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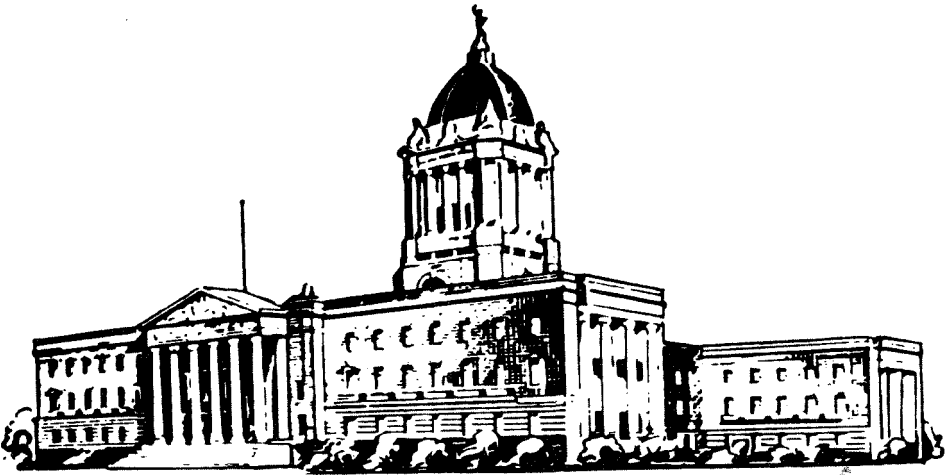
**Fourth Session — Thirty-First Legislature**  
of the  
**Legislative Assembly of Manitoba**  
**STANDING COMMITTEE**  
**ON**  
**PUBLIC UTILITIES**  
**AND NATURAL RESOURCES**

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29 Elizabeth II

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The Honourable Harry E. Graham  
Speaker*



**TUESDAY, 6 MAY, 1980, 10:00 a.m.**

**MANITOBA LEGISLATIVE ASSEMBLY**  
**Thirty - First Legislature**

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**LEGISLATIVE ASSEMBLY OF MANITOBA**  
**THE STANDING COMMITTEE ON PUBLIC UTILITIES AND NATURAL RESOURCES**  
**Tuesday, 6 May, 1980**

**Time — 10:00 a.m.**

**CHAIRMAN — Mr. Arnold Brown (Rhineland).**

**MR. CHAIRMAN:** We'll call this meeting to order. We'll be discussing the Manitoba Public Insurance Corporation Annual Report. We'll start with the procedure that we used the previous time, if that at least meets with the approval of the members of the committee where we will have Mr. Dutton presenting the report. There'll be some questions and then we'll go on a page by page, if you wish, scrutiny of the report.

**THE MANITOBA PUBLIC INSURANCE CORPORATION**

**MR. SPEAKER:** Mr. Dutton.

**MR. JAMES O. DUTTON:** Thank you, Mr. Chairman. First of all, if I may gentlemen, introduce the members of my staff that are here with me to assist me if and when it becomes necessary. Mr. Henry Dribnenky, who is the Vice President of Finance, the first gentleman here; Mr. Barry Galenzoski who is the comptroller; the next is Carl Laufer who is the First Vice President in charge of the Autopac division; and Mr. Ken Jordon, who is the First Vice President in charge of the General Insurance division.

Gentleman, as the report discloses the total net premiums for the corporation reached 128.7 million for the fiscal year ending in October 31, 1979 and produced a consolidated net profit of some 2.1 million. Autopac, or perhaps what we should call it, the Automobile Insurance Division earned a net profit of 1 million while the General Insurance Division contributed a net profit of 1.1 million. Now although the profit was some 7 million less than the previous year, it was nevertheless satisfactory in light of the fact that the corporation had budgeted for a break-even situation.

The corporation's assets of 134.4 million represent an increase of 15 million or 12.5 percent over the previous year. The asset growth was primarily concentrated in investment portfolio which now exceeds 110 million. I might point out that with the exception of 1.3 million the entire long-term portion of this portfolio totalling 88.5 million is invested in Manitoba Provincial Hospital Municipal Bonds and Debentures.

During the year the Corporation introduced a Dial-a-Claim system in the city of Winnipeg. This facility enabled the motorists to report their claims by phone and have their damaged vehicles appraised by appointment and I'm pleased to report that this facility has been extremely successful and has almost alleviated the long lineups of previous years, and particularly, if you recall, during the cold winter months.

In addition to the Dial-a-Claim system we have commenced what we term as a Hot-Line system. This system when it is fully operational will assist in the recycling the parts. When you take into consideration the cost of new parts on damaged vehicles, particularly the older model vehicles, it is important to try to get good recycled parts back into the stream and that's what this procedure is all about.

In the Automobile Insurance Division of the Corporation as of October 31, we have reserves now of some 7 million for transfer fees; 2.8 million for contingencies; and 5.4 million for rate stabilization. During the year we handled some 225,000 automobile claims, which is an increase over the 212,000 claims in '78 which incidentally, at that time, included 9,000 hail claims. The dollar value was 97.9 million or 15 percent over the previous year. The expenses were up 4.9 million to a figure of 25.2 million. The great effect on the increase was the proposed changes in the share-cost arrangement between MPIC and the Motor Vehicle Branch which accounted for 2.6 million. The expense ratio has risen from 17.8 percent to 20.3, an increase of 2.5 percent. That's almost equally attributable to the impact of the expected revision of cost between ourselves and the MVB.

The General Insurance Division has shown a profit of 1.1 million and now has catastrophe and contingency reserve of some 2 million, plus an unappropriated retainer earnings of 1.4 million. The premium earnings for the year were some 11.2 million and the claims incurred for the year were 7.4 million.

Now as members are aware, the corporation has increased its no-fault part 2 benefits, effective March 1st of this year. These benefits put us in the forefront of North America, affording Manitoba as the best protection on this continent, and I am happy to report that we have been able to do this and still retain the rates of which are among the lowest in the continent.

Gentlemen, I am prepared to answer any questions that you may have on the Annual Report that is before you.

**MR. CHAIRMAN:** The Member for St. George.

**MR. BILLIE URUSKI:** Thank you, Mr. Chairman. Just to the Chairman's and General Manager's remarks with respect to the increase in the expense ratio that the corporation has faced in the last year from 17.8 to 20.3 percent, the 2.5 percent increase is attributable to the expected revision of the cost-share formula. Has the cost-share formula been decided upon to this point? Have you had an agreement or had an agreement reached at this time?

**MR. CHAIRMAN:** Mr. Dutton.

**MR. DUTTON:** Thank you, Mr. Chairman. I don't think the agreement is formally finalized, but we have

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a good idea of what it will be. You're quite aware, Sir, the procedure at one time was to build any additional cost on the Motor Vehicle system was chargeable to Autopac. Because we're using the same document, the vehicle registration and the insurance coterminous document, one and the same document. But it cost the Motor Vehicle Branch, in any event, certain sums of money to effect all the licensing of vehicles and additional costs were borne, at that time, by Autopac.

However, it has for some time now been in the wind that perhaps this was not a fair distribution and there should be a higher portion chargeable to Autopac. So generally speaking, there was an agreement that it would be a 55/45 distribution of costs now and of course it's a formula of the cost that has been holding up some of the negotiations because it not only deals with the vehicle system but also the drivers licensing system. But certainly the agreement, as I understand it, and I'm right, has not been truly formalized as yet, although the Vice-President of Finance and the Comptroller have been dealing with the people in this area on an ongoing basis.

**MR. URUSKI:** Thank you, Mr. Chairman. Is there a general agreement between the corporation and the Motor Vehicle Branch? First of all, could you tell me who is involved in the negotiations or in the setting up of this formally in agreement, besides Motor Vehicle Branch and Autopac? Are there any other agencies involved?

**MR. DUTTON:** The Department of Finance is involved, of course. They are the ones that are really chairing the meetings.

**MR. URUSKI:** Is the Provincial Auditor involved in those discussions as well?

**MR. DUTTON:** No.

**MR. URUSKI:** Thank you, Mr. Chairman. Can Mr. Dutton tell me whether there is general agreement between MPIC and MVB on the percentage of share of costs of the 55/45 ratio? Has that been generally agreed to?

**MR. DUTTON:** Yes, I would say there is a general agreement in this area on the 55/45.

**MR. URUSKI:** Then, Mr. Chairman, could Mr. Dutton tell us, in terms of the formula, what is being revised, that now has changed, that now is somehow different than was the case originally? Is there any change in the cost ratio or something in the formula must have changed to increase this division? Maybe my memory doesn't serve me correctly, but was the 55/45 percentage agreed to on Day One, or at least when the formula was established several years ago?

**MR. DUTTON:** It wasn't agreed to on Day One. I think it has been arrived at after considerable negotiations, but there are other features of the entire cost situation. It is not necessarily as cut and dried as saying 55/45 because that is what we're looking at in the vehicle system and you well know, Sir, the vehicle system is handled entirely by

Autopac, whereas the driver system is handled by the Motor Vehicle Branch, and there's a share in the cost of both of them because both are used for licensing and collecting insurance premiums. And it becomes a complex matter to find out what the true equitable costs ought to be and this is what my experts, my accounting people, have been negotiating with MVB and of course with the Treasury department, sitting in judgement upon some of these factors. There are still some grey areas to be ironed out, as I understand it. Am I correct, Mr. Dribnenky? Yes.

**MR. URUSKI:** Could the general manager tell us where there is a discrepancy between the MVB and the MPIC in terms of what he calls grey areas? Are costs, for example, of commissions included in determining the costs of operation of the two systems? Is that where disagreement occurs or where is the point of disagreement?

**MR. DUTTON:** It is not in the commissions per se. It's determined in the cost of the two systems, where the difference comes in and to what share we should be charging each other on the vehicle system and on the driver system. One is under the administration, of course, as I pointed out, of the Motor Vehicle Branch and one under our administration and in charting the increase in cost in both areas, it becomes important to find out just what the overall cost is. So it is not in the cost of commissions, as such, because commissions is just a portion of the entire cost of handling the vehicle system. And that is where they are at the present time, as to agreeing to pretty well what is the cost in the driver system, as I understand it, as opposed to arriving at a final conclusion on the vehicle system.

**MR. URUSKI:** Mr. Chairman, could the general manager tell me how he then has arrived, if the area is so grey, how they have arrived at an increase of 2-1/2 percent, which is an amount of 2.6 million increase, at that amount when the agreement hasn't been arrived at as yet, because we've had differing statements from the Motor Vehicle Branch in terms of what the costings are and they somehow differ with what your amount of increased costs are.

**MR. DUTTON:** The page 20, of course, Note 11, gives Share Cost Agreement and it tells you in the Annual Report some of the problems, but I would like to read in, if I may, Mr. Chairman, some more background and information pertaining to it. It is a difficult subject to understand and I think it will become clear why it is difficult.

The Motor Vehicle Branch has responsibility for administration of the Driver Licensing/Insurance Program while The Manitoba Public Insurance Corporation effective April 1, 1973, has the responsibility for administration of the Motor Vehicle Licensing/Insurance Program.

The cost-sharing of expenses from inception to October 31, 1978, was based on the premise that the registration functions were primary and the additional costs associated with the insurance program were to be absorbed by The Manitoba Public Insurance Corporation. This agreement was approved by the Motor Vehicle Branch, Department

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of Finance, Provincial Auditor and The Manitoba Public Insurance Corporation.

A review of these premises underlying this agreement was the subject of a study, and recommendation has been made by the Department of Finance that the costs of both the Driver Licensing/Insurance Program and the Motor Vehicle Licensing/Insurance Program be pooled, and that cost-sharing of expenses be based on an equal benefits concept. In other words, all Manitoba Public Insurance Corporation and Motor Vehicle Branch costs associated with the administration of the driver and motor vehicle programs should be pooled and divided, based on benefits accruing to each organization.

In anticipation that the equal benefit concept for cost-sharing of expenses retroactive to November 1, 1978, would be approved by the Treasury Board, The Manitoba Public Insurance Corporation has not recorded a recovery of administrative expenses from the Motor Vehicle Branch, nor has it recorded its share of expenses normally charged by the Motor Vehicle Branch under the terms of the existing agreement.

Funds received from the Motor Vehicle Branch for the fiscal year ending October 31, 1979, of 1,626,000 are reflected in accounts payable net of an accounts receivable of 652,000.00.

Compared to the previous fiscal year, the proposed changes to the share-cost arrangements between The Manitoba Public Insurance Corporation and the Motor Vehicle Branch impact the expenses of the Corporation by 2.6 million, as I mentioned before.

The statement made in the Manitoba Public Insurance Corporation Annual Report and figures quoted have caused some confusion when attempting to compare figures in the records of the Motor Vehicle Branch. This confusion, I submit, is caused by two factors: (1) The Motor Vehicle Branch operates on a cash basis; (2) The Motor Vehicle Branch fiscal year is April 1st to March 31st, — as you know ours is November 1st to the end of October.

To further clarify the respective positions, it should be noted that, based on the Motor Vehicle Branch fiscal year April 1st, 1979, to March 31st, 1980, the amount paid to the Manitoba Public Insurance Corporation for Motor Vehicle's share-cost of administration expenses under the original agreement is 1,770,000.00; based on the Manitoba Public Insurance Corporation fiscal year November 1st, 1978, to October 31st, 1979, the amount received from the Motor Vehicle Branch under the original agreement of cost-sharing of motor vehicle system expenses is, as I mentioned before, 1,626,000.00. As explained previously, in anticipation of the new share-cost agreement effective November 1st, 1978, the Manitoba Public Insurance Corporation deferred the total amount received as, in all probability, the amount recovered will be offset by expenses incurred by the Motor Vehicle Branch for the Driver Licensing Insurance Program.

Mr. Chairman, I have a number of copies that I would like to leave with the committee if they wish. I thought it was best that perhaps this be read out because of the differences in the year and the difference in the cash, and as you know we're not on

a cash flow basis, we work on a reserve basis, and there is a difference appear in the two reports.

**MR. URUSKI:** Thank you, Mr. Chairman. The formula that was conceived by the Department of Finance, the equal benefits concept, has the pooling concept and the formula, has that generally been accepted by yourselves and the MVB or has this been a formula that's been handed down at the request of the government?

**MR. DUTTON:** I think there has been a great deal of negotiation and co-operation, both to the MVB and ourselves, rather than a unilateral action by the government or anyone else. This has been left up to us to try to work out the deals along with the guidelines. There's a strong feeling that the previous formula was not really equitable and that we were not paying our share, and that is why the change has been made. But certainly we have not been forced to make a change. We've been asked to get our heads together and come up with a formula.

**MR. URUSKI:** If one was to compare the present formula that is not completed as to the original formula in terms of roughly percentage cost share, what changes would come about as a result of this formula? We know what the dollar amount of increase but in terms of percentages of share, what would the ratio have been under the old formula of cost sharing?

**MR. DUTTON:** Mr. Chairman, we have not got a breakdown but really the difference that's going to hit us, the percentage, we haven't got the total percentage. It's just the dollar cost, and it's going to cost about an additional 2.6 million.

**MR. URUSKI:** Is that annually?

**MR. DUTTON:** Yes, that's annually, Mr. Chairman.

**MR. URUSKI:** Maybe I don't have the figures here but could Mr. Dutton give us the figures of what the net cost-sharing to MPIC and MVB were as last year's figures? What was the payment to MVB by MPIC and the payment receipt back from MVB? I'm sure that's likely in the report.

**MR. DUTTON:** If you refer to page 12 of the report of the year 1978, you will note it says share of the driver licencing administration expenses, and again, if you wish further explanation of that you can refer to note 11. But you note for the year of 1979 it's zero in there. The previous year was 294,000 whereas when it is less the recovery that we receive, that's what we pay. That's the recovery we receive from the motor vehicle system, or from the MVB, if you will, which again is note 11, was 2.5 million. That is the difference.

Now you will notice in both cases, in this year, it's shown as zero and will be shown as zero until we get finalization which should come about in this year's report of course.

**MR. URUSKI:** So then the changes are very substantial indeed in terms of the administrative costs of the Corporation. Can the general manager

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indicate when does he expect the agreement to be reached on the final formula?

**MR. DUTTON:** All I can say is, in this fiscal year, I anticipate that the agreement should be completed. It really does not, Mr. Chairman, affect us on a month to month operation anyway so long as it's completed because we are making the reserves. But I expect, and I am sure it will come about, that the agreement will be completed during this fiscal year, I mean our fiscal year, not the MVB, by October 31st of course. I can't see any reason for delay.

**MR. URUSKI:** Mr. Chairman, has the Corporation agreed to the pooling concept or the equal benefits formula that has been proposed by the Department of Finance?

**MR. DUTTON:** We have tentatively agreed of course, along with negotiations for other costs, particularly on the driver system. It's something that when the agreement is made it will be in total and complete, not one item after another, but I see no reason why this portion should not be agreed upon, contingent upon what happens with the driver system.

**MR. URUSKI:** Mr. Chairman, could Mr. Dutton tell us what are the contingencies on the driver system that may have an impact on the Corporation?

**MR. DUTTON:** I think that the main area that we're concerned with is that when you consider the two, I think they rise and if you're considering a percentage cost split in payment or receipts of benefits from one or the other, if they are to be constant at 55/50, then one ought to review what the administrative and the spiralling cost to one or the other would be. In other words, you can take a base of 55/45 of 100, it would be all right, but what if one is 100 and the other one is 150 . . . it changes the situation and I think that's an area that we have to concern ourselves with in our negotiations with the MVB and the Treasury. It would be fine to say a percentage charged to both is the same, providing the costs rise equal, but if the costs do not rise equally then perhaps that percentage would change.

**MR. URUSKI:** I gather then there may be a fundamental difference between how the costs have risen between one operation and another, and that's probably the stumbling block in the whole, if there is such a thing, and I presume that there is because this has been ongoing since 1978 and we're into 1980, that there is some fundamental difference of opinion in approach as to who and which costs will be accepted and on what ratio, and who will receive the increases of costs if they are not averaged out or borne equally by both parties. If there is no agreement with respect to this, who is left as the final arbiter in this case of determining the cost ratio?

**MR. DUTTON:** I would suggest that perhaps a final arbiter, if no one is really designated as such, but would be the Treasury Department and the Provincial Auditor. They would seem to me as to be the logical people to get us together.

**MR. URUSKI:** That certainly raised an interesting point, Mr. Chairman. Was the Provincial Auditor involved in the original setting up of the original formula of cost-sharing when it was originally agreed to?

**MR. DUTTON:** I think there was some involvement by the Provincial Auditor. We're going back now, of course, nine years, but I think there was involvement — I could be wrong but I don't think so.

**MR. URUSKI:** Could the general manager indicate whether, during that time when the formula was set up, whether there was any opposition or criticism on the way the formula was set up from the Provincial Auditor during pre-1978 at the time this formula was sought to be changed?

**MR. DUTTON:** I do not recall, Mr. Chairman, receiving any adverse comments from the Provincial Auditor when it was initially set up. There may have been observation and comments, of course, going on but I recall nothing of any consequence.

**MR. URUSKI:** Therefore then, Mr. Chairman, it appears from the statements of the general manager that there was a wish to have the formula reviewed. The Department of Finance and the government felt that the cost ratio was out of line. I'd like to direct this question to the Minister, if I might. Could the Minister indicate on whose recommendations did the government act in terms of requesting that the formula be changed in this respect and renegotiated?

**HON. HARRY J. ENNS (Lakeside):** Mr. Chairman, it was a general feeling of this Minister, at the time that I first assumed the responsibility for Autopac in October of '77 and by the government, that a fair proportion of costs be borne by each organization. Mr. Dutton may correct me, but I believe the formula in place was a fixed amount per transaction, a computer charge per transaction which was believed not sharing equitably the costs involved for the information so received. It was simply a general instruction to both the Motor Vehicle Branch and to MPIC that negotiations should commence to satisfy government that both parties were paying an equitable proportion of the costs, keeping in mind, of course, the costs incurred by each organization and the collecting of the data, and the use that each organization was making of the data. A chairman, if you like, was asked to help with the negotiations. That was done by a Mr. Mel Anderson from the Department of Finance, I believe, and other than those general guidelines that the chairman and general manager of MPIC referred to, that was the extent of the government's involvement in the negotiations under discussion.

**MR. URUSKI:** Thank you, Mr. Chairman. In the Minister's comments, he indicated that he felt that there should be a more equal portion paid by both parties. Could the Minister tell this committee, tell me, that in order for him to arrive at that conclusion there must have been some concern on his part or some information that the cost-sharing was not equal prior to that time, that there was general

disagreement — and there may have been. There may very well have been. MVB may have said, look, we're getting the short end of the stick and we want this whole thing renegotiated. Was there a concern expressed to the Minister by either of the two parties that this should be renegotiated?

**MR. ENNS:** Mr. Chairman, the Honourable Member for St. George will recall that at the time the negotiations commenced, I was also the Minister responsible for the Motor Vehicle Branch and precisely what the member describes took place. The registrar of the Motor Vehicle Branch, Mr. Peter Dygala, indicated that for some time he and the Motor Vehicle Branch had felt that there was not the kind of sharing that was equitable involved in the past formula and certainly recommended to me, as the Minister responsible for the Motor Vehicle Branch at that time, to initiate the kind of discussions that have lead to the tentative agreement and hopefully will lead to a resolution of the problem.

I must say the co-operation from MPIC has been such that it has not been brought to my attention any serious problems in the negotiations. There are some matters that MPIC believes need to be clearly identified and acknowledged as costs borne by the corporation, that should be part of the formula, and I think also what Mr. Dutton mentioned earlier there are — you know, with two different organizations using in essence the same system, from time to time for their own reasons the different organizations want different information, more sophisticated information, out of that system, their costs may subsequently rise higher than the other organizations costs and there is some concern, I think, Mr. Dutton expressed, at fixing too rigidly a percentage figure and hoping that will, for all time, be a fair and equitable sharing of these costs. What we are attempting to do and what the state of government policy is, and one I think that both organizations support, that they shoulder a fair sharing of the costs involved. The uniqueness of our system of course should not be overlooked, that the total cost, is in any event, less than should the two organizations have to do this entirely on their own. One of the advantages which I am prepared to concede, which another person that looked into the affairs of Autopac by the name of Mr. Burns was prepared to concede, are there and nobody is disputing them. But I should indicate to the members of the committee very clearly that there has been no effort made by government to shift costs from one organization to another organization. The effort has been totally directed at a fair sharing or fair carrying of costs by each organization. I am satisfied that, with the help of the Department of Finance, the co-operation on the part of the senior management staff at the MPIC and that of the Motor Vehicle Branch that we are arriving at that cost.

There have been, and I believe the figures indicate, that in effect there has been some form of cross-subsidization taking place over the past number of years in this particular area with respect to Automobile Insurance costs.

**MR. CHAIRMAN:** The Member for St. George.

**MR. URUSKI:** Thank you, Mr. Chairman. Well, the Minister indicates that it was during his term as Highways and Motor Vehicle Branch Minister that the study has been undertaken. We certainly, on this side, know the general thrust and feeling towards Crown operations by the Conservative government in this province in any event. Certainly the Minister puts himself, I believe, in quite a position just like the lawyer who is having to handle both sides of the case with both clients and he's going to be defending one and prosecuting another or vice versa. And, Mr. Chairman, that can only lead to one of great conflict in terms of where does the Minister stand in terms of this whole issue. He has indicated that while he was Motor Vehicle Branch Minister he felt, and he was persuaded by staff, that there was cross-subsidization of the two systems.

We know that the Conservatives in Manitoba didn't believe in the payment of premiums on the user-pay principle, at least in terms of gasoline because they were shifting away the 7 million from MPIC. Now we have a Minister saying, well, look, there's one way of making our revenues; it's a possible way of making our revenues in government appear somewhat better and our expenses somewhat lower, I mean, that this is one way of making sure that there is no fat — and that's putting it charitably — in terms of MPIC and that MVB certainly will not have to bear any of the costs of MPIC.

The Minister admits that it was he who started the study and the formula has been, at least the basic formula has been, set down by the government. I'd ask the Minister, is he prepared to allow the Provincial Auditor, or some outside authority, to be able to sit in on those negotiations, other than government officials and MPIC alone, in determining the final outcome of the sharing of the costs? Because evidently there's great disagreement and there is no doubt that it has had and will have and continue to have a major impact on the expenses of MPIC on this whole program.

The other thing is, is the Minister prepared to allow MPIC to do some cost analysis on their own to find out whether they, in terms of the cost increases, whether that program, if they were allowed to run one portion of the program, whether it would be more favourable to them in the long run, in terms of cost ratio, whether they handled the program on their own? One aspect of it. Can the Minister give us some indication in those respects?

**MR. ENNS:** Mr. Chairman, first let me refute the analogy the Honourable Member for St. George drew about the position of the Minister being that of a lawyer defending and prosecuting the person. Nobody is being prosecuted here. The Motor Vehicle Branch performs a very valuable and useful service to the public; the Manitoba Public Insurance Corporation performs a very useful and valuable service to the public. So it's not a question of winners or losers in this instance, I'm determined to ensure that both organizations are winners and there's no question about that.

The question is simply, and I think the insurance corporation would want to have established beyond all doubt, that their attractive rates which they have reason to be proud of, that are being offered to the motoring public of Manitoba, do not need the

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support of dollars or assistance from other departments of government, they can stand on their own right. With respect to the question put by the Honourable Member for St. George, I constantly look forward and receive from the corporation any advice in terms of programs that they may wish to initiate in view of the management, the board of directors at MPIC would be of benefit to that corporation.

**MR. URUSKI:** Mr. Chairman, that's precisely the point that I was making. I mean, the government commissioned a report that cost the taxpayers of this province 300,000, at least that's the figure that we are given, wherein the report recommended that the concept of public insurance, as we know it today in Manitoba, be abandoned. The government, for a number of months, couldn't make up its mind although they, I believe, deep down believe that they would have liked to move along some of the lines of this report, waffled until finally months later the present Minister came out and said that the corporation would remain and some features of the report would be accepted.

Mr. Chairman, one of the main things that was not talked about in the report and missed, was the actual costs of operations and the benefits to motorists in the province of Manitoba. What I am concerned about, Mr. Chairman, is that the Conservatives here, and we've seen what they have done in the general insurance field in terms of trying to nickle and dime that portion of the operation to death and it hasn't been shown that definitely the cost relationships were completely out of whack and out of line. There are disagreements on the present formula, at least on the final negotiations that's been going on for roughly two years, that this isn't another move by the Minister and the Conservatives to adversely impact on the operations of the corporation to the benefit of the Minister of Finance, who has stood around in this province and said, look, our deficits have been held; our revenues are steady and this is certainly one way of doing it, Mr. Chairman, at the expense of a corporation that this government berated, voted against — every member who is in this committee here now voted against and fought against, for years, the implementation — now you want to stand before us and say, look, we're all in favour of Autopac; we want to keep it in Manitoba and it's going to remain.

Mr. Chairman, this Minister hasn't been able to demonstrate to us, I believe, that their motives and their actions in the past certainly are above reproach and their actions in respect to this area certainly are to be questioned. Although one can't pinpoint specifically, but certainly the general direction has been clear as to how they have treated this corporation — and only what one can't determine precisely, only one can guess — at what their long-range intent is by their past actions. It is certainly clear that it is the Premier, the Minister of Finance and although the Minister responsible for the corporation can only take his marching orders from those two gentlemen, he is in a very very dicey position with respect to his two colleagues and now he has to abide by the rules from the Department of Finance, who in effect, the Premier and the Minister of Finance are running the show here.

**MR. CHAIRMAN:** The Minister.

**MR. ENNS:** Mr. Chairman, the only objective I have, and one I believe is fully supported by management at MPIC is that the premiums charged for service provided, whether it is the general insurance field or in the automotive insurance field, that the premiums accurately reflect the costs incurred by the corporations. That is a laudable goal to achieve and one that I believe by the fiscal year ending for the corporation this year in October will be achieved.

**MR. CHAIRMAN:** The Member for St. George.  
The Leader of the Opposition.

**MR. PAWLEY:** Mr. Chairman, my question to Mr. Dutton first, has a Provincial Auditor at any time indicated to the Manitoba Public Insurance Corporation that there were any hidden subsidies, either in favour of MPIC or in favour of the Motor Vehicles Branch?

**MR. CHAIRMAN:** Mr. Dutton.

**MR. DUTTON:** No, Mr. Chairman.

**MR. PAWLEY:** I asked that question of the Minister.

**MR. CHAIRMAN:** The Minister.

**MR. ENNS:** Mr. Chairman, not to my knowledge, no. I don't presume to know the full functions of the auditor but I would assume from my limited knowledge that he, in his office, is there to ascertain that administrative and agreed-to formulas, cost-sharing formulas, are in fact carried out as stated. I would suggest, and nobody has suggested otherwise, that in the course of the last seven, eight or nine years, that those agreed to exchange in sharing of costs had in fact been carried out, as laid down by and as agreed to by the then government and by the then administration of the Motor Vehicle Branch and MPIC. The Provincial Auditor would, in his normal course of auditing the books of the corporation, would attest to the fact that is the case. He would not be called upon to pass a judgement on if in carrying out that function, there was in fact a cross subsidy involved.

**MR. PAWLEY:** Mr. Chairman, is the Minister telling us then that the Auditor has never expressed an opinion as to whether or not (a) there are any hidden subsidies or (b) that in fact MPIC was paying its own way? Is that what the Minister is indicating, the Auditor has never been called upon to express such a view?

**MR. ENNS:** I can't answer for the Provincial Auditor in this instance. I do not have for my own information that kind of knowledge. I would suggest that question can be properly addressed to the Auditor at the time when his estimates are before the House.

**MR. PAWLEY:** Mr. Chairman, is the Minister not aware of the Provincial Auditor having publicly expressed views in respect to this matter?



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**MR. ENNS:** Not ones that I can recall at this time.

**MR. PAWLEY:** Has the Minister not read the legislative report flowing from the province of Ontario, pertaining to investigation of public automobile insurance in the province of Manitoba?

**MR. ENNS:** I've read portions of it.

**MR. PAWLEY:** Has the Minister not read that report?

**MR. CHAIRMAN:** Gentlemen, on a point of order, if you would give me a little bit of time to recognize you, we'll be able to record this properly in Hansard.  
The Leader of the Opposition.

**MR. PAWLEY:** Has the Minister read the Provincial Auditor's comments in that report?

**MR. ENNS:** No, Mr. Chairman.

**MR. PAWLEY:** To Mr. Dutton. Has Mr. Dutton read the Provincial Auditor's comments in that report?

**MR. DUTTON:** Yes, sir, I did read them.

**MR. PAWLEY:** I'd like to read to the Minister then, the Provincial Auditor's comments on page 433 of the report: The Provincial Auditor further indicated that he had recently been asked about hidden subsidies by the Public Accounts Committee of Manitoba. He responded that the MPIC Financial Statements disclosed all costs, that he knew of no material omissions. He felt that MPIC was a stand-alone operation and that it was paying its own way. He says he was not aware of such comments by the Provincial Auditor. Would the Minister not feel it incumbent upon him to, in view of that statement which assisted in the influencing of an Ontario Legislative Committee Investigation of Manitoba Public Insurance Corporation in Manitoba, consider it incumbent upon him as the Minister responsible for Autopac to discuss with the Provincial Auditor the basis by which the Provincial Auditor in the province of Manitoba indicated that MPIC was (a) a stand-alone operation; (b) it was paying its own way?

**MR. ENNS:** Mr. Chairman, I don't wish to entertain an argument between the Leader of the Opposition involving a third party, in this case the Provincial Auditor, . . .

**MR. PAWLEY:** Mr. Chairman, on a point of order. I think the Minister must have misunderstood me. There's no debate between myself and the Provincial Auditor. There would only appear to be debate involving the Minister and the Provincial Auditor. In view of the fact there appears to be some confusion or ignorance on the part of the Minister in view of the Provincial Auditor's original statements, would the Minister not feel it then incumbent upon him to discuss what appears to be a lack of understanding or knowledge on his part as to the Provincial Auditor's clear and precise position, that there are no (a) hidden subsidies or in fact that Autopac is paying its own way.

**MR. ENNS:** Mr. Chairman, I think we're falling trap to terminology. I think it would be entirely wrong to suggest, and I think that's what the Auditor correctly reflected on, when we talk in terms of hidden subsidies. It might have been referred to as such, it might well have been referred to as such by the then members of opposition from time to time when, in the view of some, a cost-sharing arrangement, which took into account the actual costs accrued by two organizations, was not being accurately reflected.

I can indicate to the Honourable Leader of the Opposition that in August of 1976, under his administration, the Management Committee authorized the Motor Vehicle Branch, at that time, to enter and to renegotiate the cost-sharing agreements, obviously because of a similar feeling that by 1976 the then administration felt that there needed to be an adjustment of those costs. I think that the Honourable Leader of the Opposition is attempting to suggest that in the use of the word hidden subsidy that I'm prepared to acknowledge that I would not accept that description nor would the Auditor find any hidden subsidy in that sense. He would not necessarily be in a position to accurately assess what the negotiations had determined over the past 14 or 15 months in attempting to, in a relatively complex situation, fairly work out an equitable sharing of costs.

**MR. PAWLEY:** Mr. Chairman, we are not debating the need from time to time to negotiate the formulas in order to avoid any cross-subsidization. The question remains, has there been or is there any cross-subsidization? I read further to the Minister, on the same page of that report, in reference to the Provincial Auditor: He knew of no free rides which might be available to MPIC. He indicated that to the best of his knowledge economic values were charged for all major items of operating expense. Is the Minister in disagreement with the Provincial Auditor's conclusions as reported in the Legislative report to the province of Ontario?

**MR. ENNS:** No, Mr. Chairman, I'm not at odds with those conclusions. I am in agreement with the Leader of the Opposition that this particular formula from time to time needs readjustment, just as he recognized when he was in government in August of 1976.

**MR. PAWLEY:** Mr. Chairman, I refer the Minister to the major change that has taken place pertaining to the statement which was issued pertaining to MPIC and the impact of some 2.6 million that will affect MPIC as a result of changes in the share-cost arrangements between MPIC and the Motor Vehicles Branch. The implication there, of course, is that there has been a hidden subsidization in the past. Is the Minister, in view of the statements by the Provincial Auditor to the Ontario Legislative committee, prepared to once again review the position that he, as Minister, has taken vis-a-vis Autopac; discuss the Provincial Auditor's report in order to provide him with further assistance in ensuring that the cost-sharing arrangement is fair, as he indicated he wanted the conclusions to be?

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**MR. ENNS:** Mr. Chairman, I think I've repeated this several times now. I'm prepared to acknowledge that there were no hidden costs; that in fact the sharing arrangement between MVB, the Motor Vehicle Branch and the MPIC organization were carried on as agreed upon at the time of their inception. I suppose that the use of the phrase hidden costs or cost-subsidization in that sense, would portray the wrong image or that there was a practice that was going on that was not in accordance to and agreed to sharing of costs. That, however, does not change the general intent of this Minister and this government to have those costs accurately borne by the organizations using the data.

There has been a tentative agreement which Mr. Dutton alluded to, those costs being fairly shared at a 55-45 ratio and the report before us indicates the kind of cost implications that the adoption of that formula has for the corporation in the coming year.

**MR. PAWLEY:** Can I then gather from the Minister's comments that he disassociates himself from the conclusions arrived at by Burns pertaining to hidden costs, cross-subsidization, etc.?

**MR. ENNS:** I disassociate myself from many of the conclusions that Mr. Burns arrived at in his review.

**MR. PAWLEY:** Including this one pertaining to cross-subsidization or hidden costs?

**MR. ENNS:** Mr. Chairman, I object to the Leader of the Opposition's using those two terms in the same sentence, hidden costs and cross-subsidization. Obviously what has happened, over a period of years, a cross-subsidization did take place or else I don't believe the corporation officials would agree, tentatively, to a new sharing formula which imposes greater costs on the corporation. But I do not agree that the sharing of the costs under the previous formula, was hidden. I'm fully prepared to acknowledge that was an agreed to sharing of costs by the then administration, by the Motor Vehicle Branch at that time and by the corporation at that time.

**MR. PAWLEY:** Mr. Chairman, the Minister would agree with me that, I assume, that Burns in his report indicated that there were in effect free rides; that in fact there was cross-subsidization from MVB to the MPIC.

**MR. ENNS:** Mr. Chairman, I have indicated my answer to that. I believe that the tentative agreement that is arrived at the new cost-sharing formula would indicate that there was a degree of cross-subsidization with respect to the Motor Vehicle Branch and the corporation.

**MR. PAWLEY:** Would the Minister, again relating back to my original question, be prepared to discuss the contents of the Auditor's Report, which again the Auditor indicated that economic values were charged for all major items of operating expense and that he knew of no free rides, that MPIC was a stand-alone operation, paying its own way? First, does the Minister not concur that those statements from the

Provincial Auditor are in direct contradiction to the conclusions drawn by Burns and his committee?

**MR. ENNS:** Yes, Mr. Chairman, they are in contradiction. I would have to support the Provincial Auditor.

**MR. PAWLEY:** Then I would ask the provincial Minister responsible for MPIC if he would then be prepared, prior to the finalization of any such agreement as the one that was handed out to us today, cost-sharing plan, would he be prepared to discuss the contents of same with the Provincial Auditor?

**MR. ENNS:** Mr. Chairman, again I believe the role of the Provincial Auditor is such as to ascertain, in an independent and objective fashion, that agreements arrived at between different government organizations and/or Crown organizations that have been agreed to, are in fact carried out in practice according to the agreement. I do not see the role of the Provincial Auditor in initiating policy in this regard.

**MR. PAWLEY:** Mr. Chairman, the Provincial Auditor's already indicated the existing agreement, in fact, accomplishes the purposes that the Minister indicates that he is seeking. Therefore, prior to the Minister entering into a different agreement, does the Minister not feel it would be wise on his part to discuss the existing arrangement in order to ascertain whether a second arrangement indeed is necessary?

**MR. ENNS:** Mr. Chairman, the Provincial Auditor's office will certainly have an overview in terms of the accounting procedures involving the Motor Vehicle Branch and the Crown corporation and will report on them in subsequent years.

**MR. PAWLEY:** Mr. Chairman, I gather then what the Minister has indicated, that he is prepared to leave to the Provincial Auditor some sort of overview.

Mr. Chairman, just by way of comment, the Provincial Auditor's comments are very clear, they're very concise in the Ontario Legislative report. The fears that have been expressed by Burns and others of hidden subsidies — Autopac not being a stand-alone operation; Autopac not paying its own way, of Autopac enjoying free rides; of Autopac not paying economic values for major items of operating expense — all appear to be put to rest, by not only the Provincial Auditor but by the conclusions that were arrived at by the select report on Automobile Insurance, 1978, of the Ontario Legislative Committee.

Now the Minister is indicating that there are going to be some major changes under way. The Minister has indicated he wants to be fair. If the Minister truly wants to be fair, why would the Minister not wish to ensure that there is not a cross-subsidization in favour of the government of Manitoba, in favour of MVB at the expense of the MPIC? Certainly on the basis of information which the Provincial Auditor, not only in the report but also to the Provincial Accounts Committee, Public Accounts Committee, indicates

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there is no cross-subsidization. That's the only conclusion one can arrive at in relationship to the Provincial Auditor's remarks up to this point.

I believe, Mr. Chairman, it gives rise to the very proper inference that was drawn by my colleague, the Member for St. George, that, yes there is a cross-subsidization on the verge of taking place, a cross-subsidization that is going to benefit the province of Manitoba, the government of the province of Manitoba; the Finance Minister, Mr. Craik; the Highways Minister, Mr. Orchard, to the detriment of the Manitoba Public Insurance Corporation, because we have a Minister, we have a government that is not properly committed to the philosophy of MPIC. They're going along with MPIC only because they feel they have no real alternative at this stage.

I want to serve notice, Mr. Chairman, that the opposition will oppose any efforts to gradually strangle the MPIC, through any efforts of cross-subsidizing it in favour of the Treasury of the province of Manitoba or the Motor Vehicles Branch.

**MR. CHAIRMAN:** The Member for River Heights.

**MR. GARY FILMON:** Thank you, Mr. Chairman. I think I'm at a loss to understand the purpose of the questioning of the previous speakers because it would seem to me that if the objective is to ensure that Autopac is on a very sound footing, both in the eyes of the government of the day, whichever government that is, and in the eyes of the public who have to deal with Autopac for their automobile insurance and general insurance and other purposes, then our objective or the corporation's objective should be that everything that is contained within its financial statement, that every part of its operation is open to the scrutiny and appears fair in the eyes of everybody involved. So that if there is a cost-sharing formula that has, over a period of time, become unfair to one of the partners involved in the cost-sharing then that should be corrected so that people will not say things, as have been said in the past, about cross-subsidization, about moneys going in to the Corporation to subsidize its operations.

As time goes on, any cost-sharing formulas can become out of whack for a variety of reasons. In this case I am sure that Autopac, due to its use of computers, due to the record-keeping needs or techniques being used on both sides of the arrangement, either by MVB or MPIC, can have changed and probably have changed over the years. Therefore, at the initiation of either party, a cost-sharing arrangement should be reviewed from time to time. It's my understanding that this was at the initiation of MVB; that in fact MVB initiated the suggestion that it be reviewed prior to 1977 and 1976 and that view was shared and endorsed by the Management Committee of Cabinet at that time when they suggested that the cost-sharing be reviewed.

So what has taken place, and I compliment the Minister on carrying forward with that, so that all of the costs of MPIC can be judged to be fair in the eyes of everybody who would like to scrutinize them, MPIC can feel proud of the fact that they are providing automobile insurance at one of the lowest rates on the continent and a very high level of

coverage for those people who deal with MPIC, which is all of the motoring public in Manitoba. And when it comes to then having made that decision that it should be reviewed from time to time, the objective is that the formula that's arrived at be fair and equitable to both partners.

We have the two partners sitting down, as I understand it, with the Department of Finance involved and I believe that the Minister has indicated that certainly any decisions would be open to the scrutiny of the Provincial Auditor if there was some disagreement on either side. Prior to the Minister having said that, Mr. Dutton said that he felt that certainly if MPIC was not in agreement with the formula that was arrived at, that he could turn to the Provincial Auditor for review and amendment to the formula. But like in any agreement that any two partners on a businesslike basis arrive at, the two partners can best judge what the proper formula should be because they have all the information that's necessary to go into, arriving at the formula. In this particular case, because they're both arms of government in a sense, it's not a totally arm's length transaction. So I think there needs to be some adjudication and the Minister I think has rightfully turned to the Department of Finance to be the adjudicator and if the judgement which they make is not acceptable, then the Provincial Auditor, who hopefully — even those members opposite agree — should be beyond any particular partisan thoughts.

But the question then is, is the arrangement fair and equitable? I believe Mr. Dutton has indicated that, to the view of his department with perhaps certain grey areas as he has termed them, they are going to arrive at a fair and equitable cost-sharing formula, not, as I quote the Member for St. George, great disagreement, rather that they believe they are going to arrive at a fair and equitable arrangement. After all, that is what any two partners in any agreement should be interested in. If there is any suggestion that it isn't fair and equitable to either side, it should come up for review, if not today, a year from now or whenever, at the initiation of either partner. I don't think that there is anything mysterious about any formula of cost-sharing being outdated over a period of time when the services that are being provided and the manner in which they are being provided can change over that period of time.

Mr. Chairman, I believe that the entire thrust of this is lost on me, if it is the intention of anybody at this table, to try and give some unfair advantage to either of the partners involved. I believe that the intention is to give neither partner unfair advantage and under those circumstances, I totally support what has been done in this instance.

**MR. CHAIRMAN:** The Honourable Minister of Highways.

**HON. DON ORCHARD:** Thank you, Mr. Chairman. The discussion that we've had so far this morning on the cost-sharing formula that has been negotiated between my Motor Vehicles Branch and MPIC isn't a new argument as I understand it although I'm a relative newcomer to the negotiations. It has I know, been of concern to my Assistant Deputy Minister, Mr. Peter Dygala, the registrar of Motor Vehicles for

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some time, that members opposite will be more than aware that he has always been concerned; that the former 80-20 cost-sharing formula between MVB and MPIC for the registration of motor vehicles was not, in his estimation, of the workload and the requirement of the workload by each department, the 80-20 formula was not an equitable formula. I know that Mr. Dygala had pointed that out to members of the opposition on numerous occasions.

Now I suppose the stage we're at here today is not so much one of determining an equitable sharing of costs but rather, in the case of members in the opposition and please let me assure you from the onset, Mr. Chairman, that my remarks are not intended as a criticism of MPIC in their role of providing automobile insurance coverage in the province of Manitoba. My criticism is directed legitimately and necessarily at the opposition, in that what they are attempting to do, Mr. Chairman, is protect the system of automobile insurance at all costs to anyone, so that they may point out to whomever is interested in listening, that MPIC is a very efficient organization; that it provides the lowest cost insurance in North America. So naturally, Mr. Chairman, I would not expect any other reaction but the reaction that we have heard today from the Member for St. George and the Leader of the Opposition, that any review and any change in the cost-sharing between MPIC and MVB should not take place, and particularly, it should not take place if it represents an increased cost to MPIC which may or may not be reflected in their rate schedules.

In other words, Mr. Chairman, we're not dealing with the equitable sharing of costs borne by two organizations of one operation of government, namely the registration of motor vehicles and drivers, but rather we are arguing the preservation of a political ideology because the members in opposition brought in government insurance and they want to make sure that its costs are kept at a minimum and they did so for a number of years whilst MPIC and MVB used the same services in government.

It's interesting to note, Mr. Chairman, that as early as 1976, after successive years, that the then Premier did make certain recommendations to Motor Vehicle Branch in terms of their payment levels to MPIC. It's quite obvious from those directives and from the Management Committee minutes that the Minister has read on the record, that as early as 1976 the then government was indeed concerned that there was an inequitable sharing of costs between MPIC and MVB. The then Premier, via Management Committee, instructed the Motor Vehicle Branch to renegotiate the transaction fee for further payments annually to affect sharing of actual costs and then to submit these fees to Management Committee for approval.

Mr. Chairman, what we have today after a couple of years of negotiations is just the finalization of that Management Committee instruction from 1976. Motor Vehicle Branch, Mr. Peter Dygala and MPIC, in conjunction with the Department of Finance, have indeed sat down and they have agreed that the cost-sharing formula of 80-20 is not equitable; that it did represent a certain cross-subsidization; and that in fact a 55-45 cost-sharing would indeed more equitably distribute the user costs of operating the vehicle registration system in the province.

It's interesting to note, Mr. Chairman, that I have a comparison which was drawn up by my department and this comparison indicates the actual expenditure of vehicle registrations in the province of Manitoba starting out in 1970-71 and going through to, for actual figures, 1976-77. Now in 1970-71, the Motor Vehicle Branch was operating without performing any insurance services or any operations on behalf of MPIC. Starting 1971-72, there was a certain increase in cost which is attributed to the startup of MPIC and then in 1972-73, we actually had MPIC running with the ball and using the Motor Vehicle Branch registration system which was transferred to MPIC; the history is well known to members around the table.

It's interesting to note, and we can pick out say, four successive years if we would, and what I want to put on the record, Mr. Chairman, is the actual costs that the motor vehicle registration system cost the taxpayers of Manitoba and what the projections by my registrar of motor vehicles, what his projections were of the costs his department would have incurred should there have been no insurance system using 1970-71 as a base year for comparison since there was no insurance function being used then.

I know that the Member for St. George and members in the opposition will automatically discount these figures, these projections of cost as out of hand and completely irrelevant because they don't necessarily offer any agreement with what they say but the actual cost to the province in 1973-74 was some 2,567,000.00. At the same time it was projected that normal staff additions and increases in salaries and normal costs, that the Motor Vehicle Branch, without the insurance function, would have cost 1,556,000.00. If we use rough numbers, I would suppose that would be a 60-40 breakdown. In other words, we have a full million dollars of additional costs which have to be attributed to the insurance function because without the insurance function the costs are projected to be a million lower.

Going on to the next year, and this is one of the years where possibly we had some growing pains which are only normal when you bring in a massive change and the system as MPIC represented to the vehicle registration system, we had actual costs in the system in the neighbourhood of 3,412,000.00. It was projected by my department that vehicle registration with no insurance in that year would have cost some 1,700,000; in other words, half of what the actual costs incurred.

Now, 1975-76, 1976-77, goes on. The cost of motor vehicle registration in fact decreased, which is a good sign. In other words, the growing pains I believe were gone from the registration system in conjunction with MPIC. In 1975-76 the actual costs were 3,327,000.00. It is projected that the cost without insurance to MVB would have been 1,850,000, and we're getting back into that 55-45 percent range. In 1976-77, we have 3,225,000 of actual costs, where it is projected that without insurance the motor vehicle branch function would have cost some 2,024,000, roughly 60-40.

So in other words, Mr. Chairman, what is actually being demonstrated here by projections, which I don't believe are unrealistic, I believe that even members in the opposition would agree that the projected costs without insurance from the Motor

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Vehicle Branch reflect pretty legitimate costs. They do indicate that the percentage that the MVB, the Motor Vehicle Branch, should be incurring for the registration of vehicles is in that ballpark of 55 percent. In fact, they were given a cost-sharing formula of 80-20 and, as I say, over a number of years my Assistant Deputy Minister and the registrar of the Motor Vehicles of the province indicated that formula was inequitable; that in fact the Motor Vehicle Branch was carrying an untoward share of vehicle registration costs in the province. Mr. Chairman, I think the comparison of the actual costs incurred and the projected costs, without insurance, certainly do bear that out.

Furthermore, Mr. Chairman, it is my understanding that in arriving at the 55-45 new sharing formula that the factors being considered were, as I understand it, the information bits required to perform a motor vehicle registration. What they did, as I understand it, is that in comparing all the information bits that were required to perform the registration and insurance of the vehicle, 90 percent of those information bits, were required by both the Motor Vehicle Branch and MPIC, some 90 percent of them. So, it's only fair and equitable to split that 90 percent in half and charge 45 percent of that joint information to MPIC as a user of that information and a requirer of that information, and the other 45 percent being charged to Motor Vehicle Branch because they also need and require that information. The 10 percent that is left was strictly, Mr. Chairman, for the use of my Motor Vehicle Branch for functions peculiar and necessary only to the registration of vehicles and not to the issuance of insurance on those vehicles. Therefore, that 10 percent was tacked on to the 45 percent share that my Motor Vehicle Branch assumed of the 90 percent dual cost or jointly required information pieces. That is roughly the negotiation procedure that took place to arrive at the 45-55 cost-sharing of vehicle registration costs.

Mr. Chairman, I realize that this is a difficult thing for members in the opposition to come to grips with because it does represent an increase in cost to MPIC and any increase in cost to MPIC, even though it has been determined that they are only legitimate costs are, of necessity, going to some degree raise the insurance premiums of MPIC, raise the Autopac premiums to some degree. That, in our estimation, Mr. Chairman, is the correct and rightful way to do it because I believe we disagree on this side of the House that the general taxpayer, in other words, the widower who may be on a fixed pension, the minimum income people, the very people that so often members of the opposition encourage us to do so many things for, we do not believe that those people should be bearing a cost of auto insurance through the general revenues and general taxation of this province. If we prolong the system where the Motor Vehicle Branch, which is funded directly by the taxpayer, those pensioners, those minimum income wage earners, are paying the taxes which pay Motor Vehicle Branch. What we are saying, Mr. Chairman, is that the people who use the service of Motor Vehicle Branch, namely, the drivers in Manitoba should bear the costs to the system of operating and insuring a vehicle on the highways of our province. That is what we are saying, Mr. Chairman. We do not want to see the general taxpayer, many of whom

who do not own cars or do not drive, we do not want to see them paying the costs of auto insurance. That is why, Mr. Chairman, we have followed up on that Cabinet minute instruction from 1976, to strike a new and equitable formula of cost-sharing between MVB and MPIC. I think it will be to the betterment of both systems, for the better operations of both system.

**MR. CHAIRMAN:** The Honourable Member for St. Vital.

**MR. D. JAMES WALDING:** Mr. Chairman, I was going to move on to a different topic, but from the last point that the Minister made I have to agree with him. Yes, members on this side do support Autopac. We brought it in; we believe it's the best system on the continent; the cheapest and the most efficient and we propose that it stay that way.

I'm a little unclear from the statements of the Minister there as to who it is that is funding the Motor Vehicle Branch. Now I suspect, although I don't have the figures and the Minister does and I'm sure he can produce them, as to what the revenues are from the Motor Vehicle Branch and how much people pay in drivers' licence and vehicle registration; that this is a sort of income that that branch has to pay its expenses from. If he is so concerned about the minimum wage earner and the little old lady paying for these expenses out of taxes, I would point out to him that the people that he's concerned about who don't drive a car won't be paying drivers' licence and vehicle registration fees to the Motor Vehicle Branch, so he is really not protecting those people that he says he is. Maybe he would like to give us those figures and show us whether or not he is in fact protecting those people against high taxes or whether it is the user-pay-principle. It's going to be paid anyway, whether it's paid out of Autopac premiums or whether it's paid out of motor vehicle registration or whether it's paid out of income tax. The Minister knows this, that it takes a certain amount of money to run these things. It's exactly the same thing as the other argument that we hear from members opposite, that when they cut government expenditures on it, somehow that's less money that's being spent. It's not less money being spent, it's being spent from somewhere else. In any case, that's all I wanted to say on that and maybe you would like to move to other members, Mr. Chairman. I wanted to come back on a different point when we leave this one.

**MR. CHAIRMAN:** The Honourable Member for Rhineland.

**MR. ARNOLD BROWN:** Thank you, Mr. Chairman. First of all, I would like to say that in the area that I represent and so on, there is a general approval of the Manitoba Public Insurance Corporation. I think that they are doing a reasonably good job and by and large I would say that the people are happy with it, but that doesn't mean to say that some questions don't arise and that some improvements cannot be made.

I would like to ask some questions that have been posed to me over the last couple of years and one of them is a policy. When you purchase insurance as a

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rule from any insurance company or whatever, a policy is included. Now you never do get this from Autopac and I wonder, would it be possible to include a policy when you purchase your insurance, when revisions are made to that particular policy that people were being made aware of these changes?

**MR. DUTTON:** Yes, of course, Mr. Chairman, all things are possible. It's a matter of economy. The system we have here of course differs greatly from the so-called conventional system used in Ontario, for instance, where a policy is a person's contract. The contract that you have here is in the statutes and the coverage is there. But we do produce — it's not called a policy — but it's a simplified explanation booklet on what your protection on your coverages really are. We find incidentally, that the insurance companies too, are trying to put into layman's language, the coverages that are in an insurance policy because very few people understand it, even if they get one. They don't know what the fine print really is all about. But the answer to your question is, certainly we could put out a policy but it would mean putting out something like 600,000 or 700,000 additional documents at an additional cost. The question I guess really is, does the cost warrant doing it? I suppose you can advise me — I'm pretty close to the work that I'm doing — but I have reason to believe that people did reasonably understand the protection that they have here. Certainly they are not reticent when it comes to putting in a claim, if we look at the number of claims that keep coming in. But if that is not the case, then obviously it's our duty to make sure that they are informed of what their protection is and maybe a policy is the answer. Again, the cost goes up.

**MR. BROWN:** I think that this is particularly true in the case where somebody has a claim and he feels that he's been possibly dealt unfairly with and so on. He would like to see just exactly what kind of coverage he has and what he really is entitled to. But this brings me to another topic when we are talking about claims and so on.

At the present time there is no appeal board other than appealing to the Manitoba Public Insurance Corporation. It seems to me that an appeal board is needed. Whenever somebody is unhappy with his claim, at the present time the person that they come to is the member of the Legislative Assembly for that particular area and he asks him either to intercede with the Manitoba Public Insurance Corporation or go and talk to their Minister directly. It seems to me that there must be a better way of handling appeals and I, personally, would like to see an independent body set up that could process appeals. I wonder, has this been given any consideration and is there any movement made towards that particular direction?

**MR. DUTTON:** Well, I'm of the view that the motorist in Manitoba has the right of appeal and perhaps is not aware of it and not using it. There is an Ombudsman here who has authority over us but that's not the case if you go to the private insurance companies in Ontario. Here, the provincial Ombudsman, because we are a Crown corporation, does and can look into the claim files and if he feels

that the claimant has not been properly treated, can order us to make the changes and has done so in the past. There are other ways of appealing too. If a person is arguing as some may do — and I'm sure we all feel the same way if your car is a total loss, that's the most beautiful car in the country that you just lost and you are not going to get enough money for it — but they have the right of arbitration in this particular case which is a form of appeal.

There are other rights of appeal boards, so to speak, which has perhaps a different function than what it's used for at times, but it has the rights of appealing to certainly an arm's length body to us, about certain charges that we'll make to them and sometimes there are arguments as to whether they are at fault in the claim and did they receive the right amount. They also have the right of appeal here through the courts and the small debt courts in the case of the at-fault portion, the portion of the collision that they are being paid for. Of course at all times we, in our Part 2 our no-fault payment, our no-fault benefits, we did not in this province, as was in the case of Quebec, take away the right in court for the motorists here. If you do not get enough money for your injury and you feel there is a wrongdoer, you still have the right to sue in court. I don't know whether another body on top of all of that would really add to the function. I think what is really happening is — and what people are not aware of and maybe not making use of enough — is the Ombudsman, because that's his function to make sure that the public are properly treated that have been handled by any government department or department of government.

**MR. BROWN:** If we were to send every complaint that we get to the Ombudsman, he would have to have a pretty large staff. This one particular week I received 13 complaints and, of course, you kind of try to do your own judgement on these. I'd say out of these 13, two of them possibly were valid complaints; the other 11 were not. I would like to see the kind of an appeal board set up where for 30 or so this appeal board would hear your case. This automatically would weed out a lot of the claims which really are nuisance claims. At the present time there is no charge. If we were to direct everybody to the Ombudsman, he's going to be swamped with people claiming they have been dealt with unfairly. However, if this is the wish of the Board, then certainly we can do this. We can refer everybody to the Ombudsman but I think it's going to put quite a burden on that particular department.

**MR. DUTTON:** I can't believe, sir, that it would create a monstrous department in answering the complaints. I do believe out of 230,000 claims in a year that the number of complaints addressed to Autopac are minimal indeed. As a matter of fact, we do have a Customer Service Department which handles these complaints and handles complaints not only from one MLA but from all of them, from the general public themselves. It is not a very large department so you will get some idea of the number of problems that we do have.

We cannot say, of course, that the handling of every file we have is perfect and never will be, nor would we with any organization; but I do believe that

the Ombudsman would not require an increase of any size in his organization to handle them. We do get complaints from him now and Mr. Maltby, I find, and his staff are very efficient indeed and have a good understanding of what Autopac and its operation is all about, and I think could resolve many of the areas of concern of the general public if they wished to go there. But it has often been said to me, we don't only have one Ombudsman here but we have 57 others, all MLAs, which of course, obviously, the claimant is going to go to his elected official, and that's why the pressure is put on you on any complaints they may have.

I was sitting at a lawn party on Sunday, next to a person who was telling me he didn't think his sister got enough money for the cuts on her face; she didn't have her seat belt on and put her head through the windshield. Well, that's in the Statutes, the amount of money we can pay on these type of things and where a person may not feel that's enough, that's what the law says. It could be changed and it's up to lawmakers to increase that amount, not up to the administration.

So I do believe that any improper handling on our part is to the minimum. Maybe misunderstanding and maybe your original statement, sir, of perhaps more publication of what the protection is, and what the coverage is, is what we ought to do so that people understand, so they will know whether they have been properly treated within the whole area of coverage that is important to them, because the coverage certainly is the best in North America and there should be no complaints.

**MR. BROWN:** No, I agree, that by and large, if there was a policy or so on, where these people, if they do have a claim and can find out just exactly what their rights are, what their coverage is and so on, that probably would eliminate a lot of the requests that we are receiving.

I received a letter the other day, this is on a different matter and I guess I can best explain the problem by reading the letter: Dear Sir: It has been brought to my attention that the Manitoba Public Insurance Corporation has altered its policy . . .

**MR. CHAIRMAN:** On a point of order, the Member for St. Vital.

**MR. WALDING:** Mr. Chairman, it is a rule of procedure that any member quoting from a letter is required to table it, and I would just caution the honourable member, or ask him whether he is prepared to table the letter when he has finished reading it, and he should be governed by . . .

**MR. CHAIRMAN:** That's right, the tabling comes if requested, as I understand the rules.

The Honourable Member for Rhineland.

**MR. BROWN:** I'm quite prepared to table the letter along with a picture, afterwards.

**MR. CHAIRMAN:** Proceed, the Honourable Member for Rhineland.

**MR. BROWN:** It has been brought to my attention that the Manitoba Public Insurance Corporation has

altered its policy on providing additional insurance coverage on classic and antique vehicles. The previous policy provided coverage for vehicles 15-years old or older at a rate of 40 cents per 100 on the appraised value, as determined by a representative of the Manitoba Classic and Antique Car Club. The new policy evidently does not provide coverage unless the vehicle is at least 30-years old.

I presently own a 1957 Chev Nomad, photo enclosed, and a 1958 Chev Cameo Pickup, which two years ago were appraised at 5,500 and 3,300 respectively. The Nomad presently has a market value approaching 10,000.00. As a rule, these collectors vehicles are stored inside, are driven only on special occasions and are, as a rule, not used as regular transportation.

I would request your consideration in reviewing this change in coverage with views towards rewording it to its original form.

Now there are a number of these people, there's another instance brought to my mind where a person has a car, a Thunderbird of a vintage model and so on; it really isn't all that old yet but the value of it is about 50,000 at the present time. These people would like to have coverage on the vehicle and be able to cover it for the 50,000.00. I wonder why this policy was changed. It would seem to be quite satisfactory.

**MR. DUTTON:** Mr. Chairman, at a committee meeting here a year ago, I was criticized or we were criticized because we were allowing the premiums to be too advantageous for people with expensive cars, with Cadillacs, with Rolls-Royces, and so on and so forth. We then made an effort to correct this inequity and we do not refuse to insure an older model car at the actual value of that vehicle, at the ACV or the actual cash value on the marketplace at the time. If the car is in good mint condition and records have been kept as to what the cost of that car is, it can be appraised at a higher value than that person may realize.

In addition, there are certain conditions prevailing to an antique vehicle and what it can be used for. Now of course the licensing of vehicles in these conditions, to a degree, would come under the Motor Vehicle Branch and not ourselves. Apart from that, a person can insure a vehicle, apart from its licence plates, for different coverages, of course. We had an example of that one on an expensive old Bentley. It was wrecked on its way down to the States on a sales job. It had no licence plates but it was insured under what we call a special risk extension. So there are many ways of insuring these cars, not just one of the licence plate and even if they are insured under the licence plate, the ACV you should be able to establish. I noticed you were holding up the picture there. It should give some idea of the value of that vehicle and what the cost would be if it was damaged and what the cost would be to repair it. Certainly I think the individual would be surprised that, if the car is worth 55,000, we wouldn't total it if there was 2,000 or 3,000 damage, he would get it repaired, obviously.

Its not a case of refusing to insure them; they are insured. There may be some argument as to what the ACV of that vehicle is. The only other system is what they call a valued policy, an agreed policy, that

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before you insure the car, you agree as to how much you are going to pay for vehicle, should it be a total loss, and that's probably what they're saying they can't get from us.

**MR. BROWN:** Thank you, Mr. Chairman.

**MR. CHAIRMAN:** The Honourable Member for St. George.

**MR. URUSKI:** Thank you, Mr. Chairman. I'd like to get back to the comments that were made by the Minister of Highways with respect to the cost-sharing and the negotiations dealing with the formula that is in dispute and his analysis going back a number of years.

At least now, Mr. Chairman, we know who is doing the negotiating. It is really basically not the administrations of the two departments, it is closely being directed by the Minister of Finance and the Minister of Highways. At least the Minister responsible for the MPIC has denied any direct involvement in it, but certainly the Minister of Highways has indicated his direct involvement by his knowledge, at least his knowledge of the system that he professed this morning and how he feels the formula is out of date, and why the formula should be changed, and how he feels that the percentages are in line. So that we know that the direction in terms of the negotiations are being directed to the Corporation by the government.

So where does that leave the Corporation, Mr. Chairman? It is almost a situation of the Corporation being put in the position that you do not make a move unless you have direction from the top, because you have a government who, philosophically, is totally opposed to the concept of public insurance; their statements and their actions are well documented, prior to Autopac and during, until, Mr. Chairman, that magic moment when they came into government and then it seems the shoe was on the foot. At least that's the impression they are giving us although that's not what the actions have . . . They obviously wanted to get rid of the Corporation and one way of getting rid of the Corporation was to bring about a report and direct a study to take the heat off them somewhat, and then maybe the report would be so damning on the Corporation that they would be able to implement some portions of it and still get away with a slow dismantling.

Obviously, the direction in the negotiations is coming from the government and the Minister of Highways and the Minister of Finance, with respect to the Corporation. The Corporation is in the position of being almost like the dove who is being pursued by the hawk; if they do make a move they will be eaten or at least pounced upon and the hawks, of course, are the present Minister of Highways and the Minister of Finance, who does, of course, want to make his revenues and his income, as far as the provincial revenue is concerned, to be seen in the best light.

You know, we talk about and the Minister talked about the equal benefits concept. Mr. Chairman, regardless of whether the Corporation requires the registering system or not, I think we forget one point here in the arguments that were presented to us by the Minister of Highways, Motor Vehicle Branch still

requires the registration system; whether MPIC were here and would be on the scene or not, we would still require a registration system, whether we like or not. We've had it for years and years, since we started registering cars in this province, and that system has been required.

Mr. Chairman, I won't even get into the debate of whether the percentages are right or wrong because I don't know the intimate details of what is going on in negotiations. The Minister of Highways seems to know. At least he has given us the indication there is definite government direction as to which way they want to proceed in this respect, and that's the point we were getting at, Mr. Chairman. The Minister responsible has denied any involvement in these negotiations but certainly the Minister of Highways has come out with it quite openly and said, Yes, I believe there is something wrong and I'm directing my forces against this Corporation to make sure we get the best deal we can.

Now who is going to get the best deal? You have the Minister of Finance, who wants to make his revenues look the best; we have the Minister of Highways, who says he is intimately knowledgeable on what the cost-sharing should be; and then we have the Minister responsible, who says: I have kept away from this although I instructed them in 1978 to start looking at this. Where's it all going to end, Mr. Chairman? Obviously, the government will have its way over the objections, or not even the objections but the statements of the Provincial Auditor, who spoke to another Conservative government, a legislative committee from Ontario.

Let's just read out the record what the Provincial Auditor from Manitoba said, and I quote from Page 433 of that report: The Provincial Auditor in Manitoba has indicated to the committees' consultants that he is well satisfied that the operating costs of the automobile insurance operations of MPIC are properly accounted for and allocated between the Auto Insurance Fund and the general insurance operations, and the activities of other government departments.

The Provincial Auditor further indicated that he had recently been asked about hidden subsidies by the Public Accounts Committee of Manitoba. He responded that the MPIC financial statements disclosed all costs and that he knew of no material omissions. He felt that MPIC was a stand-alone operation and that it was paying its own way.

As far as indirect benefits to MPIC were concerned, he cited as an example, the Department of Highways advertizing campaign in connection with speed limits which might be of benefit to MPIC. No attempt was made to measure these types of benefits. He knew of no free rides which might be available to MPIC and indicated that, to the best of his knowledge, economic values were charged for all major items of operating expense.

Mr. Chairman, obviously the government has felt that is not the case. You know, it's been quite evident with the moves they made when they came into office in 1977 with their restraint program on which has been commented by Mr. Burns in his report about the ability of the Corporation to operate in terms of how it is doing business. Obviously they interfered in the Corporation and its operations in the way they handled the general insurance portfolio.



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As much as they have denied it they have finally, in the last few months, I believe, reversed their position and possibly, we don't know this yet, we will question it further, have allowed the Corporation to have some breathing space in this regard.

But certainly it is obvious from the statements of the Minister of Highways that the whole issue of renegotiations has been directed by this present government to make their revenues look better at the expense of MPIC, Mr. Chairman. One cannot make any other conclusion than that from the statements made by the Minister of Highways and his involvement in this renegotiation . . . As far as he wants to say who started the discussions, he can do it all he wants, Mr. Chairman, but the fact of the matter remains, he is the Minister responsible, he is the one who is directing the operations today and they are the ones that have attempted, in more ways than one, to discredit the operations of this Corporation; and certainly, Mr. Chairman, this move is one of many that have already been made by the government, along with the move away, the user-pay principle that he talked about, the gasoline premiums.

If the Minister of Highways talks about someone else paying for the benefits of the motor vehicle operators, Mr. Chairman, we have now 500,000 motorists who are putting in two cents a gallon to the operations of the motor vehicle fund, who have paid for the benefits of 165 estates in 1976 in terms of the estate and gift tax. And talk about a gift, to the people of Manitoba, the motorists who were putting in two cents a gallon in the insurance fund which amounted to 7 million, that money was removed from the Corporation. And that was a user-pay principle, Mr. Chairman. Those funds were removed from the Corporation, put into general revenues. To whose benefit? To directly offset the gift that they made to who? To people who had estates valued over half a million dollars. Talk about benefits to a few people and somebody subsidizing somebody else, Mr. Chairman, half a million motorists paid for the benefits of 165 estates, if we want to talk about benefits to some select few people in this province.

So certainly, Mr. Chairman, the Minister of Highways can get up and the Minister responsible can continue to deny the allegations. No denials will allay the fears of the public of Manitoba and the members of the opposition that their moves have not been a progression to continually discredit and undermine the operations of MPIC.

**MR. CHAIRMAN:** The Honourable Minister.

**MR. ENNS:** Mr. Chairman, I don't really believe it serves a great deal of purpose, although I acknowledge that we're in a political arena and if the Honourable Member for St. George wishes to go back to remind us of what was said or what wasn't said or what was the intention of the then opposition prior to the last election, he should at least be accurate. And what was said of course is that Autopac is here to stay, that we would examine very thoroughly whether or not there was a possibility of making some fundamental changes that would allow for a greater freedom of choice or entry of competition to Autopac and, Mr. Chairman, we

carried out that election promise. It cost us 300,000, and the honourable member has the report in front of him.

It portrayed, it gave us one particular recommendation as to how that could be accomplished. That was found to be not acceptable to this government and was rejected and that is the fact of the matter. What the honourable member is overlooking, that in the interim substantial improvements have been made to the Corporation, have been initiated by the Corporation, have been agreed to by the government of the day, improvements which were before the honourable members opposite when they were government. For instance, to the bodily injured, the recommendations of that report which substantially increased the benefits from 75 a week to a maximum of 270 a week is a substantial improvement and some 500 to 600 currently injured people are the beneficiaries of that improvement. The structure within Autopac itself has undergone some very notable changes and improvements, some of which have been alluded to and referred to by the chairman in his opening remarks. The Dial-A-Claim Program is a major improvement in the province and we look to additional improvements, Walk-in Centres, etc. We hope to be in a position to announce very shortly a new home for Autopac.

Mr. Chairman, this I know rankles honourable members opposite. It is part of their strategy of course to suggest that we will do all kinds of dire things such as, we're throwing out Medicare and hospital care, we'll also throw out Autopac, but, Mr. Chairman, that's part of the political reality that all members opposite will have to live with. The truth of the matter is that under this administration we have carried forward those programs which we found to be of value and of service to the public of Manitoba and the MPIC Corporation is certainly one of them. I can't prevent the honourable members opposite from clutching to straws as they see themselves fading into oblivion for the next 12 or 16 years in terms of political power in this province, but on the other hand, let me not allow this form to be used to put on the record statements or innuendos which simply do not portray the situation as it is.

The truth of the matter is we have arrived jointly with the departments involved and, of course, the Minister of Highways, who is responsible for the Motor Vehicle Branch, has a specific and direct interest in this matter. And the Honourable Minister reminded members opposite that interest didn't just arrive with the arrival of that Minister in his responsibilities; that was there when a certain Mr. Peter Burtniak was the Minister responsible for the Motor Vehicle Branch. We are carrying out that particular instruction to the Management Committee of Cabinet of that day. And if the honourable members are now suggesting that the Cabinet minutes, instructions, and management instructions of 1976 were just useless bits of paper, useless bits of discussions that shouldn't be taken seriously, well, that's a reflection that he has to carry with respect to how they carried on in government of that day.

Mr. Chairman, I can only indicate to honourable members of the committee that the co-operation that needs to be there is there with the Department of Highways and the Motor Vehicle Branch, specifically

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in this instance, and that the motoring public of Manitoba can look forward to a strengthened, vigorous corporation under the present management at Autopac that it will continue to provide the kind of service that Manitobans have become accustomed to.

**MR. CHAIRMAN:** The Member for St. George.

**MR. URUSKI:** That's all on this one, Mr. Chairman.

**MR. CHAIRMAN:** The Minister of Highways.

**MR. ORCHARD:** Thank you, Mr. Chairman. I didn't want the record to leave the Member for St. George's wild-eyed allegations unrefuted. The Member for St. George reminds me of some serious accidents that happen from time to time on farmyards where hog barns burn down with the hogs trapped inside and at the last dying moments they squeal, and that's what we've heard here today from the Member for St. George, is a great squealing as he's about to see his barn burn down.

Mr. Chairman, there are these obvious things that have come out of the Member for St. George's remarks. First of all, as I mentioned in the introduction of my brief statement some time ago, it is not an argument of equitable cost-sharing between MVB and MPIC, it is a political argument, and that is what is bothering the Member for St. George is the politics of it. He does not want to see anything happen to MPIC, legitimately, which will raise their costs, hence their premiums, because it is a political ideology that he was part and parcel of creating. We have no particular hang up on this side of the House in making any organization in government pay its associated costs and that's what we're trying to do.

The second important thing that the Member for St. George fails to recognize is that it is not under our direction that this reassessment of the cost sharing was initiated. It was under his government and, Mr. Chairman, I want to table this Cabinet directive from the Honourable Ian Turnbull, Chairman of the Management Committee of Cabinet, to the Honourable Peter Burtniak, Minister of Highways, to let members opposite be aware that review was requested in 1976 prior to our administration.

And, Mr. Chairman, I must admit I take a great deal of pleasure in being chastized by the Member for St. George in that I am knowledgeable of what is going on in my department in the negotiations. I consider that to be part and parcel of the office that I should know and I should be briefed completely by the Registrar of Motor Vehicles as to what his position is, what his long-standing position is in regards to Motor Vehicle Branch — MPIC cost-sharing is. It gives me a great deal of pleasure to be knowledgeable in the workings and information that is required to determine an equitable cost sharing.

Now I admit that the Member for St. George, when he was a member of government, may not have enjoyed that desire for knowledge of what is going on in his department. That, Mr. Chairman, is his problem, not mine. I consider it a compliment to know what is going on to the best of my ability, what is going on in my departments in all their negotiations with whomever.

Now, Mr. Chairman, I want to table this and I would like to have it distributed to all members of the House so that the Member for St. George can go home and rest on his pillow knowing that he initiated, when he was in government, his government initiated the cost-sharing formula, and I don't want to dwell on it too much but I do want to thank the Member for St. George in his kind compliment in which he recognized that I knew what was going on in Motor Vehicle Branch. And I know now that he very much regrets that dire vote he made in reducing my salary to a dollar.

**MR. CHAIRMAN:** The Honourable Minister, I suppose, when he said that he wanted a copy of that sent to all members of the House, he meant this committee?

**MR. ORCHARD:** This committee, sorry.

**MR. CHAIRMAN:** The Member for St. Vital.

**MR. WALDING:** Mr. Chairman, I'm very pleased to hear from the Minister of Highways that he is so knowledgeable about his department and he keeps up-to-date in everything that's happening. It seems a shame under those circumstances that he could not tell members of the committee where his report was when it was two weeks overdue. It's rather odd that he used the analogy of a barn burning down. I wonder if that was intentional, whether he is intentionally admitting or informing the committee what the government's intent is when it comes to Autopac, to burn down Autopac. And if he's worried about people squealing when that happens, I can assure him that will be . . .

**MR. CHAIRMAN:** The Minister of Highways on a point of order.

**MR. ORCHARD:** Mr. Chairman, the barn that I referred to burning down was the Socialist Party barn.

**MR. WALDING:** Mr. Chairman, I would like to inform the Minister that potentiality is well insured against and is not likely to happen in the next century or more. I am a little intrigued with the Minister's comment about departments paying their way. Now that's probably the silliest statement that I've heard. If he wishes to carry through with that in his own department, what he would do is to set up toll gates on all of our highways and make sure that those people using the highways in fact pay the full cost of them, and also that there will be gates set up at the entrance to every provincial park and that the fees for entering those parks will be such as to accommodate the full costs, including the cost of the land involved. Now he knows that just doesn't happen, so for him to say that really doesn't make very much sense at all.

I wanted to move on to another point, if I may, Mr. Chairman, and noting that the report ends October of last year, I wanted to ask the Minister whether the general manager is also the Chairman of the Board of Directors of MPIC?

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**MR. ENNS:** Yes, Mr. Chairman, that is the case. Mr. Dutton serves as General Manager of the Corporation as well as Chairman of the Board.

**MR. WALDING:** Mr. Chairman, I note that there was a division in these two positions under the former administration and that it has been admitted by the government that it's their intent, as a matter of policy, to affect a division of responsibilities with Crown corporations and I understand, or I seem to recall that the Burns committee had recommended such a thing. I notice it hasn't been done yet. Can the Minister tell me whether a change in the Act would be necessary in order to affect this change?

**MR. ENNS:** Mr. Chairman, I'm advised that a change in the Act is not required to make that move. I think the honourable members are aware, I expressed that in the first instance that I had responsibility for Autopac, that I declined what had been the practice, as the member alluded to, by the previous administration, of the Minister responsible for Autopac becoming the chairman of Autopac as well.

I've had discussions on the subject matter with the management at Autopac. Mr. Dutton is aware of the feelings that I have about that question. I believed that it was in the interests of removing politics, and I don't say that in any derogatory way, politics is not a derogatory subject, but I believe that in the interests of ensuring minimal political interference with a Crown corporation, with any Crown corporation, that in the first instance at least I wasn't prepared to carry on the practice of having a Minister as chairman of the board of a Crown corporation and it is my intention to separate the functions that Mr. Dutton is currently carrying on, i.e. both the chairmanship and the general managership. The corporation is aware of those intentions.

However, I can indicate to honourable members of the committee that I see this not as a matter of pressing or urgent concern, certainly not to be taken in any way as a reflection of the services that Mr. Dutton is providing in both these capacities at this time, it's simply a general feeling of this government that a separation of these two offices is desirable and when suitable candidates can be found for fulfilling that role that will probably be undertaken.

**MR. WALDING:** Mr. Chairman, we did discuss this matter last week when the telephone system was before the committee. I believe I pointed out at the time that there is a bill before the House now to affect this separation of offices with the Liquor Control Commission — that was under a different Minister of course — and that the Minister reporting for Hydro just three or four months ago had appointed a brand new General Manager for Hydro. But when it comes to this Minister, who has responsibility for the telephones and for MPIC, we find no indication of any movement at all in that direction. It raised the question as to why this Minister is dragging his heels in implementing government policy when two of his colleagues are moving somewhat more rapidly in that direction.

Is it a matter that this Minister is really going against his own government policy in this regard? Or can it mean, on the other hand, that with the

personalities and the abilities of the people involved, that both corporations are running very well under the present situation and this is what is bothering the Minister? Or can it be, as the Minister hinted in his last statement, that the government is finding some difficulty in finding competent people who are willing to put their careers on the line in working for a government which they see as not having very much longer in office? Perhaps the Minister would like to comment on that.

**MR. ENNS:** Mr. Chairman, I refuse to comment on some aspects of the honourable member's remarks and comment on a few others. Certainly with respect to his comment about the affairs at Autopac being handled in a capable manner, I suppose my inaction or my lack of urgency in bringing about a change in that respect reflects the confidence that I have in the present general manager and the chairman of the board.

I stated before and as I stated at the time that the Manitoba Telephone System was before this committee, that while that is a recommendation that has been generally held to by this government, recommended to us by different individuals who have, from time to time, looked at the operations of different Crown corporations that have made the similar observation, it's not one that commands the urgency of action upon us. I think the honourable members can appreciate that's the state of the matters and that there ought not to be any further innuendoes read into the lack of, or the taking of, action in this respect.

I think that in general, in general it is an acceptable business practice that there ought to be a separation of the chairman of the board from the chief executive officer of the company. In many instances the chief executive officer would continue to be a member of the board. It's found to be helpful in some instances and in other instances that may not be the case. But different Ministers and different departments and different conditions, in the case of Manitoba Hydro where the occasion presented itself, where a new executive officer was being brought on stream, there was the opportunity for the Minister then to decide as to whether or not he should combine the job of the new executive officer with that of the chairmanship of the board at the same time. That situation has not occurred with Autopac. Mr. Dutton was serving as general manager. I suppose, if anything that this government did with respect to the chairmanship, or the direction that Mr. Dutton is giving to Autopac, is simply to add to them by making him chairman of the board as well during the course of the last two and a half years.

**MR. WALDING:** Thank you, Mr. Chairman. I wonder if I might ask Mr. Dutton a question or two on the financial report of the commission. The first question I have, I'd like to know how much the corporation paid to the auditors for auditing the books for this particular financial year.

**MR. CHAIRMAN:** Mr. Dutton.

**MR. DUTTON:** 70,000.00.

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**MR. WALDING:** Next question and I perhaps asked it last year, what did the corporation pay to the Provincial Auditor when he audited the books the previous year?

**MR. DUTTON:** 38,500, Mr. Chairman.

**MR. WALDING:** I'm surprised to hear that, Mr. Chairman, that's an increase of almost 100 percent in the corporation's costs. I wonder if this is what the Minister of Highways had in mind when he was talking about costs to government. I understand that there were one or two members of the auditor's department, not laid off but allowed to go by attrition, and bears out the point that I made to him before, that there's no reduction in costs involved here; all it is is a shifting of the costs to other people.

Next question that I had had to do with the reserves of the corporation and ask where the approximately 15 million in various reserves are invested? Are they in a separate account, interest bearing account, or are they invested somewhere else?

**MR. DUTTON:** All moneys are invested, all the money that we have. It is invested by the Treasury Department, not by ourselves, the Department of Finance. Starting on page 14 it does give you a schedule of some long-term investments that we do have, running into as you'll note, October 31, into some 91 million. Really the procedure that we use and the procedure that we use for our money, all money that has been set aside for reserves such as, in this case, you mention the 15 million, a contingency reserve, a catastrophe reserve and the other reserve we have which is for equalizing of rates, as time goes on is invested; and if it is not tied up in these long-term reserves it's invested in short-term which we consider as reserves of money that may be needed under a period of one year. That usually ends up in bank paper on 30, 90 or 120 days or whatever. All the money that we have works for us.

**MR. WALDING:** Yes. I was just not sure whether it was in a separate bank account as such or whether it was used for municipalities and schools as other assets are. When it comes to these various reserve funds, I don't really understand why there is a separate fund for catastrophe and contingencies and rate stabilization. Could you explain that to me, please?

**MR. DUTTON:** Yes. The money is earmarked for a specific purpose in the reserve and a catastrophic event — like the one we suffered within two years of the opening of Autopac where there was a severe hail storm that cost us a few million dollars. So to take care of that event this money is specifically earmarked to cover any catastrophic event. And in addition to that 7 million we buy catastrophe reinsurance to make sure that the corporation isn't too badly hit. So if there was a severe catastrophic event this year the money would come out of that specific reserve.

Contingency reserve can cover almost any other type of contingency that can come about. And the

other one is money is set aside and actually the surplus, in addition to all of these things, which is set aside in the event that we suffer a loss this year, which we perhaps don't anticipate. We cannot control all things that are happening, I'm talking about apart from a catastrophe and so on, that the losses continue to escalate and we miscalculate in our costs.

Incidentally the description of these reserves is in the back part of the book as to what they're all about.

**MR. WALDING:** Next question. I'd like to ask whether there is an industry standard for the amount of these reserves compared to either assets or premiums in a year or some other criterion.

**MR. DUTTON:** No. I know of no industry standard as such to the amounts of the reserves. There's various ways on catastrophes, as I've explained, of protecting yourself, you can buy reinsurance. But this is costly and certainly you cannot ever gain on it because the name of the game for anyone who's going to reinsure you is to make sure that they make a profit plus the administration costs. So it's easier for us to set up a certain amount of money in reserve and hold it for that purpose and at the same time it is earning us interest. But there's no real standard as such in the industry that I know of for the amount that they will put aside. They will reserve whatever they feel is adequate under their conditions. Again on catastrophes, for instance, it depends upon whatever the type of material that you're insuring as to whether you require catastrophe insurance in the amount or whether you require reserves.

**MR. WALDING:** Then how are these amounts of 7 million, 2.8 million and 5.4 million arrived at? Is that just the best estimate by the board or is there some working rule of thumb? How is it arrived at?

**MR. DUTTON:** Well, we are of the view, Mr. Chairman, that these amounts should be there. There's naturally some discussion with the board and with the Provincial Auditor as to whether they are adequate or more than sufficient. But we'd like them to be, if anything, overly stated to make sure that the whole fund does not suffer a severe shock some year.

It is a judgement call on behalf of management and the board.

**MR. CHAIRMAN:** The Member for St. Vital.

**MR. WALDING:** One further question, Mr. Chairman. Why is there a rate stabilization reserve for the Autopac Division but not for the General Insurance Division?

**MR. DUTTON:** The Autopac Division, Mr. Chairman, is charged with the responsibility of running a break-even proposition, very difficult to do. You either are going to make money or your going to lose money. Last year, we thought perhaps we would have a break-even situation; we came close to a 1 million surplus. This year, at the present time, we're running a deficit, which is not unusual under Autopac

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because the first few months always runs a deficit. It's very difficult to break even and if we do suffer a loss, that's where the money will come from in that particular year, to equalize the whole situation in that year.

In the general business, it's different again. You notice that in the general business, it shows a surplus. A surplus unallocated, which is really a profit and the purpose of the general business, as it's written in the Act, the Act is written as a one-way. Our assets exceed 125 percent of our liability. Any surpluses will be paid to the general revenue of the province and this fund has gradually built up. The amount of money you will see there is unallocated. A portion thereof each year will be paid to the government, but nothing out of Autopac because it's charged for the responsibility of running at a break-even proposition.

**MR. WALDING:** You are telling me then that some revenue from the General Division at MPIC goes into general revenues, or will?

**MR. DUTTON:** None has gone to date, but it will as time goes on as the surplus continues, if it grows as it is at present, and it continues to increase and hits this 125 percent. Incidentally, the rule of thumb in the industry is your assets should be 115 percent but we build it a little higher of an amount in there, 125, when the Act was drawn up because the government or the province has no moneys invested in the general business and we have to build it up a little higher than 115. There is no shareholders' equity in it, as such.

**MR. WALDING:** When it comes to that point, Mr. Chairman, how will a decision be made and who will make the decision as to whether to remit to the province some revenue from that year, on the one hand, as opposed to reducing the premiums for the policyholders, on the other hand?

**MR. DUTTON:** In the general business, a premium charged the policyholders is dictated by competition, as opposed to Autopac where we really have the only game in town and it's a matter of mathematics as to what people should pay. And so if the competitive factors in the efficiency of running the operation allow us to accrue a surplus over the year, then it becomes in excess of that 125 percent. I would suggest, Sir, the board at that time that would be sending a cheque to the government as part of the dividend paid by Autopac to the government.

**MR. WALDING:** You mention that the general insurance rates are on a competitive basis, which would tend to limit the maximum that you could charge. Surely, that won't limit the minimum that you can charge if you find that you are getting up towards that 125 level. Surely it would seem good business to reduce your rates below that of your competitors for a year or two to give the benefit of lower rates to Manitobans insuring with the corporation, rather than to see a surplus built up that's going into general revenues. Now would this be a matter of policy by the board or would this come down as a policy directive from government, or is this just something you have always done?

**MR. DUTTON:** I have always been of the view that the general business was profit motivated and I have never received any instructions to the contrary. It is operated similar to a private company in that we do not receive any breaks that a private company would not receive. In other words, there is no captive business for us and any business that we get, we have to get it by either being competitive, as you suggested, on rates or in service, or in other ways. That's how we hope to build the business.

Now, it's been my experience in the many years I have been in the insurance business that once you start cutting rates, because you've had a good surplus, it certainly takes a long time to change that cycle again. The industry has been going through that right now; at the last quarter of last year they lost about 187 million I believe it was throughout this country because they have been doing exactly the same thing. What you will see within the next year or so is an increase of general insurance rates because they have been cutting them too much with a view of getting business from other companies. They can't cut them too fine; if they do, it's a matter of mathematics, they're going to lose money and that is what is happening. So it's up to, I think, management of any insurance company to decide what is the safe point to which to cut rates to attract business and still make a profit.

**MR. WALDING:** I follow that, Mr. Chairman. I think I understand what Mr. Dutton is getting at, but it would seem also that the General Division of MPIC has been very successful over the last few years, and in making a profit every year, is moving up towards that 125 percent that he mentioned. If Mr. Dutton intends to run the division like any private business-oriented corporation, surely it would make sense to trim the rates a little, give the benefit to Manitoba premium payers and also, perhaps, attract more business and grow in the normal businesslike manner. Is this not the way you ought to go, rather than in 1, 2, 3, 5 years or something, find yourself with a revenue surplus? Can we have the benefit of it now, instead of five years late down the road and perhaps some general tax might be eased or trimmed a little bit because of your surplus?

**MR. CHAIRMAN:** The Minister.

**MR. ENNS:** Mr. Chairman, perhaps it's worthwhile to point out there is a substantial difference between the General Insurance Division and the Auto Insurance Division. Auto insurance is provided by law, the corporation provides service at cost, more or less, in the most prudent and efficient manner they can. In the general insurance division, the questions that the honourable member raises are interesting. The shareholders are the people of Manitoba. Should the benefits of good management or profit be passed on to Esso, the Bay and Eaton's or, indeed, through the people of Manitoba, after the management and the board have decided that they are in a competitive position, have accrued some profits and these are now, indeed, accruing to the shareholders of the general insurance division of MPIC, namely, the people of Manitoba. But there is a difference. In the auto insurance we have compulsory legislated by law to provide service at cost; in the

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general insurance division they are, in fact, operating as a Crown agency but in a competitive business world.

**MR. CHAIRMAN:** Order. The Member for St. George on a point of order.

**MR. URUSKI:** Mr. Chairman, just on a short point. The Minister of Highways distributed a document to us but he neglected to give us Page 2 of that document to make a full memo. Could I request the Minister of Highways to get Page 2 distributed to the members as well? The document was incomplete.

**MR. CHAIRMAN:** Is that agreed? (Agreed)

The hour being 12:30. I wonder if there is a disposition on the part of the committee to adopt the report.

**MR. WALDING:** On Thursday.

**MR. URUSKI:** On Thursday, Mr. Chairman.

**MR. CHAIRMAN:** In that case we will meet again on Thursday at 10:00 a.m. Committee rise.