

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT

Tuesday, 23 June, 1987

TIME — 10:00 a.m.

LOCATION — Winnipeg, Manitoba

CHAIRMAN — Mr. C. Santos (Burrows)

ATTENDANCE — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Harapiak (The Pas), Schroeder,
Storie, Hon. Ms. Hemphill

Messrs. Baker, Connery, Enns, Maloway,
Santos

APPEARING: Mr. Keith Guelpa, President, A. E.
McKenzie Co. Ltd.

Mr. J. McCrae, MLA for Brandon West

Mr. A. Kovnats, MLA for Niakwa

MATTERS UNDER DISCUSSION:

Financial statements and Auditor's Report of
A. E. McKenzie (Steele-Briggs) Seeds Ltd.

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MR. CHAIRMAN: The Committee on Economic Development, please come to order. We shall start with a statement from the Honourable Minister.

HON. V. SCHROEDER: Thank you, Mr. Chairman.

At the previous meeting there were a number of questions taken as notice which we indicated we'd get back to you on, and I think we've got the answers to all of them.

The first question: Do we purchase any goods from Florida currently and in the past? We currently buy from two suppliers in Florida, one for tea kettles and the other for water metering kits. Both products are mail order. We don't know whether we've had previous dealings in Florida; records don't exist and staff are new. There are no records within the company of any ministerial trips.

Second is a question with respect to a reception for the Minister and members of his family in Winnipeg. There are no records within the company of any reception in Winnipeg for a Minister.

Third, there's a question as to a sale of some brown bag equipment. There were seven brown bag machines sold to Northrup King in 1979 due to the purchase of more efficient equipment. The company received \$595 U.S. per machine. During 1983, under the acting CEO, that was Mr. Grant, two machines which were attained when Pike was purchased were sold to Ontario Seed for \$1,000 each. The approximate value for new brown bags was about \$1,000.00. The capacity of the brown bag machine is 10,000-17,000 per shift and requires high maintenance. McKenzie's new Hoeller machine

provides significantly higher production rates and significantly lower maintenance. The company, quite frankly, has no idea why the equipment was sold to Ontario Seed. The current president was not in the company at the time of the sale.

There was another reference to the sale of some equipment to a U.S. firm. The original cost of that equipment in 1971 was \$64,000 Canadian. The selling price to the U.S. firm was \$53,500 U.S. or \$72,000 Canadian.

They had several market evaluations from independent U.S. packaging consultants saying fair market value of the equipment was somewhere between \$50,000 and \$75,000 U.S., the upper limit being feasible only if there was someone in desperate need of the equipment, the more likely range being \$55,000.00. The equipment was advertised for two months in the U.S. only, not in Canada. Policy guidance given by the president to the production department was that equipment should not be sold to a Canadian competitor. They received approximately 15 inquiries. Two were from Canadian companies, which were not responded to. Eventually, obviously it was sold to a U.S. company with the agreement that the equipment could not be resold to a Canadian company.

There were some questions as to the Zellers and Steinberg's accounts. With Zellers, there is the outright sales which means we sell our seed to them and there's no return policy on it, or we also have the regular sales on which basically we sell on consignment. In 1984, we had the outright sales, did not have the regular. In 1985, we had the regular sales, did not have the outright sales. In 1986, we had both; 1987 we have the regular. Steinberg's, we've never had outright with Steinberg's. We had the regular in 1984, again in 1985, and in 1986, but not in 1987. A company by the name of Chantenay got the agreement with Steinberg's in 1987 at a price that we simply could not afford to match.

There's a question with respect to seed testing. McKenzie has saved approximately \$40,000 net of testing costs per year from the closing of the lab. The current arrangement runs from July of 1986 to July of 1988. We have a number of leases - I'll just run through them for you. There's warehousing in Vancouver - there was a question as to expiry dates on these leases; that's a month-to-month. We have some space in Calgary which is also month-to-month; Edmonton is expiring December 31, 1988; Regina, September 1, 1987; Winnipeg, October 31, 1987; Rexdale, April 30, 1989; Chomedey, Quebec, March 31, 1989; Halifax is month-to-month; Brandon is J.L. Harwood Ltd., June 30, 1992; Bradford Street in Winnipeg - the previous Winnipeg is Wilson Place - is month-to-month; then there's another one, Conin (phonetic) at Brandon, is a month-to-month lease; and there's another one on 9th Steet in Brandon - I'm sorry, that's the one that we own, so obviously there's no lease. That's the extent of our leases.

There was also a question on write downs. Management's gone back to examine the write downs

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in greater detail. It's the view of management that there was no significant profit after 1983 derived from previous year write downs. Most of the impact of the write downs were allocated to years prior to 1984, and handled as a prior year adjustment. Minimal saleable inventories were available to be sold in 1984, and therefore, previous estimate of profit impact stands. I think that's all the questions.

MR. CHAIRMAN: The Member for Brandon West.

MR. J. McCRAE: Mr. Chairman, I thank the Minister for giving us that information and putting it on the record. It's something that we'll be able to look at in more detail once it's printed in Hansard.

I don't know, having received the unedited Hansard for the last hearing so recently, I can't say that all the questions will have been covered there, but I do appreciate the effort that has been gone to get the information that was given.

I'd like to talk today a little bit about the present labour contract with McKenzie Seeds. I understand this was negotiated last summer. The present labour contract at McKenzie Seeds - was that last summer that was negotiated?

MR. CHAIRMAN: Mr. Guelpa.

MR. K. GUELPA: Mr. Chairman, our contract was concluded during the summer but it actually had expired the previous year. So it had expired, I believe, in August 1, of 1986. That's when the previous two-year wage freeze expired, and it took us to this April to conclude and sign a further two-year contract.

MR. J. McCRAE: I wonder if Mr. Guelpa could very briefly go through the highlights of the contract in terms of the monetary aspects of it, and let us know what's contained in the agreement.

MR. K. GUELPA: I guess the key components of the contract were that the office and the plant received approximately a little over 4 percent wage and benefit increase in the first year of the contract. There is a wage reopener which comes up in July of this year, or August 1 of this year, where we'll have to negotiate the second year of the financial package.

The only other significant highlight I think, of the contract is the company has placed in the contract that we're prepared to enter into agreements or enter in some form of agreement with the union on a gain-sharing program for the employees.

Just for the record, gain sharing is meant that productivity increases within the company that can be measured and agreed to prior with the union, a certain percentage to be negotiated will be given back to the employees in that unit. That was a commitment I undertook a couple of years ago and we've now written that into the agreement.

MR. J. McCRAE: A gain sharing seems to connote that there are gains to be shared by the employees. The formula - is it based on productivity of the individual workers and what kinds of dollars can an employee hope to share in?

MR. K. GUELPA: Mr. Chairman, that will be determined by the union and management negotiating team, but to give you an example, it will be based on productivity and therefore the company will have to have gained something from this and other companies around the world who use this, the usual formula is up to 10 percent of the monetary gain in that unit is distributed back to a pie shared by all the employees within that unit. That is not necessarily the formula that will be concluded at McKenzie, but it is a formula that is being used in other companies.

MR. J. McCRAE: Mr. Guelpa talks about on monetary gain in the various units, but when we look overall at the record or the financial reports for McKenzie Seeds, the profit margin is fairly small even with the accounting methods being used. I think we're somewhere around \$300,000 this year.

Now, I realize Mr. Guelpa has not negotiated the details of this yet, but with that kind of profit picture and some of the other things we talked about at the last meeting, I wonder how McKenzie can hold out for the employees the prospect of sharing in company gains when the gains are so small. When we bear in mind also that there are dividends unpaid and, of course the other matter that we discussed, the fact of the carrying charges on the billions of dollars the government has injected to McKenzie Seeds, so how can we realistically expect to be able to distribute gains to the employees?

MR. K. GUELPA: I, as the CEO for McKenzie and the board and the government, I think are of the mind that we believe in our people and we believe in treating our people fairly. If our people can come up with ways of increasing the productivity of the company, we believe that we should treat them fairly and provide them with some reward system.

The reward system that we are talking about is not in the hundreds of thousands of dollars. I would have to go on record as stating that. For instance, if an employee group came up with a \$20,000 increase in productivity, and I think this is the order of magnitude that we're talking about, if they came up with a hypothetical \$20,000 saving, what would be available to the employees would be \$2,000 of that, hypothetically, if we negotiated a 10 percent. We might negotiate a 5 percent depending on the profitability of the company.

I think it's entirely reasonable in order to motivate our employees that we provide modest incentives for them to try and get the company to a higher profit level because I've found if you don't motivate your employees, perhaps that profit level is not going to go up. So I find it entirely consistent with the objectives of the company and management to provide rewards for hard-working employees.

MR. J. McCRAE: This hypothetical \$2,000 that Mr. Guelpa discussed, would that be shared equally among the employees in the particular unit that we're talking about that has brought about the efficiency or the gain?

MR. K. GUELPA: Mr. Chairman, I can't answer that question because that has to be decided by the employees themselves and, if they want it shared equally, then they will have it shared equally. If they

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want some other system which is reasonable as long as everyone's being treated fairly, then the management of the company will go along with it, but the employees will determine that.

MR. J. McCRAE: I think it was a year ago about this time we discussed pay equity. As I understand pay equity, it forms no part of the collective bargaining process. A year ago this summer the process began, I understand, in the company. Can Mr. Guelpa give us a report as to the progress of the pay equity scheme at McKenzie Seeds?

MR. K. GUELPA: Mr. Chairman, I'm happy to announce that we're two months ahead of the government's schedule on pay equity. They have released a schedule that says you must be to a certain point by a certain date and our current estimates show that we're two months in advance of that schedule.

So to answer the question specifically, we have made progress. We have a pay equity committee established. It's working very well with the union. We have an officer, a pay equity officer, who is very capable, who has been trained. We have retained consultants to help us through the evaluation process and we are starting into the evaluation process, as I say, a number of months ahead of what's required by the government.

MR. J. McCRAE: So that we've already reached the stage where the gender-dominated groups have been identified and now it's a matter of evaluating the employees in those groups?

MR. K. GUELPA: That's my understanding, Mr. Chairman, that we're into the process of negotiating with the union through the committee system as to the appropriate rating of each job so that we can see whether we have any pay equity problems within McKenzie.

MR. J. McCRAE: As I understand the provisions of The Pay Equity Act, the maximum amount which can be paid out in any given year would be 1 percent of the total payroll of the company.

MR. K. GUELPA: It's my understanding, Mr. Chairman, that it's 1 percent of the total payroll based in Manitoba.

MR. J. McCRAE: And that would be 1 percent of the Manitoba payroll per year over the space of four years?

MR. K. GUELPA: Mr. Chairman, there is a limit of 1 percent of the Manitoba payroll, which can be used as an adjustment for pay equity. If less adjustment is used, fine; if more is required, there is a 1 percent upper limit per year.

MR. J. McCRAE: Mr. Chairman, just looking at the potential cost here - we don't know what the final cost will be - but can Mr. Guelpa give us a figure for the payroll of the company, an approximate figure, in Manitoba?

MR. K. GUELPA: Mr. Chairman, my memory might escape me here for a moment, but I believe it's in the area of \$2 million.

MR. J. McCRAE: My arithmetic is not the greatest. I take it 1 percent of that would be about \$20,000; is that right?

While we're on payroll matters, 2.25 percent of that \$2 million would be something in the area of \$50,000; am I close? The point to be made, Mr. Chairman, about the payroll tax, whether we're dealing with a Crown corporation or any other corporation, certainly a corporation whose performance is not up to where we'd like it to be, or where the company itself would like it to be, the payroll tax does serve as quite a discouragement in terms of the bottom line of financial statements.

In the case of McKenzie Seeds and other companies in that position, it has always seemed to us a discriminatory kind of tax in that it hurts the weak or those who are showing the least health; it hurts them the most. It's just sort of a reminder I always like to give to the government about the payroll tax.

Mr. Guelpa, could you tell us whether McKenzie Seeds has an affirmative action program?

HON. V. SCHROEDER: Mr. Chairman, before the president answers that question, the member ought to realize - and if he wants to get into that argument, then he's into that argument - what he has to realize with the health and education levy is that it's not unreasonable for a company the size of McKenzie Seeds to pay \$50,000 a year as their contribution toward the health and education of a fairly healthy and a well-educated work force.

The competition, Chantenay, which took away one piece of business this year, pays 3 percent in Quebec and seems to manage okay. If they were in Ontario, they'd be paying roughly \$700 a year per employee. The member has a pen and he can calculate that out fairly quickly, but certainly with 100 employees that would work out to the range of \$70,000 and of course we have more than 100 employees.

That has to be put on the table. Somebody has to pay it. Even in the days of slavery, the employer - as bad as health and education conditions were - put out more than approximately the one-fifteenth of the costs of health and education in Manitoba that the health and education levy covers. It's not a large proportion of the health and education of employees and their families, and it's not unreasonable to expect employers to be part of the solution.

MR. J. McCRAE: Sounds like a rerun, Mr. Chairman, of some comments I've heard the Minister of Education make when he said that the payroll tax is a good tax.

I suggest that this Minister today have a discussion with the Minister of Business Development and Tourism, who last fall made statements quite different from the ones we're hearing today from this Minister about the payroll tax. Obviously, we know we have to pay for health and education and we have a tax system in place to take care of those things. This is an additional discriminatory anti-business tax that we will not stop complaining about. The Minister cannot protest and cannot make a case that is satisfactory - any right-thinking person in this province that a tax on jobs is a good and a progressive move. There's just no way he can do that.

HON. V. SCHROEDER: Well, the Member has indicated that he recognizes that the money has to come from somewhere. Maybe he should put on the table where the money should come from. Should it be the 3 percent that's in Quebec, should it be the \$700 a year that's in Ontario, should it be the \$400 or \$500 a year that it is in Alberta right now? Where does he want it to come from?

MR. J. McCRAE: Mr. Chairman, I can only speak today for my own community; where at the Brandon General Hospital 31 beds have been closed permanently last year; this year 49 more have been closed for the summer. And the Minister asks me, where should we get the money to keep those beds in operation? I can suggest to the Minister that he and his colleagues look a little more closely at the Manitoba Labour Education Centre where in the last five years \$1 million of taxpayers dollars have been spent to help promote the image of the New Democratic Party in this province.

I suggest also that a Jobs Fund grant for which this Minister is responsible, and this Minister can't even tell us whether the Manitoba Labour Education Centre received a Jobs Fund grant in 1986. We know that in '85 they received \$250,000 to train 40 people, when the Jobs Fund - most Manitobans believe - is there for the purpose for creating jobs.

There are three employees of the Manitoba Labour Education Centre. There are still three employees of the Manitoba Labour Education Centre, as I understand it.

In view of criminal activities taking place at the centre, I should have thought that members of this government would be interested in looking into that. I'm saying, there's \$1 million over the last five years, and if Brandon General Hospital had that, it would have gone a long way to keeping those beds open. I don't see it as a positive development, to be raising tax dollars as the Minister talked about a minute ago, the payroll tax and other types of taxation to finance health and education. And I don't see going on the election trail, telling people that at a vote for their party is a vote to protect and enhance health care, and then a year later come along and do what is happening at Brandon General Hospital.

But I have identified that much money that could have been used for health. The Minister of Education says that we should be looking out for workers. Yes, of course we should, but we also have to get our priorities in order. If we listen to the Minister of Labour, the workers don't need any help in this province, they're doing just fine according to that Minister. We hear different stories from different Ministers.

HON. V. SCHROEDER: Mr. Chairman, this is the extent of the nonsense we continuously hear from the Opposition. I hope that people in Brandon and other parts of Manitoba will stop and think about what the member is saying.

The member knows full well that the money that went to the Labour Education Centre that he's referring to, came out of the MGEA portion of the trust fund. That was money given back by the employees in order that the workers could provide for programs that would create employment outside of the MGEA in Manitoba. That money went to do things like educate working

people on health and education matters, on issues dealing with safety in the workplace, on issues dealing with protecting workers' health, on issues that will save the health care system money, \$1 million during a time when the health care system in Manitoba was expending roughly \$5 billion. Five billion dollars, while we were putting \$1 million not of taxpayers' money but of money given back by the MGEA into programs that would save our health care system some money.

The member finds that as his one example of saving money and that is the example. That is why I suggest that people who look seriously, and not just with some eye to a quick political issue where you can relate some bed closings to a \$1 million expenditure over five years, but look seriously at it. The fact of the matter is that saves the health care system money, but in addition to that, \$1 million will do practically zero in terms of replacing the health and education levy which the member starts out saying he wants to eliminate. The \$1 million as compared to the, what, \$150 million or so that we take in from the health and education levy now? That \$1 million over five years, so if you take the health and education levy over five years, we're talking in the range of \$750 million. He's come up with \$1 million. He's got \$749 million to go. If he takes that money away from educating workers on health, on safety, on protection of their lives and their limbs, then he's going to create at least that \$1 million more over that five years in expenditures in the health care side. So he's gotten nowhere and, in fact, probably expended more money than he's saved.

Yet he says we have to get rid of it; we have to do something different because this is anti-business and so on, and we say he does recognize you have to get it from somewhere. He knows full well that he's not going to get it with those silly little solutions that he likes to come up with and likes to sound good with. He knows full well that at the same time that there are bed closures that there is a large increase in provincial expenditures on health. He's not suggesting that that health expenditure should not increase to a greater extent than it has.

In fact, he's telling us we should spend more money, we shouldn't be closing any beds, we shouldn't be moving from institutional to non-institutional care. He doesn't recognize that his friends at Brandon General Hospital are encouraging us, insisting that we go ahead with the changes. He doesn't accept publicly the fact that we now have less line-ups in Brandon than we had before we instituted the overall changes. He just wants to grumble and mumble and get way off of the issue that we're dealing with here today, which is McKenzie Seeds.

But if he wants to deal with taxation and health, I'm prepared to deal with it, issue for issue, and demonstrate to the members why the Member for Brandon West is so wrong and doesn't have the guts to tell the people of Manitoba where he would get the money from when he takes away \$750 million in taxation. And I challenge the member to put that on the table.

SOME HONOURABLE MEMBERS: Oh, oh!

MR. A. KOVNATS: Mr. Chairman, on a point of order.

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MR. CHAIRMAN: A point of order being raised by the Member for Niakwa.

MR. A. KOVNATS: The accusation about "doesn't have the guts" is absolutely unparliamentary and should be withdrawn, Mr. Chairman, as a ruling of the Speaker as of yesterday.

MR. CHAIRMAN: It has been ruled in the House that is unparliamentary, so I'll request the Honourable Minister . . .

HON. V. SCHROEDER: Mr. Chairman, if that is what the ruling is, then certainly I would substitute for that "a lack of intestinal fortitude," which is . . .

A MEMBER: . . . absolutely unparliamentary also.

HON. V. SCHROEDER: Nevertheless, the fact of the matter is that the member, who acknowledges that you have to have that \$750 million over five years, and that's the way he calculated his - that's how he gets his million dollars - isn't prepared to put on the table where he's going to get the other \$749 million, let alone the fact that the million he has saved over that five years will cost the health care system, because he has a less educated work force.

MR. A. KOVNATS: Mr. Chairman, on a point of order.

MR. CHAIRMAN: On the same point of order?

MR. A. KOVNATS: Yes, absolutely.

"Lack of intestinal fortitude" was ruled unparliamentary also by the Speaker of the Manitoba Legislature, and I think should be absolutely withdrawn. I think the Minister is playing a game and should be advised so. If he can't handle the situation and follow the rules the way that they're laid down, let him get out.

MR. CHAIRMAN: "Fortitude" is a good word.

MR. A. KOVNATS: "Lack of intestinal fortitude"?

A MEMBER: . . . is not acceptable.

MR. A. KOVNATS: It is not acceptable, Mr. Chairman.

MR. CHAIRMAN: It's not on the list.

A MEMBER: It was ruled on by the Speaker yesterday.

A MEMBER: No, no, it wasn't . . .

MR. CHAIRMAN: Why do we quarrel about trivial things here?

MR. A. KOVNATS: It's not trivial, Mr. Chairman.

MR. CHAIRMAN: The difference between "fortitude" and "guts," that's the distinction. "Guts" seems to be unparliamentary; "fortitude" is a good English word.

The Member for Brandon West.

MR. J. McCRAE: We'll accept your ruling on that, Mr. Chairman.

The Minister did make a rather feeble attempt to defend a tax that really should never have been brought in, in this province. The Minister, as a Minister of Industry, Trade and Technology, should know better than to make silly comments like the ones he's making today, to refer to comments that I make in criticizing the government through the payroll tax, discouraging business from locating here, and combined with a whole lot of other things in our province, our labour laws and so on. The Minister knows better than to make this weak defence that he does, but he does it all the time anyway, so we have come to expect that.

HON. V. SCHROEDER: You started it; I'm going to end it.

MR. J. McCRAE: I remind the Minister, Mr. Chairman, that when he talks about MGEA funds as an excuse for not having to discuss the matter of Jobs Fund grants, that doesn't wash either. It's this government's responsibility to administer those monies, monies which came from the pockets of working Manitobans. One of those working Manitobans was me, when I was a government employee, Mr. Chairman, and I resent the way my money is being spent at the Manitoba Labour Education Centre.

In addition to that, there are millions of dollars which could have been saved if this government had adopted the policy put forward by the Minister of Small Business and Tourism, which was so anti-payroll tax. The removal of that tax would then generate, ultimately, much more growth and wealth in this province than this Minister would agree to.

Back to the MGEA. I resent very much my money being spent that way, whether it's MGEA money or government money. In the final analysis, it's this Minister's job to administer that money, and he has not answered whether there were any grants made to that organization in 1986. He should make himself aware of that situation. If there were none, that's fine, and if there were some, we'd just like to know about it.

I understand the Minister wants the last word, so I'll let him have the last word before I get on to the next subject.

HON. V. SCHROEDER: Mr. Chairman, the Member for Brandon West started this and I have indicated to him that we are prepared to discuss these extraneous issues.

The member says he doesn't like what happened with that money. Quite frankly, I think that what happened with that money was very good for Manitoba. MGEA voluntarily pulled back on a wage settlement that was no different from the wage settlement made by City of Winnipeg employees, no different from settlements made by a host of employees in the public sector, flopped \$10 million back into the Jobs Fund, and out of that fund created all kinds of employment and all kinds of amenities for Manitobans, whether it be co-op day care, whether it be making sure that employees were better educated in terms of their health and their rights and so on, in this province. Of course, if he didn't like the \$10 million pay back, he had the

right to - as any MGEA member had - to deal with that come election time with his union. It's a Democratic organization, where people can change the executive, just like in any other organization that's democratically elected.

The member refers again to our -(Interjection)- well, the teamsters happen to be a Tory organization and the Tories have a different way of dealing with things. The Teamsters are the supporters of the Ronald Reagans and the Contras of this world, if the Member for Lakeside were to read up. We don't have any apologies to make on behalf of the Teamsters who are not a part of the support of the New Democratic Party in Canada, or in Manitoba.

The Democratic Labour organizations in North America are organizations that we're quite proud of. The fact that there are some on the republican and right wing camp does not indicate anything other than those are the people who tend to be anti-democratic on the right wing.

The Member for Brandon West also raises labour laws and says that all these things are somehow doing something nasty to the economic growth in Manitoba. I would just remind him of a little bit of history. That history is that when his government was in office for four years doing their kinds of things, we had a population that was dropping; we had less people in Manitoba the day Sterling Lyon and his Tories left office than the day they entered.

Since the Pawley administration has taken office here in 1981, we've had an increase in the population of 50,000. We have a better rate of business formation in this province than in other parts of the country. We have stronger population growth on average over that whole period of time than the country on average has had and that's something we hadn't had in 25-30 years. It's a phenomenon unique to the Pawley years. We've had strong business growth and I think that the evidence demonstrates that our taxation policies have been quite fair.

MR. CHAIRMAN: The Minister has the last word.

May I remind all the members of the committee who are considering the report on McKenzie Seeds.

The Member for Brandon West.

MR. J. McCRAE: Good advice after the discussion's over, Mr. Chairman.

I was asking Mr. Guelpa about Affirmative Action at McKenzie Seeds.

MR. R. GUELPA: Mr. Chairman, the company has an Affirmative Action Program which is in place. We've done an audit of the company and we find that we are very reasonably positioned within our handicap areas and a number of others. We continue to work on this as a project within the company.

MR. J. McCRAE: Are the target groups the same as the target groups of the Government of Manitoba?

MR. R. GUELPA: Yes, Mr. Chairman, we set the target groups in conjunction with the policy of the government.

MR. J. McCRAE: Do you have a percentage target for each of the four groups or is it a number target?

MR. R. GUELPA: Mr. Chairman, we have a percentage target for each group that closely aligns the representation of the area.

MR. J. McCRAE: I don't suppose Mr. Guelpa brought those figures with him today.

MR. R. GUELPA: Mr. Chairman, I did not.

MR. J. McCRAE: Mr. Guelpa said a moment ago - I think it was implicit in his answer - that they are fairly well in terms of coming close to the targets. Perhaps for next year's discussions it would be good to have that kind of information as to the number of, well, the targets, and then the number of women, Natives, visual minorities and handicapped people who work for McKenzie Seeds.

MR. K. GUELPA: Mr. Chairman, I will undertake to bring to the committee next year an analysis of our targets and where we are.

MR. CHAIRMAN: The Member for Niakwa.

MR. A. KOVNATS: Thank you, Mr. Chairman.

At the last meeting, I had brought to the attention of Mr. Guelpa that the seed testing in Brandon was done through - or at least he answered that the seed testing was done through - a Winnipeg company rather than through a Brandon company. It was acceptable because the decision had already been made but a new decision would have to be made as to, you know, who was going to be doing the testing of seeds very, very shortly. I thought that the contract was to have run out possibly in June or July, and I might be wrong on that regard, but Mr. Guelpa had advised that a Brandon company would be given consideration. He didn't assure me that a Brandon company would be given more than due consideration inasmuch as we went through the whole of why it should have been a Brandon company first and foremost and preferential hiring should be done in that regard.

Mr. Guelpa just a little earlier had said, concerning the profit sharing, we believe in our people and we believe in treating them fairly. I would imagine "our" people are the people who are already employed in McKenzie Seeds and "our" people would be also the people of Brandon, secondly. Can Mr. Guelpa bring us up to date on what has transpired as far as the testing of the seeds, whether the old contract has run out and whether tenders have been received and are being considered on this new tendering procedure for the seed testing for Brandon?

MR. K. GUELPA: As the Minister has already tabled previously in answer to that previous question, he stated that the contract runs from July '86 to July '88 and therefore we will be dealing with this in May of '88 in terms of sending out bids to local firms as well as firms in Alberta and Manitoba.

We will base our decision on price, quality of service, confidentiality, confidence in the particular firm that we're dealing with and a number of other variables. The decision will be made by the departments involved as to what criteria is best matched. If the company in

Brandon matches those criteria best, they will get the business. We are not about to show favouritism to any company, including a Brandon company, when all factors are not equal. I don't think that's a good business decision. We run the company in a business manner, we do not run it for political patronage, friend patronage, or any other considerations.

MR. A. KOVNATS: I'm almost astounded at the answer.

Let's go back just a little bit where you talk about that tenders will go out in May of '88. I think I've lost a year. I was led to believe that the contract was going to be completed in June or July of '87.

MR. K. GUELPA: Mr. Chairman, if the member's understanding is that and if the record shows that in the transcript, then I was in error. I've been told by my people that it's July of '88. I apologize if the record shows that I have inadvertently transcribed the years.

MR. A. KOVNATS: Mr. Guelpa and I were on the same wavelength up until just a few minutes ago. I don't think that there was ever any discussion on political patronage under any circumstances. It was certainly not mentioned from my lips. The only political patronage wording that I heard came from Mr. Guelpa, even though he has denied it. I had never inferred any.

All I inferred was preferential hiring should be given to people out of Brandon, the same as we give preferential hiring to northern Natives. That was the comparison that I had made in the past. I wasn't against that. In fact, I supported it, and I would hope that Mr. Guelpa would withdraw his inference that I was suggesting political patronage.

MR. K. GUELPA: Mr. Chairman, I apologize and I withdraw any indication that I was suggesting political patronage. I will withdraw the entire remarks.

HON. V. SCHROEDER: I should say to the member that I don't recall ever having any government policy that would designate a region of the province, other than that we have designated, as the member points out, northern Native hiring preferences, because of the tremendously high unemployment levels among northern Natives, which I'm sure the member well recognizes.

But we have not done that and that has not been, certainly, a government policy in the past between different regions in Southern Manitoba. In fact, there are some pretty strong economic arguments, compelling arguments, against that kind of local preference for operations that the taxpayer across the province pays for.

I don't know of any policy that any Government of Manitoba has ever had in that regard to provide some kind of a Brandon preference, or a Lakeside preference, or whatever kind of a preference.

We have certainly not asked this company to do that kind of thing. I would have some personal difficulties with that unless it was specified as to what the logic was of doing that.

MR. A. KOVNATS: I'm glad the Minister said that it's not a government policy. It seems that it's a company

policy, and it states so right in the company manual. At this point, I think that the company's manual must be withdrawn, rewritten, and corrected, because in the company manual, it does give preferential treatment to Brandon, and rightly so, because that's part of the reason that we kept this company going, that we supported the company going, because of the input and the hiring practices for the people of Brandon.

HON. V. SCHROEDER: The chairman would like to reply on behalf of the company in terms of company policy. But it's one thing for government, as a policy, to have a company in Brandon, which is important to us, and I'm sure important to the Opposition. It's important to us to have that company going. We have over the years put a lot of effort into that, and it does create a large amount of employment in Brandon.

But to go beyond that and say that any additional work that can be done cheaper in Boissevain, or in Gretna, or in Winnipeg, has to be done in Brandon, has never been the policy of this government, and I don't believe has been the policy of any other government in the past.

The notion that just because we're doing this in Brandon we have to top it up with additional uneconomic expenditures in Brandon makes no sense to me, and that's not something I would buy.

I know the chairman would like to explain the specific policy of the company in Brandon and the reference the member has made to the manual.

MR. K. GUELPA: Mr. Chairman, I'm wondering if I could call on the honourable member to assist me in this, in that I did not bring my policy manual along, and he seems to have it. I'm wondering if I could, in order to set the record straight, have his copy for a moment to read the exact words of the policy so there are no errors.

Could I, at this point in time, ask you to lend to me for a few moments the policy manual that you have so I could read the exact words to clarify what you're saying?

MR. A. KOVNATS: My associate advises that it would be wise of me to do so, but I have a problem, Mr. Chairman. I don't have the policy manual with me at this time.- (Interjection)- That's right, I keep everything up here in my head.

Mr. Chairman, I have made reference to the policy manual in the past, and I wasn't going to make reference to it except that I had to in this case. I wasn't reading from . . .

MR. H. ENNS: The question is, can you borrow him your head?

MR. A. KOVNATS: While I'm speaking, Mr. Chairman, I would suggest, then, and I guess that I'm being accused of saying that no matter what, Brandon content should be given first and foremost consideration regardless of price. This is exactly what was coming through to me. I have never stated that.

I just said preferential treatment in hiring, all other things being equal, then absolutely, Brandon content should be given preferential treatment. That's exactly

what I said. But I was accused by the Minister, and somewhat by Mr. Guelpa, that I had said no matter what people from Boissevain and other places should be given the same treatment. I say that's correct. They should be given the same treatment, all other things being equal, but Brandon should be given preferential treatment in hiring.

MR. K. GUELPA: Mr. Chairman, then because I can't have the assistance of the policy manual that appears to have been lost somewhere, I think what it says is when all things are equal in terms of price, quality, service, etc., - when all things are equal - and if we're down to a dead heat between companies, the company policy is therefore to support Brandon first, Manitoba second, Canada third, and the rest of the world last. Again, I reiterate, when all things are equal.

That is the policy of the company, and that's the way I have consistently explained it and applied it. If I made any inference previously to upset the member, then I apologize. I think we have consistently applied that policy and will continue into the future until told differently by the board of directors.

MR. A. KOVNATS: An apology is not necessary, you know, for Mr. Guelpa to ask me for a company manual when he quoted from the manual almost verbatim from what I had quoted in the past. Maybe he remembered what I had said, or maybe he had made reference to the manual.

MR. H. ENNS: It's the lasting impression of your words, Abe.

MR. A. KOVNATS: If it's that important, and I don't want to be accused of withholding information, God knows there's so much of it going on with this government right now, you know, withholding of information until after elections and things of that.

But, honestly, it's really not that important because I think we have established that even though the government doesn't have a policy of protecting the people of Brandon, the Brandon company has a policy of protecting those people, and I'm quite happy about that.

HON. V. SCHROEDER: Mr. Chairman, I'm sure it happens once in a million times that you're going to have all of those things being equal: price, timing of delivery, quality of service, confidentiality, all those kinds of factors. It's not the most burning issue in terms of the government. I've said in the past - I believe at the last hearing - that if you have that kind of a policy in place, which basically does nothing in 999,999 out of a million times, I don't have any problem with it.

But I, quite frankly, would have a problem if you had a contract where somebody bids for \$40,999 from Boissevain and loses to somebody from Brandon at \$50,000 or with a slightly worse delivery date or with a slightly worse record in terms of confidentiality or with some other concern that the company might have.

So I really don't think that the policy is something that is going to, in any way, put the company in difficulty, because I don't think the company has the right to do that. But I agree that, if there are two bids at \$50,000

and everything is equal, the operation should probably stick close to home. That concept, I have no difficulty living with, but it's not something we've asked the company to do.

MR. A. KOVNATS: Mr. Chairman, I think that some rules and regulations should come forward when we talk about equal. I think that equal could be within a dollar, could be within 5 percent, but I think, Mr. Chairman, that there should be some company policy that states exactly like that, whether 5 percent makes it equal, whether 10 percent makes it equal, or whether 1 cent makes it different. I think that there better be some company policy on that, because of the treatment to all Manitobans.

Look, we're just talking about Brandon now, but I think all Manitobans have to be given some consideration. I'm certainly prepared to support Manitobans, and I'm prepared to stand up for Manitoba. I hope this Minister is.

HON. V. SCHROEDER: Well, Mr. Chairman, that gets us into a whole new discussion.

I agree that equal is equal. I think that, if you're at a penny less, you're no longer equal and that the low bidder should get it. When it comes to outside of Manitoba, I quite frankly think that we should be looking at how the jurisdiction treats us.

As an example, I think that, over the last number of years basically, Ontario has been a free trader within Canada. I would certainly have no difficulty with the concept that, if an Ontario firm beat a Manitoba firm by a penny, we should reciprocate, given that we are able to ship our products, be it buses or garden seeds or whatever, into Ontario without any discrimination against us.

On the other hand, I would have some difficulty if it was Quebec because Quebec - as an example, we can sell buses to California or Boston or to whatever. We can't sell a single bus into the Province of Quebec, and I can't see why we should treat them in the same way we would treat Ontario.

Saskatchewan is busy building up walls, trade protectionism, even though they say they're in favour of free trade. Just as an example, this spring, we've had a number of our local contractors who haven't even been able to bid in Saskatchewan for SaskTel work and other Crown corporation work. In those instances, from my perspective, I think we have to develop a policy of mirror-image treatment. If you're not going to let us bid in Saskatchewan, we're not going to let your contractors bid in Manitoba. I can understand that.

But where people are treating us fairly and evenly, then I think that we should reciprocate. I believe it's a complicated issue, one which I'm sure the member would agree, we are working on with the other provinces. At the same time that some of these barriers are coming up, we have Trade Ministers who have been instructed by the Premiers and the Prime Minister to, over the period of the next 18 months, slowly drop down the trade barriers between the provinces. - (Interjection) - Well, as free traders, I believe we should at least discover what free trade means within Confederation before we get too carried away with free

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trade outside of Confederation, especially when the free traders are the ones who are putting up the walls within Canada.

MR. A. KOVNATS: I don't want to prolong the debate, Mr. Chairman, but we're talking somewhere between \$5,000 and \$10,000, which I would think - and I'm just guessing because I don't have the exact figures. I think Mr. Guelpa can confirm it's somewhere in that area between \$5,000 and \$10,000, which is negligible, but what it's going to mean is that the one and only seed-testing company in Brandon can remain in Brandon and gives this company the strength to negotiate and keep the price down.

Once we lose that company from Brandon . . .

MR. H. ENNS: I think Abe's running in Brandon East next time.

MR. A. KOVNATS: I could probably do as good a job as the Minister from Brandon East, but I really don't have any intention of running in Brandon East.

MR. H. ENNS: Don't dismiss it, Abe.

MR. A. KOVNATS: You've got to stand up for these people in Brandon. We've got one member who stands up for them . . .

A MEMBER: Hear, hear, McCrae!

MR. A. KOVNATS: . . . who is sitting right at this table, and I don't see Mr. Evans sitting at this table.

HON. V. SCHROEDER: Cheap, dirty shot, cheap and dirty.

MR. A. KOVNATS: I'll tell you what. The master of cheap and dirty shots just opened his mouth and accused somebody else. The master himself just accused somebody else of a cheap, dirty shot. Mine was meant somewhat in jest, but now I retract whatever jest it was meant, because now this Minister has made the rules and the master has spoken.

With that, I am happy to cut back on whatever I was going to say, because I was trying to protect the people of Brandon. I will allow the Minister to respond to that, the cheap, dirty shot master.

MR. CHAIRMAN: There should be no reference to the presence or absence of members.

A MEMBER: You were trying to sell it, Abe.

MR. A. KOVNATS: Pardon me?

A MEMBER: You were going to dump it when you were in government.

MR. CHAIRMAN: Order please.

The word "cheap" is in the list of unparliamentary words.

A MEMBER: Tell him. He started it; he said it.

MR. CHAIRMAN: I'm telling everyone.
The Honourable Minister.

HON. V. SCHROEDER: I'll withdraw any unparliamentary comment.

I will point out, Mr. Chairman, that the member was suggesting that the Member for Brandon East, who has been a member of this Legislature since 1969, is somehow not an adequate member, somehow not representing his constituency. He was doing it in the absence of the Member for Brandon East, in the same way that the last time this meeting met, in the same way the last time this committee met, we had the Member for Brandon West, in the absence of the Member for Brandon East, making all kinds of allegations about ministerial trips, ministerial expenditures, and all those kinds of shots, which I won't refer to as cheap. But I would suggest that the record speaks for itself.

It's about time that members at least afforded members of this Legislature the dignity of being present when they want to make those kinds of personal attacks which the Member for Niakwa suggests was made in jest.

Mr. Chairman, I think the record will speak for itself. The member cries crocodile tears for this company and for Brandon, although he is a member of the same party that was attempting to dump McKenzie Seeds when they were in office, was attempting to just get rid and run without any kinds of guarantees for where the place, where the work would be by the successor company, without any kind of discussion with the union. I'm talking about historical fact. The member accuses me of somehow taking personal shots. I think the record speaks for itself as to who is taking the personal shots.

Mr. Chairman, I don't believe a Crown corporation is an appropriate vehicle to be somehow involved in propping up one particular individual, regardless of cost. The member knows that the last time we were at this hearing, we pointed that the saving by closing the lab in the company was somewhere in the range of 90 percent of the costs that had been incurred in the past. It was down from something like a \$50,000 expenditure to a \$5,000 expenditure.

We're quite satisfied with the work that we're getting right now. We don't want to see any kind of preference for people in one part of Southern Manitoba as against another, especially given that the unemployment rate - the last I saw in the Brandon area - is certainly no worse than the unemployment in the Winnipeg area. I can't see why we would give one penny's preference for one individual for whom the member is raising this brief this morning.

MR. A. KOVNATS: I'll just close in stating that without this company in Brandon that the prices and the negotiations and the tendering system goes all out the window because there's just no competitive action without this company, I would think. I think that for our own sake and for the good of the McKenzie Seeds that we should do everything we can to keep this company operating in Brandon. It was with that thought in mind that I had spoken so strongly in favour of giving this company preferential treatment.

HON. V. SCHROEDER: Mr. Chairman, which company is the member referring to? I would just point out that

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there are at least close to half a dozen other companies from whom we can get the work done.

MR. A. KOVNATS: This is the first time that it's been pointed out to me. Are they all Brandon companies?

HON. V. SCHROEDER: No.

MR. A. KOVNATS: Oh, I see, so what has happened then - but this is the only Brandon company servicing the only Brandon seed company that's owned by the province. That's all I was pointing out.

If you want to take your business to the United States or to other provinces, then do so. Let's just wave goodbye to the Brandon company, because I can't see them surviving without having the business from McKenzie Seeds. I think what decision being made today is that this small, independent company will not be able to compete with the big companies in other places, particularly the big seed company in Winnipeg with which, I believe, that McKenzie Seeds is now doing business with.

HON. V. SCHROEDER: Well, Mr. Chairman, maybe the member wants to tell us how much of a subsidy he wants to pay to the Brandon company. We've made it very clear that if the Brandon company, on all bases, is equal or lower in price and if it has an advantage to McKenzie Seeds, we'll buy from them. But if not, why are we going to put another company out of business? If he's saying there are two companies and we have to make this choice, why should we decide to assist his friend in Brandon? Doesn't it make sense to get the best price?

I point out, first of all, that there is a contract in 1988 so that what we're discussing now is academic for this year. Secondly, we're talking \$5,000, roughly, per year, which is not exactly something that one would expect would make or break any company. You're talking just over \$400 a month, and one would expect that there would be some expenses involved so that a gross payment of \$5,000 a year, if that is what keeps a company going or doesn't keep a company going, a company which has been in existence, apparently, during all this time when they haven't had the work. Well, quite frankly, I don't see how we can turn around and nail some employee in Winnipeg who is doing a more efficient job and tell them, well, you're history, we're going to give it to somebody's friend in Brandon. I don't think that's an appropriate way for a Crown corporation to do business and we're not going to do business that way.

MR. A. KOVNATS: You know, you're talking about David and Goliath. You're talking about a very tiny company in Brandon against a large conglomerate in

Winnipeg. There's just no comparison. I don't know where the Minister is getting his information, but it's a large seed company in Winnipeg. Let's compare apples to apples instead of apples to oranges. There's no comparison.

We keep talking about how small an issue it is because, you know, you're talking about \$400 a month. Let's forget about the \$400 a month, let's be more considerate of the outcome of hiring this particular company, ensuring responsibility of testing seed to be kept in Brandon.

It's not worth debating but I wanted something established because by the time we get back to it, I would imagine that we'll be right into the tendering system into next year. Then whoever the Minister will be at that time will say I wish you had said something to me earlier and that's the reason that I'm saying something to you early.

HON. V. SCHROEDER: I thought we had agreed in principle before that the preference policies of McKenzie Seeds makes sense; that is, that all things being equal, including price, quality, confidentiality, delivery time, all those kinds of things, everything being equal, then we would go for the local company. That's the company policy and I certainly don't suggest that we should change it. But if it's not equal, then I would be strongly opposed as would the member if this company was owned by the President, of Brandon West, NDP. Then he would be saying, well, you shouldn't give it to your friend there in Brandon.

I don't think we're doing anything improper. In fact, I think we're doing the right thing by the taxpayers and the right thing by the company, which has an obligation to be profitable, as profitable as it can be. I don't think that there's any way that when the tenders come in that we're going to do it anyway other than a business way. The one exception will be if all things are equal, then the Brandon company will get first crack at it.

MR. CHAIRMAN: Are we ready to consider the report? (Agreed) Page-by-page or otherwise? Page-by-page. Pages 1 to 6, inclusive, were read and passed.

Report as a whole - the Member for Brandon West.

MR. J. McCRAE: Mr. Chairman, just before the report as a whole is passed, I don't know if the Minister did it at the beginning of the hearing today, but I'd like to introduce to the members of the committee, Dr. Bill Paton, who is a member of the Board of Directors of McKenzie Seeds, who has joined us today.

MR. CHAIRMAN: Report as a whole—pass.

Any other business? Hearing none, committee rise.

COMMITTEE ROSE AT: 11:13 a.m.