



Legislative Assembly of Manitoba

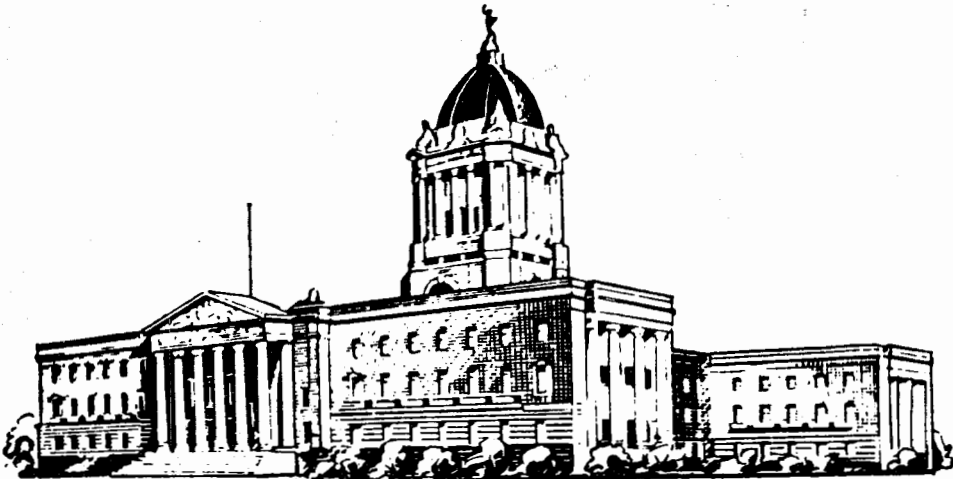
STANDING COMMITTEE

ON

ECONOMIC DEVELOPMENT

Chairman:

**Mr. Don Orchard
Constituency of Pembina**



Tuesday, April 24, 1979 10:00 A.M.

**Hearing Of The Standing Committee
On
Economic Development
Tuesday, April 24, 1979**

Time: 11:00 a.m.

CHAIRMAN: Mr. Don Orchard.

MR. CHAIRMAN: Gentlemen, we have a quorum. Call the Committee of Economic Development to order. The first item of consideration will be the Annual Report of McKenzie Steele Briggs Seeds Company. The Honourable Minister.

MR. BANMAN: Mr. Chairman, . . . I think, if it meets with the committee's approval we would deal this morning with the year ending October 31st, 1978 as far as McKenzie Seeds is concerned and we would, because of some problems in trying to get staff in for the Channel Area Loggers and Moose Lake Loggers, we would deal with that when the personnel are available. So if that meets with the committee's approval, we'll move on to the A.E.McKenzie Company.

We have with us this morning the Chairman of the Board, Mr. Clements, and also the Manager of the Company, Mr. Bill Moore, and I would ask the gentlemen at this time to make a statement and answer the questions that committee members might have.

MR. CHAIRMAN: Is the committee in agreement with proceeding with McKenzie Steele Briggs? (Agreed) Mr. Clements.

MR. R. A. CLEMENTS, Q.C.: Thank you, Mr. Chairman. It's a pleasure to appear before this committee again and to report to you that once again McKenzie Seeds and its Associate Companies has had a profitable year. I have included in your folder on the Seed Company a short statement which is a resume of the operation for the year ending October 31st, 1978. That resume is A.E. McKenzie Company Limited, the largest distributor of garden seed in Canada, ended its 1978 fiscal year reporting net earnings for the year of \$140,300.00.

This company services over 19,000 accounts from coast to coast in Canada and maintains a large and growing portion of the Canadian market for packet seeds, onion sets, onion multipliers, packaged lawn grass mixtures and flower bulbs. There are approximately 15 other major competitors in the Canadian market.

During the year, for the first time the company entered into an extensive advertising program designed to identify the individual brand names of McKenzie and Steele Briggs as a corporate entity under one name, and to assist it in building its Mail Order Division.

Interest expense still remains a heavy burden for the company. In 1978 interest charges and guarantee fees paid to the Bank of Montreal and to the Government of Manitoba amounted to over \$800,000, which is 11.6 percent of the gross revenues.

At peak seasons the company has 260 employees. A large majority of these employees is located at Brandon where the company operates a plant and warehouse of over 130,000 square feet in the downtown area. The payroll of the Brandon plant amounts to \$1,650,000 per annum in salaries and benefits.

With almost six months of the present operating year and 70 percent of the present selling season now over, the company is confident that the 1979 financial statements will reflect continuing higher sales in all areas, especially the mail order division, and expects the fiscal year end to again show continued profitable operation of the company.

There is also a catalogue included in the material each of you have and it is one of the most sparkling, colourful, exciting catalogues ever produced by this company and I think it ranks well in any catalogues produced in North America or in any of the British language countries. We have already had substantial results from this catalogue and expect to increase substantially the printing for next year. Incidentally, this was printed and assembled in Winnipeg with the assistance of the United Grain Growers catalogue organization. Most of the preparation, of course, was done in the Brandon plant for the material going into it.

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Your statements are here. They are, I think, self-explanatory, but if you have some questions, I would be pleased to deal with them and if I can't deal with them, Mr. William Moore, our president and general manager, would speak to the question.

MR. CHAIRMAN: Mr. Brown.

MR. ARNOLD BROWN: On your balance sheet, on the first page you have accounts receivable of \$881,971 and I gather that this is as at the 31st of October where you would really think that your accounts receivable at that particular time of year would be quite low. Can you give us some explanation for that?

MR. CHAIRMAN: Mr. Moore.

MR. William MOORE: Sales at that time, our accounts receivable would include items such as fall bulbs which we have very heavy sales, fall grass seed sales which are quite substantial. It would also include some pickups. Pickup is made in the fall and it would be at that time of the year we would be tidying up the accounts. Some of them may become due around that time.

MR. BROWN: Further on down, I notice that you have \$500,000 in goodwill on your balance sheet. Is this done ordinarily? It's not too many balance sheets where you would see goodwill enter into the picture. I realize that goodwill is worth something when you are selling or planning to sell a business, but is there any particular reason why you would be putting the goodwill into the balance sheet?

MR. CLEMENTS: It was introduced many years ago into the balance sheet, Mr. Brown, and it has been carried forward each year so that the balance sheet will be comparable one year with the other. It is an intangible; we have nothing to show for it but we do have certain trademarks and patents which are fully paid for which are not otherwise listed.

MR. BROWN: That's all the questions I have at the present time.

MR. CHAIRMAN: Mr. Evans.

MR. LEONARD EVANS: Thank you, Mr. Chairman. First of all, I would like to, having quickly glanced at the new financial statements for the year ended October 31, 1978, congratulate the company for what obviously is another successful year. I particularly want to congratulate the board and of course the management and I guess the staff, for obviously running a fairly efficient operation. I am very pleased to see the contribution that the company is making to the provincial economy and particularly to the economy of the City of Brandon.

I have a number of questions and perhaps rather than put them all at once, perhaps I should just put them one at a time and ask the chairman if he could indicate how many years now — I know the company has had difficulties in some years in the past but it seems to me that for the last couple of years, there has been a profitable situation — how many years have we been in the black in the recent period of time.

MR. CHAIRMAN: Mr. Clements.

MR. CLEMENTS: Four years. This is the fourth year.

MR. EVANS: This is the fourth you're running into? I see. That's fine. There is reference to the number of jobs at the peak of the season, 260 employees. Is there an average employee figure, or what is the off-peak, I could ask that question perhaps?

MR. CLEMENTS: The seed business, as you know, is very seasonal, so that there are a number of seasonal employees that work three to five months a year. The permanent employees are approximately 30 in the plant that do the packing and other shipping operations, 30 permanent employees in the plant and the balance of the permanent employees making the total just under 100 permanent employees, are office and organizational employees. So there are just under 100 permanent employees the year-round; the other 160 employees are of a seasonal nature.

MR. EVANS: Because you are a national company, you have personnel across Canada and therefore could you indicate how many personnel you have in the merchandising division of the

company? How many personnel do you employ outside of the plant operation which you have just described to us?

MR. CLEMENTS: There are 20 permanent employees outside of the city and 30 temporary employees.

MR. EVANS: Did I hear you to say, Mr. Chairman, 20 permanent and 30 temporary or seasonal?

MR. CLEMENTS: In different cities we hire part-time workers, sometimes senior people who have retired, to help with the pickup or distribution of seed from various stores to various warehouses and most of our warehousing is now rented for a limited period of time from public warehousing. We don't maintain expensive warehouses across Canada.

MR. EVANS: So, Mr. Chairman, is Mr. Clements saying that there is really no fixed assets held by the company outside of the Province of Manitoba?

MR. CLEMENTS: Our fixed assets are largely in the Province of Manitoba except for a mortgage on a building in Toronto that was sold some years ago.

MR. EVANS: While we are on fixed assets, just one other question in that area, Mr. Chairman. The McKenzie Steele Briggs Company, A. E. McKenzie Limited, is housed in a relatively older structure in the City of Brandon and I was just wondering, what is the current shape of the premises? I know renovations did take place a couple of years ago, but is the building continuing to be sound and operational or are there any thoughts of acquiring new plant space?

MR. CLEMENTS: Perhaps, Mr. Chairman, I could ask Mr. Moore to respond to that.

MR. MOORE: The building as it present is, yes, it's serviceable but with the expanding mail order division, we will have to look for additional space to house some aspect of the operations. At present the building on the south side will require some repair work such as a new elevator within the next 18 months, but other than that we are able to use it, not as efficiently as a one-level building but it is serviceable.

MR. EVANS: Thank you, Mr. Chairman. Well, Mr. Moore's answer has brought me to the next item that I was going to raise and that is, in the area of new operations or the area of future development, we have the very attractive McFayden's catalogue here and I know there is a considerable amount of growing interest on the part of consumers in Canada, with the high and ever-rising cost of living, in growing their own vegetables and I was wondering then, is this being reflected — and I think there was some reference to this, but could the chairman or the president indicate to what extent this attitude on the part of Canadian consumers is having a positive effect on the catalogue business? The president did mention something about additional staff. What is in the works, if anything? What are the possibilities for the catalogue business, because it seems to me that there is some tendency for the catalogue business to improve?

MR. CLEMENTS: We have been concentrating on the development of the catalogue business for the last three years. Our packet sales, at about 70 percent, we estimate, of the Canadian market, don't have the same opportunity for growth, we feel, as effort put into catalogue sales and this effort, combined with advertising and the assistance of a very good advertising firm, has developed an amazingly fast increasing market for mail order items.

This year, for the first time, you will notice there are some hardware items included in the catalogue. They are selling very well and the order response from customers gives an average order of over \$10.00 for each order that comes in. That's at retail prices and we don't have to share that with a distributor; it all goes to the company. So it could be the most profitable expansion of the company at the present time is into the increasing mail order business and arrangements are now made for a greatly increased catalogue printing for next year and in the meantime, for a fall bulb catalogue to go out this fall. So this is being pursued very actively by management and the board are supporting them completely.

MR. CHAIRMAN: Mr. Evans.

MR. EVANS: Thank you, Mr. Chairman. How might this translate into additional employment in

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the City of Brandon? Is there much opportunity for requiring additional staff for this purpose or would you use some of your seasonal workers, turn them into more all year-round or full-time workers?

MR. CLEMENTS: I would ask Mr. Moore to respond to that.

MR. MOORE: The catalogue business, of course, is at a different time of the year from our regular operations. We are busiest with the regular operations in November, December and January and it is after that time and right through until about the end of May that catalogue operations come onstream and so we see that giving us more permanent positions but also as the catalogue itself expands, naturally if you go from 100,000 catalogues to say 500,000 catalogues, there has to be an enormous amount of extra work created in fulfillment of orders that one would expect to get from that. Right now we have 12 people working full-time in the catalogue area at this time of the year and if we were to increase five times the size, we would probably go up to somewhere between 50 and 60 people in that particular area for a good six months of the year.

MR. EVANS: Thank you, Mr. Chairman, that sounds very interesting, but is this a plan or is this an idea, or is it a tentative plan or is it a firm plan to expand to that extent? You suggested five times, is that in the works or is that just in the very very preliminary idea stage?

MR. MOORE: No, it's in the works. We will have a fall catalogue which will have a printing of about 100,000 to 125,000 and next spring's catalogue which is now being prepared, will have a minimum of 400,000 printing but perhaps 500,000, depending if we can find actual names, if we buy mailing lists of, say, people who would buy gardening books, we would buy that mailing list and send them all a catalogue. The response this year has been very very good. The numbers of orders are up, as Mr. Clements had said, and the size of the order is up. Our catalogue draws a bigger dollar per order — I think Mr. Clements said \$10.00, in actual fact it is closer to \$20.00 per order — a bigger dollar per order than any mail order catalogue in the seed industry in North America.

MR. EVANS: That's very interesting. He didn't have a chance to look at the statement yet in detail but is there a breakdown here as to the amount of revenue earned from catalogue sales as opposed to normal over-the-counter package seed sales? There is no breakdown of the sales here and I'm wondering, is it possible to indicate to the members of the committee what percentage of the sales are coming from catalogues and what percentage from the regular package seed business? I think there was some reference to selling some other items. So is there any breakdown of that sales figure available?

MR. MOORE: One of the reasons the breakdown isn't there is we don't want to give our competition all that much information. But the catalogue business, we reckon we have 70 percent of the Canadian market in packet seeds, that's to say packet seeds sold at the retail store level. In the catalogue business, in this particular statement we only had, I think it was \$230,000 worth of sales for this particular fiscal year here. In the year we are in now, that will at least double and perhaps triple for the 1979 fiscal year. But packet seed sales are around \$4 million of that figure, the 6.9.

MR. EVANS: \$4 million, so a little less than two-thirds of the total sales. Well, it is encouraging to hear about the possibilities of the catalogue business. I realize the package seed business is a very competitive business and that there is always a threat or danger of large American companies flooding the market, the Canadian market with package seeds, almost dumping them and so on. I know there are some protections through the Department of Agriculture, Canada, and I guess through the normal customs duties and tariffs that are available for some degree of protection, but do you see your market position which is very strong, 70 percent of the Canadian market — thus far you have been able to manage it because it seems to me over the past years it has been 70 to 75 percent, thereabouts — do you believe that you will be able to retain such a large heavy percentage of the Canadian market in the next year or two? I know this is asking you to forecast but are there any danger signals on the horizon in terms of foreign competition, for example.

MR. CHAIRMAN: Mr. Clements.

MR. CLEMENTS: Yes, there are danger signals and there were danger signals a year ago. A concerted effort was made by an American seed company to enter the highly lucrative Toronto and southern Ontario market and push McKenzie and other seed companies out of it. This was

met by us by a stepped-up advertising campaign which was successful in holding the percentage of the market that we had and I think it was so successful that this effort proved so costly to the American firm that it was successfully blunted. But it is going to be tried again and again and again and I think McKenzie just has to be eternally vigilant to meet these threats because apparently every executive in the United States thinks that Canada is an easy mark and so far they have found that it isn't when it is against McKenzie's under our present management. I must compliment Mr. Moore on his alertness to this and his handling of these problems.

MR. CHAIRMAN: Mr. Evans.

MR. EVANS: Well, thank you, Mr. Chairman. Are there any other — we talked about danger signals, perhaps I should use the term problems — are any other major problems that are facing the company at the present time, or is the board and management satisfied that apart from the ongoing competitive situation, the competitive threats that you have, but is there any other major problems that are facing the company? I referred earlier in a question to the state of the building, that was answered, and I am not suggesting that there are any problems, but I am simply asking, does the board or management see any major problems in the immediate future that the company will have to cope with?

MR. CHAIRMAN: Mr. Clements.

MR. CLEMENTS: Just the awkwardness of this particular industry in having to have such a large inventory out all over the country in the hands of the retailers, and that requires an immense amount of capital to maintain that, and we are paying far too much money for the capital that we have out over the country in seed stock. Over 11 percent of our revenues are going out in interest charges for the capital that that we have to use out there. Now part of this is an inflation and high interest problem. Part of it is an undercapitalization problem, we haven't any working capital. We have to borrow all our working capital and this is a problem that we can bear with as long as we don't expand but we have now made certain tests which indicate that we could expand our employment opportunities and expand our profitability and the problem of course is that you also have to expand your capital to do that.

MR. CHAIRMAN: Mr. Evans.

MR. EVANS: Perhaps I should direct the question to the Minister or the Chairman, but this problem of undercapitalization which we've discussed in other years, is there any possibility of the capital structure of the company being changed to enable the company to expand and take this opportunity or opportunities that seem to be apparent, so that they might increase employment and increase revenues?

MR. CHAIRMAN: Mr. Banman.

MR. BANMAN: Well, Mr. Chairman, that of course becomes a Cabinet decision as far as that goes, and we discussed I think that exactly same point last year in this committee. There has been some suggestions that some of the \$3,000,000 loan be turned into I think, preferred shares which then would be non-interest bearing and would be paid as the company would become more profitable or should do better in the next couple of years. That's a decision that has not been arrived at and I am not in a position to say if it will be or won't be.

MR. EVANS: Mr. Chairman, it seems to me that there is a different factor at work here. In one situation, in previous discussions we've had in other years, was simply with regard to the capital nature of the business and I think everyone around the table agreed that there was too much debt financing and not enough equity in the business and that sound business practice would seem to dictate a change in that proportion. In some ways that would be strictly a bookkeeping matter, but nevertheless a very critical bookkeeping matter for the company. But now, Mr. Chairman, there's a different element at work here and that is the possibility for the company to expand and take an opportunity to make more money, earn additional revenues and of course provide more employment in Manitoba and I think that's the nature of the question at this time, at least that's the nature of the environment of that question at this time. So, in that sense is the company expecting to make a presentation or will the company have to make a presentation to Cabinet or to the Minister and then to Cabinet, with respect to this change in the capital structure in light of what the Chairman has just told us?

MR. BANMAN: I can answer that. I think there's no question, maybe I'm putting words in the Chairman's mouth, but I think that the board and the Chairman and the president would like to see that particular change made and I know we've talked about that before. Again as I mentioned it becomes a decision whether or not you follow the same pathway that we did on some of the debt that CFI had when it was converted to preferred shares, I think something like \$50 million was converted to preferred shares. It's sort of six of one, half a dozen of the other. It's going to have to be repaid, the interest on it somebody has to pay whether it be the province or the company and that is a policy decision which just hasn't been made today.

MR. EVANS: Mr. Chairman, I don't want to be repetitive but to the Minister, would he comment on does he appreciate the fact of this changing situation? That is, we are not talking about a static situation, status quo situation, and simply changing the capital structure which in many ways is a matter of almost bookkeeping in a sense' although critical bookkeeping changes. What we are talking about now is enabling the company to expand, because I understand from the remarks of Mr. Clements, that there was some opportunity for some more profit and more jobs in the province and I think that's the critical thing, eh, to allow for more jobs to be created. You know, if there are opportunities present as I take the Chairman's word that there are some opportunities for us to have an increase in the sales of the company, increase in the revenue of the company and therefore more jobs in the province and in the city of Brandon.

MR. BANMAN: We are constantly reviewing the situation as the Chairman has mentioned. There are some aspects of the company which they feel will be profitable, very profitable, in the next little while, and one of them is the Catalogue Program which we're looking at right now. They are projecting at least 100 percent increase in sales in that particular field. The good thing about that is that once somebody has bought it they don't have to worry about sending somebody around to pick it up when the season is over. It's sold, you've got your money and the people do with the seed as they wish. So it's a cleaned up sort of cut and dried business whereas the other side when you are putting the packets in stores you've got to go around and reimburse the people for the seeds they didn't sell and then of course you've got to resell them the next year. You've got to make sure that the seeds are saleable and that they meet all the federal standards as far as germination is concerned. So we're reviewing the situation all the time. I have not got an answer on that right now because there has not been a policy decision made on that.

MR. CHAIRMAN: Mr. Evans.

MR. EVANS: Okay we were talking about the interest burden on the company and I think the company is obviously paying a very unduly high percentage in interest. I wonder if we could get a breakdown of the interest paid. I gather from the statement it's paid to both the bank and to the Manitoba Development Corporation unless it was in here — yes, there's a total here, \$800,000 which is 11.6 percent of gross revenues. I wonder if the Chairman or the President could indicate what is paid to MDC or is this contained in the statement here? How much was paid to the Manitoba Development Corporation and how much was to the bank in this \$800,000.00?

MR. CHAIRMAN: Mr. Clements.

MR. CLEMENTS: Approximately \$300,000 paid to the Manitoba Development Corporation and approximately \$500,000 paid to the Bank of Montreal, who are the main beneficiaries of the Seed Program.

MR. EVANS: Mr. Chairman, that last comment by Mr. Clements, in a sense he is putting his finger on the dilemma that unfortunately a great deal of the profit that the company is making, the net revenue in a sense is going to the bank and the Bank of Montreal, I guess it is, is doing very well, very nicely by McKenzie Seeds. I guess so is the Manitoba Development Corporation. I wonder if you could indicate what is the rate of interest that McKenzies pays for money borrowed from the Manitoba Development Corporation and are you current on your payments to the MDC? In other words, have you always made your payments to MDC? Have they ever given you any forgivable loans or has there been any financial assistance given to the company by MDC over and above the straight loan at the normal rate of interest?

MR. CLEMENTS: Well, we are current on all our payments and we pay prime, whatever the prime rate that is adjusted from time to time, we pay the prime bank rate to the MDC and we pay a

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guarantee fee because the MDC guarantees \$4 million of our bank loan to the Bank of Montreal. We pay 1 percent fee to the MDC for that. And we pay prime to the Bank of Montreal for that portion, the guaranteed portion of the bank loan, and a half over prime for the balance of our bank loan and that varies. Last year it ran about 11 percent prime, I think was about the average. This year it looks like 12 percent.

MR. EVANS: Mr. Chairman, I wonder if Mr. Clements could confirm that what he is telling us is that the MDC is treating McKenzie Seeds as a sort of a normal or regular commercial customer and that there are no preferred interest arrangements or any other preferred arrangements made by the MDC for the benefit of McKenzie Seeds.

MR. CLEMENTS: It's not for want of trying on our part. We've tried to get a better deal from MDC but no, they treat us the same as any other company that they foster, I believe.

MR. EVANS: Thank you, Mr. Chairman. So to that extent the company is standing on its own two feet and is not obtaining any, if you will, hidden form of subsidy or assistance from the Manitoba Development Corporation?

MR. CLEMENTS: Years ago our staff and our employees felt very badly if they turned in a year where there was a loss. I can say that the morale of the staff in Brandon is very high these last four years since we have been able to earn a modest profit, even paying such large interest charges and the staff are just tremendously excited about this catalogue program and about a retail store we have operating beside the warehouse where we are able to give customers a little more help with their do-it-yourself programs in gardening. And we hope to increase the volume of that as an experiment. It is another route of expansion to have a specialty garden store operated and we've done one right beside the plant in Brandon and it has been very well received and very well accepted even though we have a very good competitor in Brandon, Lindenberg's who also operate a very good business.

MR. EVANS: Mr. Chairman, did Mr. Clements say that the company was now getting prime rate, the very best rate, they possibly / could from the Bank of Montreal?

MR. CLEMENTS: . . . portion of the loan, the part that is guaranteed by the MDC is at prime, \$4 million at prime.

MR. EVANS: And the rest?

MR. CLEMENTS: The rest is at a half over prime.

MR. EVANS: I guess that might be one area to work on, although being a very good customer of the bank, being a big customer in that community, it would be very nice if the Bank of Montreal could see its way clear to eliminating that half of one percentage point although I think there has been some progress in the last year. A couple of years ago, I think there was some negotiations if I recall very vaguely and I think you used to pay even more interest, a higher rate of interest to the bank, relatively speaking. Is that right?

MR. CLEMENTS: Yes, our banking credibility has improved considerably with four years of profitable operation and we are holding discussions with other banking institutions at the moment. You see if we could reduce the \$4 million guarantee then we would save the 1 percent we pay MDC as well as qualify for prime.

MR. EVANS: In other words, if the MDC would guarantee a larger amount, would you be ahead of the game?

MR. CLEMENTS: No.

MR. EVANS: Because the MDC would be charging you a guarantee fee.

MR. CLEMENTS: We pay the bank half a percent for the part that isn't guaranteed so we don't want any more guarantees at 1 percent.

MR. EVANS: Well on the matter of interest charges, does the Chairman, Mr. Clements, have any

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idea what interest burden will be in the coming year? I know that is a bit speculative because you don't know where interest rates are going. But we are well into . . . this last statement is the end of October, so we are about half way in the new year and I think in the past years when this company was discussed in the committee, we have asked questions about the current state of affairs. What's happening to the interest burden at the present time?

MR. CLEMENTS: If it remains the same we will have to budget for \$1,020,000 in interest for next year.

MR. EVANS: If I'm reading his statement correctly, that means a very significant increase — that's about a 25 percent increase in interest burdens, which could eliminate your net earnings. Unless, of course, the revenues from your various division increased. And this, of course, points to the dilemma of having excessive debt financing as opposed to equity financing.

The matter of additional revenues — where do you expect to get additional revenues from? What's happening to the pricing of package seeds? Have you increased the prices of the seeds recently, or do you expect to increase the prices next year?

MR. CLEMENT: There's a regular program of price increases to keep ahead of the increasing costs, and these have to be taken in hand about two years before they come into effect, because of inventory problems. We did put in a premium seed packet called a "Golden Crop" program, with higher-priced, specialty seed packets in our displays, and they have gone very well. And they are more profitable than our standard packets. And, in addition, our special kit for sowing and self-watering plants has gone very well where they've been properly displayed, and I think they will be an excellent source of profit next year. They were just in the experimental stage this year, and the reading we get from them is that they're very popular with the public.

MR. EVANS: To get back to my question on pricing, I imagine the company, because it is the dominant company in the industry, is the price-setter, and as McKenzies goes, so do the other companies in terms of pricing of the packages. But do I hear the Chairman correctly when I say that there is a two-year lag in the pricing because of the nature of making up the packages, and so on, but what determines the price changes? How do you go about determining whether the price of a package of seed should increase by five cents, ten cents, or whatever, or whatever percentage; is it based on your projection of increased costs?

MR. CLEMENTS: We are making more and more accurate projections of increased costs, and we base our pricing policy strictly on that, to try and keep ahead of the increases instead of lagging behind them. Because of this necessary time lag it is quite an exercise to put in hand, but our computer programming is proving very very helpful in this regard, and I think by the end of this season there will be total inventory on our computer.

MR. EVANS: Well, I have a couple of other questions, but I believe the Member for Kildonan would like to ask a question because he has to leave.

MR. CHAIRMAN: I have Mr. Hanuschak, Mr. Brown and Mr. Parasiuk first. If they would defer . . .

MR. FOX: I just have one question, Mr. Chairman.

MR. CHAIRMAN: Gentlemen, will you defer to Mr. Fox? Mr. Fox.

MR. PETER FOX (Kildonan): Mr. Chairman, my question is whether there is any intention in the future, in the catalogue business, to expand into shrubs and fruit trees, or something, because I find that, when you're looking through catalogues, the gardener is looking for both. And looking through your very well-developed catalogue, and very well-explained in detail, I find very little in respect to roses, lilacs, apples, plums, things of this nature. Is there any intention to go into that area, or to affiliate with someone so you can supply it?

MR. CLEMENTS: I should ask Mr. Moore to answer.

MR. CHAIRMAN: Mr. Moore.

MR. MOORE: Two years ago, Mr. Chairman, we affiliated with the McConnell Nursery in Eastern

Canada to provide us with some of those things, and it did not work out very successfully. There are problems with putting that type of material through the mails — you can imagine apple trees, it's just impossible — but there is an intention to have a rose listing return to the catalogue next year. We dropped it this year because of our disassociation with McConnells. We have now found another supplier, a reputable supplier, who's willing to take that page of the catalogue another year.

MR. FOX: Is that a Manitoba firm?

MR. MOORE: No, it's not. They would be Dutch roses.

MR. FOX: I see. Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Hanuschak. Mr. Evans.

MR. EVANS: Well, I wasn't finished. Thank you, Mr. Chairman. Okay, just a couple of other questions. On the deficit, what is the state of the accumulated deficit of the company? Could the Chairman comment on that?

MR. CHAIRMAN: Mr. Clements.

MR. CLEMENTS: The accumulated deficit is decreasing in two ways; one by the profits earned by the company are applied to deficit, and secondly, of course, the action of inflation itself makes it less serious.

MR. EVANS: Which figure would the Chairman direct me to to look at, to see where the accumulated deficit is?

MR. CHAIRMAN: Mr. Moore.

MR. MOORE: The third last page, that's it.

MR. CHAIRMAN: Mr. Evans.

MR. EVANS: You're not talking about working capital deficiency?

MR. MOORE: If you were looking for the Statement of Deficit itself, it would be two pages ahead of that, where it went down from \$598,000 down to \$458,000.00. That's deficit and retained earnings, not the working capital deficit.

MR. EVANS: So, would you add those two together?

MR. MOORE: No.

MR. EVANS: So, on the third last page, you're talking about a working capital deficit, but that's a current operating sort of a deficit, obviously a working capital deficit. How would you define a working capital deficiency, Mr. Chairman?

MR. MOORE: I'd define it that that's the minimum working capital that would be required to put it onto a reasonable footing, financial footing.

MR. EVANS: In effect, if you didn't have this working capital deficiency, then you would not borrow from MDC and the Bank of Montreal — this is what you're saying?

MR. MOORE: Yes, that's correct. Yes.

MR. EVANS: So, if one ceased operations, then the deficit you are looking at would be on the third or fourth page, the accumulated deficit, eh, as of October 31st, \$458,000.00?

MR. MOORE: That's right, yes.

MR. EVANS: Okay, just one other question and that is, on the marketing by the company, 70

percent is your portion of the Canadian market. Could the chairman or the president indicate how this market is distributed across Canada; what is the composition of the market by region? And I have one or two other questions on marketing, but I'll want until I get that answer.

MR. MOORE: The marketing distribution is basically one-third in western Canada, that's the Lakehead west, one-third in the Province of Ontario, and one-third in the Province of Quebec and the Maritimes.

MR. EVANS: I can see where it wouldn't be in the interest of McKenzies to have Quebec secede from Canada. Well, that's very interesting. In effect McKenzies is a very important exporting company, that is, exporting beyond the borders of Manitoba and therefore providing jobs in a very productive way in the sense that we've got people working based on revenues earned from outside of the borders in Manitoba, which is the kind of business, we used to say in Industry and Commerce, that we'd like to see more of in this province rather than taking in one another's washing sort of thing.

One other question then on marketing. Is there any possibilities or are there any sales outside of Canada, any sales to the United States or to developing countries, or is it strictly Canadian. I imagine most of it is Canada market, but is there any other than Canadian market providing your sales?

MR. CLEMENTS: Up to the present time, our sales are all in Canada. We are working on a proposal through our school prize program of supervising a sales program initiated by Reader's Digest and carried on with the school system in Canada and also in the United States. They apparently are very impressed with McKenzie's handling of the Seed Program for school childrens' sales which has enabled school children in Canada to earn substantial amounts of money for their own projects. They want us to expand this into the United States. There are a great many problems in selling seeds in the United States because each state has its own requirements as to grading and packaging and advertising of seeds, and at the moment, our interest in this program is tempered by the difficulties involved in embarking upon it, but we have the possibility of an associate in the United States doing custom packing for us down there which is the only way that it could be handled, and if this works out it could be a very profitable source of income for McKenzies.

MR. EVANS: Yes, well thank you, Mr. Chairman. Well, that's interesting and I think it's an indication of the new avenues that the company seems to be prepared to explore in order to expand and hopefully make greater net revenues. Well, I think those are all the questions that I have for the time being. I believe there are some others that want to ask some question; I might have one other perhaps later. Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Hanuschak.

MR. HANUSCHAK: Yes, Mr. Chairman. I believe the Minister had indicated that if an offer to purchase McKenzie Seeds came along that he would consider it. Could the Minister indicate to us what criteria he would apply or on the basis of what factors would he make the decision whether the offer to purchase McKenzie Seed is one that's acceptable to him or not?

MR. CHAIRMAN: Mr. Banman.

MR. BANMAN: Mr. Chairman, we've had several people express interest in that particular company. The government hasn't made any policy decision to date as to the sale of it. If that were to be entertained, it would have to be a Cabinet decision, number one, it would be done by public tender and it would be done after an evaluation of the company was done.

MR. HANUSCHAK: Yes. The Minister indicated it would be done by public tender. Would it or would it not be subject to a reserve bid?

MR. BANMAN: Well, Mr. Chairman, I said there would be an evaluation done by someone to see what the assets are worth.

MR. HANUSCHAK: Well, Mr. Chairman, doing an evaluation and calling for tender subject to reserve bid is not one and the same thing. I am sure that the Minister had evaluated every asset owned by the people of Manitoba which he had sold. I am sure that the Minister had evaluated the Lord Selkirk, had evaluated Morden Fine Foods, but the call for tenders on those two assets

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was not made subject to reserve bid, so therefore I ask the question again. If the Minister were to invite offers to purchase or tenders for the purchase of McKenzie Seeds, would he make that all to prospective purchaser subject to a reserve bid or not?

MR. BANMAN: Mr. Chairman, the reserve bid system is one which you can employ in certain instances and not in others. For instance, when you're selling physical assets, you have a reserve bid. They're worth so and so much, you have appraisals done on them, and that's what they're worth, then it becomes the reserve bid. When you're talking about a company — whether it be Jordan Fine Foods or whatever — where you are looking at pumping in a million dollars a year, the reserve on that becomes one which is an arbitrary figure. I could say that's my reserve figure and you could argue that it wasn't enough, so when you're buying and selling companies there is no magical figure except that you have evaluation done by outside people who give you an idea of what the company is worth.

MR. CHAIRMAN: Mr. Hanuschak.

MR. HANUSCHAK: So then one could interpret the Minister's reply to mean that if a decision were made to sell McKenzie Seeds it would not be subject to a reserve bid?

MR. CHAIRMAN: Mr. Banman.

MR. BANMAN: The member can interpret it the way he wants. I said I would get an outside evaluation which would serve as a basis for establishing exactly what the company is worth.

MR. HANUSCHAK: Yes. In determining and arriving at the evaluation of a company, it appears that this government follows a number of practices in determining the market value of an asset, one of which has been the purchase price, or I suppose one could say the amount of public money invested in it, plus interest from the date of such investment. Would that be the procedure used by the Minister in determining a fair value of, or the sale price of McKenzie Seeds?

MR. BANMAN: Well, Mr. Chairman, if the member would have been listening he would have understood that McKenzie has constantly kept up their payments on their interest. The government in the last four years hasn't had to put any money into this particular enterprise. They have been paying the one percent for the guarantee to MDC, they have been paying their interest to the NDC, and they also have been paying their interest to the bank that they're dealing with, so there is no accumulated interest or accumulated losses in the last four years that have to be picked up. The amount outstanding is a \$4 million guarantee by MDC to the bank and a \$3 million loan which is held by the MDC. Those payments, as the chairman mentioned, are all up-to-date and hopefully this year, with the increase and that, will be met this year again.

MR. HANUSCHAK: Yes. Would the Minister then be, if a decision were made to sell McKenzie Seeds, would he be satisfied with recovering the indebtedness of McKenzie Seeds to the government as a fair sale price?

MR. BANMAN: No, Mr. Chairman. I would be guided to a large extent with the evaluations from outside people, people who have an idea of what the business is worth, and when they would provide me with that that would serve as part of the benchmark for the business.

MR. HANUSCHAK: Yes. I must get back to the question which I first put to the Minister. What factors would the Minister take into account in making the decision whether or not to sell McKenzie Seeds, and my question is this, or let me put it this way: Is the Minister then saying that that would be the only factor upon which he will make the decision whether or not to sell McKenzie Seeds, on the amount of the offer, if the offer is an attractive one, he will sell it? Is that the only factor he will take into account in making the decision?

MR. BANMAN: No, Mr. Chairman, and I think the question is hypothetical. The jobs involved in this particular instance have always been a concern on every company we sold, and we are also looking at the economic impact of the company on the province, on the City of Brandon, so there is a number of variables that we are talking about. But if the member wants to get involved in talking about specifics, this company, the Cabinet has not made the policy that we will be tendering this particular company. Until that happens, whatever we're talking about here is hypothetical.

MR. HANUSCHAK: Well, Mr. Chairman, when the Minister says it's a hypothetical question, it's not uncommon during Estimates debate or during debate on any committee of the Legislature to debate the future programs of government, the future of assets owned by the people of Manitoba, so to that extent it is not hypothetical.

Now the Minister had made one interesting comment that he would be concerned about the impact on the labour field, on the jobs in the Province of Manitoba that the sale of that asset may have. Well, I'm glad to hear the Minister make that statement because you will recall, Mr. Chairman, that very shortly after being elected as government steps were initiated to sell one asset, namely, the Lord Selkirk and in the process of attempting to sell it jobs were discontinued. In fact, the bookings for the following year were cancelled and thus putting the ship out of commission. So it does really leave one somewhat puzzled as to what the position of this government is because there is evidence of having had no concern for jobs in one case and now the Minister is saying that he will be concerned about the effect it will have on the job situation in the Province of Manitoba. I hope that he has had a change of heart and mind about the matter.

MR. BANMAN: Well, Mr. Chairman, I think we can discuss the Lord Selkirk maybe at another time because that is a totally different type of an enterprise than this particular one. One of the things the member has to realize is that we were subsidizing every day-passenger on that boat to the tune of \$35 a day. It's a totally different situation. This particular company had a couple of real rough years where they lost close to a million dollars. If it hadn't been for that their whole position as far as their debt picture and everything would be much better. They've managed to turn themselves around in the last four years and hopefully will continue on that path to enhance the opportunities of this particular company. We're not in the process right now of having any prospects. We're projecting for a year that's going to end up in the black next year. We couldn't do that with the Lord Selkirk. We were going to subsidize everypperson that took a trip on that boat to the tune of \$35 a day. Now if we want to get into something like that, I don't think you could compare — it's not apples and apples, it's oranges and apples, and that is a totally different situation than we have been faced with in the last three years.

MR. HANUSCHAK: Would the Minister not agree that it is a comparison of apples with apples because by the Minister's own admission there was a time when McKenzie Seed had to be subsidized but of the public purse to keep it alive.

MR. BANMAN: If you would read the statement, it hadn't. That's part of the problem with this particular company. It's carrying its debt load, it hasn't received the influx of government funds. If you would have added up, if you want to press this matter a little further, if you want to add up the problems and add the grants that you were giving to the operation of that boat, and then you would ask that boat to continue to bear interest costs, like this company has — this company has not received any grants. This company is still standing on its own two feet and it has done so in the last four years, ending up in the black. But you were advocating on the other's turn to go ahead and give an operation of a small facility, when you give them \$350,000 a year to operate. We're not giving these people anything. You've just heard the chairman say that they're paying their way. The boat was not paying its way; it's a totally different deal. If we were to give these people a grant of \$350,000, they would have showed a half-a-million dollar profit last year and really, if you're talking about turning the \$3 million into preferred stock, that would give them that competitive advantage, that would reduce their debt load to the tune of about \$300,000.00.

MR. HANUSCHAK: I appreciate the point that the minister is making and I'm sure that there will be a more appropriate opportunity to debate the comparative manner in which, relative manner in which the government has handled various Crown assets. But my point simply was that there was a point in time when prior to the turn-around of a few years ago at McKenzie Seeds, that its future did not look that rosy. And my point simply is: is it the position, is it the attitude of government — well, all right, let me rephrase my question in this fashion. Suppose, if the predictions for the forthcoming year, for the forthcoming fiscal year for McKenzie Seeds do not materialize and if McKenzie Seeds should end up in the red . . .

A MEMBER: No chance of that.

MR. HANUSCHAK: Is the minister suggesting that at the moment that happens, he is going to sell McKenzie Seeds?

MR. BANMAN: No, Mr. Chairman.

MR. CHAIRMAN: Mr. Brown.

MR. BROWN: Thank you, Mr. Chairman. The Member for Brandon East, of course, put his finger on a major expense that all companies have that borrow money and that is interest that they have to pay on assets and working capital and inventory. All companies, of course, have had to borrow money and I would say that 90 percent of the companies that started in the last number of years in Manitoba have had to purchase money, so this, of course, is nothing new. But I was just wondering whether the Member for Brandon East was suggesting that interest rates should be paid for by the taxpayer of Manitoba, because every business in Manitoba, I'm sure, would like to have their interest costs paid for by the government.

But going back to the statement, I too, would like to congratulate the management of McKenzie Seeds for coming up with a profit. It means that they have run a pretty good ship. However, I would like an explanation on a statement of changes in the financial position. On there you show, like last year, a profit on disposal of Winkler Feed Service, \$6,000 and further on, down the line, you show proceeds from disposal, Winkler Feed Service Ltd. Now, I never was aware that Winkler Feed Service at any time was involved with McKenzie Seeds. I wonder if I could have a bit of background on this particular transaction.

MR. CLEMENTS: I don't think it was generally realized by the management of McKenzies, until we sold Brett-Young, that Brett-Young had some shares of Winkler Feed Service as part of its assets, and when we sold Brett-Young for tax purposes, we held a few of the physical assets of Brett-Young and disposed of them separately, and the shares of Winkler Feed Service Ltd., which worked very closely with Brett-Young didn't fit in with McKenzie's operation after disposing of Brett-Young, so we were finally able to make a sale of them to the management of the Winkler Feed Service Ltd. and did so sell them. That is the explanation of that — it was a small asset that was picked up from Brett-Young because we sold their main operation and kept a few things like, I think two or three automobiles and these shares that we sold separately.

MR. CHAIRMAN: Mr. Parasiuk.

MR. PARASIUK: Thank you, Mr. Chairperson. I would like to ask the staff or the chairman, if indeed, the company is doing much in the way of research. In your folder containing the information, you have Why McKenzie Steele Briggs Seeds? And / No. 3 is a research program that assures quality and a full line of seed products. The reason why I asked that, is that I've read in the Financial Post about two months ago, that there was some concern in Canada that there isn't enough indigenous research being done with respect to seeds that are geared to the Canadian climates, that much of this is being done in the United States, that it's geared more to the United States climate and that there isn't enough being done at federal-provincial government levels, because there isn't sufficient Canadian content or sufficient Canadian ownership of some of the large companies and this article, within the Financial Post, pointed out Cargill, as an example, and it indicates the Wheat Pools haven't done much research in this area. So, I'm wondering what McKenzie Steele Briggs, a Canadian-Manitoba company is doing in the area of research?

MR. CHAIRMAN: Mr. Moore.

MR. MOORE: Well, Mr. Chairman, we do operate a research area out in Brandon, where we have our own trials, supervised by our own staff. We have about four acres under cultivation every year. It's on a piece of property, Crown owned land attached to the mental hospital. We have our own laboratory for testing in the plant. It's the only certified laboratory of any garden seed company in Canada. We have the highest qualified seed analyst that is available to us, but really, when we get down to specific varieties and doing that type of research as far as development work, no, we're not big enough, we're not big enough users of seed to do that. There is, of course, and I think the article you're referring to was partly to do with breeders' rights and breeders' rights, of course, don't really affect us, because the Canadian climate is not such that you can produce flower seed or vegetable seed, other than perhaps peas and beans and even then, it's doubtful — for seed purposes. You can produce them for feed purposes, but not for seed purposes. And there is not an opportunity to grow large quantities of seed in Canada for home horticulture.

We tried two years ago in the Carman area and tried 300 acres with some people in that area, and the seed grew very well. There was a problem processing it and beans, of course, for seed purposes pick up disease out of the Manitoba soil and are not good for using for seed again. So, there are some problems, but we are doing all we can to test. The varieties that we get are the

best varieties for the Canadian climate. The federal government, the Federal Minister of Agriculture has gone on record as saying that he is concerned about American companies coming into the Canadian garden seed market and providing varieties that they want to provide, rather than providing varieties that are the best for yields and our climate.

MR. PARASIUK: I thank the general manager for his comments with respect to the Research Program, and I would hope that the minister would take special cognizance of that. Personally, I would hope that the company continues to operate under the excellent management that it appears to have at present. Of course, it would be a government decision, I think, whether in fact, it would be sold and I certainly wouldn't want it sold to a foreign company, which I think, would just exacerbate the situation with respect to the research and development of seeds geared specifically to the Canadian climates.

I'd like to ask the chairman or the general manager, if McKenzie Steele Briggs Seeds has received any assistance from the Private Sector Employment Program of the present government.

MR. MOORE: No, we have not received any, nor have we applied for any.

MR. PARASIUK: No, you haven't applied then.

MR. MOORE: Right.

MR. PARASIUK: Conceivably you could apply, I would think that the government would probably consider McKenzie Steele Briggs Seeds as eligible for what they call the Private Sector Employment Program. I would think, looking at your operations, it may be that there are areas in the research and development side or areas in from the catalogue development side or other areas, where you might, in fact, be eligible for assistance under that program. And frankly, if other companies operating in Manitoba are eligible for assistance in that area, I would think that your corporation would be eligible too, and if, in fact, you get some assistance of this type, it might be possible for you to take on, on a pilot basis some people say, in the catalogue development area or the research area, that you might not have normally taken on, especially over the summer. So, I would urge you not to be bashful and to apply to the provincial government under the Special Employment Program, because I'm certain that other people have done so, and I don't want you to put yourself at a disadvantaged position with respect to other companies operating in Manitoba. That is my only suggestion on that.

Finally, I would like to again congratulate the management for what's being done. I think you're doing an effective job, I think that you're breaking some ground with this catalogue. I think you should look at expanding your operations, as my colleague, the Member for Kildonan suggested, because I think when people do look at catalogues, they are looking for everything. They tend not to look at 10 catalogues and I know that you're doing that in part when you start introducing garden equipment in your catalogues. Obviously, you are taking that into account, but really, people tend to look at it in terms of vegetable seeds, flower seeds and shrubs and trees. So, that's why, I hope that you will take that under advisement for your next year's program.

MR. CHAIRMAN: Mr. Evans.

MR. EVANS: Yes, well, I just have a couple of points, Mr. Chairman, and I think as far as I'm concerned, we can wind it up. I'd like to address a question to the Minister responsible for Manitoba Development Corporation, and it comes out of a point made by the Member for Rhineland as to whether we expected the government to subsidize the interests of business in Manitoba and somehow, he seemed to think that I was inferring that government should subsidize the interests of McKenzie Seeds. Well, first of all, I would mention, Mr. Chairman, that the government now has a policy through the Economic Development Department of providing interest forgivable loans and other kinds of grants and subsidies to the private sector. There is a program, a multi-million dollar program in effect, so, that does happen and can happen and has happened, both at the federal and provincial levels. But my question relates to the minister and the question is, we've been advised by the chairman of McKenzies that they are paying the commercial normal rate charged by MDC. Does MDC not give, however, preferential interest treatment to certain companies, privately owned companies in the province of Manitoba, thereby giving them some form of assistance. I'm not criticizing this, I'm simply asking the question.

MR. BANMAN: Not that I'm aware of, Mr. Chairman. The only thing is that, for instance, the last loan — it hasn't been dispersed yet, is to McCains and that loan is fixed, tied in at ½ percent

above what the province is borrowing at. So, that is not a preferential rate. The other thing, there are some mortgages that were entered into a number of years ago, when 8 percent was a big interest rate. Those of course were locked into those mortgages, and people are making their payments on those. But there have not been any loans in the last two years subsidizing any interest rates of anybody.

MR. CHAIRMAN: Mr. Evans.

MR. EVANS: Mr. Chairman, I particularly ask about McCains. The Minister, I believe, said the loan that has been negotiated is a half a percentage point above prime. But still, does that not give McCains a better interest deal than McKenzie Seeds is getting? In effect, what is the differential in interest rate between that being charged to McKenzies, and that being charged to McCains? Because I think there is a preferential treatment for McCains, as compared to McKenzies.

MR. BANMAN: I understand the prime is 12 right now so if you're looking .5 percent over prime, you're looking at 12.5, so there's no . . . well, there haven't been any new loans made in the last 18 months. And the only ones that we're working with now are the ones that were committed, namely the one for \$7 million to McCains.

MR. EVANS: Then, would either the Minister or the Chairman indicate what is the rate of interest that McKenzies pays to the MDC at the present time — the rate of interest on the loan, not the guarantee?

MR. CHAIRMAN: Mr. Clements.

MR. CLEMENTS: 12 percent.

MR. EVANS: So I guess this goes back to a deal, or an agreement, or a negotiated settlement of one, or two, or three years ago.

MR. CLEMENTS: Yes.

MR. EVANS: Just one last point, and that is relating to questions and points made by the Member for Burrows on the sale of the company. I'm not sure whether every member around this table is aware of it but this is a rather unique industry, and in some ways, you wonder why it should be located in the City of Brandon. Because there is no natural basis, at the present time, for it to be there. The reason that it's there, from my understanding, is because of historical reasons. It started as a field seed company, which was a company natural for that area, by the late Dr. A.E. McKenzie. Over the years, it switched from being a field seed company to a package seed company, which it is today. It is not in the field seed business.

My understanding is that the seeds are brought into Manitoba, we import the raw materials, we bring them to Brandon, we package them there, and then we sell 90 to 95 percent, or whatever the figure is, outside of the Province of Manitoba. So that takes some doing, and therefore it makes it even more competitive than it might look at first sight. And therefore this is the dilemma, and my fear and worry is that if this company were offered — and I'm glad to hear the Minister reiterate that this is strictly a hypothetical situation, and I hope it remains so — if the government were to sell it to a private company, there would be no guarantee that any private company would maintain it in the Province of Manitoba, let alone the City of Brandon. Because the fact is that the profits could likely be increased if the location was in Toronto, or the southern Ontario area.

Now, maybe some people might dispute this, but it is a market-oriented type of business, and as such, it makes economic sense to locate the plant and the main operation near the centre of the market. And even though a private company, on purchase, might say, "Yes, we will keep it in the province" I cannot feel satisfied that any private company that is in the business of maximizing profit would want to honour any commitment for any length of time. And whether it was the Member for Rhineland that owned it, or the Member for Burrows, or the Member for Brandon East, or any member; no matter who, if you are a president of a company, and you're told by your shareholders that you have to do your best to maximize profits, you are going to, if the economics dictate, you are going to locate that plant where you're going to, if it is possible, make more profit.

I suggest that it's very likely that a private corporation would somehow, if not in the first year, or second year, would somehow see to it that the location was moved out of the Province of Manitoba, out of the City of Brandon. So this, to me, is the problem with private ownership.

But, Mr. Chairman, I think that we've had a lot of evidence of a company operating very

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It's had its ups and downs since Mr. McKenzie — the late Dr. McKenzie — died, back in the early 1960s, and nevertheless, I'm sure there's unanimous feeling in the committee that the company has done exceedingly well, particularly in the past four years; that it seems to be on the right track toward looking at avenues for expansion, creating more jobs. It's obviously been operated very efficiently, in a very very competitive field, I must say, and in an area where the company is operating almost, in a sense, where it has to work upstream, by bringing in the raw materials, and then processing them, and then exporting them out of the province.

So I would just take this opportunity to wish the company well — the Board, the management, and all the staff, well — in the future, and we trust that next year we will see as good, if not better, a financial statement as we've seen this year. Thank you.

MR. CHAIRMAN: Gentlemen, may we proceed to the financial statements. The Auditors' Report—pass. Page by page? Report—pass.

The Financial Statements of A.E. McKenzie Co. and Subsidiary Companies have been passed, gentlemen. Committee rise. The Honourable Minister.

MR. BANMAN: One thing: I'd like to thank both Mr. Clements and Mr. Moore for coming out. I'm sorry about the delay, but some of these circumstances are beyond even politicians' control, and we wish you well in the coming year, and hope that we can be back here next year again with a statement similar to this, maybe even a little better. Thank you.

MR. CHAIRMAN: Committee rise.