

THE LEGISLATIVE ASSEMBLY OF MANITOBA

9:30 o'clock, Monday, May 3rd, 1965.

Opening Prayer by Madam Speaker.

MADAM SPEAKER: Presenting Petitions

Reading and Receiving Petitions

Presenting Reports by Standing and Special Committees

Notices of Motion

Introduction of Bills. The Honourable the Minister of Municipal Affairs.

HON. ROBERT G. SMELLIE, Q. C. (Minister of Municipal Affairs) (Birtle-Russell) introduced Bill No. 137, an Act to amend The Metropolitan Winnipeg Act (3).

MADAM SPEAKER: Orders of the Day.

HON. WALTER WEIR (Minister of Public Works) (Minnedosa): Madam Speaker, before the Orders of the Day, I'd like to lay on the table Return to an Order of the House No. 53 standing in the name of the Honourable Member for St. George, and reply to Order No. 47 standing in the name of the Honourable Member for Portage la Prairie.

ORDERS OF THE DAY

MADAM SPEAKER: Address for papers standing in the name of the Honourable the Leader of the New Democratic Party.

MR. RUSSELL PAULLEY (Leader of the New Democratic Party) (Radisson): I beg to move, seconded by the Honourable Member for Seven Oaks, that an humble address be voted His Honour the Lieutenant-Governor for a Return showing: Copies of agreements entered into between the Government of Canada, the Government of Manitoba and the City of Winnipeg regarding the Pan American Games.

MADAM SPEAKER presented the motion.

HON. DUFF ROBLIN (Premier and Provincial Treasurer) (Wolseley): Madam Speaker, we'll be glad to accept the order with the usual reservation about the consent of other parties.

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

MADAM SPEAKER: Order for Return standing in the name of the Honourable the Member for Portage la Prairie.

MR. STEVE PATRICK (Assiniboia): Madam Speaker, in the absence of the Honourable the Member for Portage la Prairie, I beg to move, seconded by the Honourable Member for Carillon that an Order of the House do issue for a Return showing: 1. The total amount of Provincial Trunk Highway Contracts awarded to Stratton Engineering for work in the area of the Perimeter Highway and Trans-Canada Highway East. 2. The date on which the contract was awarded. 3. The dates on which this work was to commence and to be completed. 4. The penalties, if any, for non-completion. 5. Whether the penalties were applied. 6. The amounts paid to Stratton Engineering or to others on their behalf and the dates on which they were made. 7. The amounts of holdbacks retained by the Manitoba Government and the dates on which they were held back. 8. The disposition of these holdbacks showing the name of those to whom they were paid and the dates on which they were paid.

MADAM SPEAKER presented the motion.

MR. WEIR: . . . clarification. There's no exact location shown here. I assume if we check the East Perimeter for any contracts that there may be that this would serve the purpose.

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

MADAM SPEAKER: Order for Return standing in the name of the Honourable the Member for St. George.

MR. NELSON SHOEMAKER (Gladstone): Madam Speaker, in the absence of the Honourable Member for St. George I move, seconded by the Honourable Member for Carillon, that an Order of the House do issue for a Return showing: 1. The total amount of Provincial Highway Contract No. HB. 549 awarded to W. S. Sveinson. 2. The date on which the contract was awarded. 3. The dates on which this work was to commence and to be completed. 4. The penalties, if any, for non-completion. 5. Whether the penalties were applied. 6. The amounts paid to W. S. Sveinson and to others on his behalf and the dates on which they were made. 7. The amounts of holdbacks retained by the Manitoba Government and the dates on which they were held back. 8. The disposition of these holdbacks showing the names of those to whom they

(MR. SHOEMAKER cont'd) . . . were paid and the dates on which they were paid.

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

MADAM SPEAKER: Order for Return standing in the name of the Honourable the Member for Burrows.

MR. ALBERT VIELFAURE (La Verendrye): Madam Speaker, in the absence of the Honourable Member for Burrows I beg to move, seconded by the Honourable Member for Carillon that an Order of the House do issue for a Return showing: 1. The name, number or other description and location of each road in Manitoba which has been built under the Roads to Resources program. 2. The breakdown for each year, for each of the above roads showing: (a) the number of miles graded; (b) the number of miles paved; (c) the total cost of the work in each category (a) and (b) above; (d) the amount contributed by the Government of Canada. 3. The total annual contribution from the Government of Canada since the Road to Resources program was initiated.

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

MADAM SPEAKER: Order for Return standing in the name of the Honourable the Member for Emerson.

MR. JOHN P. TANCHAK (Emerson): Madam Speaker, I move, seconded by the Honourable Member for La Verendrye, that an Order of the House do issue for a Return showing: 1. The total current expenditures each year since 1951-52 to the present on: (a) Trunk Highway grading; (b) Trunk Highway paving. 2. The total capital expenditures each year since 1951-52 to the present on: (a) Trunk Highway grading; (b) Trunk Highway paving. 3. The total number of miles of Trunk Highway grading each year since 1951-52 to the present. 4. The total number of miles of Trunk Highway paving each year since 1951-52 to the present.

MADAM SPEAKER presented the motion.

MR. WEIR: Madam Speaker, all of this information is contained within the Annual Reports and/or Public Accounts, and therefore I cannot support the resolution.

MR. GILDAS MOLGAT (Leader of the Opposition) (Ste. Rose): Madam Speaker, on the motion that's been made, I have attempted in going through Public Accounts and the Annual Report to get the information broken down this way, and I find a good deal of difficulty in getting the breakdown between capital and current. I don't think that it appears in exactly that way, that one can assess exactly what goes on. Similarly, for the miles of construction I find no one location except the graph that used to be in the report and which no longer is, whereby you can actually get a figure, and the graph of course itself is rather rough - it means an extension. It seems to me that the Minister could very easily have this information. I'm sure that it is kept in the department in this form. But I think if he'll check the Accounts that it's not that easy to obtain.

MADAM SPEAKER put the question and after a voice vote declared the motion lost.

MR. MOLGAT: Ayes and Nays, Madam Speaker.

MADAM SPEAKER: Call in the Members. The question before the House, the proposed motion of the Honourable the Member for Emerson.

A standing vote was taken, the results being as follows:

YEAS: Messrs. Barkman, Campbell, Cherniack, Gray, Guttormson, Harris, Hryhorczuk, Molgat, Patrick, Paulley, Shoemaker, Tanchak, Vielfaure and Wright.

NAYS: Messrs. Alexander, Baizley, Beard, Bilton, Carroll, Cowan, Evans, Groves, Hamilton, Harrison, Hutton, Johnson, Klym, Lissaman, McDonald, McKellar, McLean, Martin, Mills, Moeller, Roblin, Seaborn, Shewman, Smellie, Stanes, Steinkopf, Strickland, Weir, Witney and Mrs. Morrison.

MR. CLERK: Yeas, 14; Nays, 30.

MADAM SPEAKER: I declare the motion lost.

MR. ROBLIN: Madam Speaker, I suppose that there's no point in calling the constitution debate at the moment so we can proceed directly to the estimates.

I move, seconded by the Honourable Minister of Industry and Commerce, that Madam Speaker do now leave the Chair and the House resolve itself into a committee to consider of the supply to be granted to Her Majesty.

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

COMMITTEE OF SUPPLY

MR. CHAIRMAN: Resolution No. 91, 1 (a) --

HON. GURNEY EVANS (Minister of Industry & Commerce) (Fort Rouge): Mr. Chairman, I undertook the other day to provide copies of certain lists of branch lines which had been offered for abandonment, and if the Page would be good enough to give one to the Honourable Member for Rhineland and one to the leaders of each of the other parties.

MR. MOLGAT: Mr. Chairman, had the Minister completed the other day the statement that he was going to make regarding Damascus Steel and the Friendly Farms, or was there any further information to come on those?

MR. EVANS: No, I think that concluded the statement of the facts of the matter. I suppose I could draw the conclusion - it's a pretty obvious one with respect to Friendly Family Farms - that here is an operation which is hurting no one. There are no operators in Manitoba who are being hurt by it. We are in the business of shipping feed grains from western Canada to eastern Canada and then buying back the chicken after the grain has been turned into chicken. The only people who gain in that game are the railways and we think it far better to have this done here in the province, so in view of the facts that have been laid before the House, I don't think I need to draw the pretty obvious conclusion that this is a sound economic operation which is hurting no one in Manitoba.

MR. GORDON W. BEARD (Churchill): Mr. Chairman, I don't think we could let the Honourable Minister get away without hearing a little on the northern half of the province inasmuch as I think its size is at least as great or greater than the southern part.

But at this time, Mr. Chairman, I would like to ask the support of the Minister of Industry and Commerce in probably seeing that the north half of the province is put back onto the map of Manitoba. I don't seem to have very much success in getting some of his colleagues to consider this, but I do feel that in the road map of Manitoba that we should have the northern half of the province included in this map. It is one of the more important pieces of publication that the province put out tourist-wise and I think through the travel and publicity program that the northern half of the province should be included on any maps that are publicized, particularly with the fact that it is the Province of Manitoba's map.

I do feel that with the northern half of the province included on a map then probably it wouldn't be forgotten, because sometimes I feel that "out of sight, out of mind," then perhaps some of the good things may pass by. I don't believe there has been ever a member of this Legislature that has come out of the north that hasn't had this in mind. To date sometimes we get a little insert added at the top of a map which shows the remaining part of the province, otherwise we're left off. In fact I might go so far as to say, Mr. Chairman, that when we visited Shilo, I was quite shocked for a while when we went through Security Headquarters because we were still cut off the map until we got well into the building and I found out that they had recognized there was a possibility of having to look after that part of the province.

So I would ask, Mr. Chairman, that the Minister of Industry and Commerce step forward quite boldly and support a program which would include probably one more fold in a map that would show the northern half of the province. I don't think this would give any problem to those that have to read a map. I know myself - I've never taken a course on it - but I always seem to have a lot of trouble in getting the folds of the map back in the right place, so I do feel that one more fold wouldn't add to our problems.

Secondly, I of course might say that as a representative of a group in the north we again were a little disappointed in the fact that the government were not able to announce this session a pulp and paper industry for northern Manitoba. Perhaps we can look forward to this being announced in another session. I might say that while we are happy with the steps being taken or being announced with our mines and resources program, that it would be nice to see a fully integrated pulp and paper industry for northern Manitoba.

I believe it would serve two purposes. Firstly, it would give us an additional industry in the province; secondly; it would assure that our natural resource is being used to its fullest, particularly in northern Manitoba. It is well to say, let's get along with our pulpwood industry, but in doing this we ship the pulpwood directly out of the northern part of the province and that's the last we see of it as far as resource money goes. I believe that anything that is going to survive in the north must be a fully integrated industry where we can derive the benefits of its full development, and the economic benefits derived would certainly support the industry and assure that it could compete with other pulp and paper industries throughout not only the

(MR. BEARD cont'd) . . . Dominion of Canada but the North American continent.

I believe that an integrated industry such as this would give the cutter an even better price because I think it is a well-known fact that in many instances the freight involved at present takes up more than the actual wage that is paid the cutter to cut the cord of pulpwood, so it would be hoped that a fully integrated system would not only assist the development of northern Manitoba but also bring a far better dollar value for the pulpwood that is produced in that area. So it is, Mr. Chairman, that I would hope that the Department of Industry and Commerce make some strides this year towards completing that part of the dream that all northerners look toward.

The third item that I do have in mind is again to speak for a few minutes on the Hudson Bay Route Association, those friendly Saskatchewaners who go forth every year supporting the Port of Churchill, and I would recommend that all those that are interested read the booklet the Hudson Bay Route Association put out this year after their Tisdale, Saskatchewan annual meeting. The Hudson Bay Route Association of course cannot be thought of too much without thinking of their secretary, Mr. Gray, who has done a yeoman's job in not only supporting the cause but in seeing and inciting others to support it.

The first part of their report refers back again to a resolution I had submitted a short time ago. When the president reported at the first part of the meeting, I would like to quote from Page 4 where he states: "There is now a highway into Thompson. It would be a wonderful thing for the north country, and Churchill in particular, if a start could be made on extending this to the Tideswater. Judging from the enjoyment our tourists get from our excursions, it is quite easy to imagine the amount of traffic which could be generated by a modern highway. Many people, I believe, motor over the Rogers Pass just to be able to say that they have done so. By the way, there are no mountain slides to contend with between Thompson and Churchill. It would be as justifiable a Road to Resource as one could imagine."

Further on we find the Canadian National Railway again are supporting Churchill and Port Churchill. We find that Mr. Barker, CNR Manager of the Hudson Bay Railway, has assured that the CNR has begun a complete rehabilitation of the line which should be completed within eight years, and he states they will continue to co-operate with the Association in helping to make the excursions successful and that it is the intention of the CNR to do everything to improve trade at Churchill - everything possible to include trade at Churchill.

But this is one side of the coin. This is the good side. But we find that our eastern friends don't look at it that way, and we note that in our Association's release they state, "Why is Churchill not used to its capacity?" The following may be a part of the answer, and it goes on to state: "When it was publicly announced that the Canadian National Railway were going to adjust the freight rates on the Hudson Bay Line to make them competitive with lines from other ports in Canada, the news was welcomed by the people of the west. At long last the Hudson Bay Line would get a square deal."

I can recall now when the Minister got up and announced this that it was welcomed by the whole of the House here in Manitoba, but apparently this news was not welcomed in other parts of Canada and I will quote to you a release from the Leader Post of Regina, who I would congratulate on their support, their very good support of the Port of Churchill. It says here, "A Montreal court official attacked plans to give the Manitoba Port of Churchill parity in railway freight rates from Montreal. The Secretary of the Montreal Port Council called the move electioneering and said the council could hardly believe it can happen without consultation between the Federal Government and eastern ports. Apparently the Canadian National Railways, a Crown corporation, decided on its own merits and on the merits of the Port of Churchill to go ahead and lower the rates."

Here we have the Secretary of the Montreal Port Council stating that he is amazed that this could happen without reference to those in charge of the eastern seaports. He went on, "The council has strongly opposed any move to increase the use of Churchill because it is an artificial enterprise opened due to the war. We don't mind status quo but we'll rise against any government plan to increase its use." He said, "Facilities in Montreal should be used to capacity before attempts are made to increase the use of the Hudson Bay seaport 610 miles north of Winnipeg."

They went on, "First grain shipment out of Churchill was in 1931, eight years before the start of the second war. If a big enough subsidy was offered it could bring about an imbalance which could cause a drop in Montreal shipping", he said. "Why don't they, the Federal Government, do something about the declining water levels in the Great Lakes and St. Lawrence

(MR. BEARD cont'd) . . . Seaway before subsidizing Churchill? I think it's ridiculous that a minority government should be allowed to use Crown corporations to go electioneering."

And again the Regina paper quotes, "It appears that somebody is annoyed because they were not consulted before the Hudson Bay Line was given competitive rates in comparison to other ports. We wonder why they feel they should have been consulted. Perhaps when this new adjustment in railway rates is applied the exports and the imports will increase above the 1959 level, or must they stay at that level."

Now, Mr. Chairman, it seems rather ridiculous that we must still be under the thumb of eastern Canada. Certainly they don't mind a subsidy to see that the wheat is brought down to the eastern seaports so that they can be assured of good business, but I can't see where they are aroused by the fact that the Federal Government or the Crown corporation, the Canadian National Railway, are trying to find a shorter route in which this grain has to be hauled. If the Montreal executive would consider for a little while, I am sure that they would realize that the Port of Churchill is many many hundreds of miles closer to the source of production than his vaunted port in Montreal, and if it is believed that the people east are looking for co-operation, then this man must be away out in left field somewhere if he is coming out with this type of release in trying to hurt the cause of Port Churchill.

I would hope that the Minister would be able to have his department possibly support this great cause and assist in some way to see that the Hudson Bay Route Association is encouraged further in their request for greater things for the Port of Churchill. I would hope that more than the \$750 a year that we vote annually towards the support of this association that we could possibly do a little more in a moral and a physical way to see to it that the port is supported in every conceivable way.

While I do not have the evidence with me, I do understand that the Saskatchewan government this year have decided to again try their annual shipments of liquor through the seaport, and I would hope that our Manitoba Government Liquor Commission can again take another look at the Port of Churchill and possibly again ship our imported liquor through the Port of Churchill. I would point out that in 1964 Churchill wheat was sent to nine countries which is again a new record. These countries were Austria, Belgium, Czechoslovakia, Dominican Republic, Germany, Netherlands, Norway, Poland and the United Kingdom.

I do not think that we could pass this time without mentioning the Dalgleish Shipping Line. Mr. Dalgleish, and now his son Peter following up, has certainly done a lot towards keeping the Port of Churchill open and supporting it not only in Canada but throughout the United Kingdom, and I would hope, Mr. Minister, that we could go ahead with the program that certainly would support the Hudson Bay Route Association in their endeavours.

I do know that the mayor of Calgary, in addressing the Hudson Bay Route Association this year, congratulated them on their progress and suggested and challenged the Hudson Bay Route Association to examine itself and its purposes to see whether it might not do a bigger job than it has been doing. He states that it should take on the whole of the Canadian north as its principal responsibility. "No other organization has assumed such a responsibility," he states, "and it could be the time of the Hudson Bay Route Association to write a new constitution and take a look at the north.

"Many people have the mistaken idea that the Canadian north is a frozen mysterious lonely and forbidding land, that seven-eighths of Canada is doomed to eternal sterility. This is not so. The north has an exciting history. The land of ice and snow has tremendous wealth and resources; the biggest new deposit of petroleum in the world, lead, zinc, gold, nickel, pitchblend, uranium, fish and furs. The north has fooled us for a long time.

"The north has climatic shortcomings, temperatures which have hit a record low of minus 81 degrees. There is rich black soil in some areas that has produced 30 bushels of wheat to the acre. There are vegetables that have been grown 50 miles south of the arctic circle, and small fruits in abundance."

I think we of northern Manitoba will take full credit for everything that the mayor says, other than the minus 81 degrees. I don't like to have that go on record. It's not quite that cold up there and we would not want to discourage anybody from moving to northern Manitoba.

I would in conclusion possibly toss the thought forward that some consideration should be given to additional storage being made available at the Port of Churchill. At present the grain elevator has a storage capacity of five million bushels. During the spring and summer there's a large increase in the working force at Churchill, but then again it slides back in the fall.

(MR. BEARD cont'd) ...

I cannot help but think of the proposed rail abandonments throughout the prairie provinces - and I would make sure that I emphasize right now that I do not support rail abandonment in the hopes that we could get greater storage capacity at Churchill - but if they are to come, and if we are planning for the future, then I would wonder if we couldn't support grain storage of at least double or triple the size at Churchill so that they may have storage of all types of grain available for shipping from the north. It would provide year-round labour employment in Churchill for people to clean the grain and prepare it for the following year's shipments, and it certainly would add to the value and the size of the Port of Churchill. There is certainly additional berth space available.

Churchill is ready to be on the move if they can find ways and better use of the port itself. I would point out to you that in indicating that they are ready to rehabilitate, as they call it, the CNR railway system in northern Manitoba over an eight year program, then I am sure that they must be looking forward to bigger and better things for Churchill, and I would hope that these other things are made available so that they can coincide with their movement toward better and greater use of the Port of Churchill.

In considering storage, I would wonder if it would not be possible to have a varied storage. I know at one time that the paper industry were considering developing the north and they thought that if it was an integrated system they would require storage on the year-round basis at Churchill. I wonder if the Federal Harbours Board could not consider some plan which would include the necessary storage for other types of merchandise in the north so that the producer down here could produce on the year-round basis, ship through to Churchill, store it and have it sent out during the shipping season.

At the same time they could encourage greater use of the port for imports, and again store it there on a year-round basis, shipping down to the importer as is deemed necessary. This would assist in no end in having the ships come in loaded, or with a paid load, and return out of course with their load of grain. To date one of the things that has held back the port is the fact that in many cases the railroad returns with empty cars, the ships have to come one way with empty ships, so it would probably be the answer to many of the problems at Churchill if we had a two-way traffic.

If we did have the necessary storage on a year-round basis at Churchill, then in all probability it would not be a subsidized item. I'm sure that most people in western Canada could go along with a program of using storage at Churchill just the same as they have to use storage in the southern parts of the province. It would be available there for manufacturing here and exporting there to hold until shipping time because they have to produce ahead of time anyway, and in importing we could hold it there and ship out as the importer would require it.

So without spending any more time on this, I would hope that the Minister again can support us in our drive to get Manitoba put back on the map, and full use of the map be given towards publicizing northern Manitoba. We don't want to be separatists, we want to be sure that we are included in the good things for the future of Manitoba, and I believe one of the ways to make sure is to see that we are put back on the map; secondly, with the hope that the department can do everything possible towards the introduction or the assistance in having enterprise investment in our pulp and paper industry in northern Manitoba; and thirdly, that they will support the Hudson Bay Route Association in a more active way if possible, to join with the businessmen and the Chambers of Commerce in seeing to it that everything is done to advertise the Port of Churchill and to see that we support it in spite of what they do in the east to know it.

MR. D. L. CAMPBELL (Lakesdie): Mr. Chairman, I was very interested in the review that the Honourable the Minister gave of the two particular companies that were mentioned, namely, Damascus Steel and the Friendly Farms -- The Friendly Family Farms. It's with the former that I have had more representations and I really think that the Honourable the Minister should give us more details about the difficulties that he mentioned than he has up to date. I understood him to say that representatives of the company had discussed with him personally the fact that they were having difficulty. Now was this before the plant was closed down?

MR. EVANS: I don't think so, Mr. Chairman. The interview took place at another function. It wasn't in my office. They approached me at some public function. I've forgotten where it was, but I had an informal discussion with them there.

MR. CAMPBELL: Yes, Well I believe that the plant had already been closed at that time and actually the time for my honourable friend to have been of assistance to them, I think, was

(MR. CAMPBELL cont'd) . . . prior to that time. Now it may be that they didn't approach him, I don't know. But if they did, I would think that he would have been completely within his rights to have met with them and checked up on just the way the board was carrying out their responsibilities to assist industry. And here I want to re-emphasize once again a point that I think the Honourable Member for Brokenhead made better than I did, that here was a brand new industry, and not only new in the way of its organization here in Manitoba but new in the fact that it had no counterpart in this province, or I understand in western Canada, and the minor difficulties so far as I am aware are ones that I think could have been completely overcome by the provision of working capital in time.

When my honourable friend suggests that working capital cannot be provided by the board under the Act - that is the suggestion I understood him to make, Mr. Chairman - I would refer you to Section 14 of The Business Development Act, which it seems to me has not been changed, and without reading all of it, it says, "In order to achieve its purposes and objects, the corporation may provide financial assistance in such forms as may be decided by the board, and without restricting the generality of the foregoing, may make loans for any or all of the following purposes: to borrowers other than community development corporations for the provision of fixed capital or working capital or for both of those purposes." Now this was not a community development corporation and I would take from that that the board had complete authority to assist them with working capital as well.

As far as the difficulties that the company encountered, Mr. Chairman, surely before the board put into this company the limited amount of money that it did advance, surely it made a market survey. Surely it also looked at the question of the management and the equity capital and all the other considerations, and having made that investigation it certainly undertook to support the company. My conclusion from the information that I have is that the difficulties were mainly difficulties that were presented by the board because of their "too little and too late" in the question of financing. So I really think that the Minister should tell us, because the other side of the case in my opinion was not brought out by the remarks that the Honourable Minister made on Saturday afternoon. I'd like to know if there were really good reasons for why the board left this company, having assisted in establishing it, left it in the handicapped position that it seemed to me to be.

Now, so far as the FFF organization is concerned, I am interested also, but any remarks I have to make on that would probably be deferred until the estimates of the Honourable the Minister of Agriculture are before the committee. But the one question that I would like to ask this Minister to deal with, Mr. Chairman, is: Does he really feel and does he think the board really feels that this corporation, this organization could not secure financing on reasonable terms from some other source, because my information is that the chief shareholder, the chief promoter of this company is a man of very extensive means and has what we might refer to for these purposes as almost unlimited capital available to him. I would like to ask him that question because I am aware of the fact that the corporation is supposed to not loan money if it's available from other sources on reasonable terms.

But my main interest at the moment is this question of the Damascus Steel Corporation, because here I feel was a company that met in the fullest measure the real object for which this act was set up, and having been established here, so far as any explanation has been given to me yet by the Minister, it was permitted to languish in inefficient operation because of a lack of fairly minor amounts of capital while other organizations got lavish amounts of capital, and as a result it was finally closed up under circumstances that I think were quite unfair to the shareholders and the promoters of that particular organization.

MR. PAULLEY: Mr. Chairman, if I may, I might add something to this debate pertaining to Damascus Steel because it's located near my constituency and I have had discussions with the people who have endeavoured to make a go of this particular corporation.

Now I might say that there doesn't appear to be any dispute, at least from those on this side of the House who have considered the matter, as to the desirability of having such a firm in operation here in Manitoba. I think when the member for Lakeside mentions that this would be the only one in Manitoba and possibly in western Canada, I think that he's on firm ground. I might say too that references have been made to various economic surveys which have illustrated the desirability of having a plant of this nature in western Canada as an ancillary to production in the province.

Now it may be - it may be that the company did have some initial difficulties, or would have had initial difficulties in finding a market for its product due to the situation whereby most

(MR. PAULLEY cont'd) . . . of the materials that they manufactured has been cornered over the years by eastern industries, I think particularly Dominion Steel and other like corporations in the manufacturing of screws and stove bolts and carriage bolts and the likes of that.

It is my understanding, Mr. Chairman, that just a few days ago the padlocks on the firm were changed once again and it's also my understanding that there is approximately \$100,000 worth of equipment at present time idle within the building itself. It seems to me to be a shame that when the likes of Arthur D. Little Company and the COMEF report indicates the desirability for an industry, that here we have a plant, and if my information is correct, not in production with about \$100,000 worth of equipment.

Now I do know that negotiations have been going on for some considerable period of time between the Fund and the organization, but the situation is, as I understand it, that even as of today neither the principals connected with the firm or its shareholders - which shareholders I may say incidentally, Mr. Chairman, are comprised to a considerable degree of just small ordinary investors who have placed some monies into this corporation - that apparently nobody knows definitely what the situation is.

I have an auditor's statement showing the balance sheet of October 29th of last year where it indicates that there is a total equity in the plant outside of those amounts of money owing of some \$46,000. This balance sheet shows total assets of some \$135 - almost \$136,000. It shows a total debt - including as I read it the debts to the Manitoba Development Fund of \$22,000 - total debts, including accounts payable for wages, vendors and others of \$89,500. Now it might be - it might be that the debts are rather high with total assets of 135 or \$136,000, but nonetheless from all information that has been forwarded to me, one of the problems that the company has had is because of the fact that they haven't been able to find out where they stand particularly and precisely.

Now I appreciate that the Minister of Industry from time to time has told us on this side of the House that neither he nor anyone else is entitled to know or to interfere at all with the Manitoba Development Fund, but I think in this particular case, Mr. Chairman that that no longer applies because the management of the firm have revealed the full situation on their side of it to some of us on this side of the House, so no longer does that particular situation prevail.

MR. EVANS: I would just comment at this point that they may have revealed this to you, but not to me in writing with authority to refer to it.

MR. PAULLEY: Well, Mr. Chairman, I was just coming to that very point. Now it may be - and this is that point - it may be that now that this has been disclosed insofar as the workings of the corporation is concerned, Damascus Steel, I accept the word of the Honourable the Minister of Industry and Commerce that it had never been revealed to him. I don't know what the answer of the management might be insofar as this is concerned. It may be that they had noted in the past that there was a barrier for discussion in the Chamber here and it was possibly that they felt that after a considerable amount of negotiation or discussion with the Development Fund that they thought that something else should be done, and for that reason indicated to myself, among apparently others, as to their particular situation and their negotiations and dealings with the Fund itself.

Now, Mr. Chairman, I would like to suggest to the - incidentally they met with me, as a matter of fact at my home, only about three weeks ago, during the session anyway, and told me broadly their situation. So I'd like to make this suggestion now to the Minister. This has now become public through the discussions here in the House. As I say, Mr. Chairman, I accept the position of the Minister that it was never formally drawn to his attention but now it has, and I would like to make this suggestion, that the Minister undertake to investigate - I'd be glad to help him in his investigation and I'm sure others on this side of the House would - into this particular situation to find out if or what the difficulty has been in this instance.

Now I want to come back to the point that I made at the start, that it appears to me that here we have a factory with a padlock on the door valued in excess of \$100,000 for an industry that is much needed by past surveys here in the province. It is my understanding that while there were only, during some phases of the operation, six or seven employees, plans were being developed for a further expansion of the personnel to be employed from 25 upwards.

Now I'm sure that the Minister would appreciate the difficulties that a firm might have insofar as crashing into the market at the offset, but I'm assured by management - and I might say incidentally Mr. Ross Henderson, the head of the corporation I understand is a graduate engineer, I believe, mechanical engineer, and I may be wrong insofar as the description is

(MR. PAULLEY cont'd) concerned, of the University of Manitoba - a number of small investors have put money into this corporation.

Now I'd like to suggest to the Minister that if nothing has happened insofar as any disposal of the assets are concerned within the last week or two or since I was talking to the management, that the board be told not to proceed any further until this whole matter is clarified. I don't like the appearance of it. It appears to me that the board put in a receiver and manager, one Mr. David M. Rogers, into this plant, and I don't know what his qualifications of the operation of such a plant as this; and as late as November the 20th the board laid down certain conditions whereby additional monies would be forwarded to the Fund.

But really I don't know exactly what the situation is now, but I do think, Mr. Chairman, in this instance the Minister should go a step further due to the matter being raised in the House and have the matter investigated fully. I think that those of us that are concerned, as well as of course the management themselves, are deserving of a more thorough investigation into this particular case.

It might be that it would be advisable to have a committee of investigation respecting this case independent of the Minister and the board itself just to find out exactly, because after all I'd like to say this, that the board like ourselves are only human and "to err is human, to forgive divine", and this might be one of the cases where the board has made some mistakes, but apparently from the information that I have received the mistakes are being perpetuated and I think that the matter should be cleared up.

MR. ELMAN GUTTORMSON (St. George): Mr. Chairman, the notices last week announced that the Law Amendments is meeting at 10:30 and I believe there are some people in the committee. What is the intention?

MR. ROBLIN: Mr. Chairman, the committee was called for 11:30 at our last committee meeting but it is our intention to suggest the adjournment at 11:00 o'clock and then go to the committee. There are some people in the committee room and I informed them that that would be the probable course.

MR. EVANS: Mr. Chairman, I think it might be convenient at this time to deal with some of the points that have been raised. I've appreciated the remarks of my honourable friend from Churchill very much. The matter of the geographical part of the highway map comes under my honourable friend from the Highways Branch and I'll leave that subject to him.

The pulp and paper industry for northern Manitoba either fully integrated or a pulpmill only has been a matter of policy with us, and of the last government, right the way through. I never make any statements about developments that are under negotiation or under way until final arrangements have been made or until contracts have been signed, and I'm afraid I can't make further comment on this point except to say that I agree with him that this is one of the major objects in front of Manitoba and it will make a revolutionary change in the north as and when it comes. I think Manitoba's turn will come. It's world-wide competition and we believe that our resource will at some point become the most attractive in the world for development and we're urging this point of view on some pretty responsible people at the present time.

I appreciated his tribute to the Hudson Bay Route Association and to Mr. Gray and his devoted work in the interests of Churchill and western Canada and the north, and I think the association is deserving of our support.

In connection with the shipments through Churchill we made very strong representations to the Department of Trade and Commerce in Ottawa at the time that the Russian wheat shipment was under discussion and asked why those shipments could not be diverted in greater volume through Hudson Bay. A number of technical reasons were produced and in the event there were no very substantial amounts of the Russian contracts shipped through that port, much to my regret but we will continue to urge on the authorities that that port be used to the greatest possible capacity.

There have been some changes in the kinds of shipments going through Churchill. I think the discontinuance of the defence installation up at Fort Churchill has had some effect on the imports of certain commodities through there, notably petroleum and petroleum products for use in defence. Then too the building of the refinery at Thompson removed the kind of traffic that was I think shipping the smelted product from the factory over to Wales where it was refined and returned, some of it being returned through Churchill. That kind of traffic has ceased as well, but it is an object with us to try to increase the traffic there to the greatest possible

(MR. EVANS cont'd) extent.

He indicates that there could well be storage capacity built at the port to take care of both incoming and out-going traffic of a different kind of grain. He would like to see increased storage capacity for grain, and if that can be accomplished that's a good thing. I'm not aware of the extent to which traffic could be increased by the increase of storage capacity there, but if it exists, certainly it will have my support.

Now we are dealing very largely with two companies, continuing the discussion that we had before with respect to Damascus Steel and the FFF. The main additional point that my honourable friend from Lakeside asked I think is a good one, and that is could they have got the money elsewhere at reasonable rates, and I am assured that they could not. The board is charged with the responsibility of seeing to it that the people were not able to get their requirements at reasonable rates elsewhere before advancing any money from the Manitoba Development Fund so the answer to my honourable friend's question is "no, they could not get their requirements elsewhere."

He points out that they are backed -- I am not sure how he comes to the conclusion that one of the chief operating factors in this FFF company was a man of large means. I am assured that the members of the company are in fact all poultry raisers and that no one of them owns any more than 15 percent. I do know that these people have pledged not only the assets that are covered by the loan but their own personal assets to back the loan, and in fact themselves have provided something of the order of half a million dollars for the company in addition to whatever loan was made by the Manitoba Development Fund, which loan in turn was backed by the individuals concerned. The security for the loan is not confined to the productive assets in which it was invested.

Now coming to the Damascus and the number of important points that have been made, I'll try to make a statement which will cover the comments made by the member for Lakeside and the Leader of the NDP, and I have no reluctance to discuss this.

I would like to make one point in the beginning, and that is that the authorities of the Development Fund and my department have made the most strenuous efforts to try to help this company out of their difficulties, efforts that have required long and hard consideration of their difficulties. It is an outstanding fact that in the operations of the Manitoba Development Fund these business men, who after all don't get paid fees anything commensurate with the kind of effort they put into it and the kind of skill they bring to it, do as a matter of fact in all cases spend long hours themselves and make the most strenuous efforts to try to help anyone; and second, try to keep anyone from getting into difficulty, because I for one believe this, that it gives any community a slight black eye when any company gets into financial difficulties. It's a storm signal that other companies look at and so it's the policy of my department, it's my policy and my instruction to my staff that every possible effort is to be made to not only attract new industries but to help them when they get here and to keep them from getting in financial difficulties.

And so against that background I am going to say this, that my honourable friends have urged me to, and I think made it proper and even necessary for me to deal with this now in detail that I had sought to avoid up to this point. The opinion on the other side and the case that has been presented to them is that the sole difficulty that has been faced by this company has been a shortage of capital, of working capital, which could easily have been provided by the Fund and all would have been well.

I made a statement contrary to that in very general terms, but no, that was not the entire story as indeed the member for Lakeside has indicated it might not be, that there were other factors concerned, that they had difficulties not only with a shortage of capital for which they were largely responsible themselves but that they had difficulties with marketing and technical production as well, and so I must now proceed to deal with this in greater detail.

I'm not trying to make much of a point of this and in a way I regret doing this, because I am going to have to indicate that the management of this company was entirely incompetent and that they were not able to bring the firm along to a point where it had any prospect whatever of succeeding, and this must now be said. I'm sorry indeed. They will go out to other fields of endeavour. They will carry on other business operations, and I think it's unfortunate that I must now indicate the facts of this company which do indicate that those in charge of it were not able to bring it along in a businesslike way, to bring it up to a standard which is the only standard we can use, and that is can the company succeed in its operations in this province; and they couldn't. Now I am going to give my honourable friends some detail.

(MR. EVANS cont'd) . . .

In the beginning, the company declared a feasibility study which projected sales of \$154,000 for the first 12 months of operations. For the second year they projected sales of \$254,300. Well a two-year period is a fair period to get into business to see whether you're going to succeed or not, but in actual fact the information available to the department showed that the company sales in the first year amounted to \$8,000 in the first full year of operations. That was against a projected sale of \$154,000. In the second year the sales were \$21,694 or something less than a tenth of their projected sales for the second year, and in the seven months ending July, 1964, there was a total of \$27,945 for those seven months. The break-even point of this company is sales in excess of \$100,000, and in two years and seven months they had come up to roughly 25 percent of the projected break-even point. I said there were difficulties in marketing. I think those figures will confirm that point.

I said they had the inability to achieve projected and required production costs. They were unable to get their costs of production down to a point where they could have any prospect of making money. Their projected raw materials costs were set in their own feasibility study which was taken to the Development Fund and provided a good deal of the evidence upon which a loan was made. The projected raw material costs were 36 percent of sales. Well in fact the raw material costs in the operation they did carry on were 60 percent of the sales that were made. Their projected overhead costs were 12 percent of sales for the first year, reducing to 8 1/2 percent during the second year, and in fact these costs reached 25 percent, double their highest projected percentage. Selling and administrative expenses were estimated by the company at 12 1/2 percent in the first year, reducing to just over 10 percent in the second year, and in fact the selling and administrative costs approximated 25 percent.

The company's first projected operating profits were some 13 percent of sales in the first 12 months, increasing to 17 percent in the second 12 months, and these of course were never realized. They had losses steadily throughout. Those are the facts which bear partly on the production of the situation and partly on the market and their ability to achieve a market.

The second point: they were unable to foresee and to overcome technical problems. Now it's been indicated in the evidence that's been laid before my honourable friends over here that here were indeed a competent crew of people whose only shortcoming was that they didn't have enough money to carry on. I would like to quote one sentence from the Arthur Little report which was not in fact quoted by my friends over there although I think they had the complete copy of the report in front of them. The company's report says, "A lack of knowledge as to material and heat treat specifications for tool stock and screw stock is a very disturbing factor."

Now this is in the report also that presumably was in front of my friends. The ADL report also pointed out that "tools made for Damascus to form the square recess in the socket head screws usually fail after producing 1,000 to 7,000 screws. They should last through the production of 50,000 or more pieces." Another technical inability on their part. The inability of the company to pre-determine these basic technical requirements probably was the main cause of this company's failure.

Another factor is the inability to place this company on a sound financial basis, and I must indicate here the lack of judgment, lack of proper judgment, I would call it a substantial error of judgment on the part of the management of this firm. In the company's initial contract with the department they stated they proposed to provide \$45,000 in equity and to borrow \$25,000. They failed to raise the \$45,000 but nevertheless started out with only \$30,000. The member for Lakeside mentioned these facts and this is not news but here is where in my judgment they made a mistake, a business mistake. They were short of capital; they hadn't provided the amount of capital that they undertook to provide by one-third. Instead of providing \$45,000 they provided 30, so a large part of their financial difficulty arises from their own failure to comply with their own undertaking in this regard.

Their operation was predicated upon renting premises to carry on their operations. Now being short of capital they determined to buy land and to buy a building and further weaken their capital resources. I think that was a mistake in business judgment, that being short of capital they undertook further capital commitments and further starved their own business. So in spite of this less favourable capital position, the company appears to have made another major mistake and proceeded to purchase land and to construct a new building. This was a deviation from the original company's proposal to rent premises and resulted in further depletion of cash resources.

(MR. EVANS cont'd)

Well it appears that a well intentioned group of investors joined an optimistic and apparently well qualified young entrepreneur in a venture which was beyond their abilities. That such situations occur is unfortunate and regrettable, but it is a fact of business life. My department has endeavoured to be of assistance in many ways and I feel it did all it could under the circumstances. So at least there is, as my honourable friend from Lakeside said, another side to the picture. I don't think that anyone could be faulted for saying at the end of two years and seven months, that having achieved a sales volume for the seven months of \$27,000 - that for a year would be 40 or 50 I suppose - when they had projected something in the way of well over a quarter of a million dollars in the same period is giving it too little time, exercising too little patience, or indeed not giving them a helping hand, because it was the Development Fund and my department that sent for the expert, the Arthur D. Little expert to provide a report and to try to help them with their operations.

Now I'd just like to see whether I have covered the points. My honourable friend asked for more detail and I've given it. He asked did they approach me and -- I won't say this -- I don't want to take refuge behind the fact as to whether they had approached me personally or not. I think at the time that point came up the other day we were discussing the financial matters, and I take the ground that they must reveal to me personally in written form, financial information, private financial information of their own with a written permission for me to use it.

But with respect to all other matters, that is the technical matters, of course they approached me at the moment that they approached any of my staff, because I assume responsibility for the operation of the staff and the staff have been very closely engaged with this throughout the two years and more period in an endeavour to try to help them in every way possible. And so of course they approached me with regard to the technical matters, not the financial.

He made the statement that the minor difficulties could have been cured by more working capital. I don't think those are his exact words but I think it conveys my honourable friend's sense. I don't think they can be described as minor difficulties and they couldn't have been cured by more working capital in view of the results. We could have provided that kind of help - he indicated his view that we had provided too little too late and that's why the company failed. I think the figures that I gave of sales indicates that that is not the case. That they were permitted to languish and fail in some unfair manner, I deny categorically because the most strenuous efforts were made to rescue them and the situation was in fact hopeless.

Several speakers, I think my honourable friend from Brokenhead as well as the Leader of the NDP and the member for Lakeside, have all said that this is a desirable plant to have; COMEF said we should go after as many of them as possible; and we should give them every possible help when they get here. I agree with all that and I think we have done so and have had to admit these financial difficulties when they finally became insuperable.

My honourable friend drew attention to the fact that there might have been initial difficulties in securing a market but that there should have been patience and some time allowed. I submit that the time allowed was two years and seven months, that the accomplishment in that period was altogether too small to give any encouragement at all to believe that this management could rescue this company and make it profitable.

My honourable friend drew attention to the differences between the assets and the liabilities. The only conclusion that could be drawn from the figures he read out is the company is in fact bankrupt. There is no dispute on that fact. In my view it simply illustrates their financial difficulties. That there being a padlock on the door -- I'm not aware -- I'm sure there may be other creditors as well and their position in the matter has to be considered in addition to anybody else, so I assume that the legal steps are being undertaken to see that everyone's legitimate interests in this matter are being protected when the matter will have to be adjusted in the regular or normal course of adjusting matters of this kind.

This has been a painful thing to have to do. I would much rather have had this matter dealt with - and I'm not suggesting there's any blame attaching to anyone - nevertheless I do think it is unfortunate that I have to state the other side of the case in detail, and I would think in quite convincing terms that this company under the management it had was unable to achieve its market potentials or even make a close approach to them, and they were not able to overcome their technical difficulties. There were other technical difficulties as well and I have heard considerable detail in that regard, but to pile up detail in this respect I think

(MR. EVANS cont'd) would not substantiate the case.

So I lay that information before my honourable friends to deny categorically that this has been a case of putting a company out of business merely on some apparently capricious decision, to deny them working capital which otherwise would have made them successful. I would have liked to see them successful if for no other reason than to avoid a black mark on the record of Manitoba which might discourage some other person from going ahead in a similar venture.

MR. E. R. SCHREYER (Brokenhead): Mr. Chairman, I wonder if the Honourable Minister would permit one question. He's made a very plausible defence and explanation, but the last day he suggested that the Fund, that is to say the Development Fund, does not loan out money for working capital. I wonder if he would like to clarify on that because in the report of the Fund it shows the portion of the amount for working capital.

MR. EVANS: I was at least partly mistaken. My honourable friend from Lakeside raised this point before. Certainly when the Fund began operations, within its own regulations it denied itself the opportunity of advancing money for working capital. At a later stage the regulations were changed and so I was mistaken when I said the act does not permit it because it always did. I indicate the impression I had in mind - I said the wrong thing - it did derive from the early decision within their own regulations not to advance for working capital, and such a decision had been later changed. When I discussed the matter with my staff after the Saturday session they were able to point that out to me. I was wrong when I said that.

MR. ROBLIN: Mr. Chairman, just before I move that the committee rise, may I again announce that Law Amendments Committee will meet at once after we adjourn here. I move the committee rise.

MR. CHAIRMAN: Call in the Speaker.

IN SESSION

MR. CHAIRMAN: Madam Speaker, I wish to report progress and ask leave for the committee sit again.

MR. JAMES COWAN, Q. C. (Winnipeg Centre): Madam Speaker, I move, seconded by the Honourable the Member for Turtle Mountain, that the report of the committee be received.

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

MR. ROBLIN: Madam Speaker, I beg to move, seconded by the Honourable Minister of Industry and Commerce, that the House do now adjourn.

MADAM SPEAKER presented the motion and after a voice vote declared the motion carried and the House adjourned until 2:30 o'clock, Monday afternoon.