



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

STANDING COMMITTEE
on
ECONOMIC DEVELOPMENT

37 Elizabeth II

Chairman
Mr. H. Pankratz
Constituency of La Verendrye



VOL. XXXVII No. 4 - 10 a.m., TUESDAY, FEBRUARY 21, 1989.

**MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Fourth Legislature**

Members, Constituencies and Political Affiliation

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

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT
Tuesday, February 21, 1989

TIME — 10 a.m.

LOCATION — Winnipeg, Manitoba

CHAIRMAN — Mr. Helmut Pankratz (La Verendrye)

ATTENDANCE — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Connery, Penner
Mrs. Charles, Messrs. Evans (Fort Garry),
Gaudry, Kozak, Maloway, Pankratz, Ms.
Wasylycia-Leis

APPEARING: Mr. A. Finnbogason, Finance
Chairman
Mr. W. Podolsky, Secretary-Treasurer
Mr. J. Frank Johnston, Vice-President

MATTERS UNDER DISCUSSION:

1987-88 Annual Reports of Venture Manitoba
Tours Ltd.

* * * *

Mr. Chairman: On Economic Development, we have several resignations and we will deal with them first.

I wish to resign from the Economic Development Committee effective February 21, 1989, signed MLA Jim Downey (Arthur).

Hon. Edward Connery (Minister of Labour): I would like to move that the Honourable Jack Penner replace the Honourable Jim Downey.

* (1005)

Mr. Chairman: Is everybody in agreement? (Agreed)

I wish to resign from the Economic Development Committee, February 20, 1989, Len Evans. That must be Brandon East. Could we have some nominations? A committee Member has to nominate him so it actually need not be any Party.

Mr. Connery: I will nominate Jim Maloway.

Mr. Chairman: All in favour of Jim Maloway? (Agreed)

I wish to resign from the Economic Development Committee, February 20, 1989, Jerry Storie, Flin Flon. Do you nominate Judy? All in favour? (Agreed)

I wish to resign from the Economic Development Committee, February 23, 1989, John Angus, St. Norbert.

Mr. Richard Kozak (Transcona): I would like to nominate the Member for St. Boniface, Neil Gaudry.

Mr. Chairman: All in favour? (Agreed)

I wish to resign from the Economic Development Committee effective the 20th, Herold Driedger, Niakwa.

Mr. Kozak: I would like to nominate the Member for Selkirk, Gwen Charles.

Mr. Chairman: All in favour? Gwen Charles.

This committee this morning is here to consider the Annual Report of Venture Manitoba Tours, 1987-88. I would like to invite the Honourable Ministers to take their place, and maybe the Minister would have some remarks that he would want to make at this time.

Hon. Jack Penner (Minister of Natural Resources): I have some brief remarks that I would make at this time.

Since this is Venture Manitoba Tours' first appearance before the Economic Development Committee, I thought it might be opportune to provide committee Members with some background on Venture, if that is all right with you.

Venture Manitoba Tours is a company incorporated under The Companies Act. All shares are currently held by the Minister of Finance (Mr. Manness). Venture's current mandate is to operate the Gull Harbour Resort and Conference Centre and to manage the Hecla Island Golf Course. It is governed by a 10-member board of directors which is responsible for providing policy guidance to management of the resort and to oversee its operations on behalf of the Minister responsible for Venture. Venture operates with the assistance of a secretary-treasurer who is a full-time employee of the Department of Natural Resources. The corporation has entered into an agreement with Lorne and Ruth Aikens to act as on-site managers of the resort on behalf of the corporation. The corporation also has an agreement with Jim Mayer to manage the golf course operation with Clyde Sigurdson as the comptroller.

* (1010)

The actual loss in the operation for 1987 was some \$682,766.00. The planned result for the 1987-88 operation was \$264,144, while the actual loss came in at \$265,115.00. As you can see, this is a substantial improvement over the previous year by approximately \$417,651.00.

During the fiscal 1988 year, the marketing control of the golf course was turned over to Venture Manitoba Tours Ltd. The move enabled the marketing of the golf course to be integrated with the hotel and the sale of golf packages, which improves service to the hotel guests and increases the use of the golf course. This is turning out to be a very workable type of an arrangement.

The golf course contributed some \$107,510 net to the improvement in the financial results of the hotel after payment of \$180,000 in rental fees for the course to Manitoba Natural Resources and \$10,000 for pro shop administration.

Income from room rentals increased by 1 percent over the previous year. The increase was due mainly to increased packaging which emphasized the resort's conference capabilities. Due to improved food management techniques, Gull Harbour was able to compete effectively with Winnipeg and out-of-province locations.

While the dollar value increased 1 percent, the occupancy rate increased by 9 percent over the previous year due to heavy packaging promotions, and compares favourably with major Winnipeg hotels based on occupancy rates. As a result of the increased occupancy and expense control, profit contribution on room rentals increased from \$688,327 in 1986-87 to \$779,652 in 1987-88, an increase of \$91,325 or 13.2 percent over the previous year.

Food service sales increased by 12 percent over the previous year due to the improved occupancy rate, aggressive marketing and improved food quality and pricing. The contribution to profit increased by about \$148,871 from a loss of \$46,100 in 1986-87 to a profit of \$102,771.00. The improvement was due to improved food cost percentages from 41.5 percent to 39 percent and improved wage cost controls from 60 percent to 46 percent. The food quality has improved and complaints of services have been reduced, I would say, substantially due to the management efforts of the managers.

Beverage sales were down by approximately 5 percent due to the ever-increasing resistance from customers to the high cost of hard liquor. This trend is apparently common to the entire hospitality industry. Profit contribution was down from \$74,638 to \$56,577.00. I guess that is basically a trend that has been seen all over the province. I believe it is not only due to hard liquor pricing, it is also due to a resistance and an abstinence by people from consuming liquor. I think there has been a gradual decline in that, and we are experiencing that in the hotel as well.

Gift shop sales increased by 20.4 percent from \$96,335 to \$116,000.00. Profit contribution was increased by \$19,352.00.

In total operating, overhead cost decreased by 5.5 percent, and I believe that is a significant improvement over the previous year or \$63,832 below the previous year. Major reductions were made in careful control of staff costs. J. Frank Johnston, Allan Finnbogason and Bill Podolsky who are board members are here to answer any questions that you may have in respect of the operation or any planning that has been going on.

So with that, Mr. Chairman, I would like to introduce Mr. Allan Finnbogason who was in 1987-88 the vice-chairman of Venture. The chairman is not here today; he is away on holidays. His name of course is Mickey Levine. Mr. J. Frank Johnston came onto the board not too long ago, about four or five months ago, and

is now the vice-chairman of the board, and Bill Podolsky is a staffperson who acts as secretary-treasurer to Venture.

So with that, I would like to turn the meeting back to you and answer questions if there are any.

* (1015)

Mr. Chairman: Okay, I would just like to ask guidance from the committee on one item before we go into reviewing the report and that would be, are we imposing a time limit on this meeting this morning? No? Then we will just go on until we will have addressed the total report with the will of the committee. That is the will of the committee? Okay.

Then the other point is, do we go page by page or do we want to take basically the total report and, when you do ask questions, refer to the page or what you are referring to, your questions, and take it that way? What is the wish of the committee?

If nobody really has anything specific in that respect, I would wish that we would actually take the total report and move that we adopt the report as presented.

Mr. Penner: Before we will allow that to come to the fore, I would like to ask the Members then that we will

Mr. Kozak: The report stands well as a whole. The items contained on one page are not logically separable from items on another page. Therefore, Mr. Chairman, I move that we consider the report in its entirety as opposed to page by page.

Mr. Chairman: Is that the will of the committee? (Agreed)

We will now proceed and we are open for questions. Mr. Maloway.

Mr. Jim Maloway (Elmwood): I have my first question to the Minister. I have noticed the list of new board appointments to Venture Manitoba Tours and I wondered if the Minister could tell this committee which of the new board appointments has not been a Conservative candidate in elections.

Mr. Penner: I think, Mr. Chairman, that there are two there that have probably been candidates in a provincial election that I know of. The others have not.

Mr. Maloway: I see, and which two are those?

Mr. Penner: There is Mr. Ed Dandeneau, who has been a candidate; and Mr. J. Frank Johnston has not only been a candidate but also a Member, a previous Minister; and the third one is Doris Perron.

Mr. Maloway: A further question to the same Minister is, given that the Government passed amendments to the Executive Council Conflict of Interest Act last December and this Act was strongly endorsed by the Government, does it not seem strange that a former

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Cabinet Minister front bencher in the Government would be appointed to the board so soon, given that there was a desire on the part of the Premier to leave a cooling-off period of at least a year between appointments of former politicians? Does the Minister not see any conflict there?

* (1020)

Mr. Penner: No, I cannot see any conflict there. I think Mr. Johnston brings to this job the expertise that was required in this board and I think he has proven his capability here. I think the board appointments that had been made had been made based on their previous business expertise and also their ability to serve on a board such as this.

From what I have seen so far, the board has quite capably handled and dealt with the issues as they came along and has put in place policies for the future that I think will lead Venture Manitoba into a profit situation in the very near future. I am very pleased that the people who are on the list of names you see before you are there and have consented to acting on this board.

I think it is important to note that we have and appoint people, regardless of what political stripe they are, to positions such as this based on their ability. That is what we did here. There is no consideration given to their political affiliations and I think you can judge for yourself that that has taken place.

Mr. Maloway: To the Minister again, I am not questioning Mr. Johnston's abilities in carrying out the job. I am certain that he is very qualified for it. What I am suggesting to you is that the Premier was fairly positive about making certain that there be a cooling-off period for former politicians. He said that as Opposition Leader and he maintained that throughout, so I am not questioning Mr. Johnston's competence or his abilities to manage the job. That is a given in my view. All I am suggesting to you is that the Premier has made it clear that there should be a cooling-off period for former politicians and this has not been done in this case. Would you agree with that?

Mr. Penner: I hear you.

Mr. Kozak: To continue on Mr. Maloway's point but on a more basic level, I note that the materials in front of me which represent the Annual Report of Venture Manitoba Tours Ltd. do not contain a list of the board of directors of the corporation. Am I correct in not noticing a list of the board?

Mr. Penner: Mr. Chairman, we can supply a list of the board members. I wonder though whether you want the list of the new board members or whether you want a list of the previous board members who served during the period of time of the financial statement which we are considering at this time.

Mr. Kozak: It is usual in my experience, Mr. Chairman, that every annual report of every corporation that I have ever seen in my 20 years of business experience has always contained a list of the members of the board

of directors of the corporation as at the end of the corporation's fiscal year.

I would like to ask the Minister and the chairman of the corporation whether they are aware of any corporation that does not in its annual report contain a list of board members?

Mr. Penner: I think normally that would probably be the case, although I look at the Provincial Auditor's Report and he does not raise that in his comments. I am not quite sure whether it is in fact a requirement or a courtesy. If it is a courtesy, it is something that has been overlooked, and I apologize for that. We are certainly willing to provide a list of the board members at this time if that is your wish.

Mr. Kozak: That would be our wish, Mr. Chairman, and I thank the Minister for his offer.

I simply feel obliged, at the same time as I accept his kind offer, to reassert that in 20 years of business experience I have never seen a departure from the universal practice of including a list of directors and their occupations in the annual report of a corporation. This is a departure not only from usual reality and usual practice, it is a departure from universal practice, and we find the statements of Venture Manitoba Tours Ltd. highly unusual in terms of universal practice as conducted within the corporate community.

* (1025)

At the same time I might add, Mr. Chairman, that it does not certainly detract from the presentation of the corporation's financials, and we express no surprise that the Provincial Auditor did not find it necessary to qualify his audit based on the absence of a list of directors.

Mr. Maloway: Mr. Chairman, to the Minister, has the board reported to the Minister of Finance (Mr. Manness) a complete list of all untendered contracts over \$1,000, as required under The Conflict of Interest Act?

Mr. Allan Finnbogason (Finance Chairman): The contracts that have been let in the past two years, due to the very tight financial constraints, have been virtually nothing other than emergency repairs for such things as plumbing and sewage and those kind of breakdowns where we have had to use whatever contractors or expertise were available on the island, but there had been no major contracts let because what we have been trying to do is to reduce the operating cost and put it into a proper state. We are aware of the requirement that any expenditures over \$1,000 should go to tender, yes, where possible.

Mr. Maloway: My question then is, has that been done to comply with the Act?

Mr. Finnbogason: Oh yes, other than emergencies.

Mr. Bill Podolsky (Secretary-Treasurer): Mr. Chairman, I believe the Member is referring to the directive that was recently released requesting all

departments and all Crown corporations to report untendered contracts over \$1,000.00. Now that goes back to December. I believe that amendment is effective December 24, 1988 and, if the corporation has not reported it at this time, then it certainly will. But I would doubt very much if there are untendered contracts under that amount.

Mr. Penner: I believe, Mr. Chairman, that the question that is being put relates to a directive, as Mr. Podolsky has said, that was put in place by our Government, and does not reflect on the operations of the '87-88 financial statement of the corporation. So, if you have any concerns in that regard, then I would suggest that the directive might have been put by the previous administration at a previous time and, if that was there, I am certainly not aware of it. If that was a qualification for operations, I was not aware of it and, if it was, maybe Mr. Maloway can help me out on that one.

Certainly all untendered contracts will be given to the Minister of Finance as required by the new directive.

Mr. Maloway: Could the Minister then tell us when this is going to happen, when the untendered contracts will be made available? If there are any, when will they be made available?

Mr. Penner: They will be made available as soon as they are issued.

Mr. Kozak: Thank you, Mr. Chairman. I note that the report in front of us is under the letterhead of the office of the Provincial Auditor. I wonder if the chairman of the board of Venture Manitoba Tours Ltd. could inform this committee as to whether the report that we see before us was prepared entirely within the Provincial Auditor's Office, or in fact if most of the materials were provided to the Auditor in completed form by the corporation.

Mr. Podolsky: Most of the material was provided in completed form to the auditors. The auditors confirmed that material and did their test audit on that material.

Mr. Kozak: I do not want to belabour a certain point, Mr. Chairman. I would, however, like to offer a few words of advice to representatives of the corporation and to the Honourable Minister.

During the last Session of the Legislature, matters involving patronage and conflict of interest were raised on a number of occasions. I would recommend and my Party would certainly recommend to the Government that any future annual report placed before us always contain a full list of the board of directors of the corporation in question, because not to do so opens the Government to either justified or unjustified allegations, charges, regarding conflict of interest and patronage that the Government would probably in its own interest like to avoid. This recommendation is not an unfriendly recommendation. It is simply a case of calling on the Government to follow usual practice in the matter of the drafting of an annual report.

* (1030)

Mr. Penner: We will certainly see to it that the list of names of the new board of directors will be entered into next year's financial statement.

Mr. Laurie Evans (Fort Garry): Could the Minister indicate whether there is in fact a public policy statement?

You have indicated there is a board of directors of 10 members who obviously are responsible for policy, but is there a public policy statement as to the short- and long-term intentions with Venture Tours, or is this something that is sort of an ad hoc operation that is not really laid out in detailed terms anywhere? In other words, what I am getting at is, how long are they looking at in terms of turning this around so that it becomes a profitable operation? What sort of actions are being planned in order to do that in both the short and long term?

Mr. Penner: The direction from my office to the new board was very simple. They should move towards management and policy changes that will lead towards either a break-even or a profit situation in the operation of the hotel. I think they have made a number of decisions in the last while that will lead us to be able to do those kinds of things.

However, there are always, in an operation such as hotels or tourist facilities, unforeseen circumstances that do pop up once in a while which the board of course and management have to deal with on an ongoing basis, such as water problems as we have experienced in the last while, sewage problems, those kind of things. The infrastructure of the hotel and some parts of it are aging and there might be unforeseen expenses that we might have to incur over the next while that might in fact not make the operation profitable. But, if everything goes as planned, we should be very close to a break-even point or profit situation this year.

If Mr. Finnbogason would want to add something to that, I would certainly—

Mr. Finnbogason: I would just like to point out what the Minister said. We came on board when the deficit was in excess of \$700,000.00. Our objective, Mr. Levine and myself, and our commitment was to get it to a break-even point in three years. We are coming very close to it, and I should point out that part of our ongoing expenses, in the amount of \$150,000 a year, in depreciation, which is the recovery of capital which is not credited to the corporation, is not used for maintaining the infrastructure. So we are faced because of Government-type accounting where that \$150,000 is sloughed off where normally, in an ordinary business-type operation, it would be retained. Consequently, when we run into having to maintain the investment in the plant, we have to do it out of operating expenses, which has a direct bearing on the bottom line.

Mr. Laurie Evans: I guess the next question then is the deficit that is identified at the end of 1988 of \$2,795,000, is that the total accumulated deficit since the company became wholly owned Government or

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was there any write-off of debt either at the time of takeover or since the time of takeover but prior to the information we have?

Mr. Podolsky: That is the total accumulated deficit since the inception of this lodge, since 1977 I believe it is.

Mr. Penner: I think that there is one other number that needs to be considered in its proper context. The Venture Manitoba under the previous management and even under this management has run an operating deficit on an ongoing basis. That operating deficit has accumulated, and there is an ongoing interest cost incurred during that on an ongoing basis. I think we need to consider, when you look at the operation of the hotel and whether it is viable or not, that these costs must be picked up by the operations, and that has caused a burden to the management which is really not entirely the fault of the current management. A large portion of that operating debt was incurred under previous management. It makes it somewhat difficult to turn a profit under those kinds of circumstances.

Mr. Laurie Evans: For clarification, Mr. Chairman, looking at the information under Exhibit B of the current year, the interest expense in '87 was 147,000, almost 148,000, and this year it is 102,000 approximately. This, to me, I need a little clarification of that because obviously 101,000 or 102,000 is not a reasonable level of interest on a 2.8 million deficit, so obviously some of this deficit is then being covered in another way other than through bank indebtedness. I just have a little difficulty in visualizing how, knowing the economy in the last year, the interest rate in the year when you are losing more money is actually going down.

Mr. Chairman: Mr. Evans, Fort Garry, maybe you could be a little more specific as to which page you are referring to and . . .

Mr. Laurie Evans: Well I am looking at the page—and there is no page number but it is actually the fourth page under Exhibit B, and it is looking at the comparison of '88 and '87. All I am getting at is the interest expenses in '88 are less than they were in '87 and yet the deficit is higher. In addition to that, 101,000 or 102,000 is not a reasonable level of interest on \$2.8 million. I am a little lost in terms of how the interest is calculated on that size of a deficit and where the other interest payment—does it not exist or is it just Government accounting that has me confused?

Mr. Podolsky: In answer to that question, I believe in January of 1987, there was a write-off of a loan of \$287,500.00. It was a conditional grant from the Province of Manitoba. There was accrued interest and that all was written off. That wrote down the operating loan slightly, which reflects the lesser interest payments.

Mr. Maloway: Mr. Chairman, I have a further question to the Minister. I would like to know if there are any plans currently to have a casino at the operation?

Mr. Penner: Well, I certainly had not discussed that possibility with the board of directors, nor do I believe

has the board of directors discussed that possibility with management at this time. No, it is certainly not in the plans.

Mr. Frank Johnston (Vice-Chairman): The board of directors has had no discussion whatsoever regarding casino or gambling on the operation.

Mr. Maloway: A further question to the Minister. I would be very interested in knowing whether any discussions have occurred regarding the possible privatization of the Venture Manitoba Tours.

Mr. Penner: The possibility of a sale of a number of assets of Crown corporations, I think, are always under consideration and should be. If we can provide for Manitobans a service that is required in a more economical way through private enterprise, then I think we have a responsibility to the general public to make those kinds of possibilities available to the general public and decrease the liabilities incurred to the general public. So certainly I would never say no to considerations of privatizations of facilities such as Venture.

* (1040)

Mr. Maloway: If and when the privatization occurs, could the Minister tell me whether the privatization would include just the fixed assets and buildings on the land or would that include part of the park as well?

Mr. Penner: I think, Mr. Chairman, that is an unfair question and those kinds of considerations must be made at a time when, if in fact consideration of privatization is entered into, we simply have not discussed privatization of Venture at this time to that extent.

Mr. Kozak: Certainly the Official Opposition, Mr. Chairman, notes with satisfaction that in the last fiscal year the loss experienced by the corporation declined from some \$683,000 to some \$265,000.00.

The Minister in his opening remarks referred to financial projections by the corporation. He stated that for fiscal 1988 the corporation had projected a loss in the neighbourhood of \$264,000.00. Could the representatives of the corporation present indicate whether in fact they do have a projection for 1989 of profit or loss, and could they in addition indicate to the committee whether they do maintain a three- or five-year planning exercise, projections into the future?

Mr. Johnston: The Minister mentioned in his statement a minute ago that it was looking very favourable to coming to close to a break-even point this coming year, and Mr. Finnbogason, who mentioned that when he became part of the board and chairman of the Finance Committee, their objective was to have it to a break-even point in March of 1989.

They have had a projection, a three-year projection, and there is certainly in the works projections on our future for the next three years or to five years. As mentioned, the golf course has become part of our operation in Venture Tours.

So I am going to ask Mr. Finnbogason to give you a picture that I hope you would realize that our financial year-end is March 31. We are working towards a goal that was projected and I think, although we cannot guarantee what figures Mr. Finnbogason will give you, we are very happy with them, and I think you will find them favourable if we are even close.

Mr. Finnbogason: We are talking about rolling forecasts. I have never been involved in any corporation that has not done at least three-year rolling forecasts. In our case, we update the rolling forecast every three months.

If we are talking about this current year, we have planned our current year down to very close to a break-even point and I do not see any reason why we will not reach it. I must again advise you that includes \$150,000 which is the depreciation factor that we are paying and not getting the advantage of. With \$150,000, we should very easily be in the profit picture and with the \$120,000 that we are carrying in interest on previous shortfalls in profit, yes, we could very easily put it in the black.

Mr. Kozak: Would it be fair to say that including the items that the corporation has just mentioned that one could anticipate a profit in the order of over \$100,000 in the current fiscal year and greater in the next fiscal year? Is that within the range of the possible?

Mr. Finnbogason: I am not foolish enough to make that kind of forecast at any time. We have a plan and our objective is to stick to that plan. I would not want to speculate on those kinds of numbers.

Mr. Penner: I think even, Mr. Chairman, if there had been a period of time where we were very optimistic in this year's operation, in the final analysis, there were some very major expenses incurred this year in some breakdowns that happened and that will, of course, reflect in the end-of-the-year figures of operation. Even then, we are optimistic that we will come close to the projections that were made.

Mr. Kozak: Mr. Chairman, I think the representatives of the corporation may have misunderstood me. I am asking them specifically to let this committee know what numbers they have projected as profit or loss for fiscal 1989, fiscal 1990, and fiscal 1991. I cannot think of any competitive situation that would operate to their disadvantage in releasing these projections to this committee.

Mr. Finnbogason: Mr. Chairman, I misunderstood the question. We are dealing today with the 1987-88 budget. We are now into 1988-89, so because our fiscal year is the end of March, I would not want to get confused as to what we are talking about. If we are talking about to March 1989, our objective was to break even in that year.

Our objective for '89-90 is to show a profit, and '90-91 to increase that profit by improved operations. We have some particular things going for us right now that are just coming into course, our new accounting

computer system which will save us money in this coming year and also our computer reservation system which is just starting to bear fruit now. We are confident that we will be in the black at that time. I would not want to say it will be \$100,000 in the black or whatever because, if the water system breaks down and we have to pay for it out of operating costs instead of retained earnings, then we are facing possibly \$100,000 in the repair of the water system which was inadequately put in when the hotel was built. So we have to look at all these possibilities, Mr. Chairman.

Mr. Kozak: Mr. Chairman, the shareholders' equity in Venture Manitoba Tours Ltd. as at fiscal year-end was \$1,105,603.00. The corporation's bottom line improved by some \$425,000 in the fiscal year. I wonder if the corporation could indicate to us whether they expect improvements as dramatic as this, or if they expect some sort of tailing off in that rate of improvement.

Mr. Finnbogason: I am sure you are aware with your experience in business that the first year of a program of this nature is the easiest one. All we can do is keep on refining the operation and improving our marketing skills in order to increase the occupancy rate.

Those are the only two avenues really open to us and we have taken the biggest bite to start with which required a great deal of, shall we say, difficult decision making and we intend to continue it. No, I would not say that we are going to get that kind of a dramatic change because they are down to some pretty tough pulling.

Mr. Johnston: Mr. Chairman, I would like to merely compliment Mr. Levine, Mr. Finnbogason and Mr. Podolsky who were previously on the board and to Mr. Kozak. There has been put into operation an accounting system that will give us the detail on cost of every room down to the cent right to the cleaning and everything which was never there before. Under those circumstances, we are able to keep a very close check on our costs at all times. I might add, it has been done with people who are experienced in the hotel operation who know how to look at costs and see profit within a hotel.

When we look at the projections for the future, Mr. Kozak, we look at the present time of paying with interest rates what they are about to be, as the Minister mentioned, of \$14,000 a month in interest. Now, if we can overcome that in any way, shape or form—but we have to face it, at present we have no money. We have to go to the Minister and say let us fix the water system. Under circumstances that we are working to, we are hoping that we can do it out of our own operation, but we do have that hanging over our head at the present time.

* (1050)

Mr. Kozak: I note that the corporation, which is a small corporation, maintains in house a sales promotion department with total expenditures in the most recent fiscal year of \$162,746.00. Of that approximately \$163,000, a considerably smaller amount, only in fact \$46,285 went to actual advertising and promotion.

I wonder if the corporation has considered contracting out its sales promotion function so that a greater proportion of the total applied to sales promotion could in fact find its way to the end use of advertising and promotion. At present, only less than 30 per cent of the sales promotion budget actually finds its way into newspapers or radio or television advertising. It strikes me that is a rather low percentage.

Mr. Johnston: The sales force that is certainly headed by the manager but is basically headed by Miss Bjornson has proved to be an exceptionally effective sales force which was set up by the board from this point of view.

It is cold calls. It is calls on corporations, industry, institutions. It is follow-up on inquiries as to conventions, etc. Our advertising that you speak of in the newspaper is effective certainly when we put on a deal, let us call it, or the discount, \$59 a night for two people, etc. That is exceptionally good advertising but has not been nearly as effective as our sales force going out and actually bringing in the business.

I would ask Mr. Finnbogason and Mr. Podolsky if they wanted to comment on that, because they structured it. I have seen exceptional results, bringing in packages and conventions, etc., that we may never have had if those cold calls had not been made on people.

Mr. Podolsky: Just to re-emphasize what Mr. Johnston has said, we have a two-person sales office on Church Street, 1601 Church I believe it is. There is a lot of pre-conference, pre-seminar work that has to be done prior to getting the customer up to Gull Harbour. These people meet with the clients, explain the services that are available out there, set up menus, set up sessions and so on. So they do a lot of pre-selling in Winnipeg. There is a lot of direct mail contact. There is a lot of contact with the corporate sector and they handle a lot of sales calls out of Winnipeg. They do the follow-up out of Winnipeg.

Mr. Kozak: I would like to thank the representatives of the corporation for clarifying the matter I just raised. Frequently in an annual report that is presented in a bare-bones fashion, without description, one can get into fairly unproductive lines of discussion. I would like to thank the representatives of the corporation for indicating that the placement of advertising is not the sole function of the Sales Promotion Department, and I would like to leave that line of questioning.

I have one other line, however, that I would like to pursue briefly. I note that the remaining shareholders' equity of Venture Manitoba Tours Ltd. is \$1,105,603.00. It strikes me that a profit of \$100,000 or \$150,000 by this corporation—in other words, a profit which appears to be well within reach would represent a 10 percent to 15 percent return on the province's remaining equity. Am I correct in so indicating that a 10 percent to 15 percent return on equity would be the result of a \$100,000 to \$150,000 profit, should such profit materialize?

Mr. Finnbogason: If we were able to develop a 10 percent return on equity, that would be almost

acceptable. If it was my business, I would be looking for at least a 15 percent to 18 percent return.

Again, I have to point out that within that return—I hate to have to keep coming back to the fact, but it bothers me as we are still dumping the depreciation into another pot which, if that was part of the retained earnings, then we would have a different—we would probably get to an acceptable level that private industry might accept, Mr. Kozak.

Mr. Penner: I think the line of questioning that you are entering into now is somewhat questionable because it depends on what kind of businesses you are into. The profit margins are not always the same nor are the years of operations always the same. Expenditures incurred at one time or another, based on situations, certainly can vary very substantially. I think it is unfair to try and assess what margins of profit you can viably expect.

For instance, in the farm sector, where I am somewhat familiar with the operations, if you can ever come to a 5 percent profit margin, you are doing fairly well on the investment. In other businesses, 5 percent is not acceptable. In this business, if you assume that where we came from till where the corporation stands today, I think the board of directors needs a substantial amount of congratulations for having directed the affairs to the point where they can now actually almost, even taking into consideration the amounts of monies incurred or debts incurred via the operations and the interest paid towards that of something resembling \$14,000 a month. Had that not been incurred or could one write that off on previous experience or bad experience and somehow get rid of that liability, the operation would reflect more than the amounts you are suggesting simply by that one action alone. I would suggest that if the questioning is to lead us into a situation whereby you want us to establish what our next year's profit picture will look like, we are simply not going to do that.

Mr. Kozak: Thank you, Mr. Chairman. In fact, my intention today is very similar to the Minister's intention. I join him in commending the management of Venture Manitoba Tours Ltd. for having turned around an operation and achieving results that in this year and into future years look to providing the province with a reasonable rate of return on its investment. I have nothing but commendation for the financial turnaround achieved by the board and staff of the corporation. If in fact one projects the financial results of the corporation into the future, and Mr. Finnbogason has made it clear that there are certain hazards attached to that that we are all aware of, we approach the point where the province is obtaining a fair return on its equity, an attractive return on its equity. We also approach the point at which divestiture of this corporation, which after all is conducting operations that are typically not a function of Government, becomes a realistic possibility.

To the Minister, I would like to ask whether he feels that the fact that the corporation conducts its business primarily within a provincial park constitutes a significant obstacle and perhaps an overriding obstacle to the otherwise reasonably desirable prospect of divestiture

to the private sector. Would divestiture threaten the deterioration of an important provincial asset, that is, the Hecla Island Provincial Park?

* (1100)

Mr. Penner: That is a good question and it is something that one would be able to not—at least I would not want to express a definite view on it at this time. I think there are a number of facilities that are currently being operated within our parks which are privately owned and are doing quite well. We have a number of facilities that the province owns and operates within our parks that are not doing as well as we think they should be, and maybe that is the reason we need to, with a fairly open mind, look at all aspects of business operations within parks, realizing full well that there are some services that need to be supplied, either to our tourist industries or our travelling public within our province at times, and that the province should maintain responsibility for.

However, a facility such as this whether it is privately operated or operated by a Government, if the agreements are entered into in the right fashion and if they are of a long-term nature, I think, can benefit a park such as Hecla, and private ownership or operation of a facility such as that might even enhance above and beyond what we are currently experiencing there at times. I say that from a citizen's point of view. We need to recognize that there are costs incurred and that have been incurred by each and every person in this province into the operations of the hotel. Had it been a private operation or would it be a private operation now, that liability of course would be done away with and I think that needs to be recognized when we look at the total overall.

The other one is the question that you asked: will it detract from the park itself? I am not sure whether it needs to if in fact the agreements entered into are of such a nature that would maintain the viability of the operation.

Mr. Kozak: Mr. Chairman, I feel much reassured by the Minister's point that the terms and conditions of any divestiture of Venture Manitoba Tours Ltd. could offer protection to the provincial park which surrounds the operation. The Official Opposition considers the preservation of the quality of the park as being a matter of prime importance and as being, in fact, the most substantial obstacle to divestiture if terms and conditions that protect the park cannot be established with an operator willing to assume ownership or willing to lease the operation.

At the same time, the fact remains that the corporation is not one which provides a general service to Manitobans. It is not an essential element of what we in politics frequently refer to as "the social safety net." It is not a corporation that most Manitobans are likely to do business with. It is in fact a resort catering to what is sometimes referred to as the province's elite. Its rates are not popularly priced compared to other recreational possibilities. Divestiture seems to be a viable option that I have no doubt the Minister will

pursue, subject to terms and conditions that protect the quality of the environment of the surrounding park facility.

Mr. Johnston: Mr. Kozak, I would not like you to think that it is the elite of Manitoba that is using the Gull Harbour facility, and I am sure that may be the impression that some people have because of the word Gull Harbour Resort and Golf Club, etc., but I think, if you were to take a look at our bookings over the past two years, you would find that all Manitobans would be using it. I can tell you two schools were out there the last couple of weeks who had booked it, were skating and taking care and using the facility.

We are employing 117 people from the Interlake at the present time, the largest employer in the Interlake, and all our direction—I think you heard us mention that the figure of \$59 a night with two meals, breakfast and dinner, has been attractive to all kinds of people in Manitoba, and we have senior's rates that are coming to Manitoba.

We recognize that we are a two-hour drive from Winnipeg and we recognize that we are a further distance from our customers to the south of us, and west and east. So we have directed to Manitobans and we certainly intend to keep doing that in every way possible. We do not forget though that the tourist dollar coming into Manitoba is very important to all Manitobans and we advertise towards that extent as well.

But please, I know that impression is not just one that you have. It is an impression that some other people have expressed to me as well, but it is not a fact if you would take a look at our bookings. We should maybe make that—blow our own horn about that a little more.

Mr. Kozak: Mr. Chairman, I am certainly delighted to give the management of the corporation absolutely every opportunity to blow their own horn. The operation is achieving a turnaround. It is on the verge of providing the province with an acceptable return on equity. It provides spin-off benefits to the local community in terms of employment.

We are here today simply to achieve a greater understanding of the corporation's successes rather than to be excessively critical. We intend to provide scrutiny rather than criticism. There is very little criticism to level. With that remark, Mr. Chairman, I believe the bulk of my questioning is complete.

Mr. Laurie Evans: Just a couple questions, Mr. Johnston indicated that it was 117. These would not be 117 full-time employees, would they?

* (1110)

Mr. Johnston: No, it is not 117 full-time employees. We have part-time employees that we could almost consider being close to it. We do have to estimate our slow times of the year and our best times of the year and weekends versus weekdays.

We have people on staff, paying out the salaries, probably a little more than a hotel that would be in

Winnipeg. For this reason, if the hotel is a third full, you have to have a certain amount of staff there. We are not in the position of being able to pick up the phone and call somebody and have them there in 15, 20 minutes or half an hour. So we are definitely—although that is a detriment to us in one way but it is a benefit in the other that we are employing staff and we have to keep a certain amount of staff on hand. Permanent employees, Al or Bill, the total permanent would not be 117. I am not sure what the figure would be.

Mr. Finnbogason: Mr. Chairman, you may have misunderstood the 117. There are 117 people employed from the immediate area in the Hecla Island complex. When I gave you that number, I maybe did not specify, we looked at it to look at what impact the island had on the total economy.

One of the things that we have been able to do in the past couple of years is to switch our staff to mainly staff that had been employed in the local area, and this had two major good effects on the operation. No. 1, it decreased our cost of having to feed those people by living in the bunkhouses and subsidizing them; No. 2, it has given us a much greater stability in the kind of people we are employing where they do not have to go to work and then spend the rest of the night in staff housing or bunkhousing in the middle of winter. Most of them come and work for us on a shift basis, then drive back to Riverton or Arborg or wherever they come from. By switching to emphasis on hiring locals, it has been one of the contributing factors to our improvement in operation. It is a point that we are continuing to pursue.

Mr. Laurie Evans: The comment, I believe, the Minister made was that the occupancy had improved by 9 percent in the past fiscal year. Can you give me a little clarification as to the average occupancy over the year, and I assume the highs are 100 percent in the peak in the summer, but how close do they approach zero at times in the winter?

Mr. Podolsky: Mr. Chairman, the occupancy rate for the fiscal year in question, March 31, '88, was 58 percent on an annual basis. That would vary throughout the year, probably dipping as low as 35 percent and maybe going as high as 80 percent, if not higher. I am just giving estimates on the monthly rates.

Mr. Laurie Evans: I gather that you are convinced that a 12-month operation is the only way to go with that facility. I assume that the directors have certainly looked at seasonal, being closed for part of the season when the demand is low, and have ruled that out. Is that correct?

Mr. Penner: Whether you would ever consider a partial-year operation over there or not, I am not sure whether the present board has ever considered that. I simply know that from experience, whenever you close a plant such as that down over the winter months, the costs of reopening and probably the additional maintenance costs to a facility such as that would be horrendous. I simply do not think that there would be any way that

you could ever close it down for a portion of the year and reopen and try and maintain a profitable type of an operation.

Hotel—and I am somewhat familiar with hotel operations—operations must be an ongoing operation and, whenever you reach a 60 percent occupancy level in the overall occupancy of a hotel, you are doing a pretty fine job of maintaining your occupancy rates. There are some in some areas that are higher but, even talking to some of the operators in some of the sunnier climes, if they can maintain a 60 percent occupancy rate over a 12-month period, they think they run a pretty fine operation.

The numbers that I have just heard from the board here would indicate to me that as far as occupancy is concerned, sure, there are some improvements to be made, but they would have to be in those seasons where the normal occupancy rate would be through convention-type operation during the winter months where you could, in fact, increase the occupancy rates to any part that would make an overall contribution. You have to also remember the off-season type of operations, you know, are cut very fine. The profitability there is very limited but again it enhances the ability to keep the plant going and that is the main point. If you can do that at close to a break-even point, I think you are accomplishing what you set out to do.

Mr. Laurie Evans: I am still a little bit confused about the comment that I believe it was Mr. Podolsky made earlier where I asked whether that deficit of \$2.79 million was, in fact, the total accumulated debt. I believe he mentioned that there had been a write-off of something like \$200,000 or a quarter-of-a-million-dollar grant. Could you further clarify that?

Mr. Podolsky: Mr. Chairman, on Exhibit "A," under Shareholders' Equity, you will notice there is a change of \$257,910.00. It shows as contributed surplus in 1988; in 1987, it showed as a conditional grant. That grant was written off in January of 1987. That grant had a 16 percent interest rate that we were paying interest to the Department of Finance. When that grant was written off, we subsequently did not have to pay that interest rate. You will notice the drop in interest rates for the fiscal year ending '88.

Mr. Laurie Evans: Am I correct then that the \$257,000 was written off, in other words, the total deficit then is over \$3 million and that you have gotten away from paying the interest on it but the debt has also been written off? I guess what my problem is, Mr. Minister, that if this corporation has somehow or other lost or is in deficit over \$3 million, and then you turn around and say you are going to make a profit, to me, the profit on this would have to be that if you are \$3 million in the hole, you would assume that you should be paying interest on \$3 million at a level of, say, 12 or 13 percent, whatever it is. What worries me is that your total deficit is less than the book value of the corporation. So, if you are looking at it as in farm terms as you used, Mr. Minister, this corporation is bankrupt. In other words, it does not have any equity left in the business and, therefore, the deficit is greater than its book value. So

I have a little difficulty being as complimentary as my colleague has been in terms of looking at this because it would be a hundred years before you were ever out of the red in terms of having paid off this total deficit.

Mr. Penner: I think, Laurie, you are absolutely correct in that sense. If you take capital and have to pay interest on the capital debt, the operation could never carry itself. It is as simple as that. I am not sure whether it was ever intended to do that. But if you and I entered into the hotel business, you and I would be required to—either we would pick it up out of our cash out of our own pockets, as I think the Provincial Treasury probably did, and plunked it into there and said no return on investment required except for the depreciation, and that part becomes a depreciable item and an expendable item to the corporation, that \$140,000.00. So that makes up roughly about—it depends on how you want to set up your depreciation schedule.

If you would depreciate an asset such as this through the normal depreciation schedule, which you would use on your farm on some buildings which would be at 5 percent, and you use the 5 percent depreciable schedule to write down the 3 million. You are at 150, so you are very close really in recapturing the investment through that means. So there are two areas of thought or accountability that you enter into when you enter into this type of a discussion. So in one sense, yes, you are dead-on and, on the other sense, no, you are not. On the other sense, we are, I think, close to carrying the liability.

Mrs. Gwen Charles (Selkirk): You have been speaking about that you have been hiring staff from the Interlake area and certainly that is from the Riverton-Arborg area. Can you give me an overview of any other profits in the area that may be going back to the Interlake in total?

Mr. Finnbogason: We purchase quite a few of our services in the local area wherever possible. The number of people who are employed, of course, directly affects the economy, particularly at Riverton and, in the long range, generates tax flow to the Government in one form or another. I think it was stated to us by one of the local reeves in the area that if we ever closed Gull Harbour that Riverton would be in very bad financial shape because of the number of people who come from the immediate area.

I guess if you keep looking for rub offs, the tax is paid on the wages that we have. The payroll tax is the taxes generated off the food sales, taxes generated off the liquor sales, etc. In total, the contribution to the total provincial economy is considerable if you look down a whole program of tax generation, but in the local area I think it has become a major factor and that is about the best I can tell you from the payroll that goes out to the local area.

Mrs. Charles: Did the corporation tell me where you have found your clients are coming from? Are they from the Interlake area, Winnipeg? Are they indeed Manitobans or even Canadians? Can you give us a breakdown on who uses the resort?

Mr. Podolsky: I would say 90 percent to 95 percent of them are Manitobans. A good portion of them come from Winnipeg, a good portion of them are the corporate sector. Many of them are from the union, non-profit organizations like school divisions, high schools and so on, and lately we are getting a lot more people from the rural areas or our larger rural centres.

Mrs. Charles: Can you tell me where your advertising is directed then? Is this a direct result of your advertising? Are you advertising in the States? Are you promoting the resort in the States or do you have plans to—or I guess, in general, what is your advertising scheme for pushing Hecla Island as a resort?

Mr. Finnbogason: When we first became involved—just so you know of the history of the advertising program—we were using the shotgun approach and we were advertising all over the place and we were not targeting our market at all. We decided that in order to get the kind of turnaround we wanted, we had to target the market and a lot of it we targeted to the Winnipeg area. Quite a lot of the business that we were getting was formerly going to Minaki, which means that we were able to keep that in the province.

We have had, particularly in the last year, which is very interesting, quite a lot of out-of-province and even out-of-country people. Two weeks ago, for instance, we had 100 percent occupancy with the German army and their wives who are brought over here for one week in the wintertime. They think winter is the greatest thing they ever saw.

* (1122)

The other thing we are getting is quite a bit of action from the immediate border areas. We put in golf packages last year when we finally got to market the golf course. We sold over 700 packages that were not sold before on our low days and quite a bit of that has been targeted to Grand Forks, Cavalier, Valhalla, all the small areas. As one person from Cavalier told me, "I hope you stop advertising around here because we do not want to spoil a good thing." There is no point in going after a market that you are not able to penetrate, and that is where our thrust has been.

Mrs. Charles: Can you tell me how most people using the resort arrive? Is it by vehicle or are there any flights in local airplanes?

Mr. Finnbogason: We do not have an airstrip. We are working on that by the way. We would like to have a 4,000 air grass strip there, but I would say the majority of people arrive by car and tour buses. There is no other way of getting there. Actually the bus lines do not go directly to Gull Harbour. We are working on that right now and hope to have an announcement shortly where we can get a bus line that goes right from Winnipeg to Gull Harbour.

Mr. Penner: I would say to the Honourable Member there is a business opportunity there. If you are looking for a business opportunity, we are open.

Mrs. Charles: Now you made me forget my question. I was wondering if this Venture Tour Ltd. has any

connection with Tourism Manitoba. Do you feel like you are promoting only the resort or is there a feeling that you are promoting the Interlake?

Mr. Penner: I believe from what I have seen up to now that there has been a substantial effort made to work very closely with Parks to advertise the whole island and there will be more of a cooperative effort in the advertising sector in the next while that will draw the attention to the Heritage Park once, or the Heritage Village. As I have said before, I believe we need more people on the island. It will be targeted towards drawing the attention of more people onto the island. I think that in itself will be of great benefit to both, the park, the whole Interlake area, as well as Gull Harbour. Once we take a total overall approach to it, I think we will all benefit by it.

Mrs. Charles: Can the Minister tell me if there is cooperation between Parks Canada and—I am thinking of—Lower Fort Garry in advertising the Hecla Island resort in order to get tourism and travel from—I mean, you have over half a million people coming to Lower Fort Garry. Do you do anything to get them up into the Interlake from there?

Mr. Penner: I would stand corrected, but I do not think there has been any effort made to get Parks Canada to advertise it. Maybe there has been.

Mr. Podolsky: Mr. Chairman, we are looking at the tour bus market, looking at a complete tour through the Interlake, through Narcisse and the Lower Fort, Gimli, Selkirk, and so on. That is an area we are trying to hit.

Mrs. Charles: Could you just indicate who is the "we" part? Is this just the Venture Manitoba Tours or are you cooperating with Interlake Tours and associations?

Mr. Podolsky: Well, I cannot say directly right now who we are dealing with. That is the intention of the board to get more people into the area using the tour bus as a medium.

Mrs. Charles: I guess my conclusion from this is that really the Interlake is a little bit separate from the Hecla Island Resort and having been on, in past years, the Interlake Tourism Association that they are left very separate from the millions of dollars that have been dumped into Hecla Island. I do not think, other than the straight personnel in the Riverton-Arborg area, that they really have profited much from the Hecla Island being there, or as much as they could have, shall I say, because nothing has been developed from Lower Fort Garry up and to Hecla Island. I would hope and encourage Government and this group to make a tour around the Interlake. There is much to see there and there has to be some cooperation.

* (1127)

Mr. Finnbogason: I must say, I agree with you 100 percent. It has always bothered me that we have the Lower Fort, we have the Marine Museum in Selkirk,

we have a museum in Gimli and all down the other side. We have been working with bus tour people to try and put that together and also, in another area, I have been agitating for a combined thrust for the whole advertising program under the federal-provincial agreement on tourism, as you probably are aware, that there is a lot of work going on on that.

I think the potential has been neglected terribly and I am sure you are aware, particularly Selkirk is bypassed all the time and they have an excellent museum there. Gimli has an excellent museum and I hardly ever see anybody stop there because nobody has bothered to, but it should be a total marketing program. I agree with you 100 percent.

Mrs. Charles: Just to go on, Mr. Finnbogason has mentioned that there have been water problems. Could Mr. Finnbogason elaborate on what the problems have been and could he explain what water sewage programs they have in the area?

Mr. Finnbogason: One of the primary problems in the area is that the hotel is supplied from a well system which is tremendously high in iron and alkali content. To give you an example, we pump in 700 gallons of salt a day into our water system, which is also a great expense, in order to soften the water sufficiently and, even in spite of that, it gives the pipes arterial sclerosis that is unbelievable.

We have had the advice of the engineers from the Government just recently through the Minister and they have come up with two different suggestions as to how we can possibly improve the water system that we have. Unfortunately, hindsight is great. If they had taken the water out of the lake and used that instead of the deep wells, we would probably be in a little better position, but it is an ongoing problem and through the help of the engineering department, I think we have a solution under way.

Mrs. Charles: Could you just explain what the sewage use is there? Do you have a septic field or what type of sewage disposal do you have?

Mr. Podolsky: It is a sewage lagoon and the sewage is piped to the lagoon.

Mr. Finnbogason: The problem with the sewage is that we have to put so much softening into the system that we have problems with the corrosion of the pipes plus, for instance, our dishwashing operation. We use twice the normal level of detergents in our dishwashers than any restaurant in the city would use, because we have got to pump all that alkali through it.

* (1130)

Mr. Maloway: Mr. Chairman, my question arises from the exchange earlier between the Member for Transcona (Mr. Kozak) and the Minister. The Member for Transcona (Mr. Kozak) appears to agree with the Minister that the long-term best interest would be served by privatizing, but he does not seem to want to hamper the condition of the park. I have wondered whether the Minister would

tell us how he intends to privatize the resort without selling the park.

Mr. Penner: Well, I think we have a number of commercial operations within our parks that lease park lands and do not appear to be having any great difficulties with doing that. That is one way.

There is another way that you could, and that is the previous administration sold off some of our parks to other operators. That is a consideration that could be used. There are many ways that you could look at it, putting in place a privatizing facility such as Gull Harbour without jeopardizing any part of the park system, and I think would substantially enhance the overall visibility of Hecla.

Mr. Maloway: To the Minister, it is conceivable though that the park could possibly be sold. I hearken back to some darker days back in 1977 when Mr. Jarmoc was given the right to develop condominiums in an area and I think we are familiar with that. Is it not conceivable that the park could be sold in a privatization arrangement?

Mr. Penner: It is only in your mind, I think, that is conceivable. I do not think that it is conceivable at all that anybody would want to sell off Hecla. There has been no consideration at all in that area, unless your administration considered that at some point in time. It is certainly not being considered by this administration.

Mr. Maloway: A new question to the same Minister. Since the new board took over around October 13, have there been any changes, additions or deletions in the suppliers of liquor, wine or beer at the Hecla Island Resort?

Mr. Johnston: Mr. Maloway is obviously making that direction to myself because I am in the spirits industry and the wine industry. My experience over the 19 years in the House and the past little while, as I said, Mr. Maloway, might be of a suspicious nature.

There are none of my products on the wine list at Hecla. I do not at any time call or become involved in any of the decisions that may put it there. That is the decision of the management and the people who run the dining room. As far as spirits are concerned, alcohol products, the Manitoba Liquor Commission has a system whereby any products that are called bar prices are on a 20 percent rotation basis. If a bar uses bar rye and they order five cases, they will get one of everybody's or five different kinds as a 20 percent rotation.

My products are on the rotation basis as any other products are in the Manitoba Liquor Commission and I have never at any time approached Gull Harbour to give me any consideration whatsoever. I might add, if I had to do that, I would probably not be in business today.

Mr. Penner: I think it is unfortunate that Mr. Maloway is directing his comments in that way. I want to say to

you, Mr. Maloway, that there is one deletion that we have made. That is that we have taken the liquor vendors out of the rooms. The previous management, I guess, had entered into an arrangement under the previous administration and, under a previous board of directors, had installed little liquor vendors into the rooms and we have done away with them. They were hugely costly and we are saving some fairly large amounts of money by having deleted those. If that is what you are referring to, yes, there have been changes made.

Mr. Kozak: Mr. Chairman, I would like to do a brief courtesy to my friend the Honourable Member for Elmwood (Mr. Maloway) of stating a couple of principles in addition to the one he suggested. He referred to our earlier expressed concern regarding maintenance of the environment of the Hecla Island Provincial Park. He is quite correct in doing so. Our concerns extend further than that however.

We are also concerned that the terms and conditions of any change in the operation of the Gull Harbour Resort include employment guarantees so that spin-off benefits continue to be realized by the local community. These spin-off benefits we feel are highly desirable in terms of the viability of the surrounding communities and we are not willing to see them sacrificed. I am sure my honourable friend from Elmwood will not be surprised to hear me say that. It relates back to earlier comments I made.

Secondly, we are concerned also that the park, as a whole, remain fully accessible to Manitobans to enjoy at their pleasure. We are not interested in a complete closure of the park to any but paying customers. It is not consistent with our philosophy to promote that form of change to the park's current operation.

Also, we are thirdly concerned that, should a deal of any sort be reached, it be scrutinized by the Legislature in all respects so that we do not have an unfortunate divestiture such as we saw in the case of ManOil. We are anxious that since Shareholder's Equity is in excess of \$1 million that any deal be advantageous to the taxpayer, particularly because we are seeing a turnaround in the corporation's performance to the point where a very good return on equity is well within reach.

For the benefit of my friend from Elmwood, I would like to remind him that there are a number of concerns in our agenda other than the one he referred to.

Mr. Maloway: Mr. Chairman, to the Minister, just to comment on the previous speaker's comments, I think the Member is living in a dream world if he thinks that for some reason you can privatize the operation and not get mixed up in preserving the integrity of the park. To expect that a private entrepreneur whose goal it is to make money out of this operation is going to want to take over an operation with numerous restrictions on it is really living in a dream world.

What a private entrepreneur is going to want if they were to take over an operation like this is the right to contract out as much of the services as possible, the

right to hire non-union labour at the lowest possible wage, the right to run this operation as slim as possible in terms of the expense side of things. For the Member of the Liberal Party to think that you are going to entice a private entrepreneur into Manitoba and require them to provide, as he said himself, employment guarantees, park accessibility and all these other nice things that he wishes, is really living in a dream world.

The Government, ideologically pure as some of them may be, is on the right track. They know that they have to fatten up this cow to sell it, to privatize it, and that is exactly what they are doing. They are essentially going to fatten this up and sell it on the private market and give as many guarantees to that buyer as they want to get this thing off their hands. That is where it is headed.

For the Liberal Party to think, for some reason, that this operation is going to disappear on us, and we are going to preserve all of the guarantees that we currently have in there, that is just not going to happen.

Mr. Penner: It seems to me, Mr. Chairman, that Mr. Maloway was asleep just prior to you calling on him and he has woken up in a rather abrupt manner. If anybody is fantasizing at this time, it seems to be Mr. Maloway.

I would suggest that what we are attempting to do, Mr. Maloway, is something that you maybe had not thought of when your administration was operating the hotel, and that is to operate it on an economically sound basis. In other words, if we can turn a profit, we will. We will do everything in our power to make sure that we can, including making sure that the public has full and total access to not only the park but to the facility, and to ensure that the employees over there are treated in a manner that is conducive to the operation over the long term, and also to make sure that the communities surrounding Hecla Island have the benefit of the facility, not only in providing the employees to the area, to the hotel, but in fact also reaping other benefits such as tourism opportunities that will come via the expanded opportunities that our board is working on at this time.

I would suggest to you, Mr. Maloway, that some of the inferences you have made cannot be substantiated. Some of the tactics you are using in the discussion come close to scare tactics. I think that is unfortunate when you start looking at a Government's intention to save the people, the taxpayers of Manitoba, dollars that little old ladies living in apartments on pensions will not have to put their hands in their pocket to support a hotel owned by the province and being able to do themselves out of that sort of support and taxation. I think it is unreasonable to make the kind of comments you do at this time based on what you have heard here today.

* (1140)

Mr. Kozak: I would like to take the opportunity to reiterate that Venture Manitoba Tours Ltd. and its operation at Gull Harbour are not part of the province's social safety net. We have a situation where the

corporation is achieving a turnaround in its financial performance. We have a situation where it is possible that Government may legitimately look at, without committing itself in advance to the possibility, the possibility of bringing in managers, partners, owners, lessors, shall we say.

I would not want the position of the Official Opposition to be misstated. In any deal, to bring on board partners, lessors or new owners, there is of course a balance struck between the price the province achieves, the amount of its equity it can recoup on the one hand, and the terms and conditions written into the arrangement on the other hand. If an appropriate balance between price and terms and conditions cannot be achieved, if all of the principles that are important to us cannot be realized, of course we and a responsible Government would not consummate any deal.

We are, at the present time, looking at possibilities, urging that possibilities be considered. At the same time, the principles that we have stated are part of our bottom line. If they cannot be achieved, of course, it would make a divestiture impossible.

Mr. Chairman: Mr. Minister, do you have any closing remarks, if there are no more questions?

Mr. Penner: I think the remarks just made are similar to the concerns that I would express around this table. I think that we must make sure that the integrity, No. 1, of the company is maintained in such a manner as to be able to provide the services that it was intended to provide. I believe that if and when an opportunity should present itself to divest ourselves of an operation that I wonder whether we should be involved in, that it be done in such a manner that it is in the best interest of all Manitobans, and that it is in the best interest of especially those in an area who have become somewhat reliant on the facility for job opportunities. That is certainly a concern that I think all of us, regardless of which political Party we adhere to and belong to, have a concern that we all share and I respect that a great deal. I think it is important that if and when divestitures are made that they may be made in the best interests of Manitobans.

Mr. Maloway: Mr. Chairman, in view of the absence of the chairman of Venture Tours, I would make the recommendation that the committee sit again another time when the chairman can be here, so that we could ask some further questions of the chairman.

Mr. Penner: Are there any questions that we are not able to answer?

Mr. Maloway: Perhaps some will surface in the light of day.

Mr. Penner: If you have any questions at all or any committee Member here has any questions at all that you would like to ask, by all means, feel free.

Mr. Maloway: I feel that it is appropriate, and I think my colleagues may agree with me, that the chairman of the Venture Manitoba Tours be here for the hearing so that Members who wish to ask him questions can.

Mr. Kozak: Mr. Chairman, the Official Opposition has very few further questions to ask at this point. We have covered the matter of the operations of Venture Manitoba Tours Ltd. in a fairly exhaustive manner and in fact have dealt with essentially all of the main points. At the same time, there is a question of principle involved here. The Public Accounts Committee meeting that was held early last month was in an uproar for one-and-a-half hours regarding the absence of a key provincial official, in that case, the Provincial Auditor and, in fact, considerations held by that committee were delayed to a later time specifically for the reason of the Auditor's absence.

There is precedent, therefore, for carrying this meeting on to a later time. At the same time, the presence of the chairman of Venture Manitoba Tours Ltd. is probably less important than the case we met with in January, in the case of the Public Accounts Committee, because today the board of Venture

Manitoba Tours Ltd. have been amply and ably represented by the gentlemen we have with us today.

Therefore, the Official Opposition does not view the matter of principle as being as weighty as it was in the case of the Public Accounts Committee last month. We would be pleased to see this matter come to a vote.

Mr. Chairman: I would like to ask the committee the question whether the Annual Report of Venture Manitoba Tours Ltd., 1987-88, shall pass. All those in favour? I declare the motion passed.

Committee rise. Excuse me, I think Mr. Maloway is correct. I saw, I think, five hands I counted that were up. All those opposed? Two opposed. The report shall pass. Committee rise.

COMMITTEE ROSE AT: 11:50 a.m.