

ECONOMIC DEVELOPMENT COMMITTEE

8:00 p.m. Friday, May 31, 1974

CHAIRMAN: Mr. J. R. (Bud) Boyce.

MR. CLERK: Order please. Due to the resignation of Mr. Shafransky, our first item of business is to select a new Chairman. I'll declare the floor open to nominations. Are there any nominations please?

MR. DILLEN: I would like to nominate Bud Boyce.

MR. CLERK: Are there any further nominations? (Agreed) Mr. Boyce.

MR. CHAIRMAN: Our meeting will come to order. I understand that the Chairman was answering questions relative to Saunders Aircraft. Is it the wish of the Committee to proceed?

MR. GREEN: I think if Mr. Parsons would like to start, we have several items coming up, but if Mr. Parsons would like to start then on the basis of that he would be the first to complete . . .

I think we also have Mr. Parasiuk here to answer questions on Leaf Rapids, and the Communities Economic Development Corporation will continue, and we also have Minago Contractors. Perhaps it would be priority to take Minago after Mr. Parsons, because the staff is here from the north and there should be no doubt that we would finish them first.

MR. CHAIRMAN: If it is the wish of the Committee we'll proceed with Saunders, to Leaf Rapids, to Communities Economic Development, to Minago. Is it agreed?

MR. GREEN: After Saunders, after the MDC.

MR. CHAIRMAN: After Leaf Rapids.

MR. PARSONS: Gentlemen, as we concluded the last meeting we were in the question period on Saunders Aircraft. Since that time some of the committee had the opportunity to come up to Gimli and visit the Saunders Aircraft plant. I think that may have answered some of the questions that they had, and I would like to thank those committee members that did take the time to come up there and see us for their attendance there. The staff certainly appreciate knowing that you are interested and certainly would like me to convey their expression of appreciation for your attendance that day.

Now I think, Mr. McGill, you were asking me questions on Saunders.

MR. MCGILL: Yes, Mr. Chairman, first of all I'd like to thank Mr. Parsons and Mr. Green for making that trip possible, because I think it does help members of the committee to have an opportunity to go and renew their acquaintanceship with the plant. I think most of the members probably were there at least once before. I know I had that opportunity and I was certainly interested to go back and be able to again fly in the aircraft and see the changes that have been made at the plant.

Now as a result of that visit, a few questions come to my mind. No. 1 - I think we asked you, and you agreed, that the prototype 27B would fly in June.

MR. PARSONS: The end of June that was our . . .

MR. MCGILL: Do you still think that it will fly in June?

MR. PARSONS: Yes. Maybe the first week of July. They're still sort of on program with that. It may not have looked like it, but they had the wings matched up and they felt that they could still probably make June, July scheduling for the first flight test. They wouldn't finish the flight testing, incidentally, in that period.

MR. MCGILL: My casual view of the extent of the assembly of the aircraft would make me think that a June estimate was fairly optimistic.

MR. PARSONS: Yes, although since you were there, 009 has flown. If you remember, it had just moved off the end of the line; we flew that last week.

MR. MCGILL: Now the second thing that impressed me was that the prototype was not an airplane built from scratch, as I had considered it to be, that all components were not fabricated there, that this was another modification of a De Havilland airplane embodying further modifications that would be part of the 27B design and that this was being done in order to expedite, speed up the certification of the second model, the 27B.

MR. PARSONS: That's correct.

MR. MCGILL: So that you really, when the 27B prototype flies, you really haven't tested out your ability to fabricate an aircraft in all its components from the ground up.

MR. PARSONS: Well, all those components are built under the new program, although some of them are, as you say, rebuilds the same as the original or the ones we are taking off now. They are all being certified as new, and they are all the same as they will be under the 27B. But all the systems are the 27B systems in it which is the main . . .

MR. MCGILL: I think you will agree, Mr. Parsons, there's quite a difference in taking another Heron airframe and modifying it further to conform with the 27B specifications and use it for flight testing your production model. Now there may be many, many problems arise when you have to build an airplane from its basics and fabricate each of its components. I was under the impression - I'm sure quite a number of the committee members were under the impression that we had an airplane ready to fly in June that you had fabricated from the bottom;

MR. PARSONS: Well I didn't mean to give that, if that's what you thought, because the 005, which is the test model, is built exactly to the 27B specifications. All the systems, which are important and difficult engineering problems that we've been going through, are incorporated in that plane.

MR. MCGILL: Okay. Now what will be the range under IFR conditions with a full passenger load with a 27B?

MR. PARSONS: With a full passenger load?

MR. MCGILL: And baggage.

MR. PARSONS: I can't give you that. It will be carrying 100 more gallons; with a full passenger load it should be in the area of 300 miles.

MR. MCGILL: This is pretty vital information if this aircraft is to be used on a regional air service, as we all hope it will be.

MR. PARSONS: Yes. As you know, it's built for a commuter operation and basically the stage lengths are between 50 and 150 miles. This is a basic commuter stage length.

MR. MCGILL: Would you agree that one of the problems with the 27, or 27A, was that under IFR conditions it had an extremely limited range with full passenger load?

MR. PARSONS: Yes, in the area of 150 miles.

MR. MCGILL: But you're not able to tell me what the improvement is on the 27B?

MR. PARSONS: No, I'm not, but we have that.

MR. MCGILL: Have you had any additional sales of aircraft since we had the last meeting?

MR. PARSONS: Yes, we had two the other day.

MR. MCGILL: Do you consider that a firm order for two aircraft?

MR. PARSONS: The government officials from Ottawa will be here on Wednesday to give us the specifications and go over the order.

MR. MCGILL: And when would you estimate delivery could be made for two aircraft?

MR. PARSONS: Depending on what specifications they want on the aircraft, anywhere from 6 weeks to 3 months, depending on the avionics they request.

MR. MCGILL: How are you fixed now for engines for your aircraft?

MR. PARSONS: We have a problem.

MR. MCGILL: You have a problem.

MR. PARSONS: Yes. Well, so does Twin Otter and everybody else that's using the UAC engines.

MR. MCGILL: But in spite of that problem you can deliver in six weeks?

MR. PARSONS: Yes.

MR. MCGILL: What will you do? Take aircraft . . .

MR. PARSONS: No, we have engines for the ones, 00 up through 10, and we have other engines coming in in the fall, but right now we have engines on 008 and 009 and 4 - 10's so we can deliver those.

MR. MCGILL: Would that mean delaying delivery on other aircraft if you did that?

MR. PARSONS: No, because the other orders we have aren't specified. If there's an urgency to get these, we can shift orders.

MR. MCGILL: You've got pretty pleasant customers to deal with, I think, Mr. Parsons, if they are prepared to just wait . . .

MR. PARSONS: Yes, they are. Most of the airlines that are ordering are ordering a year to two years in advance. The Indonesian order, for instance, has over 24 to 36 months.

MR. MCGILL: On the 27B, is there an improvement on the cargo restraint strength? There was a problem with the 27A on the stressing of your cargo restraints.

MR. PARSONS: I didn't know there was a problem on the 27 in the cargo restraints.

MR. MCGILL: I see. So that you're not aware of any improvement in that respect.

MR. PARSONS: No, I'm not. What problem was there with the cargo restraints on the 27?

MR. MCGILL: Well I think that it carries very little . . .

MR. PARSONS: You're talking about taking the seats out and putting in cargo restraints, or are you talking about the baggage compartments?

MR. MCGILL: In the baggage compartment there are certain minimum G requirements for carrying cargo under IFR. I understand that the 27A was somewhat deficient in that respect and I wondered if it had been improved in the roto-type.

MR. PARSONS: Well our new plane is fully certified to FAR 25, which is your transport category, so I would say if there needed improvement there, it must have been done, because this will be certified under the FAR 25.

I would like to say, in my last remarks we were talking about numbers of planes to break-even point, and I was amiss. I said it was 130 planes to completely recover all our funds. It was 130 planes would have recovered all the monies we have outstanding in loans, but it requires 160 before all our equity capital, as well, is returned. I'd like to just correct that, my phrasing, or the numbers.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Yes, Mr. Chairman. I think Mr. Parsons answered one of the first questions that I had, or part of it. I was going to ask him, in view of the fact that the Federal Government has I believe taken over, or proposes to take over De Havilland, and Mr. Parsons in one of his answers in regard to his being optimistic of being able to sell 160 airplanes, he cited, I believe, the Twin Otter which De Havilland manufactures, in view of the fact that De Havilland appears to be having financial difficulties and the Federal Government taking them over, are you still as optimistic today as you were a few weeks ago that we will be able to achieve our goals here of 160 sales in the type of model that we're producing, in the competitive field we're in?

MR. PARSONS: Yes, that doesn't change our marketing position. We're looking at the commuter market and we're building a plane to the 14,500 category, which the Twin Otter is not in. We do fit into the United States commuter market whereas they won't, so it's not changing our marketability by the changing in ownership of De Havilland.

MR. MINAKER: Mr. Chairman, one other question which relates to -- I think I'll pass right now. I've missed the question I was going to ask.

MR. CHAIRMAN: Are there any more questions on Saunders? Mr. Spivak.

MR. SPIVAK: Mr. Parsons, I realize that I haven't been present for part of the presentation, but I wonder, if the question has not been put I'd like to put it to you, and if it has, then you can just indicate that and possibly just give the aggregate figures. Have you made projections, or has Saunders made projections of what capital requirements they will need in terms of money to be advanced in the stages from the Government until a projected break-even point?

MR. PARSONS: Yes, I mentioned that in the last Committee meeting. In the area of \$25 million will be required before the Company has a positive cash flow and can go on its own cash flow.

MR. SPIVAK: Is that \$25 additional million?

MR. PARSONS: No, we have \$18 million now and require another seven.

MR. SPIVAK: And at that point do you believe your cash flow will be sufficient to be able to cover your operation?

MR. PARSONS: Yes.

MR. SPIVAK: Including the indebtedness itself?

MR. PARSONS: Yes, including the interest on the indebtedness.

MR. SPIVAK: Including the interest on the indebtedness.

MR. PARSONS: That is not all -- there's equities . . . (inaudible)

MR. SPIVAK: Yes, I'm sorry. That's true. Including the interest on the indebtedness, so \$25 million would be considered to be the likely maximum investment by the public before it turns the corner.

MR. PARSONS: Yes.

MR. SPIVAK: And again, in timing, when do you expect to reach that point?

MR. PARSONS: June of 1975.

MR. SPIVAK: How many additional planes will you have sold up to that time?

MR. PARSONS: There will be seven additional ST27's and there will be four, about four of the 27B's - that's the new one - by June of 1975.

MR. SPIVAK: Would you consider that the two that have now been sold to the Federal Government as two of the four?

MR. PARSONS: Yes. No, pardon me, two of the seven. I'm sorry.

MR. SPIVAK: Two of the seven. So what we're talking about is approximately nine more planes.

MR. PARSONS: Yes.

MR. SPIVAK: And you're going to be in a position to be able to construct those planes and be able to sell and be in a position to turn the corner. That's what you're basically saying.

MR. PARSONS: Yes.

MR. CHAIRMAN: Mr. Minaker?

MR. MINAKER: Mr. Chairman, Mr. Parsons in his answer to Mr. McGill indicated that the company was having problems with the supply of engines. I wonder if he could elaborate on that, whether it's temporary, or what in fact is the problem that you're presently having in getting the supply of engines at this time.

MR. PARSONS: Well, United Aircraft went on strike last November. They are the manufacturers of the PT 34 engine that we're using. It's a widespread engine used right across North America but they have been on strike in Quebec since last November. They are developing a manufacturing capability down the States that they hope to have going, regardless of the strike in Quebec. How far behind we'll fall is hard to say. They are producing some engines, but very few.

MR. MINAKER: I see. So it's strictly a strike problem, not one of a decision to stop making the . . .

MR. PARSONS: Oh no. No, no. The engine's used in the Twin Otter, the Beach, in helicopters; it's a widespread engine. No, no. It's a very popular engine.

MR. CHAIRMAN: Mr. Patrick.

MR. PATRICK: Mr. Chairman, Mr. Parsons has stated you need approximately 160 sales before you can have return of all the equity.

MR. PARSONS: All the loans and equity, yes.

MR. PATRICK: That's right, yes. Is there a potential, or is there a market for a potential of 160 planes, and over how many years will that take and where would this market be? Would it be in Canada or . . .? Can you give us some idea how many years this would take and where you see the potential of that market?

MR. PARSONS: The 160 planes we'll produce by the end of '78, the first part of '79. Our market study that was done 2 1/2 years ago showed a need for this size of commuter plane between the 600 and 700 area; roughly 40 to 45 percent of those were in United States. Since then, the market has expanded. I don't know whether you are familiar with the De Havilland. They almost ceased operations on their Twin Otter two years ago and the demand is such that they have come right back and their order book is full up trying to fill this need now. The demand has come on quite strongly in the last year and a half for this size of aircraft.

MR. PATRICK: You say 45 percent would be U.S.?

MR. PARSONS: Yes. That was in our original market study. Now the underdeveloped countries are showing a lot more need, and they weren't covered in the original study.

MR. PATRICK: I see. What potential would this be for a Canadian market?

MR. PARSONS: Well, basically, there's not a great deal of competition in this size of aircraft. The aircraft that would be flying this, such as the Twin Otter, is really a converted bush plane. It was never built for the commuter aircraft industry; it's a third line carrier. So there is competition, yes, definitely, but we feel that we can get at least that number.

MR. CHAIRMAN: Mr. Spivak?

MR. SPIVAK: Well, I wonder if I can follow through from what I said before by asking some questions with respect to the financing of the planes. Can you indicate whether Saunders as such is involved in financing the sales of the planes today?

MR. PARSONS: Yes we are.

MR. SPIVAK: Is the MDC involved?

MR. PARSONS: Yes.

MR. SPIVAK: So MDC and Saunders are involved?

MR. PARSONS: Yes, we're involved in guaranteeing some of the Saunders sales.

MR. SPIVAK: Well I want to understand this correctly. Is the Federal Government involved as well?

MR. PARSONS: No, not at this point.

MR. SPIVAK: So the Federal Government's not involved. So the financing essentially has been done through Saunders with MDC involved.

MR. PARSONS: Yes, and that amount is included, by the way, in the dollars that I gave you. There's \$2 million of that \$18 million that's out now, is financing aircraft.

MR. SPIVAK: I see. In the \$25 million that we're talking about, how much of that will be for financing?

MR. PARSONS: We are not planning to do any more financing.

MR. SPIVAK: Have you got your financing arranged?

MR. PARSONS: No, but in the foreign sales we hope to be able to work with the EDC. They're working very well with us, for instance, on the Indonesian orders, and the South American now.

MR. SPIVAK: So they will be paying you for it and financing . . . ?

MR. PARSONS: Yes.

MR. SPIVAK: So, this is on the assumption that there'll be a cash flow coming in, direct cash, from the sale of the plane.

MR. PARSONS: Yes.

MR. SPIVAK: So how many planes would be financed at this particular time?

MR. PARSONS: Five.

MR. SPIVAK: What would be the normal length of the financing of a plane?

MR. PARSONS: Five to seven years.

MR. SPIVAK: What interest rate would be charged? And again I'm not trying to ask something that necessarily would be . . .

MR. PARSONS: We're charging our current MDC interest rate on those.

MR. SPIVAK: So that the MDC interest rate's being charged for financing. Is this less than what would normally be involved in financing?

MR. PARSONS: No, I would say it's more.

MR. SPIVAK: In terms of competitive markets.

MR. PARSONS: Yes.

MR. SPIVAK: What financing charge does the Federal Government finance . . . (in-audible)

MR. PARSONS: Well, they have two or three methods of getting to a top interest charge but I don't know what their current rate today is. At the time we financed them for 10 percent, by the time they added on their insurance and so on, they were a little higher than that. It's in a competitive range. Also it depends on the country.

MR. SPIVAK: On the planes that have been financed, are the payments up-to-date?

MR. PARSONS: I checked this morning; we're one and a half months, but -- the money is in the bank but we haven't received it yet, if you're referring to the South Americans. It takes us about 45 to 60 days by the time they bank the payments, the bank down there tell us, but we haven't got the money. They're basically -- we're up-to-date the last time I was here, but they are this last payment behind.

MR. SPIVAK: Having turned the corner at \$25 million, which I believe is June of next year, either June or July, what requirements will there be, what requirements for plane sales will there be to be able to maintain that position annually? On the assumption that it's not the fiscal year but . . .

MR. PARSONS: We eventually reach 36 planes a year.

MR. SPIVAK: No, what I'm trying to indicate is, having advanced to the point of 25 million dollars, which is the breakeven point in the cash flow, how many planes will you require, minimum sales, forgetting about what the projections are, to maintain that cash flow position and not put yourself in the position of having to ask for more money?

A MEMBER: Have you got the figures for 1974?

MR. PARSONS: We have them all scheduled. I think it's 15 to 18 - there's 15; yes, to maintain a cash basis about 15, to maintain. Now we'll be . . . more than that because we're repaying loans, but to maintain a steady position it will take about that. Yes, about 15 to maintain a cash flow.

MR. CHAIRMAN: Mr. McGill.

MR. MCGILL: Just a couple of final questions, Mr. Chairman, to Mr. Parsons. Could you tell me what your monthly cash requirements are at Saunders? What does it cost a month?

MR. PARSONS: About \$700,000 right now. \$650,000 to \$700,000, yes.

MR. MCGILL: The other question. I have had some long experience with the kind of facilities that you have there. I know that they are World War II hangars, wooden hangars. The thought that ran through my mind as I walked around was, how are you covered? Are you fully protected for fire in your operation out there?

MR. PARSONS: Yes, we are.

MR. MCGILL: What is your monthly fire insurance premiums?

MR. PARSONS: We don't pay the insurance. The park authority pay that. We pay rent by the square foot, which includes . . .

MR. MCGILL: Which includes your insurance?

MR. PARSONS: No, just a minute. Yes we pay on the -- The stock and inventory is ours. We fully insure that.

MR. MCGILL: What would be the total amount of fire insurance that you carry?

MR. PARSONS: I can't give you that offhand. It's on a floating reporting policy, I believe.

MR. MCGILL: What would it be, 10 million dollars?

MR. PARSONS: I'd just be guessing if I told you. We have a composite policy that covers it all. But I know, for instance, there's a million and a half in stock inventory, as you saw. It is valued every month and reported (Aside: How much is it, do you know?)

MR. MCGILL: You have an aircraft reporting policy and a stock reporting policy and it varies from month to month - and you can't give me sort of a ballpark figure?

MR. PARSONS: I can't honestly tell you, I'd just be guessing.

MR. MCGILL: I'd be very interested to know that, knowing the kind of facilities that you occupy, and this is one of the serious risks involved in this kind of an operation.

MR. PARSONS: Yes, it's very expensive. It's all sprinklered now, as you notice. Those hangars were all rebuilt, those particular ones we were in, just before they left there. You know, that base was rebuilt. They're quite functional for what we're using them for, but they were all sprinklered since we moved in there, which of course cut the insurance rates in half. But I will see that you get that.

MR. CHAIRMAN: If there are no further questions on Saunders -- Mr. Patrick? Not on Saunders?

MR. PATRICK: Mr. Chairman, perhaps -- can you tell us what is your policy; do you sell all your aircraft or have you got any arrangement that you would lease them to certain corporations on, say, a three or four year basis? Have you got any arrangement like that?

MR. PARSONS: No we've been working on facilities to do that. We haven't had the aircraft to do that.

MR. PATRICK: I see. Would you be working in that type of a lease?

MR. PARSONS: Yes; of yes. That's quite common in the aircraft industry. If we can get a five-year-lease, of course, this can be sold and we would get cash for it.

MR. PATRICK: Have you explored that potential yet?

MR. PARSONS: Yes we have. Yes, we've worked up a proposition for two customers, as a matter of fact, on that.

MR. PATRICK: Can you give us some indication, is it accepted quite favourably?

MR. PARSONS: Yes, I think it should be. You get a much better interest rate doing that.

MR. CHAIRMAN: If there's no further questions, there was a matter on Leaf Rapids Corporation. The Minister indicated that he would bring the Chairman of Leaf Rapids forward this evening for questioning. Are there any other questions? Are there any other companies before I close?

Mr. Minaker.

MR. MINAKER: Mr. Chairman, I would presume that this will be the last opportunity for the members to speak to Mr. Parsons probably, about different MDC companies, and I wonder if he could possibly answer a few questions about three companies. One relates to the 1973 MDC report and it deals with Cowl, and I think on page 19 there's a loan listed there of \$178,000, and I was wondering if Mr. Parsons could indicate what collateral was put up for this loan when it was given out, because I notice this same company, the same report, was in receivership presumably after the loan had taken place. I wonder if he could advise us what collateral was used in that loan, or for that loan.

MR. CHAIRMAN: This is a little out of sequence. I wonder if Mr. Parsons would like to consult with his staff.

MR. PARSONS: I think that particular one you're looking at was the building. There was another loan, there were total loans to Cowl, which covered partly working capital, partly inventories and machinery within the plant that we took collateral on. We have a floating . . .

MR. MINAKER: Was it a mortgage, a second mortgage on the building or . . .

MR. PARSONS: We really took the option to purchase the building for that amount of money. We acquired it and we resold it when the liquidation took place. As you remember, we resold the whole thing. We did come up, because of the length of the operation and the losing position it was in, we do have a deficit of approximately \$200,000. All the outstanding moneys were not collected on our security. When we gave out that security, we had a floating charge on all our assets.

MR. MINAKER: Mr. Chairman, did MDC already own the building when they put the loan out?

MR. PARSONS: No, we put a loan out to finance the building; we took an option to purchase it.

MR. MINAKER: And then what was used again for collateral on the \$178,000? The actual equipment in the building?

MR. PARSONS: All the equipment and the inventories . . .

MR. MINAKER: But not the building.

MR. PARSONS: No, it was separate.

MR. MINAKER: The other question relates to the recent quarterly report of loans that the MDC has given out, and there's a company listed here, Canadian Occidental Petroleum Limited, that received a loan for \$2.8 million. I wonder if Mr. Parsons could advise us what this company does, whether they have any leased lands or lease rights in Manitoba, and whether or not, since this report of the Manitoba Development Corporation, has the MDC gained any equity in the company?

MR. PARSONS: We do not have any equity in the company. It is the Dryden Chemical Plant in Brandon. All that has happened is there is a new company that owns it now, Hooker Chemical. They're quite a large -- they bought it from Dryden.

MR. MINAKER: Who are the principals of Canadian Occidental Petroleum, and where are they located? Are they a Canadian-based company?

MR. PARSONS: No, they're United States the same as the Hooker Chemical Company was.

MR. MINAKER: The other question, Mr. Chairman, is that there was a recent ad in the Time Magazine for Misawa Homes, and it indicates that there are 4,000 different positions available. I wonder if you could advise what proportion of the 4,000 positions are available in Manitoba?

MR. PARSONS: None.

MR. MINAKER: None. I wonder, Mr. Chairman, if Mr. Parsons could advise who paid for the ad and did . . .

MR. PARSONS: Misawa (Japan) paid for the ad. We had no knowledge of it. They put our name in as a kindly gesture; they thought it might help us out. We got answers from all over North America asking us to fly into Aklavik and wherever. It was their ad. They're promoting down in the United States and basically that's the market they were trying to hit and they are opening up down there. That had nothing to do with us. We knew nothing about it when that hit the Time Magazine.

MR. MINAKER: Because Misawa Homes of Canada Limited are the first listed. That's why we presumed they probably had . . .

MR. PARSONS: Well the Japanese are very polite. They put us first.

MR. CHAIRMAN: Mr. Banman.

MR. BANMAN: Thank you, Mr. Chairman. I wonder if Mr. Parsons would be able to tell the committee re Columbia Forest Products. A while back there were tenders called for the sale of certain assets of Columbia Forest Products. Could you inform the committee what happened to the tenders.

MR. PARSONS: There basically wasn't any tenders that were worth considering. Since then, we have been working with two different parties on Columbia Forest Products to try and get the operation going with a going operator at the present time. We are in the negotiation stage right now, but the original tender, there weren't offers that were large enough for us to consider as being acceptable.

MR. BANMAN: Is it the intent, then, of the Development Corporation to try and sell the existing facilities at Sprague?

MR. PARSONS: We are attempting to sell the facilities or to get an operator in there to get the plant going again. We would like to get an operator that's knowledgeable of the industry to run it. Whether we sell it to him completely 100 percent or not would be another matter of negotiation, so we want to get somebody in there that can make it go and prosper in the community.

MR. BANMAN: So the way things sit right now, until somebody is found to either take it over or purchase the present facility, there is really, as far as the strike and that is concerned, there's really nothing that can happen, eh?

MR. PARSONS: Not really. We were operating it until they went on strike, and, well, I shouldn't say we were - the Receiver was operating it until they went on strike. They have been on strike, of course, since January.

MR. BANMAN: Would it be factual to say that they were losing an estimated \$1,000 a week that they were open before the strike. . . ?

MR. PARSONS: More than that, \$15,000 to \$20,000 a month. I reported that before.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Mr. Chairman, I had one other topic relating to Misawa Homes, and through you to Mr. Parsons, is Misawa Homes presently landbanking in the City of Winnipeg and other areas within Manitoba?

MR. PARSONS: We're not landbanking; we're trying to obtain land to put spec housing on.

MR. MINAKER: Mr. Chairman, could Mr. Parsons advise is there a limit to the acreage or numbers of lots that are planned for assembly this year, and where are they presently assembling this land or obtaining these lots?

MR. PARSONS: We have obtained some in Winnipeg, some in Brandon. We have tendered, and are low bidder on quite a few Manitoba Housing and Renewal homes, as you know. There is a need in two or three towns up North. We're negotiating to obtain service lots up there in Leaf Rapids and The Pas, and towards the number of homes to be built this year . . .

MR. MINAKER: This is the number of lots that have been assembled to date or are proposing to acquire.

MR. PARSONS: Well, we want to put up in the area of between three and four hundred homes this year. With the lots they had on hand now, I'll have to go back to the first of January because those lots are still being built on - there's approximately 80, and they have received -- now we were a low bid, I don't know whether we received the orders - about 70, for Manitoba Housing and Renewal.

MR. MINAKER: How many dollars would you think are presently tied up in the land that Misawa holds in the various locations in Manitoba?

MR. PARSONS: On most of them, what they do is a small down payment, and they don't really pay out for the land until they get their first draws. I couldn't tell you the exact figure. There's not a great deal of cash tied up in land.

MR. MINAKER: Is there any limit in time on how long that Misawa can hold these lots based on this deposit?

MR. PARSONS: Yes, I would think so.

MR. MINAKER: The next question, Mr. Chairman: is MDC financing the purchase of these lots, or the deposits on these lots?

MR. PARSONS: They are using their own funds that they have from ourselves and the Japanese. Yes, we don't finance them.

MR. MINAKER: Okay. The last question, Mr. Chairman. Is Misawa back in full operation now? I know they were on a reduced operation.

MR. PARSONS: Yes. Whether they are up to full production now, they are building up that production capability at Gimli, yes.

MR. MINAKER: And what is the present orders for houses for this year? That are already received?

MR. PARSONS: There's only one that they have started to date that isn't sold. They are selling before they get the basements in.

MR. MINAKER: And how many houses have they got orders for this year?

MR. PARSONS: Well, other than the MHA, they had roughly 80 to build, and as soon as they're able to start them they're selling.

MR. MINAKER: And how many are required to break even from an operating point this year, would be required to be sold?

MR. PARSONS: I don't think I have that. There's between three and four hundred. In that area.

MR. MINAKER: Thank you.

MR. CHAIRMAN: Thank you, Mr. Parsons. I move the Committee to consider Leaf Rapids. Mr. McGill.

MR. MCGILL: Mr. Chairman, while we're switching from one topic to another, it might be the time to bring up a point of order and to get some information about the future activities. I'm just going to ask, Mr. Chairman, through you to the House Leader, if there has been some arrangements made now, and some dates are available for a meeting of this Committee when we will hear the report of the Economic Development Advisory Board. I think we've been given to understand we'll get this report from the Advisory Board from Mr. Evans. And the other item that we have been given to understand will be arranged through this Committee, is the report of the McKenzie Seed Company. I think Mr. Evans in the House indicated that Mr. Clement would come as Chairman of the Committee and give us some insight into those operations.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: I can tell the honourable member that with regard to McKenzie Seeds I believe that it has to be some time after June 4th. I don't know, they say the 31st, so I hope some time after -- and I am not sure about the other. I think that the Minister indicated that he would see whether that would be forthcoming. I'm of course not responsible with regard to that particular entity, so I'll have to give that -- perhaps the honourable member will ask the Minister in the House as to the Economic Development Committee - or Advisory Board - I can't remember . . .

MR. CHAIRMAN: It is the will of the Committee to proceed with Leaf Rapids?

MR. GREEN: The only point is, Mr. Chairman, there was a statement issued to the honourable members relative to the Leaf Rapids authority, and I indicated that the Chairman of the Corporation would be here to answer questions; so he is here and if there are any questions to be asked they should be put now, and he'll try and deal with them.

Is it okay if Mr. Parsons leaves, because he is obviously ready to do up the town, do the town red in his while suit!

MR. MCGILL: On behalf of the Committee, Mr. Parsons, I'd like to thank you and your staff for . . .

MR. CHAIRMAN: Are there any questions of the members of the Committee of Mr. Parasiuk?

MR. GREEN: Relative to Leaf Rapids?

MR. CHAIRMAN: Relative to Leaf Rapids.

MR. SPIVAK: Do you have another copy of the . . . ?

MR. CHAIRMAN: Is there another copy here of this statement?

MR. SPIVAK: Mr. Chairman, this has not been brought up before as far as I know this Session, and I . . .

MR. GREEN: The statement was distributed to the honourable members.

MR. SPIVAK: No, no I wasn't referring to the statements.

MR. GREEN: Well no discussions, no.

MR. SPIVAK: No. I wonder, Mr. Chairman, if Mr. Parasiuk - dealing with the corporations - if he could indicate the way in which the corporation, that is the tendering practices of the corporation, has it been a matter of practice for the corporation to tender out the work that has been undertaken or have they negotiated contracts?

MR. CHAIRMAN: Mr. Parasiuk.

MR. PARASIUK: I'd like to just check with my . . . On large jobs we've tendered, and on smaller ones we've negotiated with the contractors that are already up there, because one of the problems has been the mobilization costs of a contractor going into Leaf Rapids.

MR. SPIVAK: Well I wonder, when we talk in terms of large or small, whether we can talk about what the aggregate amounts would be, that is, in terms of a level, have some understanding.

MR. PARASIUK: Well, all of the . . .

MR. CHAIRMAN: I'm sorry, just one moment please. Not that I like to be stuffy, but it's being transcribed and it's necessary for me to identify . . . Mr. Gordon.

MR. GORDON: Mr. Chairman, members of the Committee. It has been the practice in all of our contracts to date, excepting the original sewer and water contracts which were committed by the company which preceded us, to BACM. These were subsequently negotiated on a unit price basis prior to construction commencing. On subsequent operations, all contracts were publicly tendered, including items which required strictly purchasing. In some cases we've had to go out for quotations rather than use the advertising method, but we have obtained a minimum of three quotations wherever possible in the event that the number of suppliers permitted that minimum. On small extensions to existing work, sewer and water extensions for instance, if a contractor was already there we added forty to fifty thousand dollars worth of work and that doesn't represent a very large volume compared to the mobilization costs. We have negotiated again on a unit price basis, or in some instances by the hour where estimating was a very dic:ey proposition due to the soil conditions.

MR. SPIVAK: Has there been one main contract or one main contractor who has done the work?

MR. GORDON: Since the original sewer and water jobs with BACM there has not been one main contractor that's done the work for the Corporation. Sequential tendering procedure was utilized on the Town Centre project. The two largest contracts there were the mechanical and electrical contracts. But there are individual trade contracts. The tendering process is executed by the construction management, Project Management Company and also Project Control Limited, and they submit the tenders to the Corporation with recommendations on acceptance. We either accept or reject or modify at that point.

They've been tendered sequential in accordance with the trades.

MR. SPIVAK: What would BACM's contracts have been in relation to that? Just again in round sums.

MR. GORDON: BACM's contract was a fixed price, total sum contract for the sewer and water plant. The distribution and collection systems were done on a unit price footage basis. The total - I'm trying to recall the total numbers now - would be in the order of two and a half million dollars, in that area. I can get the figures confirmed for you of course.

MR. SPIVAK: In the figures up-to-date, and again we're looking at the financial statement, but assuming that the projections - it would show an investment of \$11, 700, 000. How high will this investment go?

MR. CHAIRMAN: Mr. Parasiuk.

MR. PARASIUK: We've brought in additional capital authority of \$5 million, which would bring it up to sixteen five. Now that's bridge financing, and of that - that'll be debentured out to the school district authority, the medical authority, the local government district and the commercial town centre will be kept by the corporation. And the amount of that is I think somewhere in the order of about \$4 million.

MR. SPIVAK: I assume as well you're going to keep the hotel.

MR. PARASIUK: Yes.

MR. SPIVAK: Can you indicate the - you have the aggregate sum of it alone, but I wonder if you can indicate what the hotel operation made in the fiscal year '74. And this is not because of any particular vested interest, it happens to be a question I think that many of the people in Leaf Rapids ask me and ask members who are up there.

MR. PARASIUK: I think . . .

MR. SPIVAK: Well, I know what the figures show in '73 I wonder if you have a . . .

MR. PARASIUK: No. We don't have the statements yet. The statement is just being developed for the last fiscal year, we don't have it.

MR. CHAIRMAN: Mr. Minaker.

MR. PARASIUK: I wonder if Mr. Spivak is finished.

MR. CHAIRMAN: You took a breath, so I assumed you was finished for the moment.

MR. MINAKER: Mr. Chairman, not being fully familiar with the over-all agreement on Leaf Rapids in regards to payment for services, etc. - of the twelve and a half million dollars, there's a certain quantity that has gone into municipal services development in roadways and so forth - of that particular amount, how much of the twelve and a half million will be levied against the homeowners or against the properties that are being rented? How much would be assessed against the \$4 million centre, which you said was a central centre? I would assume part of the local improvement charges will obviously go towards them. Could you advise us how many dollars each would include.

MR. PARASIUK: That has been laid out in the agreement that the province signed with Sherritt-Gordon which provided the framework. I'm sorry I didn't bring the agreement with me. I know that . . .

MR. GREEN: Mr. Chairman, I can't remember. The agreement was tabled, but it was estimated that approximately 65 percent of the total assessment would be paid for by the mining company. I don't know whether that is working out. If that is working out, then it was a long projection that worked out for us, which is fine. The 35 percent would be levied then against the balance, which would be the homes and the commercial facilities - I don't think that that was broken down in the agreement. I think Mr. Parasiuk is wrong in thinking that that was broken down.

MR. PARASIUK: No, I was just thinking there was different . . .

MR. CHAIRMAN: Order. Order just for a moment if you please. Let us not exceed the technical capacity of our machines. I wish you would wait until you're recognized by the Chair, because I hate to be put in a position where we have to say that the tapes contain gaps. Mr. Minaker.

MR. MINAKER: Mr. Chairman, if I could continue with the information I now have. I would presume that the majority of the twelve and a half million has gone into basically service development, etc. - or does that include the moneys for the homes, etc. as well?

MR. CHAIRMAN: Mr. Parasiuk.

MR. PARASIUK: That's for the town infrastructure, excluding homes, the actual construction of the houses; but that entails the servicing of the lots, sewer and water, roads, municipal facilities, the school facilities, the medical facility, but it does not include any financing for the houses. The houses were financed individually with Sherritt-Gordon being involved in some of the mortgaging, and I think 170 homes about were financed through the Manitoba Housing and Renewal Corporation as . . . rental units, with about 25 of these units being designated as being available for low income public housing.

MR. MINAKER: Then, Mr. Chairman, my percentages probably aren't accurate, but it would be ball park, I would believe - that if there is \$4 million that is going to be retained by the corporation, can one assume that if that represents approximately a quarter of the over-all project costs, that on a 65/35 basis of the \$12 1/2 million which has gone into land service, etc. that the Government would then be picking up approximately \$3 million. Would that mean that if there's \$4 million in the townsite centre that is retained by the corporation, that they will actually be paying approximately a portion of the 35 percent; it would be about \$3 million they would be paying - in the order of \$2 million roughly - on the local improvements, the government or the corporation?

MR. CHAIRMAN: Mr. Parasiuk.

MR. PARASIUK: Mr. Chairman, the corporation will be paying that, but we are leasing those facilities out to commercial interests and the . . .

MR. MINAKER: Okay, that's what I'm trying to find out.

MR. PARASIUK: That's right. The local levies will in fact be included in the rentals.

MR. CHAIRMAN: Mr. Dillen.

MR. DILLEN: Mr. Chairman, through you to Mr. Parasiuk. The development of Leaf Rapids is a rather unique way of developing towns with a one-resource industry towns.

(MR. DILLEN Cont'd) How would you compare the development of Leaf Rapids with, say, the town of Lynn Lake or Thompson?

MR. CHAIRMAN: Mr. Parasiuk.

MR. PARASIUK: Well, Mr. Chairman, I think it would be fair to say that the development was seen as a long term investment in Northern Manitoba, taking into account treating Leaf Rapids as a regional centre in Northern Manitoba, which has part of its life tied to the major industry associated with that town, but also seeing it as a regional centre in relation to the other communities in close proximity. Consequently, the social investments made were made with a view to providing employment opportunities and a remote urban adjustment centre for primarily native people in the surrounding area. This was done I think in fairly marked contrast to other developments which were basically developed to house and provide for the means of the mine, in the instance of Lynn Lake or in the instance of Thompson per se. Consequently, when you had any growth taking place, the growth was very difficult because growth wasn't anticipated within the community. Thompson was first anticipated to be 8,000 people and the growth from 8 to 24 has been very difficult for Thompson. We won't have that difficulty in Leaf Rapids if other mines or if other developments take place within the area, which would add to the population of the community.

Secondly, it was a unique departure when the mining company was put on the municipal tax roles. Again that adds to the development of local authority and local autonomy on the part of the Leaf Rapids Community. I might note that Leaf Rapids, although it's only two and a half years old, already has an independent school board. Their local government district is operating with an advisory council. It's projected that there will be full municipal status, depending upon the desires of the local residents, probably by October of 1975. Again, this is in pretty marked contrast to the development of local government with Thompson, or in the case of Lynn Lake, which after - oh, 22 years of existence, still doesn't have full fledged municipal status for example.

The other aspect has been the definite attempt to have native people involved in both the construction employment and also in the mining employment right from the beginning, so that they would not feel as outsiders to another community, to an alien community within their midst so to speak. And right now we have something in the order of - about 10 percent of the community is of native ancestry, and hopefully that'll be a base for the remote urban transition for native people seeking northern options or seeking options to their present way of life. It's not been forced on people but an option, a real option, is in fact being provided for northern residents within close proximity. The first emphasis has been to concentrate on those people living in closer proximity to Leaf Rapids. At the same time through the Northern Manpower Corps, efforts have been made to bring in people from as far away as Island Lake.

MR. CHAIRMAN: Any other questions? All right. Thank you, Mr. Parasiuk.

On Minago?

MR. GREEN: Is the Minister here? I wonder if we can wait a minute and I'll see - is the Minago contracting staff here?

MR. CHAIRMAN: Just take a five-minute breather?

MR. GREEN: Okay.

MR. CHAIRMAN: Order please. The will of the Committee is to proceed with the Community Economic Development. Oh, I'm sorry. Oh, Minago. All right. The Minister of Northern Affairs.

MR. MCBRYDE: Mr. Chairman, if I could, I would like to introduce Mr. Murray Harvey, who is the President of Minago Contractors at this time; the President of the Company at the time the report that was tabled in the House is valid for, was detained with other business for the next month or so I understand, and would be unable to be here.

A MEMBER: Do I understand that he's a Conservative candidate?

MR. MCBRYDE: Yes, that would be a correct understanding. And, Mr. Tom Watson, the General Manager is also here with Mr. Harvey. So perhaps we could let Mr. Harvey introduce the Minago contract because this is the first time it has appeared before this Committee.

A MEMBER: Proceed even if they don't listen.

MR. CHAIRMAN: Order please. How does the Committee wish to proceed in this matter?

MR. GREEN: I think that the usual practice, Mr. Chairman, is that the report was distributed to honourable members in the House and if there are any opening remarks of a general nature, the Chairman can make them and then answer questions.

A MEMBER: Do you have extra copies?

MR. HARVEY: That's why we were late, we were running off some extra copies.

MR. CHAIRMAN: Mr. Harvey.

MR. HARVEY: Mr. Chairman, Minago Contractors Limited was incorporated under Section 2 of the Manitoba Natural Resources Development Act. The objectives were to train Northerners in the operation of heavy equipment. The first contract entered into with Manitoba Hydro in September of 1972 and was ongoing at the time this report was completed. During that time we had mobilized a camp and rented some equipment. We were also involved in some training on the job in conjunction with Canada Manpower and K.C.C. That contract at this time is now completed and Minago is engaging in demobilization at the Jenpeg site. It has a subsequent contract with Manitoba Hydro in the South Bay area, and it has a number of small contracts in the Leaf Rapids area at the present time. At the end of the report as tabled there's an auditor's report covering the period of its conception to March 1973.

MR. CHAIRMAN: Thank you, Mr. Harvey. Questions from the members?
Mr. Spivak.

MR. SPIVAK: If I'm correct, Mr. Harvey, you're in the process now of completing - No. Can I understand one thing? I should check. The year end is March 31, 1973.

MR. HARVEY: Covered in this report, yes.

MR. SPIVAK: And you're in the process now of completing, I guess, the audit for '74. Is that right?

MR. HARVEY: That's correct.

MR. SPIVAK: Can I ask? Is it your intention to sell some of the equipment shown here in assets?

MR. HARVEY: Some of the equipment - I'm not sure if that's shown in this statement or not - we did sell four pieces of equipment to Keewatin Community College, that were purchased originally by the company in the fall of last year with the understanding that Keewatin College would use the job site and the equipment to carry out an on-site training program in conjunction with Canada Manpower. Subsequently, the Canada Manpower people indicated to Keewatin that they would not - our purpose, if I haven't stated it, was to rent the equipment to K.C.C. - Canada Manpower subsequently said that they would not engage in a training agreement with the colleges if equipment was rented, but they would assist K.C.C. to purchase the equipment. That equipment was held by Minago until such time as Canada Manpower gave the go-ahead and subsequently sold to the colleges for that purpose.

MR. SPIVAK: What was the value of equipment?

MR. HARVEY: I could ask the General Manager to . . .

MR. SPIVAK: Yes, just for my own - I'm not asking for specific answers.

MR. WATSON: 373,000.

MR. CHAIRMAN: Mr. Watson.

MR. SPIVAK: How long was the equipment used by Minago?

MR. WATSON: Approximately 14 months.

MR. SPIVAK: What was it sold to Keewatin College for?

MR. WATSON: It was sold for \$373,000.

MR. SPIVAK: So in effect you had depreciation on the equipment of approximately 14 months. Did you not buy equipment repairs for the equipment?

MR. WATSON: Right. Yes, we did.

MR. SPIVAK: What would that have amounted to?

MR. WATSON: Oh, approximately \$8,000.

MR. SPIVAK: If you hadn't sold it in the normal situation with respect to the statement of your position, would you not have indicated the actual depreciation on the equipment itself in terms of its value, or would it have been listed as an asset at the actual cost?

MR. WATSON: I don't understand your question.

MR. SPIVAK: Well, this equipment, unlike a fixed asset, is a depreciable asset. Would it not have been normal, had the equipment not been sold, to have been listed on your assets at a depreciated cost?

MR. WATSON: Right.

MR. SPIVAK: So that in effect the financial statement that we do not have but shall be forthcoming will reflect an actual cash asset for a moveable asset, and will not reflect the depreciated value that really occurred - and should it not have been sold at its depreciated cost to Keewatin College? Now you may not be in a position to make that judgment.

Mr. Ziprick is listening, and I hope he is. I'm asking again, in the negotiation with Keewatin College was it not a question of transferring the asset and selling it at its depreciated cost rather than at the actual cost? Because this would reflect, with respect to the statement this year, a cash flow that is being paid out by Keewatin College.

MR. WATSON: Well, the equipment is worth approximately \$104,000, each unit is worth \$104,000. Now, the formula we used to arrive at the \$373,000 figure was the new value minus the number of hours on each machine times \$10 per hour.

MR. SPIVAK: But it was sold at \$373,000.

MR. WATSON: That's correct.

MR. SPIVAK: But that's what it cost you.

MR. WATSON: No. It cost us approximately \$104,000 per piece of equipment, or 416,000.

MR. SPIVAK: Oh, I'm sorry. So let me understand, I misunderstood you. So in effect it cost you \$416,000; you sold it \$373,000. So in effect there is a depreciation factor, and there's about \$8,000 of parts. Per machine or total?

MR. WATSON: That would be total, because they were all new machines.

MR. SPIVAK: Okay, so that would be about \$381,000, and that would be . . .

MR. WATSON: No, that's included in the 373.

MR. SPIVAK: I'm sorry. 373,000. With a cost of - I'm sorry - 416 plus 8, 424,000. And that would be normal depreciation for that kind of equipment over a 14-month period?

MR. WATSON: The \$10 per hour is accepted by the industry.

MR. SPIVAK: What's the lifetime of that equipment?

MR. WATSON: 10,000 - 10,000 hours.

MR. SPIVAK: In the 14 months, how many hours did you use it then?

MR. WATSON: Well, it varies from machine to machine. The one machine, the one V-8 had only 177 hours on it. I think it went up to a maximum of about 2400 hours.

MR. SPIVAK: I'm sorry. A maximum of one machine, or the total?

MR. WATSON: For one machine.

MR. SPIVAK: The maximum would be 2500 hours. That at \$10 would be \$25,000 on that machine alone.

MR. WATSON: Right.

MR. SPIVAK: Well, the only depreciation appears to - all right that's one machine. Then, let me ask you the other machines then, what would it be?

MR. WATSON: The number of hours on each machine?

MR. SPIVAK: Well, Mr. Chairman . . .

MR. CHAIRMAN: Just on a point of order. He can give it, but it's the kind of detail that, you know . . .

MR. SPIVAK: Well, Mr. Chairman.

MR. CHAIRMAN: . . . may I finish. If Mr. Watson can give the information, that I just . . .

MR. GREEN: Mr. Chairman, if I may on a point of order - and I'm sure that Mr. Spivak would not object to this - it's the first time that I've seen Mr. Watson before committee, and I don't know the man, but you mustn't feel that you're being challenged in such a way that if you can't answer or you can't remember, that somehow that this is a problem for you. So, don't feel threatened by Mr. Spivak, I'm sure he doesn't want to do that.

MR. WATSON: No. I see what he was getting at all right.

MR. CHAIRMAN: We're proceeding so well that I really interferred reluctantly, but I just wanted to . . . Mr. Spivak.

MR. SPIVAK: I think Mr. Banman may ask some questions, and I'll possibly wait.

MR. WATSON: I could more or less tell you, Mr. Spivak. It was around 1225 hours on the other two machines, I believe it was something like that.

MR. SPIVAK: In total. So you're talking about two machines.

MR. WATSON: This is right.

MR. CHAIRMAN: Mr. Banman.

MR. BANMAN: Thank you, Mr. Chairman. These four machines that we are referring to, were they 4 D 8s?

MR. WATSON: 4 D 8s, yes.

MR. BANMAN: But were they Rippers, or . . .

MR. WATSON: No, they were D 8's, there were no rippers on them. They were initially equipped with dozer, and KG blades and rakes.

MR. BANMAN: Is it not the normal practice in construction industry to depreciate a unit at a rate of about 50% a year - the first year?

MR. WATSON: It depends if you're buying or selling.

MR. BANMAN: You stated that you bought the machines for \$104,000, and you sold them for 93,000. You consider you made a very good deal as far as the re-sale of those machines?

MR. WATSON: We did well. We did all right. But we haven't been paid for them yet.

MR. BANMAN: Would you say it was really an extraordinary deal?

MR. WATSON: Oh no, not extraordinary, no no. Because approximately three weeks later the machine cost went up about 10 percent, which would add about \$10,000 on each machine, so actually you're looking at a new market value of around 114,000 - so if we were selling them today, our price would be \$10,000 more per machine.

MR. CHAIRMAN: Mr. McBryde.

MR. MCBRYDE: The line of questioning from the members that have asked questions so far have really got my curiosity up now. I suppose I really want to ask you if in fact Minago made a good deal or an average deal or a poor deal on selling these machines. I couldn't quite understand that from Mr. Spivak's questions, so maybe Mr. Watson . . .

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Mr. Chairman, through you to Mr. Watson, did you have other people bidding for these machines or were there other potential customers in the area? Or was the college the only customer that was in the general area at the time?

MR. WATSON: Because the college showed interest in the machines, Canada Manpower, through the college and through our different meetings on-training, showed interest in the machines. We had the machines, they were used for training, they were there to be used for training, and we were willing to sell them.

MR. MINAKER: Well again the question, Mr. Chairman, were there any other inquiries from any other potential customers for the equipment, or were they the only customer that was in the area that you could offer to sell them to or get rid of them?

MR. CHAIRMAN: Mr. Harvey.

MR. HARVEY: The question - it wasn't a case of putting the machines up for sale. As I remarked earlier, the machines were purchased early last fall to carry on a training program in conjunction with Canada Manpower and Keewatin Community College. The original concept was that the college would rent these machines from Minago, and Canada Manpower would participate by participating in the cost of the rentals. Canada Manpower then said they would not participate in any heavy equipment training program with the machines under rental because the costs were too high, but they would assist the colleges if they purchased the machines. So when Canada Manpower was prepared to go ahead with the program, we offered the machines to Keewatin for purchase for training purposes, for which they were originally taken on by Minago.

MR. MINAKER: So Mr. Chairman, I would have to presume from the answer that there was no other inquiries from potential customers, that the only interested party at the time of the sale of the machines was Keewatin College. Is that correct, Mr. Harvey?

MR. CHAIRMAN: Mr. Harvey.

MR. HARVEY: To my knowledge, the machines weren't advertised, or there was no one inquired about machinery for sale from Minago, because we hadn't indicated to anyone but the college that the machines were for sale.

MR. CHAIRMAN: Mr. Dillen.

MR. DILLEN: One question. It may lead to a second. I've heard it commented on the opposite side of the table here that Minago made a good deal on the sale of the machinery, but I would like to know whether or not - and I go back to an answer that was given by Mr. Watson - that the cost of machinery had increased by ten percent shortly after the deal was made. I am curious to know if machinery is available to purchase at the present time from machinery distributors?

MR. CHAIRMAN: Mr. Watson.

MR. WATSON: Not yet - V8s. No, I think delivery is about this coming December sometime or November.

MR. DILLEN: So you are looking at about an eight months delivery.

MR. WATSON: No, say three to six months. That's right. That's on one machine, that's not on four.

MR. DILLEN: So if the college were going to purchase machinery, and they required it in a hurry, Minago was the only place where the machinery was available?

MR. WATSON: It would either be that or at an auction.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Can I ask something? On the financial statement, is that equipment shown on the financial statement as of March 31, 1973?

MR. CHAIRMAN: Mr. Harvey.

MR. HARVEY: Mr. Watson, could you answer that?

MR. WATSON: I believe it is.

MR. SPIVAK: Can I show you the balance sheet? You can indicate where it is. I think I've got a copy of it.

MR. HARVEY: Mr. Chairman, I wasn't President of the Company at that time, but if my memory serves me correctly, that equipment may not have been on the Minago site at March 31, 1973, because the first training course took place in April of 73. I'm not really certain whether the equipment was there or not.

MR. WATSON: There were two pieces of equipment, two 8's were on the site I believe. It shows on the Statement of Revenues and Expenditures, 108,000.

MR. SPIVAK: That's the least, that's the heavy equipment rental.

MR. WATSON: Yes.

MR. SPIVAK: Was this a lease purchase equipment?

MR. WATSON: Yes, it was.

MR. SPIVAK: All right. So you had a lease purchase arrangement.

MR. WATSON: That's correct.

MR. SPIVAK: So the equipment at that point was leased.

MR. WATSON: That's correct.

MR. SPIVAK: So there was \$108,000 paid out in heavy equipment. Well, of course, that would only include part, there may be other equipment.

MR. WATSON: Yes.

MR. SPIVAK: Or is this . . .

MR. WATSON: No, that would include other equipment too. Yes.

MR. SPIVAK: Do you have any projections now as you know in approximate terms what your excess of revenues over expenditures was for the fiscal year ending March 31, 1974?

MR. CHAIRMAN: Mr. Harvey.

MR. HARVEY: Yes. We have, as you know, not had the auditors in. At May 21st, I had the General Manager prepare a trial balance. At that time, it showed an excess of revenues over expenditures of \$167,000.

MR. SPIVAK: That's taking into consideration the sale of \$373,000 to Keewatin College, is that correct?

MR. HARVEY: No.

MR. SPIVAK: It's not?

MR. HARVEY: No.

MR. SPIVAK: The equipment as shown as \$373,000? Or \$416,000?

MR. HARVEY: It's shown in heavy equipment again.

MR. SPIVAK: If you have a trial balance there, does it indicate assets of . . . \$15,000? I'm not talking last year, this year.

MR. HARVEY: The equipment rental of \$228,773.83.

MR. SPIVAK: I don't quite understand equipment rental. Does it not shown as a fixed asset?

MR. HARVEY: This is on the . . .

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Chairman, I do believe that there is some difficulty in the question, when one says that there's a revenue over expense of \$150,000 and then somebody says, that takes into account the sale. If the sale is merely a transfer of an asset from equipment to cash, there is no revenue involved in the sale. And I, of course, I'm not sure as to what happened because I'm not acquainted with the statement, but if they have been showing the equipment as a higher purchase rental and then they converted the higher purchase rental into a purchase of asset, that would then involve some cash going for an asset and then exchanged for a machine. So I really believe that in order to have that information properly, it's necessary to have the next statement. An audited statement will be made available as soon as it's prepared. I really think it's unfair to talk about a sale of equipment that's producing revenue, if in fact it is merely a conversion of one asset to another asset.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: I appreciate the fact, Mr. Chairman, that the questions at this point may not be able to be answered. But I assume that you will be before the committee next year, and I assume as well that the question is going to be put. I would say that if it was a purchase agreement on which you're operating, which was a lease agreement, which was convertible into a purchase agreement, then the position of expenses which are charged office expenses, I think probably are real; and at the time of conversion, the values at that point become important in understanding fully what happened in the transaction- and I'm not sure you can answer that at this point.

MR. CHAIRMAN: Mr. Watson.

MR. WATSON: Well, I'll tell you what went on here now, is in March we took the equipment over on a three year purchase plan.

MR. SPIVAK: March of what year? This year?

MR. WATSON: March of this year. Yes.

MR. SPIVAK: That's after the fiscal year.

MR. GREEN: March 31st, isn't it? If it's in March, it's before the end of the year.

MR. SPIVAK: Well, when you say March of this year, are you talking March 74 or 75, or 73-74?

MR. WATSON: In March 73-74,

MR. SPIVAK: Yes.

MR. WATSON: In there, we went from a lease agreement with Powell Equipment to a lease purchase agreement with Powell Equipment. Now in the lease agreement, 92% of your lease money, of your monthly money, is put towards the purchase price, your final purchase price. Now we've changed that over to a purchase agreement over three years and this is where the \$228,000 comes, that's the monthly payment for 12 months.

MR. SPIVAK: At the time that you went from the lease into the purchase agreement, were you committed to sell to Keewatin College?

MR. WATSON: No.

MR. SPIVAK: That came afterwards.

MR. WATSON: That's right.

MR. SPIVAK: Have there been negotiations with Keewatin College since that time?

MR. WATSON: No.

MR. SPIVAK: Okay, that's fine thanks.

MR. CHAIRMAN: Mr. McGill.

MR. MCGILL: Yes, Mr. Chairman. I guess to Mr. Harvey - what is the address of the Head Office of Minago contractors?

MR. HARVEY: The Head Office address is Thompson, Manitoba. Perhaps Mr. Watson could give the Box number.

MR. WATSON: Box 395.

MR. MCGILL: And do you have a list of the Board of Directors?

MR. HARVEY: Yes, the Board of Directors at the present time consists of myself, Mr. M. O. Harvey as President; Mr. Tom Watson, Director; Mr. Walter Monias of Cross Lake as Director. We have at the moment two vacant positions, one occasioned by the resignation of the last President, Mr. Cecil Smith, and we have just received a resignation from the Community Representative from Norway House, together with a request from the community that we consider another Norway House resident for that job.

MR. MCGILL: You have then three at the moment.

MR. HARVEY: At the moment - three vacancies, yes.

MR. MCGILL: And how often are directors' meetings held?

MR. HARVEY: Directors' meetings are now being held once a month.

MR. MCGILL: At Thompson.

MR. HARVEY: At Thompson, yes.

MR. MCGILL: And what directors' fees do you pay?

MR. HARVEY: Those people who are not employed by the Company or by the Province of Manitoba receive a per diem - I believe it's \$25, plus expenses, for attending the Directors' meetings.

MR. MCGILL: But the only directors that get this fee are those that are not under salary to . . .

MR. HARVEY: Either to the Company or to the Province of Manitoba, yes.

MR. MCGILL: Fine. Thank you.

MR. CHAIRMAN: Thank you very much, Mr. Harvey, and Mr. Watson. If we may proceed. This is the third occasion that Mr. Parasiuk has been with us on this matter. Shall we proceed? Any further questions?

MR. GREEN: Sir, I wonder if we can start with questions, because I think Mr. Parasiuk distributed answers, and I don't think it's necessary for him to go through them. So if we can start with questions . . .

MR. CHAIRMAN: As I suggested, if we could start with questions. Mr. Spivak.

MR. SPIVAK: I wonder if Mr. Parasiuk could indicate the companies who received loans from the Communities Economic Development Fund on the mimeographed list that was presented, starting I guess after the end of the last fiscal year. I wonder if he could indicate - of the companies who received loans up until the end of June, July 1st, how many of those companies are in arrears at the present time; or if not in arrears, are in severe financial difficulties?

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Chairman, before the question is answered, I just want to make it plain to Mr. Parasiuk that the appearance in Committee of a Chairman in this area, it has always been indicated that the fullest disclosure consistent with not damaging the commercial interests of any of the corporations, is what is expected and that where he feels that it would damage, he is entitled to say so, I mean, that that is the position that I will take and therefore I merely indicate that before he answers the questions on any other basis.

MR. SPIVAK: Mr. Chairman, just on this point of order. I think there are questions that will be asked which will be general in nature and I would have to suggest that there are some specific questions that will be asked about certain companies, and then the questions then can be determined.

But in the first question that was addressed to the Chairman, I'm simply asking whether he can indicate if the companies who receive the loans from the end of March, which is the end of the fiscal year, up to July 1st, how many of them are in financial difficulty now and how many of the loans are in arrears in number?

MR. PARASIUK: . . . a total of 134 that we had indicated.

MR. SPIVAK: No, no I'm only indicating . . .

MR. CHAIRMAN: Order. Order please. Just before we proceed, You had raised a point of order and Mr. Green raised a point of order. Mr. Green's point of order of course was very well taken. I think it's well understood by the committee the parameters within which they can ask questions, in which the Chairman can be required to answer, so that if it should arise then the Chair of course will have to rule. Mr. Parasiuk,

MR. SPIVAK: Well again I think you may have been misunderstanding the question, just by the very answer, or the commencement of the answer. I'm only referring to the loans that were really given in April, May, and June, at this point.

MR. PARASIUK: April, May and June of 1973. I'm sorry we haven't done that type of calculation, Mr. Chairman. You're asking for a specific time period and to go through 135 loans off the top of my head; I'd rather take that as notice and do a detailed job on it.

MR. SPIVAK: There would appear to be about 16 loans involved. But I wondered if, you know, the list I think would be easy to analyze and you'd be in a position to more or less indicate whether a third, half, two, one. It's sort of relevant to the number of questions I think I would want to ask and I wonder if it's possible to examine it. It may not be able to be answered right away. Maybe Mr. Jones or someone else will do that.

MR. CHAIRMAN: Mr. Jones.

MR. JONES: Mr. Spivak, we don't have a copy of that mimeographed list. I wonder if I could just look at . . .

MR. SPIVAK: I assumed that that was given out by you.

MR. JONES: Well I think we did at the last committee, but we didn't bring it back this time.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Well then, while Mr. Jones is looking at this and dealing with the question of R & M Construction first, because I'd like to deal with that and then go into some other companies and some other specific situations. Would you not agree, Mr. Parasiuk, that the company lost its original purpose some time in the month of April 1973 or the early part of May?

MR. PARASIUK: Lost its original purpose, Mr. Chairman, I don't really - could I have the question phrased more definitely?

MR. SPIVAK: Well again this is a debating point, because the debating points will be between Mr. Green and myself. But I ask you in terms of the fund, had the Company not lost its original purpose by the end of April or the early part of May, in view of the fact that the major contracts that it tried to undertake, which would have provided a cash flow and a potential to be able to meet the obligations that were being assumed, were not approved of by the fund on the Board of Directors, and as a result it was left to just being a wholesaler, really, and distributor of building supplies.

MR. PARASIUK: Mr. Chairman, the company had a multiplicity of purposes as a construction distributing company in Wabowden. It could have undertaken large jobs, small jobs, and supplied building materials. The point that the board was trying to get across to the management was that the concentration should be on the smaller projects so that they could build up capacity and experience. We wanted them to walk before they could run. Consequently, at that time, and throughout that period, there were a number of smaller jobs that were in fact undertaken by other contracting companies within Wabowden. R & M was not successful in getting those particular contracts. It also undertook the distribution of building materials, so it had a multiplicity of purpose, and to say that it lost its single purpose, its single purpose was not to take on huge jobs.

MR. SPIVAK: . . . the original purpose.

MR. PARASIUK: When we in fact considered that company in the first instance, we considered that it could undertake a multiplicity of functions, and in fact the principal in fact, set up his corporation in such a way so that it could undertake a multiplicity of functions.

MR. SPIVAK: Well then can I ask why you asked Mr. Kregeris to take a leave of absence during the period of the month of May?

MR. CHAIRMAN: Mr. Parasiuk.

MR. PARASIUK: I think Mr. Jones had deal with that already. But I think since he was the person very closely involved, I'd like to ask him to answer that question, Mr. Chairman.

MR. CHAIRMAN: Mr. Jones.

MR. JONES: Mr. Chairman, I think we've covered this generally at the last committee meeting on April 11th, but basically the decision to bring Mr. Kregeris into Winnipeg was a decision arrived at jointly between Mr. Kregeris, a principal of the company, the development officer concerned, and myself, and Mrs. Kregeris, who was also one of the principals of the company. Mr. Kregeris had been under extreme pressure for many months previously, and on his frequent visits to Winnipeg it was quite clear in our opinion, and in his own admitted opinion, that he was not capable of making clear judgments

(MR. JONES Cont'd) and that he should spend some time away from Wabowden. But the decision was not made up arbitrarily, it was made after a considerable discussion with the staff of the Fund.

MR. SPIVAK: Can I ask Mr. Parasiuk, was it the board's decision not to pay out the original loan amount and there was remaining, I believe, \$34,000 to James Bay Construction.

MR. CHAIRMAN: Mr. Parasiuk.

MR. PARASIUK: Yes it was, and that was on the advice of the legal counsel regarding the inability to secure security.

MR. SPIVAK: But is it not a fact that the legal counsel was unable to provide the security for R & M Construction, because essentially it was the same security that had to be provided?

MR. PARASIUK: I'm sorry I don't have my legal counsel here because he was involved in this . . .

MR. SPIVAK: The inability to be able to get security which is the reason for not paying up the \$34,000 remaining under the \$50,000 loaned to J.M.K. The fact is in the case of R & M, where in fact you did pay out, your security was not provided in any case.

MR. PARASIUK: Mr. Chairman, at that time the company was insolvent, had run up huge trade payables, we did not have a security, we did not want to advance further money to that particular company, and it was on that basis that we decided that the company should declare itself insolvent to creditors.

MR. SPIVAK: You decided that the company should declare itself insolvent to the creditors?

MR. PARASIUK: We put that forward as a suggestion, as an alternative for the principal who was asking for further financing to consider and to take up with his own legal counsel and with the creditors. That was done.

MR. SPIVAK: Well there was a meeting in the Fund's office with the creditors, at which a proposal was given to pay them 75 cents on a dollar, if I'm correct?

MR. PARASIUK: Mr. Jones, could you clarify that?

MR. CHAIRMAN: Mr. Jones.

MR. JONES: I don't think that the decision was made quite as specifically as that, Mr. Spivak. The meeting of creditors was called to consider the company's insolvent position, and it was suggested by both legal counsels, the company's legal counsel and the Fund's legal counsel, a position could be arrived at whereby, hopefully, that kind of thing could be made but it was not stated quite so clearly as that, because we didn't know.

MR. SPIVAK: Was there many of the creditors not called at the Fund's office and not called, oh, several months after R & M Construction had been formed, the loan had been authorized, approved, a sale of the assets to R & M from J.M.K. over a period of years had been determined, and some fund money had been advanced to R & M?

MR. CHAIRMAN: Mr. Jones.

MR. JONES: Speaking from memory I believe the meeting of creditors was held early in March. The loan was approved to the new Company R & M Construction at the end of November. It is true, the security was taken, completed, some moneys had been advanced before creditors were called.

MR. SPIVAK: I wonder. There's been reference in the discussions to the meeting of the Directors of R & M Construction, I believe, on February 15th, I think that was the date. I wonder if you could indicate whether you are aware as to whether the minute books of the company contain those meetings?

MR. CHAIRMAN: Mr. Parasiuk.

MR. PARASIUK: Mr. Chairman, the minute books right now I think are in the hands of the Receiver, or they still . . .

MR. CHAIRMAN: Mr. Jones.

MR. JONES: The minute book of the company is still in the hands of the company's old legal counsel, Chapman, Chapman, and Chapman.

If I may, Mr. Spivak, in terms of the particular meeting, I believe the minutes are in the minutes book and we also have copies, signed by Mrs. Kregeris of that particular meeting.

MR. SPIVAK: For your information, I've had the opportunity of a meeting with the legal counsel and examining the minute book of the company. There are no minutes for the

(MR. SPIVAK Cont'd) meeting of February 15th, nor are there any records of the calling officially of that meeting, nor are there any instructions to the solicitor with respect to that.

MR. PARASIUK: Mr. Jones, could you take that one?

MR. JONES: We have the records of the minutes in our file. It has the signature of Mrs. Kregeris. We did not manufacture the signature, it exists, and the list exists.

MR. SPIVAK: Well can I ask, was notice given of that meeting in the proper way? Was notice given to the Directors that the meeting was going to take place on a certain day, according to the minute book?

MR. PARASIUK: I'm sorry, Mr. Chairman, I don't know that particular type of detail.

MR. SPIVAK: Well, this whole question - there is a bit of a dispute as to when there were meetings of the directors, and when there were directors meetings, and the position of the Government, or the position I think of Mr. Jones and yourself, was that there was a directors meeting on February 15, and I put it to you that really that was a meeting of the directors. And I go back again to Mr. Allison's affidavit and suggestion in his language that there were meetings of the directors, and it's been sort of disputed that there have only been two directors meetings, but I suggest to you that the meeting to which you have referred to as a directors meeting, was really a meeting of directors called to deal with the company's business, in the sense of bringing everyone together, but it was not a formal directors meeting complying with the by-laws of the company.

MR. CHAIRMAN: Well, Mr. Spivak, that is a statement that is not a question.

MR. GREEN: And furthermore, Mr. Chairman, that really is a matter that has to be determined by the company if it wishes to raise it, or by somebody else. The fact is that the Fund is aware that a meeting was held and they have received a copy of minutes which were signed by Mrs. Kregeris. If the company has not put that minute in their minute book, Mr. Chairman, that is not something that the Fund can answer for.

MR. CHAIRMAN: Order please, order please. That too is a statement, Mr. Green. If Mr. Spivak has some more questions . . .

MR. SPIVAK: Well I think we will sort of develop it a little longer if I can.

MR. CHAIRMAN: By questions, Mr. Spivak.

MR. SPIVAK: By questions. My purpose is to get information. At the time that the meeting was held on February 15, or at that particular time, was information supplied to the directors who were present at the meeting, that Mr. Ben Thompson would be authorizing a contract for - I forget the exact amount of money - for the Winter Warmth Program.

MR. CHAIRMAN: Mr. Parasiuk.

MR. PARASIUK: Do we have a copy of the minutes here, Mr. Jones. It would be very helpful.

MR. JONES: I'm sorry, Mr. Chairman - last time we had copies of those minutes here with all the other material - we don't, and I wonder if the Fund could take that particular question as notice. To my recollection, Mrs. Kregeris herself prepared and typed the minutes of that particular meeting, but rather than just record it from memory I would like to be able to produce them to you.

MR. SPIVAK: I wonder, can you indicate to me whether the Government has paid for chartered flights after July 1st of equipment, of materials, supplied by R & M Construction, or for that matter possibly by any of the other companies, into the Cross Lake or Norway House area?

MR. CHAIRMAN: Mr. Parasiuk.

MR. PARASIUK: Mr. Chairman, that is outside the Funds terms of reference. We are not aware of any chartered flights being paid for.

MR. SPIVAK: Prior to . . .

MR. PARASIUK: We have been paid for our material, and that's what we have dealt with. We have not explored whether in fact other agencies, or individuals, chartered or hauled it in by boat, or transport company, or what.

MR. SPIVAK: But again, was Mr. McIvor as Director of the Fund authorized by the Fund to charter flights?

MR. PARASIUK: Obviously not. Mr. Chairman, I raised that many times already, and I've tried to bring that point across, many times to this particular committee, that is,

(MR. PARASIUK Cont'd) that Mr. McIvor acts in a number of capacities. When he is acting as a Director of the Fund he is performing certain functions. Chartering planes, is not a function that he would be performing as a Director of the Fund.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Then, insofar as the Fund is concerned, that charges could have been borne by another government department, but they were certainly not authorized by the Fund, and certainly were not carrying out his function as either a Director of the Fund or as a representative of the Fund, and thus a Director in R & M Construction.

MR. PARASIUK: No.

MR. SPIVAK: But you are aware that there were, or have been allegations that he in fact . . .

MR. PARASIUK: I am aware of many allegations, yes, Mr. Chairman,

MR. SPIVAK: Well for the record, Mr. Chairman, because I think there is a question of credibility in connection with this. I would like to file an affidavit - or not an affidavit, a letter, signed by A.R. McLeod who was employed across Lake Airways as a pilot for three years, and it indicates that during the period of April, May, June and July, on several occasions Mr. Don McIvor who was known to me and was Mayor of Wabowden, accompanied myself and materials from R & M Construction to Cross Lake. I wonder Mr. Parasiuk with respect to the presentation that was presented by yourself, dealing with the responses of two of the Directors of the Fund who were also Directors of R & M . . .

MR. CHAIRMAN: Just before we proceed Mr. Spivak, I have a letter which is signed by the signature A.R. McIvor --(Interjection)-- McLeod is it? Mr. McLeod, that's the only . . .

MR. SPIVAK: Yes, I'm sorry I didn't say - I said it was an affidavit, it's a letter.

MR. GREEN: He's just giving it to you as by way of information.

MR. SPIVAK: That's right.

MR. CHAIRMAN: . . . because Mr. Spivak did make the statement that it was an affidavit.

MR. SPIVAK: Well I think the affidavit would be sworn if it's necessary.

MR. GREEN: It certainly won't be necessary or required. It's always a question . . .

MR. CHAIRMAN: Order please.

MR. GREEN: . . . he said that he hasn't flown into these places.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Well this was accompanied by myself and the materials of R & M Construction, and I should point out that Mr. McIvor was the Director of R & M Construction, representing the Fund of which he was a Director, and while they may not have been charged, I ask again and I pose the question to Mr. Parasiuk whether this was in his function as a Director of the Fund? He gave the impression that it was not. It would be interesting to see what Mr. McIvor will have to say on this.

MR. PARASIUK: Mr. Chairman, I'd like to correct something. I didn't give an impression, I gave a clear definite answer.

MR. SPIVAK: But you have no knowledge of whether it was or was not paid, that these flights were paid by Government or not, you don't know that?

MR. PARASIUK: No.

MR. SPIVAK: Would it surprise you if it was paid by Government?

MR. PARASIUK: I think that's an irrelevant question, Mr. Chairman.

MR. SPIVAK: Well I don't think it's very irrelevant as a matter of fact, it may be not a question within your purview and within your responsibility, but I would not suggest it's irrelevant.

Can I ask, Mr. Parasiuk, you presented a presentation in response to the affidavits of Ron Allison in which you provided two affidavits of the directors, of Ben Thompson and of Don McIvor. In both affidavits it would now appear that some of the information presented was incorrect. Does that bother you at all?

MR. PARASIUK: Mr. Chairman, in presentations made by Mr. Spivak there were certain incorrect statements, and in statements made by Mr. Allison there were certain incorrect statements, and in statements made by other people there have been incorrect statements. I'm not passing value judgments on it . . .

MR. SPIVAK: Well I think this is fairly relevant, Mr. Chairman, and I'd like to deal with this if I may.

MR. CHAIRMAN: Well we're getting into a little area that I'm going to have to be very formal. Mr. Spivak.

MR. SPIVAK: Well I want to be in a position very clearly to ask Mr. Parasiuk - I accept the fact that Ronald Allison may have had information that's incorrect, and I think there was a responsibility obviously in response for the Fund, and through you as Chairman, to present that information as to whether it was incorrect. But do you not find it strange that two of your directors would have sworn to information in response to allegations that have been made in which the information that they presented is incorrect?

MR. GREEN: Well, Mr. Chairman, I really think that . . . on a point of order, I believe that Mr. Spivak is entitled to ask the Chairman of this Committee as to the activities that were under his control and direction, and as to his statement as to the facts of the matter. The affidavits were filed by Mr. McIvor and Mr. Thompson because certain things were alleged with regard to them. They have made responses to those things, and that bothers people. It might bother Mr. Spivak, it might bother me, it might bother other people, but as to the activities of the Communities Economic Development Fund in administering the loan, which was set up for the purposes of the Legislature, I think that Mr. Spivak should confine himself to asking those questions; what did the fund do; what did it do with respect to this loan; what did it do with respect to other things? As to how he could explain discrepancies between what four or five or six different people have said, is not a relevant question.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Mr. Chairman, in the offer, the loan offer that was given by the board to R & M Construction there was a request for 51 percent of the company if it was successful. Now there may be a little bit of dispute on this, but I want to make sure that Mr. Parasiuk will recall both the answers that were given and rethink the position before the answer is given again, I put it to you that the original request of the company and the loan offer that was made, was made for 51 percent of the company, or the option for 51 percent of the company, that in the loan application that Mr. Trithart had completed he said that they could proceed if it was successful, and if not it wouldn't have to bear the - and I'm not sure of the exact language - the losses, but that was altered to change in the event of default, but that came as a result of the request of the solicitor that the fund's original intention with the loan offer made to Mr. Kregeris was to have the option of being able to acquire 51 percent of the company if it was successful. Is that correct or not?

MR. PARASIUK: We had built in as a condition an option to purchase 51 percent of the company.

MR. SPIVAK: Not if it was in default, but 51 percent of the company initially.

MR. PARASIUK: Well we would have the company if it was in default.

MR. SPIVAK: Yes, but it was then altered and at the end of the loan offer, there's a paragraph which indicates that the 51 percent is only to apply in the event of default - and I want to point out to you in all fairness that the answer you're giving now is not the answer that you gave initially, or if not yourself, Mr. Jones - but I'm satisfied now that the position that I'm putting to you is the correct one, that the original offer given to R & M Construction, loan offer, contained a clause saying that the Fund would have an option of 51 percent, and it was not conditional on default, that Mr. Kregeris' lawyers objected to that, and as a result a clause was put on at the end in which it was said to apply only in the event of a default.

MR. PARASIUK: Mr. Chairman, I don't know if this is a question or what, I'm having some confusion. I'm having an interpretation given me drawn from . . .

MR. GREEN: Isn't the relevant thing that what occurred was the loan?

MR. SPIVAK: Well as a matter of fact what occurred is important, but also the intent is important, and I say that to you, Mr. Chairman, and Mr. Green, because the loan offer indicated, and I don't want to go through the documentation again, that in applying a loan, or providing a loan for R & M Construction, the Fund was prepared to consider an option for 51 percent, and the loan application completed by Mr. Trithart said that if it's successful we can execute the option, if it's unsuccessful then the creditors essentially would be stuck.

MR. CHAIRMAN: This once again, Mr. Spivak, is a statement. What question . . .

MR. SPIVAK: Well it's not a statement, it's a very relevant point because the question . . .

MR. CHAIRMAN: I don't intend to debate, Mr. Spivak. It is again a statement, what . . .

MR. SPIVAK: Well I'm putting it to Mr. Parasiuk and I ask him to rethink the position that the information supplied . . .

MR. CHAIRMAN: Once again, Mr. Spivak, you just *exactly*, you said it yourself, you put it to Mr. Parasiuk to rethink his position and made a statement. If you have a question relative to the point that you've made, perhaps you could ask the question.

MR. GREEN: Mr. Chairman, on a point of order. I believe that the Fund has filed with the committee and given to every member a copy of the loan offer and acceptance, and I suggest to you that the negotiations that took place up until then, and what was said by whom and how, and what the loan officer may have recommended as to how we could be best secured, is not something which is relevant when the final loan offer is made and accepted. Not sometimes a loan officer would like to get more security, sometimes he would like to be in a better position, I think that sometimes we are in a weaker position than I would like to be in, but the loan offer, surely the fund has done everything that it should do by giving to Mr. Spivak and the members of this Committee the signed loan offer.

MR. SPIVAK: Mr. Chairman, a honest point I must suggest, because of its contention right from the beginning that the company changed its original purpose.

MR. GREEN: . . . a contention, but that's not with me . . .

MR. SPIVAK: Well I may not be in contention with you, but I'd like to be able to finish, it is a contention from our point of view, and it's necessary for us to determine the intent of the Fund, particularly when it's an unusual situation and admitted by the Fund that this offer contained clauses that it normally did not have in other situations, and this is, I think, the point that Mr. Jones mentioned, there were certain clauses in this particular loan offer that did not exist in others . . .

MR. GREEN: As is always the case.

MR. SPIVAK: . . . none of which was the 51 percent, although it was altered afterwards, and I am only at this point interested in the information, not from a point of view of tripping up the members of the Fund but from a point of view of trying to understand fully the intent and the nature of the change that occurred.

Now Mr. Parasiuk - I'll move onto the next item, and this has to do with the memorandum with respect to Manfred Keil's report in which you enclose I guess, the third part of his report, and made particular reference to it. I would like to ask you, and through you to Mr. Jones, whether he can confirm that the information supplied by Mr. Keil with respect to this specific proposal came as a result of suggestions with Mr. Jones of how, and in what way, they could deal with the particular problem and resolve it in a way that could follow the experience of St. Laurent and that the job description that's supplied, which you identified as being - I'd like to use your exact words with respect to Mr. Keil which sort of put into question his motivation and his objectivity, really is not a fair comment on what took place because that Part 3 came as a result of the suggestion and really the recommendation of the Fund who were looking for a solution to the problem.

MR. CHAIRMAN: Mr. Spivak, I'm trying to be as fair as possible to give you every opportunity to solicit information. You asked the question, can Mr. Parasiuk confirm, and then you continue with a statement after that. If you're restricting your question to confirm what you asked him to confirm - Mr. Jones, do you understand Mr. Spivak's question relative to which he wants you to confirm or not confirm? Could you restate a question, Mr. Spivak?

MR. SPIVAK: I don't have to restate it, they understand it pretty well.

MR. PARASIUK: Mr. Chairman, you know, I don't know to what extent I can raise this as a point of order, but there's a lot of innuendo being passed at this particular . . .

MR. CHAIRMAN: Order please. Order please, Mr. Spivak.

MR. SPIVAK: Mr. Chairman on a point of order. I'm not going to . . .

MR. CHAIRMAN: Mr. Spivak, please. We've had a very good meeting so far and the Chair has been trying to be fair. I'll continue to be fair, but one thing that we cannot tolerate in Committees of the House is arguments between members of the Legislature and people before the Committee, so you'll address your questions to the Chair. I'm sure Mr. Parasiuk will answer them, and I would ask Mr. Parasiuk to answer through the Chair also. Mr. Spivak.

MR. SPIVAK: Well, you know, I suggest that the question of innuendo is contained within the memorandum on Manfred Keil's report, and I think that if we are going to deal with the question of innuendo I have a perfect right to ask the question. But I think it's fairly important, the question I think is understood by the gentlemen involved, and I'd like to have an answer to that if I could.

MR. PARASIUK: Could I have a restatement of the question, Mr. Chairman?

MR. SPIVAK: The question is, that Part 3 of the report that Manfred Keil prepared, is it not a fact that that part, not the specifics of it, but the general thrust of an approach to the problem came as a result of suggestions and discussions with the Fund and in an attempt on the part for him to develop a recommendation that the Fund Board of Directors could accept, that in effect it was further that he finish this part for which, and I quote, "reference has been made", well without quoting, whether it's reference on your comments on Manfred Keil's report we're drawing.

MR. CHAIRMAN: Mr. Parasiuk.

MR. PARASIUK: Mr. Chairman, I'd like to ask Mr. Jones to deal with that question in that perhaps he was involved in the discussions.

MR. CHAIRMAN: Mr. Jones.

MR. JONES: Yes, Mr. Chairman, if I can deal with the first part of Mr. Spivak's question. In connection with the third part of Keil's report, it's not in my view a question of the suggestions of the Fund are certainly not my suggestions, the inclusion of a conclusion in his report came as a result of many discussions Manfred Keil had with me personally. There seems to be an indication - the impression at least I'm getting, Mr. Chairman, is that you know, he was told what to put in by way of a conclusion. There were many discussions with Keil and in these discussions constantly he raised the analogy in his view of the development of Wabowden with St. Laurent and he said, what do I conclude? I said, the conclusion, you've been engaged by the Fund to do a report on this company and on the community, it is up to you to - for the conclusion and for the Fund's consideration.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Mr. Parasiuk, in your opening statement on April 11th, which I guess was the second meeting, you stated that the Fund has provided its understanding and knowledge of the events, but is it not a fact in your opinion, that the presentation of April 11th varies substantially from the first presentation made by yourself in this Committee?

MR. CHAIRMAN: I'm sorry, but the question you ask, Mr. Spivak, is it a fact in your opinion? Are you asking Mr. Parasiuk for a fact or for an opinion? I'm sorry to be stuffy.

MR. SPIVAK: Well do you not believe then, Mr. Parasiuk, that your presentation on April 11th varied from the presentation of the previous meeting?

MR. CHAIRMAN: Mr. Parasiuk.

MR. PARASIUK: Mr. Chairman, I would like Mr. Spivak to be more specific as to what the variations were. We indicated that with respect to McIvor, that McIvor had made one statement about not acting on behalf of the MMF. He had acted informally on behalf of the MMF. We stated that to the committee. I don't know if that constitutes a great variation.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: I want to try to not inhibit, and yet I believe that a lot Mr. Spivak would like to do is to debate, and I'm not objecting to a debate. If he suggests that Mr. Parasiuk made conflicting statements and wishes to show them and make a case out of them, then I will answer what I think whether or not these statements were or were not conflicting, but of what benefit is it to ask Mr. Parasiuk whether it's of his opinion that he made conflicting statements. But I think that Mr. Spivak said that he made conflicting statements, and that's something that we will have to argue as to whether that is the case or not, but I don't know whether it becomes relevant as to whether Mr. Parasiuk thinks he made conflicting statement. I think that Mr. Spivak has said from time to time that the statements that Mr. Parasiuk made were statements by the Fund and then statements by Thompson and McIvor. Is Mr. Parasiuk to be taken to have approbated Thompson's and McIvor's statements as his own, and then say that if I said something different, I have made a conflicting statement.

(MR. GREEN Cont'd) . . .

I think Mr. Chairman that I bear some responsibility for this. There were specific allegations of vote buying. In an effort to be over zealous in responding I asked the Fund to respond to every single allegation that had been made, and I asked them to get statements from Mr. McIvor and Mr. Thompson with regard to every specific allegation that has been made. As a result, we have a bunch of detailed discrepancies between what different people said on minor points but it doesn't go to the issue as to how the Fund handled this loan, and Mr. Spivak has moved from that to these discrepancies on detailed points. Is that a legitimate subject matter to spend committee's time with, or does that become argument which we have debated in the House for some hours?

MR. SPIVAK: Well, Mr. Chairman . . .

MR. CHAIRMAN: Mr. Spivak, to the point of order?

MR. SPIVAK: Yes, on the point of order, because Mr. Green has covered this, I suggest, and I want to put it to Mr. Parasiuk, and he can say that his impression is that he hasn't, but I suggest that the question can be put that the statements made in the Committee Meeting of April 11th vary fairly substantially from the presentation before. That's my impression. If Mr. Parasiuk says it isn't so, then we stop there; if he says it is so, then I have a perfect right to ask the question why?

Now before I do that, before I put that question I want to point out to Mr. Green, because I think he's covered it . . .

MR. CHAIRMAN: Mr. Spivak, point out to the committee please.

MR. SPIVAK: Well I'll point out to the committee that with respect to the issue of vote buying, or the conclusions that can be drawn, I'm not in any way asking Mr. Parasiuk or Mr. Jones for any information that they do not have within their possession, and the conclusions can be drawn and inferences can be drawn by us and we'll debate that, but I do say, Mr. Chairman, that the fact that two of the directors of the Fund, both of whom were present at the meeting but not allowed to speak, but whose affidavits were presented, who have proved to be incorrect in substantial ways - in the case of Mr. Thompson's when he said that he did not know Mr. Allison, and in the case of Mr. McIvor, well you know --(Interjection)-- Well I'm making the same point of order that Mr. Green said, in the case of Mr. McIvor . . .

MR. CHAIRMAN: Order please. Order please. We're getting into statements. The point raised by Mr. Green initially, and part of Mr. Spivak's response to it, was relative to the procedures of this committee. Now here once again I want to be as fair as possible that he can solicit information from . . . but nevertheless if it isn't within - I am at the will of this committee, and if the committee says that this avenue of information seeking is not the will of the committee, then the Chair will have to rule. Once again I would ask Mr. Spivak to direct his questions relevant to the administration of the funds under the chairman's responsibility, and make his questions relative to that.

MR. SPIVAK: Mr. Chairman, I think I have. I've put the question - I don't think I have to put it again to Mr. Parasiuk; I ask him again, does he not think his position and the statement that he presented on April 11th, in which he says he provides an understanding and knowledge of events would indicate a different understanding and knowledge of events than when it was first presented in the committee meeting before?

MR. PARASIUK: Mr. Chairman, we presented our understanding of the events. We also tabled and made reference to statements made by two particular individuals. Our understanding has remained consistent, the statements in two, I think, very minor instances, the statements made by two of the individuals have in two, I think minor instances, varied. I don't think that that constitutes a great variation in the presentation, and the other thing is in terms of presentation, we are presenting our understanding, we are answering questions of fact. I don't think that my function here is to provide opinions or impressions.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: I wonder if you can indicate, probably ask Mr. Jones, do either you or Mr. Jones know Mrs. Pannebaker?

MR. CHAIRMAN: May I ask the relevancy of the . . .

MR. SPIVAK: Mr. Jones ought to know who Mrs. Pannebarker is.

MR. CHAIRMAN: You know I'm sorry, but you are putting the Chair in the most awkward position, to . . .

MR. SPIVAK: Well, Mr. Chairman, for your information, so that the question will not appear to be irrelevant, Mrs. Pannebaker was the bookkeeper of J.M.K. Construction, and I think was the bookkeeper in the initial period of R & M Construction.

MR. CHAIRMAN: Thank you very much, Mr. Spivak. Mr. Jones.

. continued on next page

MR. JONES: Mr. Chairman, in answer to Mr. Spivak's question. No, I do not know Mrs. Pannebaker. I know what her position was with J.M.K. and R & M.

MR. SPIVAK: Do any of your staff know her at all?

MR. JONES: No, not the present staff, no.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Are you aware that Mrs. Pannebaker . . .

MR. CHAIRMAN: One moment please.

MR. JONES: I'm sorry, Mr. Chairman, I didn't realize that the Fund's Secretary, Mr. Musgrove, had met Mrs. Pannebaker one time.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Are you aware that . . .

MR. CHAIRMAN: Mr. McBryde.

MR. MCBRYDE: Mr. Chairman, I just wonder, on a point of order, if Mr. Spivak is on a specific subject, and somebody else has a question right on that subject if it would be worthwhile to ask the question, or whether we should wait until our turn to ask the question? Is it all right to ask a question right on that subject?

MR. CHAIRMAN: I'm of course at the will of the committee, and we have to be fair to all members of the committee, and Mr. Spivak has had a number of questions to ask. I would suggest if Mr. Spivak raises a point that perhaps we could pursue that particular point if some other member of the Committee wants to ask a question relative to that point.

MR. SPIVAK: Well I'd like to, if I may - I'm prepared to and I want to deal with the other loans, and particularly two other loans, but I'd like to, if I may, finish this and then at that time there could be some opportunity for others to ask questions on this particular matter.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: I wonder, where Mrs. Pannebaker has indicated that she was present at times with Mr. Ben Thompson, who says he didn't know Mr. Allison, and Mr. Allison together. She was present with them. She was the bookkeeper of the company. Are you aware of that or not?

MR. PARASIUK: No, I'm not personally aware of that, Mr. Chairman.

MR. SPIVAK: It wouldn't bother you that Mr. Thompson swore that he didn't know Mr. Allison.

MR. CHAIRMAN: Order please. Order please. Order please.

MR. SPIVAK: Well, it's an opinion, it's an opinion that he saw them together.

MR. CHAIRMAN: I'm sorry, I'll have to rule that question out of order. Whether it bothered Mr. Parasiuk or not.

MR. SPIVAK: I'm sorry, I should have mentioned something; they saw them together in the offices of R & M Construction.

MR. CHAIRMAN: Order. Once again that is a statement and whether it bothers Mr. Parasiuk or not, I don't think is relevant to this committee. You said you had another matter to pursue, Mr. Spivak.

MR. SPIVAK: Well I have several matters with respect . . . I take it then that insofar as you as Chairman of the Fund is concerned, your position as Chairman of the Fund, the fact that there is a doubt as to whether Mr. Thompson did or did not know Mr. Allison, and Mr. Allison has made allegations which are serious in their implication, that the Fund's position still is that the evidence that they presented is correct and that there is no need for a question to be raised as to whether the information supplied to the Fund by your directors to you was correct.

MR. CHAIRMAN: Mr. Parasiuk.

MR. PARASIUK: Mr. Chairman, Mr. Thompson states that he does not know Mr. Allison. I think this has been debated in the House as to whether in fact a person is making an incorrect statement when he says that he does not know in a sense of recollecting meeting and knowing that X is X, and we have indicated to the committee that there is a conflict of opinion on that one. One persons says, I know X and the other person says, no I do not know X.

MR. SPIVAK: Mr. Chairman, then I would ask Mr. Parasiuk, did Mr. Ben Thompson control Schmidt Cartage?

MR. CHAIRMAN: Mr. Parasiuk.

MR. PARASIUK: No, Mr. Chairman.

MR. SPIVAK: In your opinion, no. Are you aware of both affidavits and statements that

(MR. SPIVAK cont'd). . . have been made, are you aware of cheques signed by Schmidt Cartage with Ben Thompson's name.

MR. PARASIUK: I am aware that Mr. Thompson was a signing officer for that company.

MR. SPIVAK: In your opinion he did not own Schmidt Cartage?

MR. PARASIUK: No.

MR. SPIVAK: Or control it?

MR. PARASIUK: He was involved in the operations now, and the exact extent to which he is involved I am presently - that we have appointed a receiver who is presently going through that particular receivership in great detail. I have not received any reports from the receiver, and I am not in a position to indicate degrees of control. I do know that Mr. Thompson was involved, especially at the latter part of that firm's life in the operation.

MR. SPIVAK: On behalf of the Fund? Was he involved on behalf of the Fund?

MR. PARASIUK: He was involved not on behalf of the fund - well in an informal sense I think he was providing a liaison with the fund being a director in the area. The original intent for his being involved with that operation was to provide an option for native people coming into Thompson who would work in the mines, but often many native people don't want to work in the mines. They look for an alternative source of employment, and this has been one of the big problems in Thompson in that native people have had great difficulty getting alternative sources of employment. There are alternative sources of employment. Mr. Thompson had been involved through the Manitoba Metis Federation with training programs and adjustment programs in relation to INCO. He had been involved in operating a trailer court which was providing accommodation to Indian and Metis people, and he was involved in trying to get Indian and Metis people employed on a full-time productive basis with this particular company.

MR. SPIVAK: Can I ask, when you say the latter part, the latter stage of the company, what period of time are you talking about?

MR. PARASIUK: . . . specifics on that?

MR. CHAIRMAN: Mr. Jones.

MR. JONES: Mr. Chairman, on September 25th, 1973, I wrote a letter to Lamirande, the obligant to whom the Fund made the loan. At the end of September Mr. Lamirande, the only word I can use is, disappeared from Thompson. In September was the last contact the Fund had with Lamirande, and the difficulties that arose were at that time, between September and November.

MR. SPIVAK: I have an affidavit here of Mr. John Webster who states that: "In May of 1973, I was contacted by Mr. Ben Thompson and hired by him as a part-time mechanic and welder of Schmidt Cartage Ltd." There are a number of other clauses; I can go through them and I could read them into the record. My intention is not to read them into the record but I table this, and it's the only copy I have, but I'm assuming that the Clerk will be able to give me a copy.

MR. CHAIRMAN: Mr. McBryde.

MR. McBRYDE: Is this another fresh allegation.

MR. SPIVAK: No.

MR. McBRYDE: . . . whole pile of allegations?

MR. SPIVAK: No, it's not a pile of allegations because it goes to the whole question of . . .

MR. McBRYDE: We have a copy of it already with all our other copies though. Is this one of the ones we have copies of?

MR. SPIVAK: Well I haven't filed it.

MR. GREEN: Mr. Asper filed an affidavit by, I believe, that . . .

MR. SPIVAK: Well I didn't realize he'd filed this but in any case. . .

MR. GREEN: . . . who he is hiring and firing and things of that nature.

MR. SPIVAK: Well, Mr. Chairman, I file this only - and the question of Schmidt Cartage I think is another issue, and I would like to leave R & M and go to Schmidt Cartage afterwards and I think you would as well - but at the same time, I would like to, if I may, by placing this affidavit, ask whether this is not in question insofar as you're concerned, the function that Mr. Thompson performed and what he may have represented, and the information that may have been supplied to the Fund by him, in which both your policy decisions were guided and with respect to some of the information that was furnished to this committee.

MR. CHAIRMAN: Well, Mr. Spivak, before Mr. Parasiuk answers it, perhaps he can see what "this" is.

MR. SPIVAK: Well if he's had it already, I didn't realize he'd had it.

MR. GREEN: Well, Mr. Chairman, I'd like to, on a point of order, say that we never discussed Schmidt Cartage before this committee before.

MR. SPIVAK: I know. I appreciate that.

MR. GREEN: But, as you said, information has been given to the committee. I think that they've indicated that Ben Thompson was involved, that he was a signing officer; that the extent of his involvement they're not sure of. I don't know how that could mean that the committee has been given false or misleading information.

MR. CHAIRMAN: Order please. The Chair would solicit some direction from the Committee. We're talking about R & M Construction; now we seem to be switching over to another. Is it the will of the Committee to tie these two together or . . . ?

MR. SPIVAK: No, Mr. Chairman, my point in introducing this now and the question that was asked, because -- The question I have attempted to ask the Fund and, Mr. Chairman, its managing director, is whether the information supplied by the affidavits provided by Mr. Thompson and the allegations of incorrect information have not put into question the question of his credibility with respect to them and the information that may have been supplied to them, and I only point out the Schmidt Cartage matter to indicate that even with respect to the information supplied by Mr. Jones and that affidavit, there is a discrepancy; and I wonder whether the Fund -- yes, there is -- a discrepancy with respect to dates of involvement. And I would suggest, I ask again the Chairman whether, in the light of that, there isn't a question insofar as the Fund is concerned, if the information supplied by one of their Directors could have been incorrect and that part of the information supplied to this House, or to this Committee, with respect to their understanding and knowledge of events, may not be entirely accurate.

MR. CHAIRMAN: Well, Mr. Spivak, the Chair is having some difficulty in following. There's either some discrepancy between . . .

MR. SPIVAK: What?

MR. CHAIRMAN: A discrepancy between this affidavit that you have just filed and some prior testimony, or affidavits before or . . .

MR. SPIVAK: No.

MR. GREEN: On a point of order, Mr. Chairman. I think that what Mr. Spivak is saying is that if Thompson swore an affidavit, where he said he didn't know somebody and he did know them, and then swore another affidavit or gave information that he wasn't involved and we have an affidavit that he was involved, does the Fund now place reliance on the credibility of Ben Thompson? I think that is what he is saying. And I say to that, Mr. Speaker, that the Fund has never said anything one way or the other about the credibility of Ben Thompson, and as far as I am concerned there is nothing that disputes it; but whether there is or is not, all the Fund did in response to Mr. Allison's affidavit, is to produce Mr. Thompson's reply to Mr. Allison's affidavit.

MR. CHAIRMAN: Order please. Order please.

MR. GREEN: Oh it's quite right that the Fund did not produce Mr. Thompson, Mr. Speaker. The Fund was not required to produce Mr. Thompson. The Fund was required to give the Committee its knowledge vis-a-vis allegations that had been made by Mr. Allison. If Mr. Spivak is now saying that that knowledge is demonstrably false because he is suggesting that somebody has given false information, that is a subject for him to debate. The Fund has given its information, and I think that that's all the Fund can be asked to do. The Fund is not a judge as to the credibility of one person or another. The Fund is a financial institution, not a judicial institution.

MR. CHAIRMAN: The Chair once more is in a dilemma, because the point taken by Mr. Green, you know, sums up part of my dilemma. If Mr. Spivak, by filing this affidavit, wishes to ask Mr. Parasiuk whether in hindsight he would have behaved differently if he had access to this information, I don't know, but in the interest of this Committee to the information provided by someone not relative to the operation of the Fund, I am at a loss to see the relevancy to the operations of this committee.

MR. SPIVAK: Now I have to make this point because I think this is important so that you understand in the context and the perspective in which this is placed. As far as I can

(MR. SPIVAK cont'd) . . . understand, while the Fund is making the presentation and Mr. Parasiuk is making a presentation, he indicated he knew very little about the company. Mr. Jones knew substantially more because he was the general manager, but his involvement really came in the latter stage rather than the earlier. He relied on three people for his information: Mr. Trithart, Mr. McIvor and Mr. Thompson, and the information that is furnished to this committee, and was furnished initially, consisted of two affidavits plus the general knowledge that they had of the company, and the information was supplied by the three individuals; and I raised the question with respect to Mr. Thompson and the credibility of the information supplied here, and that's one issue. But I wonder whether the function is - the only question that's really been put, is still as confident in its position with respect to the information that it is supplying, which is based on information brought to its attention, not necessarily within its day-to-day knowledge upon which their presentation and the presentation of Mr. Parasiuk has been presented, and I simply ask whether -- and the only purpose of this is to determine whether the position is exactly the same, that everything is as they have represented here, and that there is no concern on their part that there may be some information that is not entirely correct, because they have relied on the basis of the three people who were directly involved with the company. That's why I asked the question whether the company had changed its purpose or not, and as to whether you were really in the position to know whether it changed its purpose or not.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: On a point of order. You know, I remember specifically what the Fund did. They did not say they didn't know anything about the company. They gave their involvement in that company with respect to how the loan was arranged, what the supervision was to be, who was assigned to work, including Mr. Allison; and with respect to the allegations that were made against Mr. Thompson and Mr. McIvor they merely presented the stories of those two people. The information that they provided of their own free knowledge was not based on the information that had been supplied to them by Mr. McIvor and Mr. Thompson. That information - and if we go back to the records, which is in the hands of every member - was that the Fund did this, the Fund did that, the Fund sent in an auditor, the Fund sent in a manager, Mr. Allison, the Fund talked to Mr. Kregeris; and with respect to the allegation that Mr. Thompson did this or Mr. Thompson did that, or Mr. McIvor did this or Mr. McIvor did that, we are giving you the statements of Mr. McIvor and Mr. Thompson, so that it is wrong to say that the Fund supplied information on the basis of Mr. McIvor's and Mr. Thompson's information. They supplied their own information as to what the Fund did, and if you'll look over the records you will see that that is what occurred.

MR. CHAIRMAN: Thank you very much, Mr. Green.

MR. GREEN: And I think that this is now a debate, Mr. Speaker. I think that what the Fund has done is almost unprecedented. They supplied bank statements, entries, leverage, and now Mr. Spivak has all the information and he can debate it with me and I'll debate it with him.

MR. CHAIRMAN: Mr. Green. Mr. Green, now Mr. Green please. Order.

MR. SPIVAK: We did not have all the information and I suggest that we do not have it.

MR. CHAIRMAN: Order please. Order please.

MR. GREEN: Well then, ask for more information.

MR. SPIVAK: Well I want Mr. Thompson and Mr. McIvor up there and then we'll get all the information.

MR. GREEN: Well you want, you can want whatever you like. You can ask -- Mr. Speaker, the honourable member has a right to question . . .

MR. SPIVAK: I can want. They can come up here . . . We don't have to go through this charade. All they have to do is present themselves, the questions can be asked. If they've nothing to hide there's no problem.

MR. GREEN: Mr. Chairman, the fact is . . .

MR. CHAIRMAN: Order please. When the two attorneys, who should know better, respect the Chair, we will proceed. I appreciate the points raised by both Mr. Spivak and Mr. Green because this is exactly the dilemma of the Chair. If someone files an affidavit and someone else files another affidavit and someone else files an affidavit . . . May I finish please? And someone else files another affidavit, I do not see the relevancy to this procedure to this Committee at this point in time. That this Committee has been used in the past as an instrumentality to get these opinions before the public, that is one case, but right at the

(MR. CHAIRMAN cont'd) . . . present time if you want to follow that procedure that was used in the past, then the Chair would have to follow the precedent which was set, by forwarding this affidavit to the Manitoba Development Fund and have them respond. Now if there is some question relative to this particular affidavit which is in the purview, the parameters of the responsibility of this Committee, I would entertain a question; but may we please avoid the political debates which there will be ample opportunity to get into debate.

MR. SPIVAK: Really on a point of privilege, because the remarks were from his . . . Well they were all sitting, but the remarks were made by the Honourable Minister of Mines and Natural Resources - it may or may not have been picked up in the recording - about a Spivak Inquisition. --(Interjection)-- Well, Mr. Chairman, if you put it in the recording you can, but I will suggest to you that for the purpose of -- you know, I think a great deal of time of this Committee could have been well spent and a great and necessary debate could have occurred had the directors been given an opportunity to present their position very quickly with respect to this.

MR. CHAIRMAN: Mr. Spivak . . . Order please. Mr. Spivak, you said you were going to make a point of privilege.

MR. SPIVAK: Well the point of privilege, Mr. Speaker, is that as a member of this Committee, you know, my opinion may differ from that of Mr. Green's and he can characterize what I'm suggesting in any way he wants and I will characterize what he is doing in any way I want, but I suggest, Mr. Speaker, that the Committee could have had that opportunity. It hasn't and that the way in which we're dealing with this prevents the proper review by this committee of this particular matter so that it can be settled and put away, if there's no basis for it, or be resolved if there is a basis for it.

MR. CHAIRMAN: Order please. If I may, that was no point of privilege. I would ask all gentlemen to address themselves to the problem at hand. Mr. Spivak's point of privilege, of course, is one which questions every member of the Committee, because the procedures of the Committee are under the control of the Committee, and that the Committee chose to proceed in this particular way is questioning the direction of the Committee. Mr. Spivak, if you have a question . . .

MR. SPIVAK: On a point of order, the Committee never chose this way. The representations were presented by the Government, and the Government . . . There's been no determination as far as I know by this Committee in the sense . . .

MR. GREEN: . . . a point of order.

MR. SPIVAK: There was no vote, Mr. Chairman. There was no determination. --(Interjection)-- Well there was no motion, I agree, but the presentation of the witnesses has been really that of the Government. It's been up to the Government, and the way in which this has proceeded has been really, you know, designed and supervised by the Government. So let's understand that very correctly.

MR. GREEN: On a point of order.

MR. CHAIRMAN: Mr. Green, to a point of order.

MR. GREEN: I have taken the position and I have urged committee members to take the position, and I will do it again, that the committee does not become an inquisition; that there is a report from the Chairman of the Committee to the members, that if the members of the committee wish additional information they are entitled to put motions, see whether they can get them passed as to whether that information will be presented. But, Mr. Speaker, I would vote against such a motion. I would neither have Mr. Thompson nor Mr. McIvor called upon as directors of the Fund to be part of Mr. Spivak's inquisition, no more than I would call upon Morris Neaman or John A. MacAulay to come here and be subjected to attacks on the basis of allegations made to them by the members of Damascus Steel. Of course that couldn't happen, because when Mr. Spivak was in control of the Development Corporation it didn't report before Committee; nobody could be asked any questions.

MR. CHAIRMAN: Order please.

MR. SPIVAK: There's a point raised on the point of order.

MR. CHAIRMAN: Order please, Mr. Spivak. Order please. When I said that the control of the Committee is under the Committee's purview, that's exactly what I said. If anyone had so chosen to move a motion of any kind, it would have been entertained, and I would ask members once again to direct themselves to the problems at hand. The point before the Chair is: The question of Mr. Spivak was to Mr. Parasiuk relative to an affidavit which he filed. Would he direct a question which is in the parameters of the responsibilities as we understand

(MR. CHAIRMAN cont'd) . . . them at this time?

MR. SPIVAK: I ask Mr. Parasiuk, when did the Government call the loan on R & M Construction?

MR. CHAIRMAN: Mr. Parasiuk.

MR. PARASIUK: The exact date -- Mr. Jones, would you have the exact date on that? I think it was probably the beginning of this month but I don't know the exact date.

MR. CHAIRMAN: Mr. Jones.

MR. JONES: Mr. Chairman, I'd have to get the exact dates. I'll provide the committee with it.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Was it not a fact that it was after April 11th? After the meeting of April 11th?

MR. PARASIUK: Yes, it was.

MR. SPIVAK: I wonder if you can indicate why the Fund did not call the loan earlier?

MR. PARASIUK: We felt, Mr. Chairman, that our security at that time wasn't threatened, but we did feel that our security was threatened and we decided to take the action of going to the Court and having a Court-appointed Receiver so that we could protect our security as best we could.

MR. SPIVAK: Why did you feel your security was threatened more in April than it was earlier?

MR. PARASIUK: Because the people to whom the company owed money were not that aggressively pursuing payment. Given the controversy in the House, they then began to get in line to secure payment, and we thought that we should take the action to secure our security program.

MR. SPIVAK: Are you seriously suggesting that the company, in its financial position, was capable in the period after November, after your meeting in November, of being able to work itself out to be in a position to pay creditors and to pay the Fund.

MR. PARASIUK: Do you want to answer that, Mr. Jones?

MR. SPIVAK: No, as a matter of fact are you seriously suggesting that? Are you seriously suggesting that the Fund's position with the company after the November meeting - and I believe Mr. Jones was President at that meeting - after that November meeting, was capable of working its position in such a way that it could pay the Fund and its creditors?

MR. PARASIUK: Mr. Chairman, we knew the company was in great financial difficulty. We also knew that the company had a fair amount of money owing to it in the form of receivables. We thought that we should have the company concentrate its efforts on collecting the receivables so that we could better determine what the exact cash position of that company would be before it undertook any major, or any work, in the subsequent summer, if it took any work at all. At the same time, the principal was exploring other possibilities for contracts.

MR. SPIVAK: Yes, but the principal was exploring possibilities on the assumption that the Fund would possibly finance them - finance them. Was there any serious consideration that the Fund would advance additional moneys for any projects? I know there were discussions but was there any serious consideration on your part?

MR. PARASIUK: Obviously if the staff was involved dealing at a technical level determining what the alternatives might be for work, there was serious consideration. We always entertain any application fairly seriously if in fact there's a sound, analytical basis to the alternatives. This is why the staff was involved in discussions with the principal.

MR. SPIVAK: Well, I put it to you, that's a very generous interpretation on your part.

MR. CHAIRMAN: Order please. Order please. Are there any other questions of Mr. Parasiuk? Mr. Spivak.

MR. SPIVAK: Can I ask if the Fund secured on the loan advanced to R & M Construction?

MR. CHAIRMAN: Mr. Jones.

MR. JONES: Mr. Chairman, there is a Court-appointed Receiver for R & M Construction, and we are awaiting the first interim report from the Receiver. We are advised by our legal counsel that our security is in order, but frankly, Mr. Chairman, I'm not sure how much we should, in view of the receivership, discuss this aspect. I'm not sure what the Committee would wish.

MR. SPIVAK: Can you indicate what the amounts were owing to creditors other than the Fund itself?

MR. CHAIRMAN: Mr. Jones, do you have that information?

MR. JONES: Well I don't have the information on hand, Mr. Chairman. I believe it's in the copy of the Hansard for the last Committee meeting. We presented the Receivables and Payables of the company at that time.

MR. SPIVAK: Mr. Chairman, these are all the questions I have on R & M. I'm going to be dealing with other matters, if I can, afterwards and if there are other questions on that I'd like to . . .

MR. CHAIRMAN: Mr. Jones.

MR. JONES: May I just answer. I took on notice, Mr. Spivak, the question you raised at the beginning on the loans made in April, May and June. The mimeographed sheet you have is a copy of what went into the Manitoba Gazette. Two of those loans were subsequently cancelled. Of the 11 loans left, one is in arrears, not seriously so. It's in arrears because of delay in paying payment of federal special item moneys.

MR. SPIVAK: Can I ask, what company would that be? Then I'll put another company to you and ask whether that is the company because . . .

A MEMBER: Aw, come on.

MR. CHAIRMAN: Order please. Order please. Order please. The question when it was first raised was taken as notice by Mr. Jones and also taken notice by the Chair, that within the restrictions of confidentiality on negotiations . . .

MR. SPIVAK: All right, I'll deal with the other companies then.

MR. CHAIRMAN: Thank you.

MR. SPIVAK: That's fine. Well has someone a question on R & M before I proceed?

MR. CHAIRMAN: Are there any other questions of Mr. Parasiuk? Mr. McBryde.

MR. McBRYDE: Mr. Chairman, if the Fund is going to take seriously this letter that was tabled by Mr. Spivak, and I'm not sure that it is relevant to them in any way, but they might also check into the matter whether Mr. McLeod was the same Mr. McLeod who ran against Mr. McIvor for Mayor and that there was political conflict between these two people in the community of Wabowden.

MR. CHAIRMAN: That was as notice, I'm sure.

MR. McBRYDE: Mr. Speaker, I'm sorry, I can't think up any more silly questions. I don't have . . .

MR. CHAIRMAN: Order please.

MR. SPIVAK: I don't think that it's the same McLeod but that's not our problem. All right. Can I deal now with the question . . .

MR. CHAIRMAN: Mr. Dillen on R & M?

MR. DILLEN: Well by the same token on R & M and the statement that was filed by Mr. McLeod, I wonder if you would check if this is the same Mr. McLeod who was pilot for Cross Lake Airways who left me on the dock at Cross Lake.

MR. SPIVAK: Yes it was. I can assure you that it was.

MR. DILLEN: And the time he left me on the dock he made the point that - I think the words he used was: "No God-damn candidate of Ed Schreyer's is going to ride in my airplane."

MR. CHAIRMAN: Order please. Order please.

MR. SPIVAK: Now Mr. Chairman, I'm not sure whether that's correct.

MR. CHAIRMAN: Order please. Order please. What I'll do is thank the Member for Thompson. I fail to see the relevancy where he was left. Mr. Spivak.

MR. SPIVAK: For the record, Mr. Chairman, had a judicial inquiry taken place, I think that the records of Cross Lake Airways would be available, and I think that information would support the position of Mr. . . . Well your records, you know, your records are a myriad of different . . .

MR. CHAIRMAN: Order please. May I ask the members to direct their remarks to the Chair.

MR. SPIVAK: Mr. Chairman, I'd like to ask questions dealing with the question of Schmidt Cartage, its ownership and the allegations of conflict of interest, and the problems that have arisen. I don't have to repeat all of them; it's not my intention. I've already filed one affidavit. I'd like Mr. Parasiuk, if he could, to be able to be in a position to give an answer on that.

MR. PARASIUK: An answer on what, Mr. Spivak?

MR. SPIVAK: I can go through the whole series. I don't think I have to. I think that

(MR. SPIVAK cont'd). . . obviously the honourable members are familiar with what's happened and what's been represented with respect to the issue of Schmidt Cartage and Mr. Thompson. I wonder if the Government is in a position, or the Fund is in a position, to explain the loan and explain what appears to be some difference of position with respect to both the information supplied and the impression with respect to the company.

MR. CHAIRMAN: Well, the Chair is in a rather difficult position once again. Witness has been asked to explain an impression. Mr. Parasiuk. . .

MR. SPIVAK: Well I can ask a direct question, Mr. Chairman.

MR. CHAIRMAN: I wish the member would ask . . .

MR. SPIVAK: Well what happens with Schmidt Cartage leads to a number of other questions. It's your impression that Mr. Thompson did not own Schmidt Cartage. Did Mr. Thompson influence the board's decision in loaning to Schmidt Cartage? Was he present when the board made the decision?

MR. PARASIUK: No, he was not in the meeting.

MR. SPIVAK: Was he a director of the company, a director of the Fund . . .

MR. PARASIUK: He was a director of the Fund at that time.

MR. SPIVAK: Did he discuss the loan with the officials of the Fund?

MR. PARASIUK: He had been involved in some of the discussions with the officials of the Fund because when the original application came in it did come in from both Ben Thompson and Willard Lamirande. We considered the loan with Thompson not being there; we then investigated -- legal counsel was not present for that part of the meeting, I think, or he might not have advised us right at the moment that there was a conflict with our legislation. We asked Mr. Thompson to withdraw from any participation in the loan, and the board reconsidered the loan application from one Willard Lamirande. We got the advice from the legal counsel as to whether Willard Lamirande, being the brother-in-law or I think the step-brother of Mr. Thompson, constituted a conflict of interest. The advice from the legal counsel was that it did not. We then proceeded on that basis to grant the loan to Mr. Lamirande, knowing that Mr. Thompson would be involved, as I said before, on the training aspects and that he might be involved in the company as an employee. The advice that we got through legal counsel was that this was not a conflict of interest according to the legislation.

MR. SPIVAK: Are you aware of any representation that Mr. Thompson made to creditors of the company, to people with whom the company dealt, that he was in control of the company?

MR. PARASIUK: No. I am not aware of it.

MR. SPIVAK: Mr. Jones.

MR. JONES: No.

MR. SPIVAK: So the information that was furnished, or came out in the last little while, was essentially new to you. Is that correct? New as far as the allegations were concerned.

MR. GREEN: . . . was involved at the end.

MR. PARASIUK: We also knew that he was a signing authority of the company. We knew that he was involved in that respect.

MR. SPIVAK: Was he always a signing authority?

MR. PARASIUK: He was always the signing authority.

MR. SPIVAK: You didn't consider it strange that the director of the Fund, whose brother-in-law received a loan from the Fund, would become a signing officer of the company who received the loan?

MR. PARASIUK: No, because in northern situations often you're going to have a situation where you're going to want to be able to have someone else involved in the operations of that company to keep an eye on it.

MR. SPIVAK: Well, but when you talk because you know the situation, the Schmidt Cartage I believe is situated in Thompson, it's not as if it's a remote community or an isolated community in that sense, and you didn't find it strange, nor do you -- well let me ask you . . .

MR. PARASIUK: But we considered it, Mr. Spivak . . .

MR. SPIVAK: And you were aware right from the beginning that he was a signing officer as far as the ..(inaudible) Can I ask something - is the loan secured?

MR. PARASIUK: Who would you like to give the details on the security?

MR. CHAIRMAN: Mr. Jones.

MR. JONES: Mr. Chairman, Mr. Spivak, the Fund's standard format of debenture was taken . . . May I go back just a step here? The loan was made to Willard Lamirande, guaranteed by John Schmidt Cartage Limited. In support of the guarantee of the company we took the usual debenture with a first charge over the fixed assets of the company - I'm sorry; the vehicles and equipment of John Schmidt Cartage Limited. The premises were leased. So we have registered chattel mortgages over the equipment.

MR. SPIVAK: I wonder if you can indicate, are there any other companies that have received loans from the Communities Economic Development Fund in which Mr. Thompson and Mr. McIvor are signing officers?

MR. PARASIUK: No, not that I know of. No.

MR. SPIVAK: Did you believe that Mr. Thompson, because he was a signing officer for the company, would be able to keep a better eye on the company? For the CEDF? Was that . . . or really was some thing that was just brought to your knowledge and attention and was not something that was directed or even considered by the . . . ?

MR. PARASIUK: It was not considered by the Board. It was worked out by the staff in consultation with the legal counsel.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Mr. Chairman, maybe I misunderstood Mr. Parasiuk but I just heard him say, in answer to Mr. Spivak, that the Board felt that he could keep a close eye on the company.

MR. PARASIUK: Yes.

MR. MINAKER: And that's why I'm wondering. Now he answers that they didn't consider it. I too was going to raise a question; did Mr. Parasiuk believe, or how could he believe that Mr. Thompson would be able to keep a close eye on the company when he was in fact the signing officer for that company? How he would be able to keep a close eye in the interests of the Fund when he was also the signing officer for the company that was receiving the Fund?

MR. PARASIUK: Mr. Chairman, on that, when I did say "Board" I meant the "Fund", and by the Fund, day-to-day management. The decision was made regarding the loan in terms of security and the details therein. Those things are dealt with primarily at the staff level unless difficulties arise with respect to the loan, at which time they are brought back up before the Board. The Board cannot run the entity on a day-to-day basis. That's why we have the staff and place for that. The staff was aware of this and they had discussed it with the principals, also I think with the Royal Bank of Canada in Thompson.

MR. CHAIRMAN: Mr. Jones.

MR. JONES: I wonder, Mr. Chairman, if it would help if I just read this short paragraph explaining a little bit of the history of how this loan was made in terms of at least the signing authority:

"At the request of Lamirande himself, the Royal Bank of Canada, Burntwood Plaza Branch, Thompson, agreed to accept as signing officers, Willard Lamirande, Ben Thompson and Linda Thompson, but originally it was the Fund's intention, and the company's intention, that cheques be countersigned by the Assistant General Manager, or myself as General Manager, but having discussed this firstly with the Royal Bank, secondly with Willard Lamirande himself, with Thompson, and with the Fund's legal counsel, it was agreed that a Power-of-Attorney be given to provide the necessary authorization to the bank as stated. The legal counsel assured us this arrangement would not cause contravention to the applicable section of our Act. The loan agreement specifically stated that compensation or other benefit of the shareholders or persons related to them, in excess of \$15,000 per annum, would not be permitted without the Fund's prior written consent."

In our summary we go on to say, "The Fund's board considered the acquisition of this business a very good one on takeover date; would provide potential employment and training for native people in the Thompson area. Furthermore, we felt the Fund's board and staff felt that Thompson's proximity to the business did, in the Fund's view, offer some assurance of monitoring over Lamirande's performance, Lamirande being a man who had never been in business at all before, and keeping the Fund informed." And I think it's fairly relevant to state, too, that the Fund's loan, repayment of the Fund's loan, began in July 1973 and was consistently up-to-date until January 1974.

MR. SPIVAK: Was it a 100 percent loan?

MR. JONES: Yes it was.

MR. SPIVAK: It was a 100 percent loan. Are you aware of any trust agreements or trust arrangements with respect to -- and I'm not suggesting that this is the case. I'm asking whether you are aware, or has it been brought to your attention, of any trust agreements between Lamirande and Thompson with respect to the ownership of the company.

MR. PARASIUK: No, we are not aware of any.

MR. SPIVAK: I would like to, if I may, deal with one other matter now, Mr. Chairman, and that would be The Pas Metis Development Corporation, and I wonder if, Mr. Parasiuk, you would be in a position to indicate why the Fund loaned on June 22nd, or guaranteed on June 22nd, some \$55,000 to the company.

MR. CHAIRMAN: Just before we proceed with that, did you have a question on this other matter, Mr. Dillen?

MR. DILLEN: Can you tell me how many people were employed by Schmidt Cartage?

MR. PARASIUK: In terms of the detail, I think probably at various times something in the order of 15 people.

MR. DILLEN: Can you tell me how many of those 15 were native people, or of native descent?

MR. PARASIUK: I can't tell from the names. I haven't really had a chance to really go through the specifics with the Receiver, but from the names I couldn't tell, but my understanding just in general discussion, virtually all of them were of native descent.

MR. DILLEN: Oh, by the way, this letter that was tabled with the chairman - I forget the name of the person who wrote it - with respect to Schmidt Cartage, was he a native person?

MR. PARASIUK: I don't know, Mr. Dillen. I would suggest to you that he was not.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Yes, I wonder if he can explain - and I believe this was one loan and I'm not sure whether this was the one you were referring to or not, that is in arrears now and likely will not be paid as they are in bankruptcy now - but I wonder if he can indicate how the Fund came to offer on June 22nd a guarantee of \$55,000 for The Pas Metis Development Corporation.

MR. PARASIUK: I was not chairman of the board at that time so, Mr. Jones, could you deal with that particular question?

MR. CHAIRMAN: Mr. Jones.

MR. JONES: Mr. Chairman, the only way I can deal with this, I think, is to go into the complete details of the negotiations between the Corporation and the Fund. The Fund was approached in May 1973 by Robert Erickson, President of The Pas Metis Development Corporation, together with Bill Atchison, project manager, and a Mr. Jack Dempsey, an accountant and consultant hired by and working for the Development Corporation. The Fund was asked to assist on two projects: development of a prefab manufacturing firm, and working capital for current projects under way. Development of the prefab facility was planned with the intent of obtaining a special ARDA grant and development at some time in the future.

The immediate need in May '73 when they approached us was for working capital. The Pas Metis Development Corporation then had already undertaken a Manitoba Housing Renewal contract worth \$42,250 to build ten houses at Moose Lake, and as well it had small private projects under way in The Pas. The Royal Bank in The Pas was financing payrolls and materials, and had an outstanding loan of approximately \$18,000 at the time CEDF was approached, and the bank refused to advance any further money. The Pas Metis Development Corporation had been in operation in 1972 and the financial statement prepared by Mr. Dempsey and given to the Fund for the period ended March 31, 1973, showed a profit of approximately \$12,400 on sales of \$110,000.

The operation, in the Fund's view, was labour incentives, generating over \$48,000 in wages for labour and management in that period up to March 31, 1973. In addition to the Moose Lake project, the Corporation was being offered another contract in The Pas for the building of 12 houses worth \$84,000, and another at Wanless worth \$20,000 if a suitable line of credit could be obtained. This work was in addition to their normal repair and construction work. Projections prepared by Mr. Dempsey, the accountant and consultant, anticipated revenues of \$224,000 for year 1973-74. In addition to these revenues, Northern Manpower Corps had agreed to pay training-on-the-job allowances of up to \$36,000 for trainees working on the projects.

(MR. JONES cont'd)

The Corporation originally asked for funds to provide financial assistance to the extent of \$35,000, but when we examined a detailed cash flow projection for the year, we concluded that the cash requirement was closer to \$55,000. The project at Moose Lake was inspected by the Fund's staff on June 7th and favourable progress was seen to be made. Manitoba Housing estimated they'd be 40 percent complete and \$15,000 in wages had been paid out. On the basis of the information provided to the Fund, the Fund's board considered a submission and concluded that a guarantee of chartered bank financing should be made to the extent of \$55,000. The guarantee commitments were issued in two stages, one for \$20,000 and one for \$35,000. Repayment of the loans by the bank under our guarantee were to be made by the end of March 1974. The Fund asked the bank to take as security a promissory note and a general assignment of book debts. The contract for Manitoba Housing and Renewal Corporation for construction of The Pas houses was confirmed to the Fund and the second guarantee for \$35,000 was issued on August 3, 1973.

MR. SPIVAK: Is this company bankrupt now?

MR. JONES: Mr. Chairman, the company is insolvent.

MR. SPIVAK: What security have you got to realize on the \$55,000, or is there any security on which . . . ?

MR. PARASIUK: Well, what we are doing right now, we are having our legal counsel look into this. The bank called its guarantee; we have assumed the security that the bank had; we now are going to be in a position to determine what other receivables and who is in line for them. I gather that there is some dispute with the federal department of National Revenue, so I can't give you a definitive statement as to what security we could realize.

MR. SPIVAK: In your review of the information that was supplied to you, did you find that the information originally, not on the projections because that's the basis of an estimate that not necessarily deals with the financial position as of a particular time - did you find that the representations made to you were correct? Was there any reason to believe that the information was not correct?

MR. CHAIRMAN: Mr. Jones.

MR. JONES: Mr. Chairman, there was no reason at the time to believe that the information was incorrect.

MR. SPIVAK: Is that correct now? Do you now know whether that information was correct or not?

MR. JONES: The information provided to the Fund at that time was correct.

MR. SPIVAK: And today it's still your opinion that it was correct.

MR. JONES: That information at that time.

MR. SPIVAK: Well, can you explain why, you know, a six months' guarantee of \$55,000 would have a company simply go belly-up so quickly? Can you explain how this company happened to come into such financial difficulty, or was it anticipated that this was only a marginal situation at the time of the loan?

MR. JONES: Mr. Chairman, no, it was not anticipated that this would be a marginal situation at all. With the confirmed contracts we saw for Manitoba Housing alone, the Fund's board felt that this was a situation which could be dealt with quite easily by the company. The management of the company, in the Fund's view, left much to be desired, and the intensity of labour costs developed very very quickly. In fact, less than two months after the Fund's guarantee was issued our attention was drawn to the fact that labour costs were very, very far ahead of what was projected and which were the basis of the board's decision.

MR. SPIVAK: Can you tell me who made up the loan committee and who made up the board of directors at the time the approval was given for the loan? It doesn't have to be the committee, it can be the board of directors.

MR. GREEN: Yes, the board of directors of the Fund would be on the record.

MR. SPIVAK: That's fine. That's fine.

MR. PARASIUK: It would be everyone in the statement apart from myself, because . . .

MR. SPIVAK: Including Mr. McIvor and Mr. Thompson at the time?

MR. PARASIUK: Yes, they were board members at that time.

MR. SPIVAK: Can I ask, was there any representation made by any of the departments with respect to this loan, or any people on behalf of any of the ministers or officials of the department?

MR. PARASIUK: I wasn't present at the time. Mr. Jones?

MR. SPIVAK: In the negotiation stage and . . .

MR. JONES: Mr. Chairman, by departments of government? I'm not aware of any.

MR. SPIVAK: Nor by any officials? Any reference or any information furnished or requests by ministers or by agents on behalf of ministers?

MR. JONES: Mr. Chairman, the only discussions the Fund's staff had I believe when this was being considered, was with officials of the Manitoba Housing and Renewal Corporation in terms of seeking confirmation of this contract of their . . .

MR. CHAIRMAN: Mr. Spivak.

MR. GREEN: Mr. Chairman, we've gone through several companies. I wonder if we can go home?

MR. CHAIRMAN: Committee rise? Committee rise. Thank you very much, Mr. Parasiuk, Mr. Jones and the rest of your staff.