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on
**ECONOMIC
DEVELOPMENT**

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Chairman
Mr. Don Scott
Constituency of Inkster



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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Second Legislature

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**LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT**

Tuesday, 27 April, 1982

Time — 10:00 a.m.

MS. DEPAPE: Committee will come to order. The first order of business for the Committee is to elect a new Chairman. Do I have any nominations? Mr. Evans.

HON. LEONARD S. EVANS (Brandon East): I would nominate Mr. Scott, the MLA for Inkster, to be Chairman.

MS. DEPAPE: Are there any further nominations? Seeing none, Mr. Scott, will you please take the Chair?

MR. CHAIRMAN, Don Scott (Inkster): Gentlemen, the first order of business is the setting of a quorum. Tradition, I believe, six has been a quorum in the committee. There are eleven members on the committee. Six, therefore, is about 65 percent. Could I have a motion from the floor that the quorum be six?

MR. GARY FILMON (Tuxedo): I move it.

MR. CHAIRMAN: Secunder?

MR. GERARD LECUYER (Radisson): I second it.

MR. CHAIRMAN: All those in favour? (Agreed) The quorum is now six.

A. E. MCKENZIE CO. LTD.

MR. CHAIRMAN: This morning, on the agenda, is McKenzie Steele Briggs Limited. Maybe the Minister could make some introductory remarks. I call on the Minister of Community Services.

MR. EVANS: It is my pleasure to introduce to the committee Mr. Joseph Petrie, who is serving in the capacity of Acting Chairman of the Board this morning. Some of you may know Mr. Petrie. He is a long time resident in the province and he has worked in various phases of the wholesale business in Canada for many, many years. He comes to the company with many, many years of experience with Merchants Consolidated and in other major Canadian wholesale operations.

Also with him is Mr. Bill Moore, the President of the Company, and Mr. Charles McEachern, Vice-President of Finance of McKenzie Steele Briggs.

So, at this time, I would like to call on Mr. Petrie, Chairman of the Board, to provide a report to the committee on the operations of the company for the year ending October 30th, 1981.

MR. JOSEPH PETRIE: Thank you, Mr. Minister.

Mr. Chairman, the A. E. McKenzie Co. Ltd. ended its 1981 fiscal year reporting a profit from operations of \$113,118 after debt servicing charges of almost \$2 million.

In November, 1980, the company disposed of its

Winnipeg properties. The loss of \$45,616 on the disposal of these assets is reflected in the 1981 financial statements. During the year 1981, sales increased by \$2,632,604 over 1980, and in 1982 sales are again materializing favourably and are estimated to be \$13.5 million by year end.

Continuing high interest rates make the cost of servicing the company's substantial debt an ever increasing burden. In fiscal year, 1981, interest charges paid to the company's bankers and to the Government of Manitoba amounted to \$1,923,193, 16.65 percent of gross revenue; an increase of \$523,327 over the previous year. Changes in the distribution system have allowed the company to increase its Brandon employment levels and to reduce distribution costs. Employment will peak at 275 employees in 1982, with an annual payroll of approximately \$3 million. The company's share of the market continues to improve especially in the areas of direct marketing and packaged bulbs and root stocks.

Mr. Chairman, the report.

MR. CHAIRMAN: Thank you, Mr. Petrie.

Members of the committee, we have a copy of the Financial Statements in front of us and I'm wondering how you would prefer to go through, whether you do it line by line, page by page? We don't have volumes, we won't be going volume by volume.

MR. FILMON: Is it possible to have some general discussion on the company of various changes that may have taken place and some of that prior to looking at the Financial Statements?

MR. CHAIRMAN: I would say that is acceptable, yes. The Member for Tuxedo.

MR. FILMON: Mr. Chairman, I wonder, will Mr. Petrie be answering on behalf of the company, or . . .

MR. EVANS: Yes. Mr. Petrie is the Acting Chairman of the Board.

MR. FILMON: Perhaps we could begin by just reviewing who the members of the Board are then and what the structure is. You say Mr. Petrie is Acting Chairman. Is that because the the Chairman isn't here, or has one man been appointed, or?

MR. EVANS: Yes, I can certainly answer that question. The Chairman of the Board is George MacDowell, former head of the Economics Department at Brandon University. He's unfortunately unable to be with us today so Mr. Petrie, as I stated, is acting in his place. Besides Mr. MacDowell and Mr. Petrie, we also have on the Board, Dr. William Paton, who is a Professor of Botany at Brandon University; Mr. John Combs, a Brandon lawyer; Pamela Semchych, a Brandon housewife and considered a consumer representative; Miss Patricia Britton, also considered a consumer representative; Mr. A.I. Cristall, who is a Brandon businessman. In addition to these people, we have Mr.

Hugh Jones who is the Chairman of the Manitoba Development Corporation and Mrs. Kathleen Roberts, the daughter of the late Dr. A.E. McKenzie, who is the founder of the firm. I believe I've covered everybody. I think that is the total makeup of the Board.

MR. FILMON: I wonder if the Minister could tell us who the former members of the Board were just for review purposes?

MR. EVANS: I have a list somewhere. I don't know how complete it is.

MR. FILMON: Sorry, could I just ask then, the Minister didn't mention Mr. Petrie. Does that mean that he's not a member of the Board?

MR. EVANS: No, I mentioned Mr. Petrie. I said in addition to Mr. Petrie.

The former members would be Mr. Andrew C. Wilton of Brandon, Mr. Craig Stewart, former Conservative M.P. for Minnedosa, Mr. Frank Collier, Mr. Henry Rempel, Mr. Keith Lewis, Mr. C. Christensen and Mr. Ed Mazer.

Then of course, in addition to that would be Mrs. Roberts, Mr. Jones and Mr. Burns, who was executive assistant to the former Minister of Finance; Mr. Craig's executive assistant, Mr. Burns is on. So, Mr. Burns and Mr. Jones of MDC and Mrs. Kathleen Roberts also continues on the Board.

MR. FILMON: In other words, this government has fired or replaced the former Board as part of its initial thrust towards the new approach to the operation of McKenzie Seeds, is that correct?

MR. EVANS: Yes, as I've indicated, the vast majority has changed.

MR. FILMON: I wonder, in view of the fact that the operation of the company appears to have had quite a remarkable turnaround in recent years and appears to have for the first time in long memory, despite high interest costs and a very high carrying cost for the debt load that the company has in place, the fixed debt load which was referred to in the Annual Report; despite all of those very serious concerns, concerns that are facing other businesses and, in fact, causing other businesses to have a turn for the worse; despite all of these adverse conditions, this company has had a remarkable positive turnaround. Why would the Minister fire the Board? It seems rather strange to me that he has put on the Board, as nearly as I can tell, only two people who could be considered to be business people or with some background in business, and has taken off a Board that was made up in majority of people who were business people. They seem to have been successful in turning this company around, and the Minister has replaced them with what he says are consumers.

Can I have some comment on that?

MR. EVANS: I think it's high time in this province that we have more women representation on boards and commissions of the Government of Manitoba and we made a deliberate effort to add two women, who I

refer to as consumer representatives, just those two. Of the others on the Board, two are businessmen, one is a lawyer, the other person is in charge of a business development corporation, and the Chairman is an economist.

Mr. Chairman, the fact is that the company has had a long record of change, a long record of restructuring and so on. I would suggest that some of the success goes back to decisions made many years ago.

I am particularly concerned that we have a Board which is interested and concerned about the matter of refinancing and we're interested as a government to insure that this company is refinanced in a way that will enable it to remain a solid Manitoba company and continue its operation in the City of Brandon.

I am pleased that this particular Board has, as its top priority, submitted a proposal for refinancing to the government.

MR. FILMON: The Minister has touched on a number of things that I think need to be addressed. The first one that occurs to me is that if a company is able to meet all of its legitimate obligations including a debt service load of over \$2 million and still operate profitably, one has to then wonder what is the need for refinancing. It seems to me that if the Minister is talking about removing the long-term debt load from the company and then instead, allowing that over \$2 million that was paid in interest cost to then become profit, what is then going to happen. This is kind of an artificial situation. If the company is meeting all of its obligations, why would you want to artificially take off the debt service cost and replace it so that it becomes a profit in the hands of this company? If it were a legitimate profit, that's fine, but if it's just taking off debt service and putting it onto the taxpayers' shoulders, it seems to me that I would have to question that method of approach.

Secondly, I have absolutely no objections to putting women on boards. That was one of the things I was able to achieve in making a number of board and commission replacements in my term as a Minister. I think that the Minister ought to be concerned about the competence of people that he puts on and I am not suggesting by this that any of the people that he has put on the Board are incompetent. What I am suggesting is that he can find women as well as men who have business expertise in this province. He can find women as well as men who can read a financial statement and assist positively in marketing, business development and all of those things as members of the Board. If the only qualification that he has in placing these people on the Board is the fact that they are women, I think he's doing them a disservice, Mr. Chairman, and I think that if I were a woman, I would object to that kind of tokenism.

It seems to me that this Minister is taking a company which has through positive action business expertise on its Board, good strong business principles, turned itself around and the Minister is throwing it all out the window in the interests of putting some of his party faithful on boards, in tokenism and in all sorts of absolutely unacceptable moves as far as I'm concerned. I suggest that this Minister is going to get in difficulty and is going to cause problems for the province if we are going to turn around a company that

now has finally gotten some semblance of economic discipline, is able to achieve some positive things on behalf of itself and hopefully the people of Brandon, and is going to throw it all out the window just for pure partisan purposes. I object very strongly to it.

MR. EVANS: Mr. Chairman, the women that we've placed on this Board are bright, dedicated and competent and know how to read a financial statement. They are making a significant contribution as I am advised. The Board is as strong, if not stronger, than any Board that we have had in the past.

I make no apologies for people who may be inclined to one political persuasion or another. I can assure you, if you look at the previous Board, you would find that 100 percent of them were supporting the Conservative Party, if not openly, having been former members of parliament or other positions certainly in their connections. I don't fault them and I don't criticize them for that. I never criticize the previous government in that respect. I think the most important thing is that you get people who are prepared to put their shoulder to the wheel and help the company.

I believe that it is necessary for refinancing of the structure. I have not indicated the nature of the refinancing, so a lot of the member's comments in that respect are not necessarily relevant.

I am very pleased that over the years we have developed very good management. The company continues to have good management and continues to have a terrific future. I will do everything I can, and I look forward to the support of members of the committee and the Legislature, in ensuring that the company is financed in such a way that it is appropriate for today's business world, because there is no question in my mind that the financial structure is lopsided and it has been for years. It is a matter of having a realistic financial structure. The exact nature of that refinancing has not been determined, so we can't debate that particular point.

MR. FILMON: Mr. Chairman, I have no hesitation in accepting the fact that there is good management there; otherwise, the management wouldn't have carried out the policy directives and the policies that were developed by the Board, but the management doesn't develop the policy. Just as Cabinet and the government develops the policy here and the civil servants carry it out, the Board has to take the responsibility for developing policy, and it seems to me that regardless of the Minister's endorsement of his appointees, he hasn't indicated any particular amount or degree of business background.

It seems to me that when corporations are appointing boards that they are looking for people who can assist them in developing the policies that will make their corporations profitable. Those people, in general, have some business expertise and acumen behind them and that helps them to be able to understand the policy requirements of the corporations in order to make them profitable. We will see. The experience will show whether or not this Minister has made good moves in this regard, but I have grave concerns about replacing a Board that was almost entirely made up of successful business people from the Western Manitoba area with people whose major

commendation is the fact that they are either women or academics or members of the right party or consumers. I don't think that particularly speaks favourably for the choices of appointment and I would like to put it on the record so that when and if we are looking at these moves years down the road, we'll ensure that the public is aware of just what this Minister's concerns are with respect to the stability and the solid foundation that is needed for this business in Brandon to keep it there and to keep it as an employer in Brandon.

It's not just propping up from the government by removing its debt load and artificially making it look as though it is achieving something. It is the ability to go out and compete in the marketplace and compete successfully with other strong, viable marketing organizations that will keep it in Brandon and keep it solid, not the kind of artificial sleight-of-hand that this Minister wants to practice with respect to the economics of this firm.

MR. EVANS: Mr. Chairman, the member obviously doesn't know much about the history of the company or my involvement with this company over many a year. Mr. Chairman, the story is well told, back in 1969, when we became government and I have candid documentation where the Conservative Government of the Day was either going to sell or liquidate the company. Thank goodness that the Schreyer administration was elected in '69 or we wouldn't even be here discussing this today. There would be no McKenzie seeds because the Government of the Day had hired a business consultant in Winnipeg, whose mandate was either to sell the company and if he couldn't sell it, to liquidate it. He did find a buyer, the Ferry-Morse Incorporated of the United States, who was prepared to buy it for \$200,000 and would not keep it in Manitoba beyond two years.

I say again, for the information of the member, that it was this government and this Minister who had some part in making sure that this company did exist in the City of Brandon and in the Province of Manitoba. I tell you again, we have a Board here who's dedicated to ensuring that this company grows; we have a Board here who's interested in refinancing, and I tell you the act of refinancing will be one of the most significant acts that a government can take to ensure that it stays in the City of Brandon. This Board is not interested in selling the company and it's not interested in partaking of certain moves that were taken by the previous government, which made efforts to sell it by advertising from coast to coast in national newspapers. Having once received a promise by the now Leader of the Opposition, in October of 1977, that a Tory government would not sell the company and then a year later proceed to advertise coast to coast in national newspapers that the company was for sale.

This government will not sell the company. It will maintain it in Brandon and one way to do it is to have a refinancing package. This Board, that we have appointed, has already moved in that respect and has submitted an application to us, or a proposal to us, for refinancing, and I'm sure that this will take place in the weeks and months ahead, and that we will, when we come back next year, have further progress that the

members can sit around and observe.

MR. FILMON: Mr. Chairman, I thank the Minister for that history lesson and as usual history teaches us that we learn nothing from history. The fact of the matter is, regardless of the Minister's desire to try and cloud the issue by talking about who said what and when, the fact of the matter is that not only did our government not sell the business, not only did our government keep it in Brandon, but under our government the corporation has had a remarkable turnaround and is now in the strongest possible position it can be, free of government interference, because it is viable and standing on its own two feet. That is the strongest assurance that the people of Brandon can possibly have that it'll stay there.

The Minister says that under his government previously, under the Schreyer Government, they went to great lengths to keep McKenzie Seeds in Brandon and showed their commitment to McKenzie Seeds in that respect. I want to tell the Minister that it's one thing to keep it in Brandon at taxpayers' expense and it's another thing to keep it in Brandon because it's strong, viable and able to achieve what it ought to as a corporation; that is the difference between his approach and our approach, and I say that he's going to jeopardize it by what he's doing now.

MR. EVANS: Mr. Chairman, again for the information of the honourable member, he can look back at the profit and loss statements over the years and you'll see that this isn't the first year that a profit has been made. There have been profits made in many years gone by. So, I don't accept his statement that suddenly, because they happen to have a particular board and they happen to be in office for a few years, that there was some magical turnaround. The fact is, over the years gone by, there were years of losses and there were years of profit. So I just don't accept many of the statements by the honourable member.

MR. CHAIRMAN: Mr. Brown.

MR. ARNOLD BROWN (Rhineland): Mr. Chairman, I was wondering, what is the interest rate that you're paying on your loan, wherever they're borrowing the money from.

MR. PETRIE: I'm a little hard of hearing. Could you perhaps repeat that?

MR. BROWN: Can Mr. Petrie tell us what the interest rate is that they're paying on the — I'm sure that they have various loans but can . . .

MR. PETRIE: On a certain portion, we are paying prime and over a certain portion, I think it's a quarter over prime.

MR. BROWN: So you are paying around 17 percent?

MR. PETRIE: At the present time, yes.

MR. BROWN: Where has most of your money been borrowed or where have you borrowed your money? You were mentioning the bank and a

number of places.

MR. PETRIE: The Bank of Montreal and the Manitoba Government.

MR. BROWN: I noticed on the — you have shareholders listed in your Financial Statement on the page. Are there any shareholders other than the people of Manitoba?

MR. PETRIE: No, the Government of Manitoba is the shareholder.

MR. BROWN: That's all of my questions.

MR. CHAIRMAN: Mr. Johnston.

MR. J. FRANK JOHNSTON (Sturgeon Creek): Mr. Chairman, I would like to ask the Minister regarding the change in the Board. Mr. Christensen, who is a good businessman and proven to be in Brandon area, is also the Industrial Commissioner for the City of Brandon. I would say that those two qualifications are such that he probably should have remained on the Board to have continuity with the City of Brandon in his position as Industrial Commissioner to be of assistance to the Board in that capacity.

Can the Minister tell us why he would take the Industrial Commissioner of Brandon off the Board of McKenzie Seed?

MR. CHAIRMAN: Mr. Minister.

MR. EVANS: Well, Mr. Chairman, if the member is aware, we have had many industrial commissioners over the past few years. I don't know — how many have we had — three in the last two years? You know, industrial commissioners come and industrial commissioners go. I think . . .

MR. JOHNSTON: So do boards.

MR. EVANS: Well, that's true. There is nothing magical about having an industrial commissioner on a board.

MR. JOHNSTON: Well, Mr. Chairman, the Minister says there is nothing wrong with having the Industrial Commissioner on the Board and he expands on the fact that the commissioners come and go, but Mr. Christensen has had a good record in business and was on this Board while the company did have a turnaround in the past two or three years. So, having the three qualifications of being on a successful Board, being the Industrial Commissioner of Brandon and having a reputation as a good businessman and even number four, is the Industrial Commissioner of Brandon, would suggest that the continuity of his experience and the continuity that he would have with the Brandon Industrial Commission would be a benefit to the Board of McKenzie Seed, yet he is taken off the Board.

MR. EVANS: Well, that is just a matter of opinion.

MR. JOHNSTON: Mr. Chairman, is it a matter of opin-

ion, Mr. Christensen's qualifications? I believe they're good. Does the Minister not think they are?

MR. EVANS: As I indicated, we have had several industrial commissioners over the last few years. I do not wish to reflect adversely on Mr. Christensen or his experience or anything. It's not a matter of whether Mr. Christensen is good or bad. The fact is your government removed some fairly competent people. As a matter of fact, Mr. Joe Petrie here who is the Acting Chairman this morning and has had many years of experience in national merchandising companies and who made a significant contribution to the Board, previously was removed by your government. We saw fit to put him back on. He graciously consented to continue to serve again.

Mr. Petrie is retired General Manager and senior Vice-President of Merchants Consolidated, Winnipeg. So I don't reject the notion that seems to be — the Member for Sturgeon Creek is trying to perpetuate here — and others may be trying to perpetuate that only they are concerned about putting experienced businessmen on the Board and they would never take an experienced businessman off. Mr. Petrie made a significant contribution before you and your wisdom chose to remove him. That is your privilege; it's our privilege to put him back on.

MR. JOHNSTON: Mr. Chairman, I would inform the Minister that I have probably known Joe Petrie longer than he has. I would inform him that he is a neighbour; I would inform him that we curled at the same golf course; I would inform him that he's been a very good friend of mine for many years. I'm not questioning Mr. Petrie's ability, nor have I questioned other members of the Board that changed. I am questioning the removal of the Industrial Commissioner of Brandon which I think would be a good person to create continuity on that Board with the City of Brandon and that person has been a successful businessman and was on a successful Board. Don't bring Mr. Petrie in. As I said, I've known him longer than you have. I'm questioning one person.

MR. EVANS: Well, Mr. Chairman, as I said, it's a matter of opinion. We made the decisions that we've made and I think we have an excellent cross section of the community. We have some excellent people and they're doing an excellent job. I have no problems about not having the Brandon Industrial Commissioner on the Board.

MR. CHAIRMAN: Mr. McKenzie.

MR. J. WALLY MCKENZIE (Roblin-Russell): Mr. Chairman, I was wondering if the Minister or Mr. Petrie can tell me how come the sales escalated to some \$11.5 million, up almost \$3 million from the year previous.

MR. CHAIRMAN: Mr. Petrie.

MR. PETRIE: A great deal of it is due to the inflationary aspect. We had to increase our prices.

MR. MCKENZIE: So there is no basic marketing skills,

changes or anything of that kind?

MR. PETRIE: Oh yes, we added many. If you will look in your brochure that you have there, you will see that we've gone into a variety of items such as spring and fall bulbs and that has made a contribution. In addition to that, the mail-order house has increased tremendously over the past two years and the mail order in itself has made a significant contribution to the increase in sales and we are following through, Mr. McKenzie, on the basis of direct marketing with greater emphasis on that.

MR. CHAIRMAN: Mr. Banman.

MR. MCKENZIE: One more question, Mr. Chairman, if I may.

MR. CHAIRMAN: Sure, Mr. McKenzie.

MR. MCKENZIE: I wonder can Mr. Petrie advise the committee of any changes, expansions, new developments that we can expect in the next two or three years?

MR. CHAIRMAN: Mr. Petrie.

MR. PETRIE: Mr. Chairman, could Mr. Moore answer that question? He would give it in much more detail than I.

MR. CHAIRMAN: Mr. Moore.

MR. MOORE: Mr. Chairman, in the next four or five months, the company is entering into a program where bulbs, for example, which were previously packaged in Europe and shipped in here will be packaged locally and locally made cartons and locally made planters, that will be significant expansion for the company. Many years ago or five years ago, we were not in the bulb business at all. That business will be up to about \$1 million by this fall and we would expect by doing the packaging ourselves, we will be able to reduce the cost to the consumer and increase to at least \$2 million that segment of the business.

We have done a study for overseas marketing of our product and find that it could be very favourable to market into the United Kingdom. However, nothing has been finalized in that area, but it is one area of growth that is open to us and that we have looked at very actively.

MR. CHAIRMAN: Thank you, Mr. Moore. Mr. Banman.

MR. ROBERT (Bob) BANMAN: Thank you. I notice that the inventory has escalated by some \$800,000, which is close to a 15 percent increase. The costing of the inventory, were the same procedures used this year as last year?

MR. CHAIRMAN: Mr. Moore.

MR. MOORE: Yes, Mr. Chairman. I can confirm that it is the same basis. However, the inventory was prepared a little earlier than the previous year and of course we had some new items that were introduced

in this particular season, but doing our own shipping out of Brandon, we had an earlier buildup of inventory than we had in the past, but it is really the same basis as was used last year is used this year.

MR. BANMAN: So, the costing for return seeds and the costing of the new packaging is exactly the same as the year before?

MR. MOORE: There is no value in that inventory whatsoever for any return seeds, they have all been written out.

MR. BANMAN: I wonder if you could tell us the amount of extraordinary write-offs that were written off last year with respect to inventory? In other words, what was taken and written off to better reflect the market value of the inventory?

MR. MOORE: Mr. Chairman, I don't think it would be right to say that what was taken off the inventory was to better reflect the market value of the inventory, but rather for changes in accounting procedure that took place in the year prior. I think it was about \$1.4 million or \$1.5 million last year; that was to allow mainly for returns to be treated in a different manner than they had been previously.

MR. BANMAN: Would Mr. Moore have a rough estimate of what the inventory was, let's say, in 1979? We have the figures here for 1980 and 1979. Were they around \$6 million?

MR. MOORE: I think that would be a rough estimate, Mr. Chairman. I don't have the exact figure with me.

MR. BANMAN: The new inventory figures, do they represent more inventory or basically the changing and the pricing of the packages?

MR. MOORE: They have nothing to do with pricing of the packets, Mr. Chairman. What it has to do with is the inventory is in a more finished state than perhaps it was one year prior.

MR. BANMAN: The selling expenses, in particular to freight, what has happened with regards to the freight costs?

MR. MOORE: Mr. Chairman, about a year or so ago, we did a study on the freight and distribution systems the company had and we have changed it, and while nothing has happened in these particular statements, a significant reduction will appear in the 1982 statements on freight costs and distribution costs in total. There was no change in 1981 from the system used in 1980.

MR. BANMAN: Will that change occur basically because of the system that you are contemplating with regards to the handling of return products from areas such as Quebec, Ontario and Alberta?

MR. MOORE: No, basically, Mr. Chairman, it will occur as a result of doing away with public warehousing across the country and shipping direct in prela-

belled shipments direct from Brandon, rather than going through a third party out there scattered across the country.

MR. BANMAN: I would like to ask the Minister what he feels the grant or the monies that he feels that the government will be giving McKenzie Seeds so that, as he puts it, it will be on a sounder financial footing.

MR. CHAIRMAN: Mr. Evans.

MR. EVANS: I am not in a position to discuss this at this time because the matter is under review and a policy decision has not yet been made, so it's really premature for me to indicate amounts of money or the ways in which monies may be provided.

MR. BANMAN: In light of the Minister's statements that the refinancing package was ready to go back in 1977, what is keeping him from moving on this?

MR. EVANS: Mr. Chairman, I don't recall saying that the refinancing package was ready to go in 1977. I said that we had said made certain legal arrangements that had to be made prior to refinancing. These were made in 1977, legal arrangements involving the rights of Mrs. Kathleen Roberts and also the position of Brandon University as it related to this company.

Just for the information of members, this company was virtually bequeathed to the Government of Manitoba by the late A. E. McKenzie and legislation which provided the legal basis of this was passed in 1945. There were requirements for involvement by both Mrs. Roberts, the daughter of Dr. McKenzie, and the Brandon University. We had to make adjustments, mutually acceptable arrangements, with them. These arrangements were made in 1977 to be followed by refinancing, but in the meantime, of course, we have got to look at the company today, in 1982, and see what is appropriate. This is what we are doing and, of course, when a decision is made, this information will be made public and can be debated.

MR. BANMAN: Will the Minister be refinancing with expansion and diversification in mind?

MR. EVANS: I would trust that the refinancing would enable the company to expand.

MR. BANMAN: In what area would they be expanding?

MR. EVANS: The fact is that I would trust that it would have more flexibility. I would like to see, and maybe the management would like to comment on this, they are more close to the situation than I am, but I believe that there are opportunities for additional sales in catalogue sales. There may be some other diversification. Maybe the management would like to comment on this.

MR. CHAIRMAN: Mr. Moore.

MR. MOORE: Mr. Chairman, I have already mentioned the opportunities for export marketing to, not only the United Kingdom, but to the Common Market. Being a bilingual country, it is very easy for us to

develop into that market. There are also great opportunities for the development of the catalogue market. About six years ago, the catalogue market for McKenzie Seeds was somewhere around \$65,000, \$70,000.00. This year, it will be somewhere around \$2.5 million and I think that is an area of expansion. We do not, for example, put a catalogue in the second official language and therefore, one-third of Canada's population is automatically cut off as possible sales targets or our direct marketing area, so that is an area that we have some plans for in the future.

MR. CHAIRMAN: Mr. Banman.

MR. BANMAN: I wonder if the Minister could tell us what he has done differently during his tenure as Minister of this company compared to what the previous administration did?

MR. CHAIRMAN: Mr. Evans.

MR. EVANS: Mr. Chairman, that's a very general type of question. I simply say that we've appointed a new Board and you could say that's not different because you appointed a new Board as well. I think what is different is that we have accepted from the company a very large detailed proposal, a set of proposals from the company and we are actively reviewing these proposals. So, to that extent we are prepared to move on refinancing which is, I believe, one of the major differences between what we've done thus far and what the member did in the past four years when he was the Minister responsible.

MR. BANMAN: So to date, other than changing the Board, there hasn't been any change in any policy or any operating of the company, it's running exactly the same way it did previous to this Minister taking over?

MR. EVANS: Mr. Chairman, I have always taken the view that the major position of the government is to ensure: (a) the financial structure is sound; and (b) that you have a dedicated board of directors who are prepared to work and provide leadership to the management in the evolution of the company. Beyond that, I don't believe government should be involved in any way, shape or form with the management and detailed operating decisions. We never were in the past and this continues to be the case.

I suppose the only major decision, but you can call it operating but I call it more structural, and that is the decision to buy out Steele Briggs back in the early 70s which was a very significant decision, which gave the company a major position in the Canadian market and, in effect, was a defensive move at that time.

So, apart from that type of decision or being involved in the selection of the board or ensuring that a good president is selected, beyond that, it's up to the management of the board of the company to be involved in the day-to-day operations and not the government.

MR. BANMAN: The Minister mentioned Steele Briggs, was he also involved in selling that company?

MR. EVANS: Involving in selling Steele Briggs?

MR. BANMAN: Brett Young.

MR. EVANS: In '75 we disposed of Brett Young. It was a good deal as I recall, I don't remember all the details, but it was a good deal for us to purchase it and it was a good move for us to sell it at that time. The basic reason, as I recall and maybe the Chairman or the President might like to comment further if necessary, was that Brett Young was in the field seed business. It was fine for Brett Young to be a subsidiary of McKenzie Steele Briggs as long as the management that Brett Young had stayed with it, but at some point the management wanted to retire and we felt that we didn't have the expertise within our management to continue the field seed business. So, it was sold at that time — Brett Young operations in the City of Winnipeg — and I believe generally, as I can recall, it seemed to be a very good deal for the company all around.

MR. BANMAN: Is this Minister saying he was involved in the sale of a Crown corporation, a part of an asset, that he sold a company that the people of Manitoba had a full ownership in.

MR. EVANS: Mr. Chairman, that's public record. We reviewed this. I don't know where the Member for Steinbach or La Verendrye was at that time because this was discussed — he can look back at Hansard — discussed in detail several years ago. It was a good move to purchase Brett Young when it was purchased, and it was a good move to sell it as a subsidiary operation when it was sold. It's a matter of public record and the details are there.

MR. BANMAN: Mr. Chairman, we have something very interesting here. When a Conservative sells Morden Fine Foods, which is losing one-half a million dollars a year, it's a bad deal, it's a giveaway. When this Minister happens to sell a company like Brett Young, which made a lot of money for the province and then sold it, that's good business, Mr. Chairman. — (Interjection) — The member says it's ancient history. It's exactly how convoluted sometimes the thinking of members opposite are. When it suits them they say it's a good deal, if it doesn't suit them, it doesn't. It's only the Tories that get rid of companies. But here we have a Minister who got rid of a company. It's very interesting, Mr. Chairman. It looked like it might be in some financial difficulty so they sold it, it was a good deal.

Now, I'd like to ask the Minister if he could confirm that he was contemplating at looking at buyers for McKenzie Seed when he took over as Minister in the early '70s?

MR. EVANS: Mr. Chairman, here we're going around the mulberry bush again.

MR. BANMAN: No, we are not.

MR. EVANS: Yes, we are.

MR. BANMAN: You brought it up before, you started it.

MR. EVANS: Okay. In early 1970, shortly after I became Minister, we had still on staff a Mr. A. R. Swanson, business consultant, who was given a mandate by the Conservative Government of Walter Weir to sell the company and at that time, shortly after I became Minister within the first few months, he had — I didn't meet him immediately — but he did indicate that he was doing his job and that he had obtained a potential buyer. I think he had several that he had approached but Ferry-Morrse was the one that was ready to buy.

The fact is that we subsequently hired another consultant — I did as Minister — and we reviewed the company and we felt that even though it had lost money for several years under the previous Conservative Government and even though the Weir government had decided, by Cabinet decision which is recorded in the Cabinet minutes, that they either sell it or liquidate it. After the review by the other economic consultant that we had it was decided that we would do our best to make a go of the company even though it had been in very serious financial straits for some years. At that point, I recall a very late discussion in Cabinet, I remember it was close to midnight when we made the decision based on this report, that we would not accept the recommendation of Mr. Swanson and we would not sell the company.

Now, that is the major exercise, I think, that the member may be referring to. Over the years, subsequent to that, of course, many people approached the government and suggested that they may be interested in buying it. But that's not unusual, that's sort of a normal practice in business.

But, Mr. Chairman, I reiterate, we did not in any way, shape or form — I, as the Member for Brandon and as Minister responsible for this company, always had the view that the way to ensure that this company would stay in the City of Brandon, the Province of Manitoba, would be for it to be maintained as a publicly owned company. Therefore I always felt that it would be a mistake for us to sell the company.

MR. BANMAN: In light of the Minister's press release back on March 7th, 1980, where he indicates that, "At no time did I as the Minister responsible for McKenzie Seeds from 1970-77 solicit or cause to be solicited a potential buyer for McKenzie Seeds." The Minister is now saying that statement was false. He did, indeed, look at the possibility of selling the company.

MR. EVANS: Mr. Chairman, as I explained, what we did look at was the proposal made to us by Mr. Swanson, who had been hired a year or two previously by the previous Conservative Government. He was a well paid consultant living in Winnipeg and he did submit that and we did look at that. Yes, we looked at that proposal to sell the company to Ferry-Morris made by Mr. Swanson, who was hired by the previous Conservative Government. Yes, we did that.

MR. BANMAN: For the record, Mr. Chairman, I want to read from a memo on February 10th, 1970 where the now Minister writes to the then Deputy Minister and says, "During your absence a short while ago, I asked Mr. Roberts of the Food Products and Chemical Branch to investigate the possibility of a company

that might be interested in taking over McKenzie Seeds."

Now, Mr. Chairman, what I am saying here, ten years later, the Minister says he never did cause or solicit a potential buyer for McKenzie Seeds. What happened when we were government, we were looking at all avenues of trying to strengthen this company and one of the possibilities was to search out a buyer in the private sector, the same thing this Minister did a short ten years ago.

Then, he comes up and starts yelling and screaming and making all kinds of noise about what a terrible government this Conservative Government is because they are going to sell McKenzie Seeds, following almost precisely the same pattern that the Minister, when he was in charge of the company some ten years ago, did. What has happened, Mr. Chairman? We determined that the offers that we had from the different companies did not provide us with enough assurance to keep this company in Brandon and did not provide us with enough of a return to the people of Manitoba. So, what did we do? We kept the company. We put in a good Board; we strengthened the operation to a point where, even servicing the large debt load, they appear to have broken even this year and now we are at the position where it becomes very interesting, because you are looking at having gone through exactly the same type of a procedure when you were Minister. You went after the previous administration for doing all these terrible things, how we were hurting the company, and by the looks of it, Mr. Chairman, what we did is, we made the name of McKenzie Seeds and Steele Briggs even more popular in the eyes of the public because they are showing a black figure instead of a red figure this year.

So, for this Minister to make all kinds of statements here today how he is going to refinance and all the beautiful, wonderful things he is going to do for this company, I say to you that this member has done a disservice to the people of Manitoba. He has even been involved in selling companies, we find out now. What a terrible thing to do! He even asked his staff to try and find a buyer for McKenzie Seeds and all the while the last two or three years, he has been churning out press releases, which he admits today are wrong, in an effort to try and discredit the previous administration.

Here we have a statement which shows a black figure. The company is there. We hear the manager today saying that we are going to have record employment levels at this company. That is destroying this company? Mr. Chairman, I just have to say that, I guess, history will have to judge this Minister, but what he has done here, he has used crass politics to further his own ends and, I guess, to a large extent he managed to hoodwink a lot of the people, especially the people in Brandon because the results speak for themselves. He hasn't done the citizens of Manitoba any favour in following this tactic and I suggest to you, he hasn't done the political process any favour because it makes everybody a little more skeptical about politicians, about what they say and what they really do, because he has contradicted himself again here today and it is an unfortunate I just can't accept some of the offensive remarks.

MR. EVANS: Mr. Chairman, unfortunately that have just been made by the Member for Steinbach. This matter has been thoroughly aired during the last election in the City of Brandon and the people who are very knowledgeable about the history of this company and what had happened and what his leader had said on the platform, that in no way would a Conservative Government attempt to sell McKenzie Seeds. That was a solid commitment made by Sterling Lyon, the Leader of the Conservative Party. I submit, Mr. Chairman, that is something the people of Brandon found very distasteful and, very deservingly were very cynical of the Conservative Party locally and I think it in some ways contributed to the victory by the NDP in the Brandon West constituency.

The fact is, Mr. Chairman, the member is deliberately trying to misconstrue statements I have made. He is deliberately trying to twist the records. He is deliberately trying to equate a response to inquiries on my part with the breaking of a solemn promise made by the Leader of the Conservative Party on a public platform, reported in the public press, where they said in no way will a Conservative Government sell McKenzie Seeds and then, within a year, to advertise coast to coast in national newspapers and to actively solicit buyers. Mr. Chairman, that is what I find cynical. This is what would cause people to be cynical about the political process and politicians, that type of an act.

When I was elected, Mr. Chairman, I can say that I was that much of McKenzie Seeds in 1969, and I simply say that I am very proud of the fact that I have worked very hard for many a year on behalf of this company and I will continue to work on behalf of this company as long as I am a member of the Legislature, a member of the government.

I recall, Mr. Chairman, not only did they advertise and received a number of buyers, which they then proceeded to reject, but then they proceeded subsequently to do business with Bohmer Box on a special deal after they had rejected the previous buyers. The facts are there and they are well documented. The facts are that the Conservative Party in a major way did not live up to its commitment in the 1977 election and I say they paid for it in the last election.

Mr. Chairman, I make no apologies for my activities over the years. I have worked very hard on behalf of this company and I am very pleased that in the months ahead we will be further strengthening this company.

MR. BANMAN: Mr. Chairman, I just reiterate. Nobody's twisting any statements here. The quotes that I have done are from a press release put out by the Minister. It is not twisting any statements of his; it's a press release. He gets up and indicates that he is working on behalf of the company, Mr. Chairman. When you look at the statements and you look at what work has been done to try and straighten this company around, let me assure him that he hasn't been the only one that has been concerned about the company and that is the point I am trying to make here today.

If we had not been working hard, moving along trying to make this company viable, he wouldn't be presenting this statement here today. He wouldn't be presenting it. We are hearing about record employ-

ment levels. That was not any NDP Government that did that. They are very quick to blame the previous administration when something goes wrong, but this is not a NDP statement here. This statement that is being presented is for the year ending October 31st, 1981, Mr. Chairman. So, all I'm saying to the Minister, is that he was not the only working for McKenzie Seeds. The previous Conservative Government in trying to strengthen this operation in Brandon, I suggest to you, was committed to seeing this operation going and the proof is in the pudding. We are seeing a statement here today which reflects a better than break even position and that is not a statement put forward by the New Democratic Party. It is no dramatic conversion.

So, I am saying to the Minister very plainly that he tried to sell the company, tried to look for a buyer, he then decided that he would not sell the company because he could not attain the assurances that all the operations would stay in Brandon. The previous administration followed the same thing. We tried to deal with as many people as we could to see what would be in the best interests of the company. It turned out that we were not convinced that was the best route to go. We didn't receive the offers and assurances that we thought were in the best interests of the people of Brandon and the people of Manitoba, so we kept it, the same thing the previous Minister did. As a matter of fact, the previous Minister even sold part of the assets of the company — terrible, sold one company.

So, I am saying to you this morning, Mr. Chairman, the record will show that the same procedures were followed almost identical to what the previous administration did. I am talking about the Schreyer administration and what happened is that the Member for Brandon East very vocally has condemned the previous administration here for the terrible handling of McKenzie Seeds when, in fact, today he is sitting up there very proudly showing a statement in the black, October 31, 1981, on a statement on which he had no input at all. And we hear about record employment levels at McKenzie Seeds. So if that is destroying the company, Mr. Chairman, I guess what I have to say to you is that if increased profits and more employment is destroying a company, I want to be associated with that kind of destruction.

MR. EVANS: Mr. Chairman, maybe the management could comment on this, but one of the reasons you are in the black this year is because there have been write-offs from previous years, so you had a book-keeping change that enabled — (Interjection)— well, certainly. Well, okay, if you didn't make this book-keeping change, you wouldn't show the figures that you have today. — (Interjection)— Well, Mr. Chairman, if you hadn't made these changes, you wouldn't look at the figures that you are looking at today.

But, Mr. Chairman, I am not going to argue with the Member for La Verendrye. If he wants to pursue this twisted logic, go ahead, but I just reject the comparison of advertising coast to coast in newspapers the sale of this company with the previous government having received offers and having to deal with a consultant that was hired by the Weir government to sell the company. I am not going to continue to pursue

this because I just simply say it's totally twisted logic.

MR. CHAIRMAN: Mr. Lecuyer.

MR. LECUYER: I just, for the record as well, there is a distinct difference between investigating the advisability of what to do with the company and making a decision that we want to sell the company and announce for the sale of the company and then, of course, okay. They didn't sell it, but that's the difference still.

But the other thing is, I haven't heard anybody criticize — I haven't heard the Minister so far destroy this company according to this Financial Statement. I have just heard the Member for La Verendrye say that, but I haven't heard the Minister say that. Why should he say that?

MR. CHAIRMAN: Mr. Banman.

MR. BANMAN: Just for the edification of the Member for Radisson, if he wants to go through the files of the Department of Industry and Commerce, he will find that his Minister here was involved in the pursuit of looking for a buyer and that's all I say. It's the same thing we did, Mr. Chairman, and that is the only point I am trying to make here. It was a terrible thing when we did it, but when the NDP did it, it was okay. It was acceptable. So that is all I want to leave on the record. It's okay for the NDP to investigate the possible finding of a buyer and okay to sell part of the assets of the company, but the minute a Conservative Government does it, it's wrong. So, Mr. Chairman, I think we have belaboured that point and I think that the record shows it very clearly.

MR. CHAIRMAN: Mr. Ashton.

MR. ASHTON: Originally, I wanted to ask a few technical questions, but the last tenure of the debate here has been to turn this whole thing into something of a political football and I have no intention of continuing this. I think the record shows that the management for McKenzie Seeds should be commended for their financial management, for their marketing development and I think the people at Brandon are justifiably proud of the record of McKenzie Seeds over the past few years. By the looks of things and looking at this Financial Statement, it appears that record is going to be even better in the future.

My question was really in regards to one thing which has been partly touched on, but hasn't really been developed and that was in the marketing area. It seems the company has made progress of course financially, but it seems there has been some particularly major breakthroughs in terms of marketing. I was wondering if the management of McKenzie Seeds could perhaps elaborate on some of the present marketing tools which were used, some of the present markets which are being tapped right now and some of the marketing tools which are going to be used to tap some of the additional markets which were outlined earlier, particularly the increase in the catalogue area and the export market.

MR. CHAIRMAN: Mr. Petrie.

MR. PETRIE: Would he just repeat the last part of the question?

MR. ASHTON: I am interested in your marketing activities and also your present market, geographically, in terms of . . .

MR. PETRIE: Geographically, we sell from coast to coast. I should say from island to island. We have representation in Newfoundland. Other than that, it is all company representation from the Maritimes right to Vancouver Island. The marketing plans for management could lead perhaps to acquisitions in the future if the refinancing of the company comes into being. There are regional areas wherein regional brands have greater acceptance perhaps than McKenzie's, but they could be incorporated into the overall marketing plans of McKenzie Seeds.

MR. ASHTON: At the present, what percentage of your sales is through catalogue? The figure was quoted, but I don't recall.

MR. PETRIE: On the basis of the Budget for this year, it would be in the approximation of one-sixth.

MR. ASHTON: And the remainder being . . .

MR. PETRIE: The remainder would be on the bulbs. The bulk of the sales are on packaged seeds.

MR. ASHTON: What procedures are you using to develop the catalogue market at present? I was introduced to a few when I toured the plant in Brandon. I was wondering if you could perhaps outline for those members of the committee what those were and develop on it on direct mailing.

MR. PETRIE: On direct mailing, they are actively engaged in getting representatives to be sales agents for them in areas where it is not profitable to put up stands and that is something that we are following through on. We have had a lot of inquiry from people who are interested in becoming direct agents.

As Mr. Moore mentioned earlier on the direct marketing, the French catalogue will give us the potential increase in our market of approximately 6 to 7 million people. That wouldn't be households, but it would be an area at one-third of the population as he said and that should increase our sales immeasurably.

MR. ASHTON: I must say that I find the whole market development strategy of the company to be very interesting. It certainly bodes well for the future prospects of the company in terms of market development because there obviously are areas which have been untapped up to now which can now be tapped using these mechanisms.

MR. CHAIRMAN: Mr. Johnston.

MR. JOHNSTON: Mr. Chairman, the marketing program on the catalogue sales seems to be directed or I take it to be directed to seeds. Am I correct? The expansion of your catalogue sales would be basically in seeds. Is that the expansion that they are going to?

MR. MOORE: Mr. Chairman, the expansion in the catalogue end would be about 50 percent seeds and 50 percent other related horticultural items. That's what the breakdown of sales are about now on the catalogue. Our experience has been that new customers certainly purchase in the same proportions as those who we have already identified.

MR. JOHNSTON: Mr. Petrie was saying in the areas where there is — it's either not profitable, or you don't have anybody for the displays, that you would look to agents handling the product, and that would be seeds as well, would it?

MR. MOORE: That, Mr. Chairman, would be totally seeds. However, we really are developing two programs: one, where consumers can write in directly through the dealers in smaller towns for special varieties. In addition to that, we are setting up a series of dealerships who would handle all the items in the catalogue and could order in bulk, say for 20 or 30 customers, and in return get some form of commission for that.

MR. JOHNSTON: From about page 63 in the McFayden Catalogue, well just about to the end, we're looking at a lot of products that are not seeds. We're looking at moisture meters, insecticides, strainers, wine-making equipment, dehydrators, American pressure canners; all of these particular items that are listed here; when you receive an order for this item, do you move it off to the people that manufacture it and they mail it out.

MR. MOORE: Mr. Chairman, we identified a long time ago that the people who buy seeds by mail are generally large gardeners and as such they are people who preserve the harvest in one form or another either by canning or freezing and so we started in a small way to develop lines of products that would allow them to take the garden right through the kitchen. That's what these product lines are.

If an order comes in, we fill the order right out of our warehouse directly to the customer. We carry small stocks and as the year progresses we order in additional product depending on how many orders we are receiving throughout the season. This year I am pleased, Mr. Chairman, to tell the committee that the mail order has been more successful than ever in so much that our dollar orders are much, much higher and the number of orders that we're getting are much higher even though we just put out the same number of catalogues, 250,000, as we had in previous years.

MR. JOHNSTON: What I asked, Mr. Chairman, was: Does the company send the orders to the manufacturer or a wholesale to have them fill the order for them, but the manager has indicated that they carry a small stock, a small stock of all of these items?

MR. MOORE: I think there are about two or three items in there, Mr. Chairman, that would be shipped direct from the manufacturer. One of the problems that you have to be careful about in shipping from the manufacturer is that you're turning around and identifying your mailing list to people outside of the com-

pany. It's not our intention to do that; it's our intention to protect our mailing list which is the greatest asset that the Mail Order Division has.

MR. JOHNSTON: Well, inventory today, at the interest rates that we're speaking of, plus the fact you're now entering into a business and you have specified that you're protecting your mailing list, you can't protect it all that much and you can't stop people from shopping in other areas and I know that the mail order houses, you see it on television etc., is becoming popular today, but so popular that you're going to be in competition with some of the largest national companies in the world and some of the largest wholesalers in the world and people who are experienced in this business selling products with labels that people understand.

I hope and I ask, is it the intentions to watch the inventory of this mail order business because it's one of the ones that can get you in financial trouble so fast you won't know whether you're coming or going?

MR. MOORE: Mr. Chairman, the mail order business is actually a cash generating business to McKenzie's. It generates cash long before we have to bring in the inventory in many, many cases. Many of these products are seasonal, such as all the bulbs and perennial roots, fruit bushes and that type of thing, and people send their money in for those when they order seeds, say early in the season, yet they're not shipped until late in the season. If you were to do a cash flow for the mail order, you would find that in total it's a positive cash flow rather than a negative cash flow over the majority of the year.

However, to be specific about the inventory of those items, some of those higher priced items, yes, we do watch the inventory very carefully.

MR. JOHNSTON: What inventory would you be carrying at the present time, if you have a ballpark figure of these things? You know, Mr. Chairman, I'm asking these questions because I see here items that can be purchased in the local Safeway Store; I see knives; I see kettles; scales; just about everything, and I get very concerned when I see McKenzie Seeds trying to take on the merchandising capability of some of these very, very large organizations. I have never disagreed in my life that McKenzie Seeds shouldn't diversify into different products; that was one of the things we were looking for when we were interested in finding a buyer for this business. The diversification would be great when you have a specific name brand line, which Bohmer Box had, that was already being sold in the market etc., to expand the capacity of McKenzie Seed.

I have reservations and I only say caution on expanding McKenzie Seed into this type of a market against these type of merchandising people without having some very good plan of how the inventory is going to be handled because it will cost you a fortune. You know, the manager says that it expands into what the grower needs to do some canning. Well, I don't think a shredder, it's used for canning and it's found in every store where you would ever find a hardware; a meat tenderizer you can pick up anywhere; juicers are not hard to find; potato ricers. Could we just have a

ballpark figure of the size of inventory that is being carried with the interest rates they are today?

MR. MOORE: A ballpark, Mr. Chairman, would be that at the end of the season we would probably have to carry through about \$50,000 to \$75,000 in inventory into the next season. However, we do have a Fall Catalogue that covers some of these items and while I would agree with the member of the committee, Mr. Chairman, that many of these items are available in other places, I would point out that if we don't sell in these particular items, believe me they are moved out and something else takes their place in the catalogue.

If you see something here that's here for a second year, you can be sure that it sold well the previous year. I could give you an example; the juicer, and there are various juicers available; but the particular juicer that we have we sell somewhere in the region of \$75,000 worth of those juicers in a year. Sausage making equipment, which comes out of Winnipeg, that sausage making equipment, those two pages, would sell somewhere around \$100,000.

I think it's fair to say that most of the items that are in the catalogue, while some are available elsewhere, most of them are not.

MR. JOHNSTON: How often does the stock turn over during the year? Is it twice or three times or what?

MR. MOORE: Well, Mr. Chairman, with an average inventory of about \$150,000 in the mail order and we do sales of about \$2.5 million. So the mail order turns over many many times which, of course, is quite different than the consignment packet seed business which is the other part of the company's operations.

MR. JOHNSTON: This is the hardware side of the mail order I'm speaking of. You've got \$150,000 in mail order inventory, I'm talking about the hardware side of the inventory.

MR. MOORE: Mr. Chairman, the hardware would be about half of that. It would be about \$75,000 and the hardware sales are about half of the mail order sales. Hardware items are reordered just about every two or three weeks in the mail order business.

MR. JOHNSTON: So that's \$1.2 million of hardware?

MR. MOORE: Approximately, yes.

MR. CHAIRMAN: Mr. Banman have you got comments on . . .

MR. BANMAN: The Minister mentioned before that there had been some extraordinary write-offs last year which impacted on this year's statement causing it to end up in the black. If it hadn't been for the extraordinary write-offs, is the Minister saying the company would have suffered a loss?

MR. CHAIRMAN: The Member for Brandon East.

MR. EVANS: What was the question, Mr. Chairman?

MR. BANMAN: The Minister referred to extraordi-

nary write-offs, like the extraordinary write-offs last year, contributing to the profit picture this year. Is he saying that had there not been those extraordinary write-offs last year we would have showed a red figure this year?

MR. EVANS: I don't want to mislead the committee and I'm not an accountant, but it was my impression that there were certain adjustments made last year and if those adjustments hadn't been made you wouldn't be able to show the black figures this year. I'm not pretending to be an expert where I'm not, but it was my impression that there were adjustments made in the accounts last year. I'm not criticizing that, I'm just saying that was a fact and I'm not saying it's a bad practice, but that was my impression that you had to do it at some point. It was done last year and there was a huge loss shown on that account. I may be wrong, maybe the management could comment on that.

MR. CHAIRMAN: Mr. Moore.

MR. MOORE: No, Mr. Chairman, I don't believe that any of the financial accounting changes that took place either last year or the year before resulting large write-offs have any effect on this particular statement.

MR. CHAIRMAN: Mr. Johnston.

MR. JOHNSTON: Is the new Crown Investments Corporation going to have anything to do with the merchandizing and sales of the McKenzie Seeds or operation of McKenzie Seeds?

MR. CHAIRMAN: The Minister.

MR. EVANS: Perhaps the Minister of Crown Investments might like to comment, but my understanding is that the Crown Investments Department is primarily concerned with the financial structures of all Crown corporations and particularly their new capital requirements. It's not the intention of Crown investments to become directly involved in the management of the corporations.

MR. JOHNSTON: Mr. Chairman, if the Crown Investments of the Province of Manitoba sets up an export division, would that export division — and this hypothetical, but I have reason to believe that the Crown Investments may have an export division — be responsible for the export sales of McKenzie Seeds?

MR. CHAIRMAN: Maybe I could ask Mr. Parasiuk to respond to that.

MR. PARASIUK: Mr. Chairman, that is completely hypothetical. It certainly isn't our intention to set up any type of export corporation. I believe there is something called the Manitoba Trading Corporation that exists right now. There is a Federal Export Development Corporation. Those are functional instruments and there certainly is no intention on the part of the government to proceed in that direction. I guess we can have a hypothetical discussion, but I don't know where the honourable member got that idea, but if he did I'd like to just inform him factually that it's

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not our intention to proceed in that direction.

MR. JOHNSTON: Mr. Chairman, if I said "corporation" I didn't mean to. I meant division, the same word as the Minister used. I know of Manitrade. I know what's available at the present time which could be involved with the Crown Investments Corporation. My question really was, would that group that are set up at the present time under this division or that has been brought together under one group be responsible for the export sales of McKenzie Seeds?

MR. PARASIUK: Very clearly, no.

MR. CHAIRMAN: Are there any further questions or can we start going through the tax itself?
Mr. Filmon.

MR. FILMON: Just one further question, Mr. Chairman, if I may. I just wanted to ask what has been the length of time that the company has been publishing a catalogue of this nature?

MR. CHAIRMAN: Mr. Moore.

MR. MOORE: The first one that I've seen, Mr. Chairman, not necessarily exactly the same as that with hardware items, but certainly a catalogue that had some gardening aids and it goes back to 1906.

MR. FILMON: Then, I guess, I have to ask why it's taken this long to decide to print it in French. It would seem to me that you've got all your other things, all your packaging, your display stands, your advertising literature in French and English and I think you're aware that you're excluding one-third of your market by not publishing in French. Surely it's not that big an item or costly an item to have it all translated in French. Why has it taken until now?

MR. MOORE: Mr. Chairman, I don't really think I can answer for people who were there before my time, but all I know is that, as the saying goes, like a preacher we can only preach according to our stipend and we have so much money in which to put to use the operations of the company. Up to this point, we have not been able to see fit to go to the expense of developing that particular market in Quebec. It's not solely the cost of developing the catalogue, but it's the cost of developing the packaging of the actual materials that you're selling. Under Quebec law, that must now all be in French. So, it is a complicated process and one which will be an investment for the company when it finally decides to make that move.

MR. FILMON: What is the estimated investment?

MR. MOORE: I think that the estimate that I have from our staff is somewhere in the region of \$180,000 on the catalogue alone and then on top of that would be working with manufacturers to have the product line acceptable to the laws of Quebec. In addition to that, other products would have to be sought out, such as the books that we have in there, of course, are all English and would not be acceptable in a French catalogue. I wouldn't want to give the impression that

we don't market in Quebec. However, under Quebec law people must write and ask us for a catalogue rather than us being able to turn around and send them one automatically through the mails.

MR. FILMON: My recollection is that from meetings of Consumer Affairs Ministers that particularly with respect to mail order solicitation Quebec laws are very restrictive and, in fact, I would say are designed to keep mail order houses out of Quebec, quite honestly. So it isn't as the impression, I think, was earlier left that it was merely a matter of translation of a catalogue and that's why I was a little troubled by the suggestion that was what the company was going to do. You said it was \$100,000 for the catalogue? Do you have a handle on what the additional costs are for all those other things that you are going to have to do.

MR. MOORE: Mr. Chairman, in addition to changing the catalogue, you have to ensure that you have a staff that are ready and prepared and able to read the orders when they come in. You have to ensure that your computerized system is completely bilingual to handle the section of the catalogue that it looks after and that the packaging, instructions and all that type of thing are in the second language.

MR. FILMON: Do you have an estimate of total development costs then on this market expansion?

MR. MOORE: It is strictly an estimate, Mr. Chairman, but I would estimate that to get the French market to the level that our present market is in direct mailing, it would be somewhere in the region of \$5 million. The French market, even though there are less people than the English speaking market, is a very, very strong gardening population. People in the grocery business know that the Quebec population, for example, buy far less canned goods than do the English speaking population in Canada and that's a good indication that they do harvest and store much of the products themselves.

MR. FILMON: In fact, I think there are a number of other reasons why it's a strong market too. It is more rural based; it doesn't have the predominance of major chains, for instance, in groceries and all of those things. It's much more of a small store, a small town, rural approach which would be very, very susceptible to direct-mail sales marketing and in fact, I can understand the company's reasons for wanting to go into that market despite the restrictions, as I say, that exist towards direct-mail marketing into Quebec.

We talked about market share in the general terms that the company report indicated that market share continues to increase. What portion of the company's sales are outside of Canada at the moment?

MR. MOORE: Nil, or virtually nil. There may be \$1,000, \$2,000.00.

MR. FILMON: Is that because, say, the United States is already well served with this kind of product?

MR. MOORE: Mr. Chairman, the United States is served mainly by primary producers of seed who are

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also in the packet seed business. When you get into the catalogue business, it is quite hard to develop a catalogue business in through the United States because of the Department of Agriculture regulations which are different in each state and would require enormous procedural changes to be able to ship from that catalogue into the United States and the same with packet seeds.

MR. FILMON: In terms of market share in Canada, what are the major provinces as far as sales go? Could you give us just a quick breakdown?

MR. MOORE: Yes, Mr. Chairman, our sales are divided equally in three areas; one-third in Western Canada, one-third in Quebec and the Maritimes and one-third in Ontario.

MR. FILMON: What does McKenzie's share constitute in terms of the total market at the moment?

MR. MOORE: In terms of the packet seeds sold through retail stores, we estimate we have somewhere around 80 percent of that particular market. When you get into the mail order business, I assume we have somewhere around 15 to 20 percent. The majors, such as Dominion Seed House and Stokes and Alberta Nurseries and people like that, hold the remainder.

MR. FILMON: Thank you. Those are all the questions I have, Mr. Chairman.

MR. CHAIRMAN: Mr. Banman.

MR. BANMAN: Mr. Chairman, I would like to at this time thank Mr. Petrie for coming out and pinch hitting for the Chairman and I also would like to thank Mr. Moore and staff for providing us with the details.

Since it is a primary company which deals with the Canadian market, I suggest to you that maybe one of the slogans that you could adopt at some time is "Growing with Canada," but I want to say it's our hope that the company will continue to show a black figure in the future and continue to employ people out there in Brandon. That's what the name of the game is and we wish both the Board of Directors and the staff there good luck in this coming season.

MR. CHAIRMAN: Gentlemen, we have gone through it, I think, quite thoroughly. Rather than going page-by-page, could I have a motion to adopt the report as enclosed? Pass? (Agreed)

MR. CHAIRMAN: Committee rise. We will reconvene Thursday morning, April 29th, at 10 a.m.