature, funds that will be spent by this Energy Authority and that there won't be, as there now is for some of the things that he has carried out - or that office has carried out - spending of taxpayers' money without proper scrutiny by a legislative process or public knowledge?

HON. V. SCHROEDER: Mr. Chairman, all of the expenditures of the Energy Authority do come before the Public Utilities Committee, I believe it is, of the Legislature once a year, where there is the opportunity to do precisely that.

The chairman here is in a position fairly similar to a number of other chairpeople of other Crown corporations, who have limits of \$500,000, or some of them have more. It's not something that's peculiar to this particular organization, but certainly I agree with the member that there should be the opportunity to examine precisely what was done.

MR. J. DOWNEY: Mr. Chairman, the Minister is getting the point that we have seen in the last few weeks, the kind of abuse of taxpayers' money by Crown corporations, and we are now in the process of

establishing another one. There is a limit to what the taxpayers can afford and I think we have to stress that the corporations that are given authority spend the money responsibly.

Mr. Chairman, there are certainly, at this particular point, all the indications that there has been a lot of money spent by the taxpayers of Manitoba by Crown corporations that has not been done so responsibly, and the Minister and his government have to carry that record with them.

But I am saying we want to make sure, in the establishment of this act and the process that we are going through, that there is going to be full accountability for any developments that they carry out. We'll be watching pretty closely.

I am not satisfied that there is the opportunity to make a careful enough assessment of it, Mr. Chairman, although possibly the comments that the Minister just made are a little bit encouraging, that he is coming to the realization that there has to be a closer scrutiny on those people who are given responsibility in Crown corporations in the expenditures. Was my interpretation of what he said correct?

HON. V. SCHROEDER: Well, Mr. Chairman, first of all, the member suggests that we are in the process of establishing another Crown agency. This agency has been in existence for six years and has been quite active under two successive governments. I point out that there are and have been opportunities once a year to examine this particular authority and the way in which it has spent its year.

In terms of what it is doing out there, Sections 5(h), (i) and (j) all indicate that they are to operate on the direction of the Minister, that it's not something they are entitled to do, running off, signing things on their own and coming back afterwards.

Certainly, I think all members of the government, and Manitobans, agree that there has to be strong accountability on the part of Crown corporations, Crown agencies, to the government and to the people of the province.

MR. CHAIRMAN: The Member for Morris.

MR. C. MANNES: Thank you, Mr. Chairman. I am going to ask a question; maybe it's been covered in part already.

In looking at the speaking notes, introduction of Second Reading given by the Minister of Finance, in Hansard, Wednesday, the 13th of August, and he said, and I quote: "In line with the previous administration's discussion on attracting aluminum companies to Manitoba, the previous Minister of Energy and Mines directed that the MEA become involved in attracting energy intensive industries to Manitoba." The amendments before you formalize this responsibility.

Mr. Chairman, I also look at Clause 1 of Bill 39 and I come to Subsection (c) the part added, and it says: "To promote the establishment, development and operation in the province of industries or undertakings that are, by their nature, energy dependent."

Mr. Chairman, I ask the Minister whether this will call technical change to the existing act, would in any way allow the Manitoba Energy Authority to become involved

in a joint venture with, let's say, an aluminum smelter, or indeed, do they have that power under the existing act today?

HON. V. SCHROEDER: I think it's unclear. Certainly the intent is they should have that power in the same way as the previous government had agreed to take a portion of the potash plant, as an example. It would just make it clear that people dealing here are entitled to do that.

I had spent some time discussing the National Energy Board decision, where that question had been raised, as to whether they had the power even to negotiate on behalf of the province and the National Energy Board didn't actually answer that question. They said that they were leaving it open, but that they were satisfied that Hydro was behind that particular project, so they wouldn't worry about; and what we're saying is that we don't want to be put in that position next time with whatever project that there's a question as to whether we have a legal right to do something.

MR. C. MANNES: Mr. Chairman, I certainly am not in a position to ascertain the full scope of the wording. But ". . . to promote the establishment, development and operation," I don't know if promotion also includes the ability to engage in a share or in a partnership form in the actual production that may go into a product. — (Interjection) — I see, so further on in the bill there's wording that really spells that out, I'm led to believe.

Mr. Chairman, then I would ask the Minister: what authority does the Manitoba Energy Authority have today - your spending authority or borrowing authority? Do they have major outstanding commitments today? And will this in time become a full-blown Crown corporation, one which we will consider by itself, not as an add-on or an adjunct to Manitoba Hydro at the committee stage, as does now happen at present?

HON. V. SCHROEDER: I'm told that there is not a great deal of unexpended loan authority. Certainly I can get back to the member on the precise amount of that. But whenever that comes forward, of course the House has the opportunity to debate it and determine the necessity for it.

MR. C. MANNES: Again, Mr. Chairman, in the Minister of Finance's comments, he indicated that the Manitoba Energy Authority may become more involved in attracting energy intensive industries.

I would ask the Minister whether we're talking about industries other than aluminum? Are there other areas that are being contemplated at this time?

HON. V. SCHROEDER: We're looking at any area where there's a high volume of energy use, but specifically, at the moment, in the past recent while - and as I've indicated, we've been doing this without the clear authority. We believe we have the authority; we just want to clarify it with this amendment and that has been going on under two successive governments, but we're looking at things such as fertilizer, magnesium and silicon metals, as examples of processes which would be energy intensive and having discussions along those lines.

MR. CHAIRMAN: Page 1—pass; Page 2—pass; Page 3—pass.

The Member for Portage.

MR. E. CONNERY: On the last page, the authority for the MLA to be a member of the board and also a member of the Executive Council and to receive salary or remuneration, would that be, for a Cabinet Minister, remuneration over and above his Cabinet salary?

MR. CHAIRMAN: The Minister of Energy and Mines.

HON. V. SCHROEDER: There may be legal counsel present who have opinions on that, but certainly the intent we had was that if it was an MLA who was not a member of the Executive Council, he or she would be paid. If it was a member of Executive Council, that individual would not be paid in addition to their remuneration. I believe there is other legislation in place somewhere which takes care of Cabinet Ministers so that they don't get additional pay for being on the board.

As an example, Mr. Craik was the chairman of the board. I don't believe he was paid and I don't expect that a Cabinet Minister who would become a member of the board would be paid.

MR. CHAIRMAN: The Minister of Municipal Affairs is now Chairman of MPIC. I don't know if he gets paid or not.

The Member for Portage.

MR. E. CONNERY: This would almost look like there's an exclusion for that particular thing, because I think there are other laws which govern this and now it's in here. Is there no counsel here that can advise us on that?

MR. CHAIRMAN: Mr. Silver.

MR. I. SILVER: Well, this provision is not unique here to this bill. It's found in other legislation as well. It is used whenever it's desired to enable a member of the House or a Cabinet Minister, depending on whether that's included or not, to serve on a board of this kind and not become by virtue thereof ineligible to continue holding his seat so that when we put in this kind of a provision, it means that a member of a Legislative Assembly can, at the same time, be a member of a board. Also, if he happens to be a member of the Executive Council, he may accept remuneration. If remuneration is offered or is arranged for, he may accept it. All this, both being a member and accepting remuneration do not prevent him from holding his position as an MLA or as a member of the Executive Council. That's what this provision means.

MR. E. CONNERY: Not being able to hear, just to be clear; it means that a full Cabinet Minister could be on the board and accept remuneration with no penalty?

MR. I. SILVER: I would say so, yes.

HON. V. SCHROEDER: Well, Mr. Chairman, just to clarify that. What we're saying then is that there are similar provisions in a number of statutes and it's then

up to the government to determine or the Premier, or the president of the Executive Council, as to whether or not a Minister who took on such a job would actually receive that remuneration; and, if he or she received that remuneration, that would be the time when the fur would start flying.

MR. C. MANNES: Well, Mr. Chairman, then what the Minister is saying is, that policy in effect is an Executive Council policy; that there will be a maximum and it's not a revision within any statute of the Province of Manitoba.

HON. V. SCHROEDER: Well as I understand it, it's very much a political decision; that is, there is a decision as to how much members of the board will be paid and, if there's an MLA, a Cabinet Minister or not a Cabinet Minister, it's also a decision by the Executive Council as to whether or not that person would get paid.

MR. C. MANNES: Mr. Chairman, just before we probably pass the bill, I was wondering if I may ask the Minister another question with respect to the financing option. The Minister of Finance indicated that the amendments placed before the House would facilitate project financing to go ahead if deemed advantageous. Can the Minister of Energy and Mines tell me whether Manitoba Energy Authority will have any responsibility in determining the source of borrowing? Seeing they're a party to it now in a sense, will they have any major input into where the funds are sourced?

HON. V. SCHROEDER: That depends on whether there will be project financing or not. Certainly, even if it's not project financed - and in the past we've never done a project financing operation for the government. It has always been Province of Manitoba, Department of Finance has borrowed the money, or I believe, once or twice, they borrowed in the name of Manitoba Hydro, but basically the province is guarantor so that we've never done project financing before. If it's the Province of Manitoba, then the Department of Finance would make the decision, but they would obviously talk with the Energy Authority and Hydro with respect to it.

If there was a determination made that it be project financed, still the Department of Finance would be - I would say that its decision would be the final decision on where to go.

But we have the advice of three financial institutions: the Bank of Montreal, Merrill Lynch and Wood Gundy working on that for us. They are suggesting a proposal called to see what might be available to determine whether there are benefits to the province in going for project financing. They would give advice but the advice would come not only to the Energy Authority but more to the Department of Finance where the expertise really does lie. That's where we have a group of people who have been involved in financing over the years and this organization simply doesn't have the experience or background overall to be able to make the final determination on that sort of thing.

MR. C. MANNES: Mr. Chairman, I ask the Minister, because I don't totally understand what project

financing is. I would ask him then if Manitoba Energy Authority would be the first party responsible in undertaking a loan for the purposes of building Limestone?

HON. V. SCHROEDER: Project financing in this instance as an example would not be, clearly, for the total amount of the project; it would be for a portion of it. The borrower would be the Manitoba Energy Authority, presumably. I suppose it could be set up in such a way that it could be Manitoba Hydro with no guarantee by the province. That basically is the key so that it would not be an obligation owing by the Province of Manitoba. It would be an obligation owing by this particular entity.

MR. C. MANNES: Well, just to pursue that one step further then, Mr. Chairman, the Manitoba Energy Authority was borrowing the funds. Would then the government be responsible in any way for developing sinking funds, or would the proceeds of the sale go towards paying back the loan in due course, handled within specifically a Manitoba Energy Authority account to handle that particular situation?

HON. V. SCHROEDER: I believe it could be set up in such a way that the portion of the proceeds of sale, including sinking funds, would come from the NSP sale in this particular example as opposed to any other sales that the Manitoba Hydro makes from this particular project.

MR. C. MANNES: A final question, Mr. Chairman, and I could probably ask this of the Minister of Finance.

We have just received Orders-in-Council where a large American loan was done in support of the Hydro development. I would ask the Minister whether any part of this was project financing or was this the regular loans taken by Hydro in the Province of Manitoba?

HON. V. SCHROEDER: Well, Mr. Chairman, that was all done by the traditional method of financing by the Department of Finance, Government of Manitoba, on behalf of Manitoba Hydro.

MR. CHAIRMAN: Page 3—pass; Preamble—pass; Title—pass.

Bill be reported.

BILL NO. 5 - THE TRADE PRACTICES INQUIRY ACT

MR. CHAIRMAN: Bill No. 5 - are there any persons present wishing to be heard before this committee? Hearing none, shall we proceed page-by-page or otherwise? Page by Page.

The Member for Riel.

MR. G. DUCHARME: Thank you, Mr. Chairman.

I just wanted to ask a question in regard to the Minister, whether he still believes or where this bill differs from the bill passed by the House of Commons of Canada, Bill C-91, which has probably 68 clauses in it and is probably a 200-page bill.

I was wondering - our bill, which is about four pages and contains maybe half a dozen clauses, could he

Tuesday, 19 August, 1986

maybe explain to me why that bill is necessary in consideration of the Federal Government's new bill?

MR. CHAIRMAN: The Honourable Minister of Consumer Affairs.

HON. A. MACKLING: Well, I don't want to be repetitive but, as I indicated in my opening remarks when I introduced the bill at Second Reading, this is not a new legislation. What it is is an amendment to an existing statute that is very limited in its function. The present act does not provide the government, on behalf of the people, the opportunity to intervene in a market situation that cries out for intervention. At the present time, the government has to await complaints and, true, that's not a formidable problem but . . .

MR. E. CONNERY: You got four friends.

HON. A. MACKLING: Yes, as the Honourable Member for Portage la Prairie says, I'm sure I have four friends. But the act also is limited inasmuch as it deals with retail prices and doesn't deal with prices at other levels which can be the key area rather than the retail price itself.

There is also a limitation inasmuch as the price concern is limited to an increase and it may well be in the case, as we've indicated, in respect to the energy field that there are legitimate concerns about the need for lower pricing of goods because of market forces and market changes in base products that should be reflected in the market price.

So it's not new legislation. These are specific amendments to improve the capacity of the existing legislation to be utilized should that be considered necessary to meet the exigencies of the day.

I should also highlight the fact that one of the ways in which intervention or public concern about market forces and market prices can be registered is through the Public Utilities Board where there is a forum for placing all those matters at issue and that feature again strengthens the provisions of our existing act.

MR. G. DUCHARME: Considering the remarks of the Minister in not supporting the oil companies but he did bring in, even in consideration of the strong sentence put out, and I think it's in today's Free Press, Sunoco was fined \$200,000 by Judge Patricia German in regard to the act, and the fine was because Suneco was attempting to influence a gas station owner to increase his prices and was fined \$200,000.00.

I have a hard time - maybe I'm just a little thick today - realizing why we would have to now, regardless of what the Minister has said, that maybe it's not a new bill; it's certainly a big change in an existing legislation and the intent is to maybe get the message across to the oil companies. That's what I believe it is.

I was wondering whether he is familiar with that particular fine that was handed out just in the last couple days, of whether he still believes that when these types of fines are handed out by the courts and in this court award the judge definitely referred to Bill C-91.

HON. A. MACKLING: I haven't personally studied the litigation to determine how successful that has been

in advancing the interests of consumers of gasoline, but what the honourable member says indicates that there is some hope in respect to interpretations by the courts.

But as I indicated in my opening remarks, this legislation enables the Government of the Day to determine a range of interventions that is now not open to it. It's a power that must not be used injudiciously or capriciously, as some might fear, because it is very intrusive legislation. It is very tough legislation.

But I think it's incumbent upon government to be in a position to act if it appears that market forces are being deliberately skewed in a way that the public interest is not being advanced.

MR. CHAIRMAN: The Member for Riel.

MR. G. DUCHARME: This particular case, just to go on record, was exactly what the Minister had commented on that sometimes prices should be lowered. In this particular case, a person who had been sold gas by Sunoco had lowered his prices to compete with an outlet across the street, and then was told by the Sunoco representative to change his price and raise it up again. That's the only reason why I would like to mention it for the record, because this is the prime reason for the courts taking such strong action.

MR. CHAIRMAN: The Minister of Consumer and Corporate Affairs.

HON. A. MACKLING: Well, I say I certainly welcome that kind of interpretation by the courts. I know that, in my meetings with representatives of the major oil companies in Western Canada, they gave me assurance that they weren't opposed to reducing prices if the market indicated that should happen. They indicated that, if a competitor reduced the price, they would quickly follow.

But they all seem to be in a line up in which there's no one wanting to make any move. I indicated to them my concern that, while they say they're prepared to meet a reduced price, no one is moving. So it leaves me very skeptical about their responsiveness to market forces.

MR. CHAIRMAN: The Member for Arthur.

MR. J. DOWNEY: Mr. Chairman, I may be ahead of myself here. You're dealing with Page 1? Would the Minister entertain questions dealing with other parts of the bill as well? It may speed up the process.

As I understand it, Mr. Chairman - well, I can deal with it under the title of the bill on Page 1 anyway - the intent of the Minister is to try and put in a mechanism that protects consumers against high prices of all commodities, consumed goods. Is that basically - does it cover all goods that the public buy?

HON. A. MACKLING: It provides for an intervention where, first of all, an inquiry that has been established by government indicates that a good, a product for which there is not reasonable substitution available and which is in very extensive use to the point where it's almost a daily necessity for people. It's in those areas that the legislation can work.

Tuesday, 19 August, 1986

For example, it wouldn't work in areas where - and I had someone from a tourist industry make comments about this legislation. I said, it's inconceivable to me that there would ever be an application of this act in that field, because it's not something that a person really has to have. The common areas would be fundamental things like energy, like some food products, like bread and milk and so on, but we know that milk is already regulated under legislation.

MR. J. DOWNEY: Mr. Chairman, I ask the Minister, so really the objective of the bill is to make sure the consumers can buy the product at the best possible price, at a low price, keep them from maximizing returns on that essential commodity, that consumers should be able to buy it at the best possible price available?

HON. A. MACKLING: That's perhaps oversimplifying it. Naturally, we expect that market forces in most instances will determine what a price of a good should be, but where, for some reason, the market isn't working and there is reason to believe that the market is not being allowed to play the role it should, that's when intervention would take place.

MR. J. DOWNEY: Well, I'm somewhat confused, Mr. Chairman, because here we have a Minister sitting here, introducing legislation to protect consumers at about the maximum prices to make sure they get a fair and essential commodity, and let's go to milk. He's a member of a government that placed a minimum price on milk that deters the consumer from getting milk at a minimum price. There is no ability for people to buy milk at a competitive price. They are forced to pay a minimum price under legislation that his government introduced.

Now, I don't think he can operate by two standards. Does this act supersede the Milk Prices Review Commission, if in fact the public want to go before this Minister and use this act and say that they are being unfairly treated by the government, who have legislation on the books saying that I have to pay a minimum price, that his act will supersede that one and the Milk Prices Review Commission will have to remove the minimum price?

I think the Minister should get his act together. Where does he stand? Does he stand for low consumer prices, or does he stand for higher consumer prices? He made the point himself that milk was one of the commodities that he was looking at, an essential item that is needed that couldn't be replaced by anything else. I want the Minister to get his act and his government together to tell the public, because there are mixed signals.

Why was this act introduced, Mr. Chairman, if he's so concerned about the maximum price of product, yet on the other hand he is maintaining a minimum price of milk so that the poor and those people who are unable to afford milk have to pay a fixed price? Is he prepared to now go to his Minister of Agriculture, and amend The Milk Prices Review Act, taking away the minimum price of milk? Are the consumers, I ask him very seriously, now able to use this act to supersede the Milk Prices Review Commission and remove the minimum price of milk? I think those are extremely important questions. Which act has precedence?

Is he prepared to amend the Milk Prices Review Commission Act, removing the minimum price of milk in the Province of Manitoba, because it would appear to me, Mr. Chairman, that the Minister's got himself another mess on his hands. He's introducing for legislation for political purposes and going in a direction that he hasn't even thought out.

HON. A. MACKLING: The honourable member knows that the product that he talks about is a regulated product, and thus would not be the subject of this legislation.

MR. J. DOWNEY: You said it was.

HON. A. MACKLING: No, I said that an example of products that are regulated is milk. It is regulated.

Now not too long ago, government and, I'm sure, members of the Opposition were receiving representations from the baking industry, particularly the small bakeries in communities throughout Manitoba, concerned about the predatory practices of large bakeries that were utilizing bread as a loss leader to drive out the small bakers. In a lot of our small communities and neighbourhoods, small bakeries are a part of our cultural fabric, and they're very essential. There was a very real concern that the major bakers were involved in predatory practices in order to dominate the market. That is an example where this act may have application. I say "may," because you don't rush into regulation lightly.

In respect to milk, the honourable member knows that is a regulated product. The rationale for minimum prices is as I indicated earlier when I was talking about bread. Small dairies in a lot of our small communities and small sections of our neighbourhoods were concerned about the large dairies again using milk as a loss leader, and providing discounting arrangements that, in effect, would wipe out the small operators. They made representation and have continued to make representation to government to make sure that that product isn't being used by the big corporations to eliminate competition. The honourable member is familiar with that, and I think he just wants to have some fun and games on this issue.

MR. J. DOWNEY: Mr. Chairman, it's not fun and games. I point out to the Minister that the Milk Prices Review Commission operated quite well without a minimum price of milk for two years, and it's not the dairies that brought the concern forward; there were a certain number of small retailers that showed concern. But I don't think, Mr. Chairman, that the whole objective was to increase the consumption of milk, to increase the demand for milk, to allow those people who were unable in society to get a satisfactory supply of it and to make sure it operated freely. There was a protection for the consumers through a maximum pricing.

Is the Minister telling us that he's now introducing this legislation to put controls on maximizing price of gas, but he is now considering - for the consumers of Manitoba - putting on a minimum price for bread? Is that what he's intending to use this act for, that the consumers of Manitoba will now be faced with a minimum price of bread, that there would be no

competition? Is that what he's actually saying to the consumers of Manitoba?

He's concerned about prices of gas, keeping them down, but he's also concerned about keeping the price of bread and milk up. He is not consistent, Mr. Chairman. I am not playing games. It's a serious question. Does this act supersede the Milk Prices Review Commission? The Vegetable Marketing Board's pricing mechanisms, does this act supersede them? Does he now have the authority; does this act give him the authority to step into the pricing of any food products in the province and lower them or put minimums on, Mr. Chairman?

He is putting a bill in here that he's not able to give a very clear explanation, and to correct the Minister, he did use milk as a product in which he would be able to regulate under this, and if it falls within this jurisdiction possibly the consumers can use this act to challenge the minimum price of milk. He is, by profession - and it's debatable - a lawyer, that he should be able to answer some of these questions. I'm serious, where does this act fit? Does this act supersede all other acts as far as the pricing of consumer commodities in the Province of Manitoba?

HON. A. MACKLING: The honourable member wants to try and put words in my mouth and say that I've said these things. I have indicated that . . .

MR. J. DOWNEY: The record will show.

HON. A. MACKLING: The record will show that I have indicated clearly to him that this legislation, these amendments to an existing act, are to improve the existing capacity of the government to intervene, where it considers that market forces do not reflect the realities that should exist in the market. The honourable member knows that milk is a regulated product, has been regulated for many years.

There may be arguments about how milk should be regulated and I'd be prepared to debate that with the honourable member and I'm sure some of my colleagues would be prepared to debate that with him on another occasion as long as he wants.

This legislation is designed to deal with areas of the market that are not regulated, where there are instances where the public is demanding that the government intervene to protect public interest.

The honourable member asked whether I am going to regulate bread prices. I have said that bread would be a product that could be the subject of regulation under this act, should there be the circumstances that would indicate that it is necessary to do so.

Remember that in order that the government intervene, before the government would consider intervention, first of all, there would have to be an inquiry indicating that grounds laid out in the act exist and then the government will have to determine whether or not, on the basis of the report received by the inquiry officer, it is appropriate for the government to intervene. It is not an automatic procedure of any kind.

MR. J. DOWNEY: Mr. Chairman, if I understand the Minister correctly in what he has said, that this act does not supersede regulated commodities or regulated products in this province. Is that correct?

HON. A. MACKLING: That would be my understanding, yes.

MR. CHAIRMAN: The Member for Portage.

MR. E. CONNERY: What about in the case of commodities or products that are cyclical sometimes in their pricing structure, and an industry goes through two or three years of really depressed, below cost-of-production prices, and then there's a recovery year where the returns are very high, is he then going to step in and say well you can't recover your losses to the degree that the market indicates?

HON. A. MACKLING: No, the person appointed, the inquiry officer, would have to be satisfied and in his report indicate to the government that intervention was necessary. If, in a particular industry, a case is made that the prices had been artificially depressed or unnaturally depressed, for whatever reason, and it's a recovery period, that it's not a monopoly situation; it's not the market being controlled by a group to unfairly take advantage of the consumers. It's very unlikely an inquiry officer would make a recommendation for the government to intervene.

MR. E. CONNERY: My concern there is that you say in (a) "appoint one or more persons as a board to make the inquiry," and if you appointed one person, if that person doesn't have enough knowledge of the type of industry and maybe has some biases, we could have an inquiry that could be very harmful to some particular group.

I can see a lawyer being put on a board to investigate farm prices, but I sure as heck can't see a farmer ever put on a board to investigate lawyers.

HON. A. MACKLING: I'd like to do that.

MR. E. CONNERY: Good, I'll volunteer.

HON. A. MACKLING: I appreciate the honourable member's concerns. It was that kind of concern that saw some changes to legal professions like the Law Society and they now have lay people on their boards that hear and make recommendations to lawyers. I don't think there's anything objectionable to having people of other vocations involved in reviewing and decision-making in respect to other groups in society.

We, as legislators, come from all walks of life and despite the fact that I may have no particular knowledge of medicine - or many of my colleagues, I don't think we've got a doctor in the House, pardon the expression - we have to make decisions dealing with development of health programs. I don't think that's a particular concern.

MR. E. CONNERY: I think you have to appreciate this one-person idea, that there are some inherent dangers. Even though there are no doctors in this House, they're sure slicing up the province pretty good in a detrimental way. But I think you have to be very concerned that this one person could have a bias that maybe even the government appointed . . .

MR. J. DOWNEY: No, socialist engineers.

Tuesday, 19 August, 1986

MR. E. CONNERY: So I think you have it on record that I'm very concerned.

MR. CHAIRMAN: The Member for Riel.

MR. G. DUCHARME: Could the Minister explain to us who is going to carry out the investigations under this particular act? Who will carry out the investigations?

HON. A. MACKLING: Under a specific . . .

MR. G. DUCHARME: . . . (inaudible) . . . he appreciates it can't be under criminal investigation, it has to be under civil investigation. I was wondering who will carry out this investigation?

HON. A. MACKLING: The best example I suppose I could give you is the current inquiry, Dr. Costas Nicolaou, a professor of economics at the University of Manitoba, is making the inquiry in respect to gasoline and automotive fuels and pricing. That's the kind of person who normally would be expected to have the expertise to reflect on prices and market forces, and give that kind of advice to government and be able to conduct an inquiry and investigation.

MR. G. DUCHARME: Yes, under the new program, if you do get your complaints from the citizens to come forward - or the one or two - who will carry out this particular investigation to certify that these people are not adjusting to the marketplace etc.; or if there is, for instance, maybe some mergers that have taken place which have influenced the pricing of articles, etc., will the same type of person carry out this type of investigation?

HON. A. MACKLING: Yes, Mr. Chairperson. In the case of the gas prices inquiry, Dr. Costas Nicolaou is carrying out that inquiry. He has some additional funding for assistance in that, but basically that is his responsibility to make the inquiries. He's clothed with ample authority to be able to secure answers to questions he puts, to whomever he considers it necessary to seek information, so that he can make a report to government and advise government whether, in his opinion, the government should intervene.

MR. G. DUCHARME: I know he doesn't have the powers now to do that formal investigation, to bring it forward; he can give you a viewpoint on maybe some background information and research that he can come forward with. But say someone does have a serious complaint, and some type of investigation is to be carried forward, what would the government do then? Would you intervene and appoint some type of people to carry out that investigation? What law do you have to go into a person's business now and investigate his files, to make sure that both sides are heard?

HON. A. MACKLING: Under the existing act, the inquiry officer, once appointed, has all of the powers of a commissioner of inquiry. He can take evidence under oath; he can demand production of documents. He is clothed with that kind of power to assure that he can get information upon the basis of which he can make comprehensive recommendations to the government.

MR. G. DUCHARME: Say the doctor who's doing the - whatever information he comes back with now and he now supports that there is a problem; would he now recommend to you that you're to bring in people with this authority?

HON. A. MACKLING: Not necessarily so. He has brought an interim report; he has not finished his work. He may indicate that it's his intention to make further inquiries. If necessary, he can demand production of documents; he can demand information under oath, and certainly he can relate back to the Minister and indicate, by virtue of his interim report or otherwise, the progress he is making in respect to the inquiry; and he has done so.

MR. G. DUCHARME: And these investigation powers of the law; will they be amended, or are they amended or conform with the Charter of Rights?

HON. A. MACKLING: They are contained within the present act. To any extent that they would exceed the Charter, of course, they wouldn't be effective.

MR. CHAIRMAN: The Member for Virden.

MR. G. FINDLAY: Thank you, Mr. Chairman. When an inquiry has commenced and a report is made to the Cabinet and then Cabinet is in the process of making a decision to act on the report; does the affected industry or the affected parties have any opportunity for a hearing to present their side of the case, in the case where the inquiry didn't do a full analysis or cover both sides of the issue?

HON. A. MACKLING: I'm reasonably certain that any government will weigh carefully the decisions that face it in respect to acting on the recommendations of the inquiry officer, which then could include a reference again to the Public Utilities Board or further consultations with industry.

It may well be that government would want to use moral suasion rather than formal intervention, and there are a number of options that would be open to government.

MR. G. FINDLAY: If there is no formal opportunity for a hearing for the affected parties at this point in time, they'd have to come on their own accord and try to convince Cabinet not to act in the direction that Cabinet chose. Is that the way the system would operate?

HON. A. MACKLING: No, Mr. Chairman, if, for example, an industry spokesperson said to government that the inquiry officer had not taken information from us, had not listened to us; of course the government would want the inquiry officer to have a full review of all the information. If someone wanted to make further representation to the inquiry officer, I think government would ensure that would happen.

MR. CHAIRMAN: The Member for River Heights.

MRS. S. CARSTAIRS: Thank you, Mr. Chairman.

I apologize for not being here for the full discussion, but I was in the other committee room debating another bill.

I find this particular Trade Practices Inquiry Act amendments to be a blatant example of political opportunism. It would seem that the act already in existence would provide ample opportunity for the kinds of inquiry into unfair trade practices that exist.

When we find ourselves now in a situation where a Minister need not have any complaints from the public but can, on his or her own, decide to launch a complaint and an inquiry, I think we will find that during election campaigns, as we saw in the last one, that will be used to a government's advantage.

We will see that when the House becomes hot and heavy on a particular issue which is totally unreflected in this particular act, we will find a Minister or Ministers who will say, let's have a trade practices inquiry in order to eliminate some of the heat.

I think the present act did, in almost all respects, meet the needs and requirements of the consumer and I find this one is a bit bludgeoning in its changes.

MR. CHAIRMAN: Page 1—pass; Page 2—pass; Page 3—pass; Preamble—pass; Title—pass.
Bill be Reported.

BILL NO. 38 - THE SECURITIES ACT

MR. CHAIRMAN: Bill 38, An Act to amend The Securities Act. Is there any person wishing to be heard before the Committee? Hearing none, shall we proceed page-by-page or otherwise? Page-by-page?
Page 1.

HON. A. MACKLING: Page-by-page, with the exception that there are two amendments - pardon me, four. Pardon me, there are two amendments.

Oh, I see. Pardon me, there are three amendments, and I will ask my colleague here, Mr. Maloway, to read them as we hit the page. I'd ask the staff to indicate the page.

First page is 19? Okay, we can pass up to 19 then?

MR. CHAIRMAN: Pages 1 to 8, inclusive, were each read and passed.

MR. J. MALOWAY: I'm sorry, I've made a mistake, Mr. Minister. The first one's on Page 9. I apologize for that.

MR. CHAIRMAN: There's an amendment on Page 9. The Member for Elmwood.

MR. J. MALOWAY: Mr. Chairman, I move, seconded by the Member for Swan River
THAT the French version of subsection 82(2) of The Securities Act as set out in section 4 of Bill 38 be amended by striking out the words "allant au-delà" and substituting therefor the words "sortant du cadre."

MR. CHAIRMAN: Is that agreed? (Agreed)
Page 9 as amended—pass; Pages 10 to 18, inclusive, were each read and passed.

MR. G. DUCHARME: On Page 18, could the Minister explain 85(5) for me please?

MR. CHAIRMAN: The Honourable Minister of Consumer and Corporate Affairs.

HON. A. MACKLING: If there is a pre-bid buy in a private transaction and that person decides that he wants to make a formal bid, then he has to offer the same terms to all of those shareholders that he had offered in the private bid.

MR. CHAIRMAN: Is there an amendment on Page 19? The Member for Elmwood.

MR. J. MALOWAY: I assume it's 85(7) we're talking about now.

Mr. Chairman, I move, seconded by the Member for Swan River

THAT the French version of - I assume it's 85(7) we are talking about now - subsection 85(7) of The Securities Act as set out in section 4 of Bill 38 be amended by striking out the words "allant au-delà des fonctions habituelles d'un courtier" and submitting therefor the words "sortant du cadre de ses fonctions habituelles."

MR. CHAIRMAN: Is that agreed to by the committee? (Agreed)

Page 19, as amended—pass; Page 20 - the Member for Riel.

MR. G. DUCHARME: Yes, does 85(8) get affected by that 90 days?

MR. CHAIRMAN: Could the Member for Riel repeat the question, please?

MR. G. DUCHARME: Unless I'm reading it wrong, does the 85(8) get affected by the 85(5) stipulation of 90 days, or is it just on the pre-bid?

HON. A. MACKLING: This is a separate provision designed to prevent a person who is an offerer from buying and selling and, therefore, manipulating during the course of his offering.

MR. G. DUCHARME: Okay, I read it as . . .

MR. CHAIRMAN: Pages 20 to 41, inclusive, were each read and passed.

Page 42, is there an amendment? Page 42—pass; Page 43 - the Member for Elmwood.

MR. J. MALOWAY: Mr. Chairman, I move, seconded by the Member for Swan River

THAT section 8 of Bill 38 be amended by adding immediately after "Part IX," the words and number "and section 141.1."

MR. CHAIRMAN: Is that agreed to by the committee? (Agreed)

Page 43, as amended—pass; Preamble—pass; Title—pass; Bill be reported.
The Member for Arthur.

MR. J. DOWNEY: Mr. Chairman, I wasn't possibly paying attention here. On Bill No. 5, did you put the question on Bill 5?

MR. CHAIRMAN: Yes, I did.

MR. J. DOWNEY: You did?

BILL NO. 40 - THE CORPORATIONS ACT

MR. CHAIRMAN: The next bill is Bill No. 40, An Act to amend The Corporations Act. Are there any persons present wishing to be heard before the committee? Hearing none, we will proceed.

Shall we proceed page-by-page or otherwise?

HON. A. MACKLING: Mr. Chairperson, yes, page-by-page, except there's one amendment, just the one amendment. I'll ask my colleague, the Member for Elmwood, to move the amendment.

MR. CHAIRMAN: Okay then, Bill No. 40, Page 1, is there an amendment on Page 1? Page 1—pass; Page 2 - the Member for Elmwood.

MR. J. MALOWAY: Mr. Chairman, I move, seconded by the Member for Swan River

THAT Bill 40 be amended by

- (a) renumbering sections 3 to 9 as sections 4 to 10; and
- (b) by adding immediately after section 2 the following section:

Section 181(1.1)am.

3 Subsection 181(1.1) of the act is amended by adding immediately after "subsection (1)" the words and symbols "or (1.2)."

MR. CHAIRMAN: Page 2, as amended, agreed to—pass; Page 3—pass; Preamble—pass; Title—pass. Bill be reported.
Committee rise.

COMMITTEE ROSE AT: 11:30 a.m.