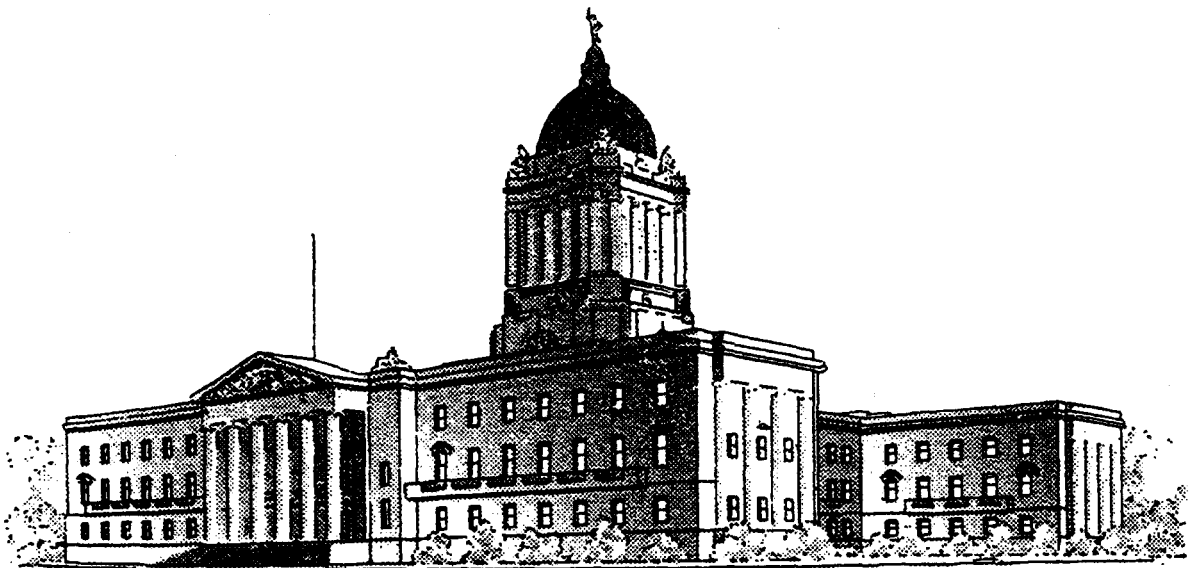




First Session - Thirty-Sixth Legislature  
of the  
**Legislative Assembly of Manitoba**  
  
**Standing Committee**  
**on**  
**Public Utilities**  
**and**  
**Natural Resources**

*Chairperson*  
*Mr. Frank Pitura*  
*Constituency of Morris*



**MANITOBA LEGISLATIVE ASSEMBLY**  
**Thirty-Sixth Legislature**

**Members, Constituencies and Political Affiliation**

<u>Name</u>	<u>Constituency</u>	<u>Party</u>
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BARRETT, Becky	Wellington	N.D.P.
CERILLI, Marianne	Radisson	N.D.P.
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ENNS, Harry, Hon.	Lakeside	P.C.
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HELWER, Edward	Gimli	P.C.
HICKES, George	Point Douglas	N.D.P.
JENNISSEN, Gerard	Flin Flon	N.D.P.
KOWALSKI, Gary	The Maples	Lib.
LAMOUREUX, Kevin	Inkster	Lib.
LATHLIN, Oscar	The Pas	N.D.P.
LAURENDEAU, Marcel	St. Norbert	P.C.
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McALPINE, Gerry	Sturgeon Creek	P.C.
McCRAE, James, Hon.	Brandon West	P.C.
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McINTOSH, Linda, Hon.	Assiniboia	P.C.
MIHYCHUK, MaryAnn	St. James	N.D.P.
MITCHELSON, Bonnie, Hon.	River East	P.C.
NEWMAN, David	Riel	P.C.
PALLISTER, Brian, Hon.	Portage la Prairie	P.C.
PENNER, Jack	Emerson	P.C.
PITURA, Frank	Morris	P.C.
PRAZNIK, Darren, Hon.	Lac du Bonnet	P.C.
RADCLIFFE, Mike	River Heights	P.C.
REID, Daryl	Transcona	N.D.P.
REIMER, Jack, Hon.	Niakwa	P.C.
RENDER, Shirley	St. Vital	P.C.
ROBINSON, Eric	Rupertsland	N.D.P.
ROCAN, Denis	Gladstone	P.C.
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SANTOS, Conrad	Broadway	N.D.P.
STEFANSON, Eric, Hon.	Kirkfield Park	P.C.
STRUTHERS, Stan	Dauphin	N.D.P.
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TOEWS, Vic, Hon.	Rossmere	P.C.
TWEED, Mervin	Turtle Mountain	P.C.
VODREY, Rosemary, Hon.	Fort Garry	P.C.
WOWCHUK, Rosann	Swan River	N.D.P.

**LEGISLATIVE ASSEMBLY OF MANITOBA  
THE STANDING COMMITTEE ON PUBLIC UTILITIES  
AND NATURAL RESOURCES**

**Thursday, October 19, 1995**

**TIME – 10 a.m.**

**LOCATION – Winnipeg, Manitoba**

**CHAIRPERSON – Mr. Frank Pitura (Morris)**

**ATTENDANCE - 9 – QUORUM - 6**

*Members of the Committee present:*

Hon. Mr. Stefanson

Messrs. Laurendeau, McAlpine, Pitura, Radcliffe,  
Santos, Struthers, Sveinson, Tweed

**APPEARING:**

Mr. Leonard Evans, MLA for Brandon East

Ms. Jean Friesen, MLA for Wolseley

Mr. Kevin Lamoureux, MLA for Inkster

Mr. Jack Fraser, Chairperson, Crown Corporations  
Council

Mr. Douglas Sherwood, President and CEO,  
Crown Corporations Council

**MATTERS UNDER DISCUSSION:**

Annual Reports of the Crown Corporations  
Council for the years ended December 31, 1993,  
and December 31, 1994.

\* \* \*

**Mr. Chairperson:** Will the Standing Committee on Public Utilities and Natural Resources please come to order. This morning the committee will be considering the Annual Reports of the Crown Corporations Council for the years ended December 31, 1993, and December 31, 1994.

Does the minister responsible, the Honourable Mr. Stefanson, have an opening statement?

**Hon. Eric Stefanson (Minister charged with the administration of The Crown Corporations Public**

**Review and Accountability Act):** Just very briefly, I am pleased to have this opportunity to deal with the '93 and '94 reports. Obviously, the Crown Corporations Council performs a very important function on behalf of our government and on behalf of Manitobans, as can be seen from their mandate at the front of each of the annual reports.

Rather than me go on with a lengthy opening statement, I would prefer, with the permission of the committee, to, first of all, introduce, which I should have done at the outset, Mr. Jack Fraser, who is our chairman of the Crown Corporations Council and Mr. Doug Sherwood, who is the president and chief executive officer of the Crown Corporations Council, but I would like both Jack and Doug to have an opportunity to maybe introduce some of the topics, if that is okay, before the critic responds.

So with that, Mr. Chairman, if I could hand it over to our chairman of the Crown Corporations Council, Jack Fraser.

**Mr. Jack Fraser (Chairperson, Crown Corporations Council):** Good morning, everyone. This is my first opportunity to meet with members of the standing committee, and I am genuinely looking forward to a productive and meaningful dialogue of the issues facing the Manitoba Crown corporations.

As you likely know, I was only appointed the chair of the Crown Corporations Council a few months ago, and, as a result, my knowledge of the activities of the council in 1993 and 1994 is somewhat limited. Nevertheless, through detailed conversations and discussions with Doug Sherwood, the president and CEO of the council, and many others, I now have a reasonably good grasp of the key issues facing the Crowns, and I am eagerly anticipating receiving the views and observations of the members of this standing committee.

I have been advised that previous meetings of this committee with the council have been noted for their

nonpartisan approach to exploring the key strategies and circumstances facing the Manitoba Crowns. This is a tradition that I sincerely hope will continue, and I can assure that we at the council are prepared to participate fully and openly in such discussions and offer whatever insights we can. Also, as I mentioned, we are keenly interested in the perspectives of the members of the Legislature, as your observations will benefit the ongoing work of the council.

In a few minutes, Doug Sherwood will be highlighting the key circumstances at each Crown corporation, but, before he does, since I am the new boy on the block, I thought it would be helpful if I first gave the committee the benefit of my initial thoughts on the Crowns, the role of the council and a few general observations.

First, since I cannot take any credit for the past work of the council and I approached my involvement without any preconceived perceptions, I believe it is significant and indeed encouraging to report that my involvements to date indicate that the council has been making a positive contribution to the Crown corporations under its purview.

This is not to suggest that the council's contribution cannot be improved, but, by and large, my initial impression is that the citizens of Manitoba are receiving solid value, indeed an excellent return for the public monies expended funding the activities of the council.

Secondly, in total, the financial performance of the Manitoba Crowns has improved over the last few years. However, the balance sheets of some of our largest Crowns are worryingly weak. I realize, of course, that the Crowns can count on the support of the province. Nevertheless, those Crown corporations with very high debt-equity ratios, particularly the ones going through periods of rapid external change, have inadequate financial strength to easily withstand the impact of adverse developments. Doug will be providing more details on this important matter in his report to you.

Thirdly, one of the key challenges of the council is to recognize clearly where its mandate stops and the

question of public policy starts. The council's prime role is to focus on the business objectives of the Crown corporations and the clarity of the mandates they are given. The establishment of public policy in respect of the Crowns is clearly a matter for government, and the council's prime responsibility is to ensure that the Crowns are operating as efficiently and effectively as possible within the policy environment established by the government.

In my many years in the private sector, I have learned the great value of getting a corporation's strategies right as well as the very real risks in getting it wrong and of being alert to potential threats and opportunities that may appear in the medium or long term. In the private sector, a majority owner will often give direction and make suggestions that will guide a corporation's strategies. The owner, typically, has access to independent technical, strategic and professional advice in determining the kind of guidance to give to its company.

Often in the public sector, the owner, in this case the government, does not have ready access to such advice. Providing this assistance and overview was, I believe, the real merit in establishing an organization such as the council. It provides a small group of full-time professionals focusing their energies and talents on strategic developments in the industries within which the Crowns operate and on the strategies and plans of the Crowns themselves.

With the board of the council comprised of a broad cross section of business people in Manitoba, backed by the assistance of the professionals on the council's staff, the government has created an organization that is well suited to providing it and the boards and senior management of the Crowns with valuable business advice.

I am looking forward to studying the workings of the model under which the council currently operates to see if there may be ways in which we can enhance our value to the Crowns, the government and the people of Manitoba.

One issue in which I have a particular interest is in the area of governance, currently a very hot topic in the

private sector. What is the appropriate role of a board of directors in the public sector? Is it different from the role of private sector boards? How can we assure that the Crown boards have the tools, expertise and authority to take appropriate action to guide the Crown corporations through the myriad of challenges and opportunities currently facing all businesses today?

What can we learn from the recent reverses in the public and private sector that can help our Crown corporations deal effectively with the many business risks they face and, of equal importance, enable them to take full advantage of the strategic opportunities that will benefit the people of Manitoba? I do not know that anyone has all the answers to these questions, but I do look forward to pursuing them over the next few years.

I will now ask Doug Sherwood to provide our perspective on the key strategic issues facing those Crown corporations under the council's purview.

**Mr. Chairperson:** Thank you, Mr. Fraser.

**Mr. Douglas Sherwood (President and CEO, Crown Corporations Council):** Mr. Chairman, I would like to take this opportunity to outline council's general perspectives on the status of the Crowns under our purview, and I will try to make it as brief as I can.

There are eight Crowns over which we have monitoring responsibility. Five of these rank among the 10 largest Manitoba companies. Those five are Manitoba Hydro, Manitoba Telephone System, Manitoba Public Insurance Corporation, Manitoba Lotteries Corporation and the Manitoba Liquor Control Commission. Of the eight Crowns under our purview, four, including four of the big five I just noted, are presently profitable and four are not. Of those that are, the Liquor Commission and Lotteries Foundation are highly profitable. Manitoba Hydro is currently reporting excellent profits and expects to do so over the next several years. MTS continues to report modest profits and, again, expects to do so in the year ending December 31, 1995.

Manitoba Public Insurance, which had a modest profit in the fiscal year ended, October 31, 1994, is

anticipating significant losses at the present time for the 16 months ended February 1996 as a result of a \$29-million adjustment to liabilities for bodily injury claims incurred prior to implementation of the no-fault program and the increasing costs of repairing today's high-tech cars. Communities Economic Development Fund, which is a lender of last resort to entrepreneurs outside Winnipeg, has a significant social aspect to its mandate which requires ongoing government subsidy. Venture Manitoba Tours and Manitoba Hazardous Waste Management Corporation are presently losing money. The hazardous waste company is presently negotiating an infusion of private-sector capital into its operations. This should relieve the province of the need to provide further financial resources to the corporation.

\* (1010)

Council's activities during the past year have focused on ensuring that the Crown corporations have appropriate strategies and programs in place which will minimize government financial exposures, both short and long term. In this context, we have noted council's prospectus regarding the Crowns in our annual and quarterly reports.

I would like to now review the current risk profile of each of the Crowns, starting with the highest risk Crowns and finishing with those with low risk. For purposes of this report, we define risk as the business risk confronting each Crown corporation. This involves an assessment of the extent to which the corporations are exposed to potential adverse significant financial and operational pressures.

Starting with the highest risk Crowns first, No. 1 is Manitoba Telephone System. Our assessment is that it is a high risk with a negative risk trend. Specifically, although MTS is currently profitable, it faces many business risks. It is in an industry facing tremendous technological, competitive and regulatory change. MTS is a small player in an industry dominated more and more by the very large global telecommunications companies.

In addition to dealing with such significant and rapid changes, the company is burdened by the weakest

balance sheet of any of the telephone companies in the Stentor alliance with over \$800 million in net long-term debt.

We have encouraged the company to urgently address these pressures through an aggressive review of its spending in all categories. New marketing strategies, new business alliances, and, if necessary, rate increases. We believe that the current transformation of the company into regulated and competitive businesses is appropriate. It is similar to the approach being taken by other telephone companies, and, if properly implemented, should facilitate faster reaction times in the present competitive environment and bring the companies closer to their customers.

The second high-risk company is Venture Manitoba Tours, which has, although a high risk, a positive risk trend. Venture Manitoba Tours Ltd., the Crown corporation responsible for operating the Gull Harbour Resort and Conference Centre and Hecla Island Golf Course, continues to experience losses. The company has responded through an aggressive marketing program, refurbishment of the facilities, changing the method of operating the golf course. These factors, combined with careful cost control and good weather this summer, are contributing to a reduction in the losses forecast for the fiscal year ended March 31, 1996.

We feel, however, that Venture will continue to incur losses over the long term unless there are significant improvements to the way it continues to do business.

MTS and Venture are the two Crowns we presently identify as having the highest business risk profiles. Three Crowns—Manitoba Hydro, Manitoba Public Insurance and CEDF—are classified as having medium risk.

Manitoba Hydro: risk assessment, medium; stable risk trend. Manitoba Hydro is in the advantageous position of having among the lowest cost for electricity generation of almost any utility in North America. As noted earlier, it is forecasting significant profits for the next several years, arising from a high level of export sales.

However, there are a number of industry trends in North America that will affect Hydro's future. These trends include deregulation; breakup of electric utilities into separate generating, transmission, distribution companies; competition from independent power producers, co-generators; and technological change. Electric utilities in many North American jurisdictions are already facing the kind of dramatic changes the telephone companies have experienced.

Council recommends that Hydro take advantage of its present strong position in order to improve its financial self-sufficiency by more aggressively reducing its \$5-billion debt level. Council also encourages Hydro to maintain a sense of urgency in preparing for the changes in the industry that may come upon it more quickly than any of us can imagine.

Manitoba Public Insurance, our risk assessment is medium with a negative-risk trend. As I noted earlier, MPIC is facing a significant loss for their current fiscal period and has requested a 6.1 percent rate increase from the Public Utilities Board. The effect of the losses is that MPIC will be in a deficit position until after February 1997. Council is concerned about this situation. MPIC has developed a plan to rebuild its rate stabilization reserve by February 29, the year 2000, by adding 2 percent to each year's rate application.

Unfortunately, because the plan involves an extended period in which the corporation would be in a deficit position, council is concerned the corporation may be forced to apply for a large increase if adverse circumstances arise while the corporation is in such a vulnerable position. Council has recommended that MPIC carefully consider the merits of rebuilding the reserves more quickly.

Our final medium-risk corporation is Communities Economic Development Fund and the risk trend there is stable. CEDF is continuing to strengthen its operations. The steps it has taken to put the fishermen's loan portfolio on a more businesslike footing, since inheriting the portfolio a few years ago, have been exemplary. Council believes that the corporation is operating in a prudent manner to minimize risks, while meeting its mandate of being a lender of last resort.

We have classified two of the remaining three Crowns: the Manitoba Lotteries Corporation in Manitoba, the Liquor Control Commission as being in the low business risk category. Due to the anticipated private-sector investment in the Manitoba Hazardous Waste Management Corporation, no risk rating is presented.

Manitoba Lotteries Corporation, low risk and with a stable risk trend. MLC has been focusing on improving its internal management reporting and control systems. The corporation expects to have its mandate clarified after the Lotteries policy review working group provides its recommendations to government. As a result new initiatives are not planned at this time. Council feels that MLC must develop and implement a new strategic plan as soon as possible after the Lotteries working group has submitted its report.

The Manitoba Liquor Commission, low-risk assessment with a stable risk trend. The Liquor Control Commission continues to operate in a stable manner, generating reliable profits for the province.

In summary, reasonable progress is being made in reducing the business and financial risks facing Manitoba's Crown corporations. I am pleased that council has been able to play an active role in this progress by increasing the awareness of all appropriate parties to the diverse issues facing the Crowns and to facilitate the dealing with these issues on a timely basis. Thank you, Mr. Chairman.

**Mr. Chairperson:** I thank the minister and Mr. Fraser and Mr. Sherwood for those remarks. The critic for the official opposition party, Mr. Santos, do you wish to make an opening statement?

**Mr. Conrad Santos (Broadway):** I would like to express my appreciation for the fact that in the long run the Crown corporations have been improving their performance since the establishment of the Manitoba Crown Council.

However, I have some questions to ask that I would like to start right away. I would like to start with the duties of the council—

**Mr. Chairperson:** Mr. Santos, if I could just interrupt for a second, I think there are a couple of other orders of business we want to look after.

Does the committee wish to consider the reports on a page-by-page basis or in their entirety?

**Some Honourable Members:** In their entirety.

**Mr. Chairperson:** Agreed? Will they be discussed in their entirety? [agreed] Does the committee wish to consider both reports at the same time or to consider each report separately?

**Some Honourable Members:** Separately.

**Mr. Chairperson:** Is it agreed? [agreed]

The third thing is, how long is the committee willing to sit this morning to consider the business?

**Some Honourable Members:** 12:30.

**Mr. Chairperson:** Okay, it is agreed, 12:30? [agreed] Mr. Santos, proceed with your questions.

\*(1020)

**Mr. Santos:** Yes, before I go to the reports themselves, I would like to clarify the responsibilities of the council, the relationship between council and the individual corps, Crown corporations. According to the statute, Crown Corporations Review and Accountability Act, Section 6.1(b), one of the duties is "to facilitate, in co-operation with each corporation, the development of consistent and effective criteria for measuring the corporation's performance."

Has the Crown Council developed such consistent and effective criteria for measuring performance?

**Mr. Sherwood:** I believe we have. The approach that we basically take in looking at the Crown corporations is to look at the future as opposed to the past. In looking at the future, we are looking at the various strategies of each Crown corporation to try to ensure that they are the best business strategies that that company can put in place at the time.

Those strategies are considered in the context of what is happening in the country, in the province, in the industry and with the competition that these various companies must deal with. We are constantly looking at industry practices to compare those with the practices of our Crown corporations, of the Manitoba Crown corporations. As such, we say yes to your question. I would add that for the most part I think our Crowns compare pretty favourably with those in their industries in the rest of the country.

**Mr. Santos:** The statutes speak of consistent and effective criteria for measuring the performance of each of the Crown corporations. I want to know what those criteria are that you have so far developed.

**Mr. Sherwood:** We start with looking at, first of all, the missions of the corporations. Are those consistent with the mandates that have been given them by the government?

Our next step is to look at the strategies of the corporations to see if they are consistent with the missions and mandates of those companies, and from that we then will look at the operating results of each Crown corporation to see if they are tracking in a manner consistent with the strategies of those corporations.

**Mr. Santos:** So far I have only heard one, which is consistency of mission and strategies and evaluation in accordance with its mission. The strategies are evaluated according to the missions; objectives and goals are assessed according to the missions, that they should be consistent. I heard only one. Is that the only criterion so far the Crown corporation has developed?

**Mr. Sherwood:** That is a broad answer to a question that is very difficult to answer in a short period of time, Mr. Santos. To try to define for you all of the criteria we look at is a very, very lengthy answer. We look at the capital spending programs of the companies; we look at the employment levels; we look at the revenue changes; we look at how they control their expenses.

Without getting more specific than that, to answer it in the context of eight Crown corporations is quite difficult.

**Mr. Santos:** The statute speaks of consistent and effective criteria. You mentioned the first one, consistency, and I presume the statute meant it would be consistency across the board, all the Crown corporations subject to the supervisory monitoring by the Crown Council, or whatever criterion is applied to one will be applied to the rest of them in a consistent manner.

In the sense that you have spoken, I would like to think that you are saying that in each of these cases we are looking at the mission objectives of the Crown corporations, and then we are looking at their strategies, how they are trying to implement and carry out this mission, and that we are applying this yardstick, the measuring yardstick of consistency across the board in all the corporations. Is that correct?

**Mr. Sherwood:** It is correct in a global sense. The difficulty I have in answering your question is that there are eight companies in eight highly diverse industries, and to ensure consistency from one company to another is not appropriate.

The consistency must come in terms of how that company operates relative to others in its own industry, and we do that in a considerable way. We do a lot of benchmarking of the Manitoba Crowns with other similar types of corporations.

**Mr. Santos:** To be comparable, there must be a common basis, common framework for comparison, and the common framework for comparison, the way I see it, is the set-up criteria that the Crown corporation will apply in appraising whether there is such a consistency between the strategies and goals and the mission of the Crown corporations individually. I see it that way. Is that correct?

**Mr. Sherwood:** If I understand your question, I believe that is correct. The way we approach each Crown corporation and all Crown corporations under our purview is that we conduct annual mandate and strategy reviews of these Crown corporations. In other words, we monitor them and review their operations in a consistent manner while accepting the fact that they do operate in different industries. So, from that perspective, yes, you are correct.



**Mr. Santos:** Mr. Chairperson, the second important criterion which I believe is essential in evaluating any kind of enterprise is what they call effective criterion. This is a simplification of the criterion of effectiveness as distinguished from efficiency and from economy. Effectiveness, the way I understand it in general, is the extent to which the activities of the corporation are satisfying the objectives and missions, goals of the organization. If it meets the purpose for which the organization has been created, regardless of whether it is operating efficiently or not, regardless of whether it is economical or not, if it is meeting that objective and mission, it is effective. Is that right?

**Mr. Sherwood:** Yes.

**Mr. Santos:** Okay. Have you developed such an effectiveness criterion, which is mandated by this statute?

**Mr. Sherwood:** Again, the approach we have taken in reviewing the effectiveness of each Crown corporation is to conduct in-depth mandate and strategy reviews of each company on an annual basis. We supplement that with special reviews if there are areas of concern. We monitor the Crown's financial performance, at least on a quarterly basis, frequently monthly. We maintain ongoing dialogue with them. Beyond that it is hard to indicate anything more specific. I feel that council does review the effectiveness of these Crown corporations very, very extensively. That is what our entire activity is aimed at doing.

\* (1030)

**Mr. Santos:** Mr. Chairperson, I am talking only of the measuring yardstick of efficiency, how it is expressed, how it is defined, how it is specified in operational terms. That is what I am looking for—if you have developed such a tool in your system of appraisal.

**Mr. Sherwood:** There is no simple answer to that question, Mr. Santos. There are many, many yardsticks of efficiencies for large corporations operating in diverse industries. As I mentioned earlier, we look at employment levels. We look at revenue growth. We look at capital spending levels. We benchmark the activities of these companies against others. There are

various financial indicators that we follow. We look at the capital structures of the operations. I cannot be more specific than that in answering your question.

**Mr. Santos:** I am talking about the framework and the tool, the measuring yardstick, and I have in mind what this little brochure has been defining all along. It appears to me that all the ingredients of the framework for evaluating performance according to effectiveness are embraced in its tool.

I would like to ask whether you have started or would you plan, or maybe you have, applying all these criteria of appraisal in evaluating the frame of a performance reporting of the Crown corporations, what they call money for value, which is another term they coin, to my mind, to mean the overall effectiveness of the Crown corporations— not only effectiveness, but flowing into questions of efficiency as well as questions of economy. Have you developed or started developing such criteria?

**Mr. Sherwood:** The simple answer is yes. It is an ongoing part of our activities.

**Mr. Santos:** What are the specific ingredients of your effectiveness criteria, then, if you have developed them?

**Mr. Sherwood:** I would have to go through each individual Crown corporation, one by one, and give you the specifics on those. If you would like me to do that, Mr. Chairman, it would take quite some time.

**Mr. Santos:** Mr. Chairperson, I would like to make a clear distinction. I am not talking of the appraisal itself. I am simply focusing on the tool, the measuring yardstick, that you will use in trying to measure performance of the individual Crown corporations. Therefore, you do not have to go yet to the activities and operations of the Crown corporations. All we need to clarify first is, what is this measuring stick, the measuring tape? Is it expanding or contracting, depending on what you are measuring, or is it consistent and stable so that you can have comparability in comparing the performance of each of the Crown corporations? That is the question I am focusing on.

**Mr. Fraser:** I would say that probably the great majority of the time of the council, the people on its staff, is just doing exactly what you are asking, appraising the effectiveness and the efficiency of the operation. They do that in all the normal traditional financial benchmarking ways of looking at any corporation to determine, is it operating efficiently, is productivity increasing, are the number of employees coming down and the revenues going up? In other words, that is one way that you measure the efficiency of any business.

Obviously, you look at its profitability, its earning structures. You look at its balance sheet and determine, as Doug pointed out, if they have strong financial strength and their debt-equity ratios are correct. There is in the business community generally a myriad of ways of measuring the effectiveness. I mean, there are just many different analyses that accountants will do, an analyst will do, in looking at an organization to determine if it is functioning effectively.

I can understand Doug's difficulty in trying to be specific, because what we do is, or what the council does is, just what you are asking. That is what they do. They look at the individual Crown corporations. They look at the industries they are in to determine what changes are occurring. They look at their staffing structures, they look at their financial structure, to determine if that business is being effectively managed, and we make recommendations, obviously. We very frequently put ideas forward to the Crown management and to the Crown boards as to action they can take to be more effective.

So it is a very broad question, but I can assure you, Mr. Santos, there are standard ways of assessing the effectiveness of any commercial enterprise, and that is what the council does.

**Mr. Santos:** You mention the level of productivity that is universally recognized, public or private, as long as you can define what productivity is. Usually, it is defined in monetary and economic terms, but it is not necessarily so in the case of public corporations as distinguished from private corporations where there is this bottom line that you always look at—the financial information. Of course, you look at productivity. Of

course, you look at this universally recognized industrial measure of performance—level of employment, the budget, the level of expenditures, all of these things enter into the picture. That is why I am searching for the commonality that is mandated by the statute. It should be consistent effectiveness criteria. I am just asking, what are those effectiveness criteria other than what you mentioned?

**Mr. Fraser:** Well, they are the standard criteria that are used in the financial analysis of any commercial enterprise. I mean, they are well known. We do not have any secret weapons here. We just use the same analysis that any financial analyst would use in looking at the operation of an enterprise, and we go through the whole thing.

You work down the P and L statement. You start at the sales level. Are the sales growing? Then you look at the gross margin level, and these are all consistent, they go right across the whole group of the Crowns. How about the gross margin? Is the gross margin increasing or decreasing? If it is decreasing, why is it decreasing? Then you look at the individual expense categories and you go down every expense category. You start with salaries, you start with advertising and right down all the costs of the business.

In different businesses there are different costs; some costs are more important than others. So you look at every individual cost structure. And then you look at that. Is it going up or is it going down? And if it is moving at all, you want to know why. You look at the productivity of the number of people employed and one of the ways you do that is, you say, are we getting more revenue per employee than we used to get, and that means that productivity is improving. So you work right down through the profit and loss statement, looking at every expense category.

Then you have benchmarking, which is very important. You will say, well, how does our Hydro compare to other hydro operations? Are our expenses too high in certain categories compared to others as a percentage, as a ratio? You take each individual unit and you work through every financial component of the balance sheet and of the profit and loss statement and you analyze those so that there is a consistency in

looking at any Crown, even though the individual components can be quite different.

In some Crowns some components are more important than others. But you look at each and every component so, in a sense, if you say what are we using in indicating that we are doing our job in proving their effectiveness, I would say that we are using the basic financial—we start with the basic financial information, the balance sheet and the profit and loss statement that we get from the company.

That is a long-winded answer, and I apologize for that, Mr. Chairman, but it is a rather difficult question, because financial analysis is a pretty standard sort of activity.

**Mr. Santos:** I suggest, Mr. Chairperson, that financial results is only one of those effectiveness criteria, and you have dwelt extensively on one. Are there any other criteria of effectiveness that you have used other than financial results?

\* (1040)

**Mr. Fraser:** When I say we look at it from a financial point of view, I am not suggesting that the only thing we look at are financial matters. What I am saying is that everything that the corporation does gets reflected on the balance sheet and on the P and L statement, so by working through that, you look at other things. It is not just all financial. Everything that happens within that organization ends up on the balance sheet and on the P and L statement, so that you can look at the various components to determine if or not that business is being effectively run.

But we also look at the other things too. I mean, is it being a good corporate citizen? How are the environmental aspects of the business being handled? Customer service, all the other things that impact on any business have to be looked at, but you start with the financial statements as your starting point.

**Mr. Santos:** Okay. We have identified financial results. We have agreed on that. That is a very complex thing, because you look at many things, expenses, productivity, profit, whatever. Then you

admitted there is some kind of corporate responsibility to the community and the level of service it rendered to its customers. These are of course reflected in the financial outcome, result.

Are there other criteria of effectiveness that you cannot make operational in terms of money or financial result? For example, quality of working relationships, the degree of trust between the corporate board and the management, the degree of trust among employees at supervisory levels in the organization, have you started looking at those things that contribute to the overall effectiveness of corporations?

**Mr. Sherwood:** There are many criteria that the companies themselves and we in reviewing their activities would review in looking at human resource practices in each of the Crown corporations. They are very extensive. Many of them are subjective. Perhaps the best one that industry has typically found to be the most valuable is attitude surveys of employees, of customers, of suppliers, which indicate how well a company is performing. All of the larger Crowns, and even the smaller ones, do that.

You could go to the Gull Harbour Resort, stay there overnight, and in your room there will be a little card saying, if you are not happy with the service or your room or food, what have you, then provide us with your comments. Those comments are fed back to the president of each operation, to the board, and they are used for further management action to try to improve the company's results.

The larger Crowns also do attitude surveys that are done anonymously by their employees. They would say, are you happy with your work environment, is the company being managed properly, and so on. Again, the results of these surveys are used by management to address employee needs. They are appropriate and good, done on a confidential basis.

Coming back a little bit to the other type of activity, though, I would draw your attention to our 1994 annual report, on page 6, just as an example of the types of things we get into. At the bottom you will see a table headed up, key corporate performance results for Manitoba Hydro.

You can see, there are a variety of things there, not all purely financial, that would be used in assessing how Manitoba Hydro compares with the other electrical utilities in the country. There are 16 utilities involved in this. That is where I come back to my earlier statement that you cannot generalize in trying to answer the question. Each organization has its own set of criteria to measure its performance.

**Mr. Santos:** So we have also nonmonetary criteria, and sometimes they are important, although you can hardly measure them in terms of financial units.

One of the things I would like to say is the nature or quality of working conditions in the organization itself, the working atmosphere, the working environment obtaining within the organization, do you have such measures to measure, for example, the promotion of commitment and feeling about safety initiative on the part of employees to work for the organization? Do you have such a measure or have you ever applied or started applying such things?

**Mr. Sherwood:** Most definitely, the Crown corporations all have significant measurement criteria in those areas.

Take Manitoba Hydro as an example. One of the most important factors they have to consider is the working conditions of some of their people out in the field. They work in very hazardous conditions, as you would know. If there is a major storm, winter or summer, the linesmen are out there in the most hazardous conditions trying to repair lines that have come down by the storm.

So there are criteria that the company and the industry have developed to ensure that Hydro is not taking unnecessary risks with its employees. In fact, they have an exemplary record, I might add, in this category. They are one of the best in the country, but there are a whole variety of such things that the various companies monitor to ensure that they are operating at a good condition.

There are other things that are directly reflective of the overall working environment, things like staff turnover. If you have excessive turnover in a

corporation, then you have to ask yourself why that is occurring, are the working conditions unsatisfactory, and so on.

We look at that type of criteria, and management of these Crown corporations does as well.

**Mr. Santos:** Mr. Chairperson, at this point, I would like to temporarily suspend the line of questioning on this subject matter and give chance to the member for Brandon East (Mr. Leonard Evans) on limitations.

**Mr. Leonard Evans (Brandon East):** Thank you, Mr. Santos. I just have a few questions. I am not a member of the committee, but I had a few questions that I would like to pose to the council. I am not clear as to what extent the council is involved in decision making, major decision making within the corporations or whether you just play a passive role and sort of give your blessing or otherwise or whether you have any effective control over the corporation.

I will use as an example, I notice you make some recommendations about Venture Manitoba Tours, Hecla Island suggesting it be closed down in so many words. I do not want to put words into your report. What power do you have to make sure that recommendation is followed, or can the minister say, sorry, I do not agree with you, we are going to carry on, or whatever?

**Mr. Sherwood:** Our responsibility is in an advisory capacity. We are an organization that tries to bring a significant amount of business expertise to the table in assessing these corporations and the issues they face. We can only recommend. If a Crown corporation does not choose to accept our recommendations, that is their prerogative, but we have perhaps the clout, if you will, of publicly reporting our perspectives, and they have to then be accountable for explaining the difference between their perspective and ours, should there be a difference.

\* (1050)

**Mr. Leonard Evans:** When you say publicly expressing your views, by what means? By means of the annual report, because it is stated in the—admittedly

this is the '94 report. We are supposed to be doing '93, but there is quite a bit of an overlap, and I trust this is okay.

The council recommended, and I am quoting on page 18 on Venture Manitoba Tours: The Council recommended that the resort be sold. If a buyer cannot be found, consideration should be given to closing the resort or converting it to an alternative use. Then, of course, you go on to talk about in the event that this recommendation is deferred, you have other recommendations to develop a long-term operating and capital plan to minimize the losses, which sounds reasonable. This is your means of pressuring that corporation to either get its act together, maybe sell it or else somehow or other get its financial act together, its operating plan together so that it can be viable.

**Mr. Stefanson:** Well, Mr. Chairman, it is the reporting relationship as Mr. Sherwood has said. They deal directly with the other senior administration of the Crowns, obviously. Copies of their reports on individual Crowns are made available to the ministers responsible and discussed with the ministers responsible, and ultimately all of them are reported to the Minister of Finance and become, obviously, the two documents we are dealing with today, so at the end of the day this report provides all of that information and creates one more vehicle to discuss the recommendations, why they were or were not adopted either by the Crowns or ultimately by government.

I know the issue you are talking about, the member for Brandon East is talking about, I believe, did come up somewhat just this week. This Venture Manitoba Tours Ltd., I believe there was a committee on Tuesday, and there was some discussion around this same issue that we are discussing now. So there is that kind of a reporting relationship which really touches base with people who run the organization, the operational side, the minister responsible, ultimately the Minister of Finance, and then this committee.

**Mr. Leonard Evans:** Because it calls into question without reflecting on any personnel involved—and I know the council is doing its best, but it calls into question its ability to be effective. I am sure that rational decisions are made in government, whatever

the Crown corporation is, that you are limited to an advisory role essentially, and your advice can be dispensed with, so to that extent it must be a bit frustrating because obviously the government is carrying on with, as I gather, the minister intends to carry on with Venture Manitoba Tours rather than selling it, which was your key recommendation.

**Mr. Stefanson:** Mr. Chairman, I think it should be pointed out that in many cases recommendations are accepted by the corporations themselves at the senior staff level. Occasionally, they are recommended by the ministers responsible, but, like any advisory or review organization, it is not to say that each and every recommendation is going to be accepted. In fact, even this recommendation that the member for Brandon East read has two parts. While they are recommending the resort be sold, they also do make another recommendation that, if not, other steps be taken. It is not my direct responsibility, but steps have been taken at the Gull Harbour Resort.

Mr. Sherwood, I am sure, could provide more current financial information, but this financial year it showed a significant improvement in terms of the operation for several reasons. There have been some management changes at the hotel. There have been management changes at the golf course.

Obviously, to have the kind of summer we had helps the situation as well, and there has been a significant financial turnaround through some of the steps that have been taken in part because of the analysis and the recommendations that come from the Crown Corporations Council.

**Mr. Leonard Evans:** Just carrying on, MPIC has applied to the Public Utilities Board for a rate increase. Did it review its proposals for a rate increase with the council and get its blessing or otherwise?

**Mr. Sherwood:** Yes, it did. We had a very extensive review of that rate request with the company.

**Mr. Leonard Evans:** Mr. Chairman, so you get the knowledge, you are involved, perhaps, in some of the decision making then because, if you had some negative views about the application, you would have

made those known to MPIC. Presumably, they may have accepted your advice or maybe ignored it. We do not know.

**Mr. Sherwood:** Really, to try to clarify just how the process works, we spend a lot of time in communicating and having dialogue with the Crown corporations on these issues. Obviously, when it is a significant thing like a substantial rate application in the case of MPI, we spend a lot of time looking at that and trying to form an independent assessment as to the appropriateness of it. I believe I reported earlier that we still have some anxieties about the rebuilding program the company is on.

A lot of the benefit of that dialogue is something that you would never see because the changes come from it as opposed to ending up in a published report. I think that is exactly—if I could just come back to Venture for a moment—the type of thing that is happening. By making such a strong recommendation as we had on Gull Harbour, one thing that is done is to focus everybody's thinking in terms of how can we best improve this operation, and we work closely, I might add, with the Crown corporation in trying to come up with ideas, constructive ideas for improvement. As the minister reported, it has reported a lot of improvement.

But in terms of the final absolute decision making, it is the prerogative of the Crown corporation to do what it wants. Obviously, it listens carefully to what council has to say.

**Mr. Leonard Evans:** By way of another example and, again, I am trying to understand the council's role, A.E. McKenzie Seeds was sold. Was the council consulted during these negotiations?

**Mr. Sherwood:** The specifics of the negotiations are something we would not normally be a part of because that is the shareholder decision, if you will, and, as such, it goes beyond the purview of council. In terms of, from a business perspective, whether it was something that made sense and we would agree with, were there any issues that we saw in terms of that divestiture, the answer is yes. We were aware of it. We were kept informed as it went along, and we provided our advice and opinion on that.

**Mr. Leonard Evans:** Mr. Chairman, did the company share with the council the copy of the agreement of sale with MDC Regal company, the purchasers? Did the council get a copy of that agreement?

**Mr. Sherwood:** The specific agreement we did not get a copy of, but we are familiar with the terms that are contained in the agreement.

**Mr. Leonard Evans:** Mr. Chairman, if the council did not get the agreement, how did they obtain the information on the terms of the agreement?

**Mr. Sherwood:** There are many summaries. You are talking an agreement that was negotiated over a sustained period of time. There were many iterations, obviously, of that as it went along, many summaries of it as opposed to just absolute legal documents. We were very much informed as to the basic and essential terms and conditions of that transaction.

**Mr. Leonard Evans:** I just might comment, there were some critical features in there which would have a bearing on the government's ability to ensure that it stay in the city of Brandon, Manitoba, for at least seven years. There was a provision in there for holding preferred shares, I believe. So it seemed to me that it would have been important for the council to be very knowledgeable of that particular agreement and satisfy itself.

For 25 years I have fought to make sure that company stayed in the city of Brandon. We have had our ups and downs. I think it has made a net contribution to the Manitoba economy, certainly to the Brandon economy, in terms of wages, jobs and so on. Some of us are a little leery that, because it is a market-oriented business, at some point market forces, economic forces may cause the private owner to move it out of Brandon to probably central Canada some place where the bulk of the Canadian market is. It would seem to me that was a critical feature that the council, I would have hoped, would have been knowledgeable of.

So the council did not get any written statement about the terms of the agreement from the company as to what it was doing?

**Mr. Sherwood:** I did not say that. I said we did not get the specific legal agreement, but we got the summary of all of the key terms and conditions of that agreement. We are certainly aware of that condition. We felt that it was an extremely important one. Obviously, we were aware of many of your own words on it.

Our assessment from a business perspective is that Regal Greeting and Gifts did more than most corporations would do in ensuring its commitment to the city of Brandon. In fact, our assessment is that this transaction is an extremely beneficial one for McKenzie Seeds as well as the city of Brandon—far better to operate in this larger corporate environment than as a stand-alone Crown corporation.

\* (1100)

**Mr. Leonard Evans:** Well, I just hope the president is right because we want it to succeed. We want the jobs. We want an economic future for that company.

I wonder if it would be possible for the council to obtain a copy of that agreement and make it available to the Legislature. I have been trying to get a copy of the agreement. You know, we are supposed to have open government. I might add, the MDS agreement, Mr. Manness, former Minister of Finance—it was a rather thick agreement of sale—did make that agreement available. After it was signed, after the deal was over, he said, here is the agreement, because we had asked for it.

I would wonder, Mr. Chairman, whether the council could get it or perhaps the Minister of Finance (Mr. Stefanson) could use his good offices to obtain a copy of that report in the public interest. I think the deal has been concluded. The negotiations are finished. The agreement should be made available to the public.

**Mr. Stefanson:** Mr. Chairman, the member for Brandon East has certainly raised this matter before. It is nothing new. I am glad to hear the confirmation from Mr. Sherwood with the comments from the Crown Corporations' perspective in terms of the transaction of the sale of McKenzie Seeds to Regal that their assessment has been that it has been—I guess the

best way to put it—the right thing to do in terms of the future of that company, the opportunities, the employment in Brandon. I think all of our objectives are the same to continue to have those jobs in Brandon for many decades to come. We feel very confident, obviously, that will be the case through Regal. In fact, there will be enhanced opportunities because of the other aspects of their company that can potentially end up here in our province.

In terms of the specific agreement, not being the minister responsible, obviously the fact it has not been released, there are areas of confidentiality. The member for Brandon East has been in government—I mean, if we were to go back—did not necessarily release every agreement, every report, every issue that they dealt with on an immediate basis either for various degrees of confidentiality. I know his area of being critic of Finance, there are often all kinds of agreements that for various reasons cannot be made public because of the third-party confidentiality and so on.

I am certainly prepared to have a discussion with our minister responsible, and I do believe at the end of the day that with most things, the more information you can make available, it serves all of us in a more efficient and effective manner, but as I say, sometimes there are valid reasons why documents cannot be released. But in light of today's questioning, I will bring the matter up with our minister responsible and determine whether or not that agreement can in fact be released.

**Mr. Leonard Evans:** Well, I thank the minister for that undertaking. I hope he is successful in persuading the minister. I do not know whether I should call him the minister responsible any more but the minister who was formerly responsible, but I guess he still has some responsibility because there is a seven-year preferred share bit in there.

I might add that I can appreciate being reluctant to make an agreement available when negotiations are—there was a preliminary agreement and I can see reluctance to make that available during negotiations, but the deal has been consummated. We have the example of MDS that was in fact a bigger deal in terms of the amount of money involved and the extent of it,

it seems to me, and yet that information has been made available.

I might add that we had previously tried to get this, admittedly earlier on, through The Freedom of Information Act and that was not made available to us, so I mean so much for open government. I really do not see how it is going to hurt the company in any which way if that is made available. So in the name of open government—you know, in Canada we have many instances where documents cannot be obtained and we have to obtain them through the United States.

This used to be the case in terms of boards of directors of major corporations, finding out their salaries and that, could not find them in Canada but if they did any business in the United States, the Americans made damn sure that that information was available and then we obtained it as Canadians through the United States. That has no direct bearing on this, but I say I think there is a little too much secrecy in government. I am not talking about any individuals present. I am just saying that as a generalization there tends to be a little too much secrecy in our Canadian federal-provincial governments. I think the public interests would be better served by being more open and providing information so that everyone can see.

Just one other specific question, and that is on the future of the Manitoba Telephone System. There has been some concern about it being dismembered, and I noticed there is some specific reference in here to the agreement with Faneuil corporation that the council is concerned about that. I was wondering whether the president would have any comment on the future of MTS. Does he see it holding together, or does he see it being dismantled piece by piece, bit by bit? Like Faneuil has taken over some of the operation, for example, as I understand, and whether there are other initiatives that may be undertaken regarding dismembering, if I can use that term, maybe it is too strong a term, but taking portions of the MTS operations and selling it or contracting it out to other companies.

There is a specific case and you refer to it on page 10 of your 1994 report. The council recommended that MTS monitor the performance of Faneuil and the

effectiveness of the telemarketing program to ensure that it meets MTS's needs on an ongoing basis. I just use that as a starting point for this question.

**Mr. Sherwood:** In my opening comments, and I believe I made them before you arrived, I characterized MTS as facing one of the highest business risks of all of our Crown corporations. That is typical of every telephone company in Canada at this point in time. There is absolutely incredible competitive change, technological change and regulatory change facing these operations. It is important that MTS, which is a very small player in this industry, I might add, stay abreast of those changes.

In responding to Mr. Santos' questions earlier about the benchmarking that we do between MTS and the other telcos, if you look at what they are doing, every telephone company in the land is reducing employees to try to remain competitive. If they do not, they are going to end up facing potential bankruptcy. Contracting out of some services, which could be more effectively handled by other operations, we would view as being a very appropriate business step. We do not see it as a partitioning up or privatizing of the company to be quite honest with you. The company is going through a major restructuring now which simply brings it in line with what all of the other telephone companies, including SaskTel, have done in prior years. So I do not see anything untoward in terms of what they are doing.

**Mr. Leonard Evans:** Just briefly, do you see a long-term future of MTS continuing as a publicly owned Crown corporation?

**Mr. Sherwood:** I do not think that is for me to answer. That is clearly a government policy decision and the government needs to make deliberations on that. Our mandate is to look at operations as Crown corporations and try to assist with ensuring that they are operating in the most effective possible manner, a manner that would be acceptable to the people of Manitoba. That is my personal objective; whether or not it is a Crown corporation is a government decision.

**Mr. Leonard Evans:** I know, Mr. Chairperson, that the board was recommending that Hecla Island or Gull



Harbour be closed down or cease operation or be dispensed with somehow or other. Would that not be a policy decision of the same nature?

**Mr. Sherwood:** To some extent, that is true, and it is a very insightful comment. I would say perhaps we overstepped our limits somewhat in making that recommendation, but it was driven by our perspective that this operation was going to continue to be a drain on the taxpayers' pocketbooks.

**Mr. Leonard Evans:** Just one final area, Communities Economic Development Fund. Again, it is sort of a policy area so I guess the president may be reluctant to comment on it, but do you see a future for that fund the way it is operating at the present time?

**Mr. Sherwood:** Again, I think it is perhaps a question for the government as opposed to for Crown Corporations Council. The company is operating in the most effective manner it can under the circumstances in which it operates. It is a lender of last resort and they cannot accept customers. They cannot give loans to applicants who have not already gone to a commercial lending institution and been rejected so that puts them in a pretty high-risk category.

As we have mentioned, that means that they will in all probability require some form of taxpayer subsidies on an ongoing basis. That is a social part of their mandate. They are a development fund so if the mandate stays as it is, I would say it will continue to need further government funding. It is government policy decision whether or not they want to continue to have such an organization.

\* (1110)

**Mr. Leonard Evans:** Mr. Chairman, as I note, there are losses year after year, but as you state it is understandable in a sense when you are a lender of last resort you end up with an extremely high risk operation, and there are bound to be failures in the process.

Well, I could go on for a long time asking specific questions but I believe some of my colleagues may have some questions as well.

**Mr. Stan Struthers (Dauphin):** Yes, I have several questions concerning the Manitoba Lotteries Corporation. Some I suppose I should be asking to the minister, some to the president. I suppose the first one I should go with the minister on: Why do we have VLTs and casinos in this province?

**Mr. Stefanson:** Mr. Chairman, it just happens that I also am minister responsible for lotteries as I think the member for Dauphin knows and we have had the Lotteries Corporation Annual Report at committee about two weeks ago. I think probably those types of questions are more appropriately asked in that forum and at that committee.

Here we are dealing with the Crown Corporations Council which has the mandate as outlined. I pointed out in the front of the report what the mandate is of the Crown Corporations Council in terms of doing the analysis of the economic performance, financial performance of the corporations and so on. So having said that, that really I think is the more appropriate forum. We probably will be back some time in the not too distant future. I think we have a couple of reports left to deal with.

But having said that I am prepared to make a comment that I think what we have seen across Canada is governments providing gaming opportunities to their citizens, in part, because gaming has evolved in other jurisdictions. I think the challenge for governments is to strike that right balance of creating the opportunities in your own province—in our case, so that Manitobans who do want to participate in casino activity or VLTs or whatever have the opportunity to do that in Manitoba. Those dollars are therefore retained in our province, retained in our economy, to a large extent retained in the Treasury of the Province of Manitoba and not going to all of the opportunities that exist certainly immediately south of Manitoba in United States, and now we are having them literally across Canada.

We are seeing ads being run in our local paper regularly for the new casino in Regina, and we know there are now casino activities in Ontario and casinos in Nova Scotia and VLTs in almost every province across Canada, and so on.

So there is the matter of striking that balance that ideally you want the dollars to stay here in your province, but I think we all are very concerned about the social side of gaming.

You have to be very careful that it does not become a major social problem, and that is why we continue to provide the resources that are required to the Manitoba Addictions Foundation to deal not only with counselling but to deal with the education side of the issue, to inform the public about concerns around gaming.

The follow-up study that the Lotteries Corporation has done by Dr. Rachel Volberg on problem gaming in Manitoba has shown that over the last two years, even with fairly significant introduction of VLTs, the level of problem gambling still remains at about 4.3 percent in Manitoba. It was 4.2 percent back in 1992. So the challenge is to strike that right balance.

The last thing we would ever want is to have Manitobans leaving our province, spending significant amounts of money participating in gaming, and then our still having whatever the element of social problem is to be dealt with. That is the challenge for governments right across Canada.

On the VLTs, in particular, I think the member for Dauphin (Mr. Struthers) knows that part of the original discussion arose from the Manitoba Hotel Association as well, that they were very concerned about potential closure of a number of hotels in rural Manitoba and came forward supporting VLTs on the basis of the economics of maintaining hotel facilities in many rural communities and maintaining that employment and that facility and so on.

I think if you were to speak to them, they would say that that has been the case. I think the number of hotels that have closed in Manitoba in the last several years has been very few, I believe a number of two, and there was concern that there could have been in the dozens of hotels closing throughout our province.

Again, that was another reason, and I think it has met the objective in that area of keeping those facilities, keeping those employment opportunities. I think we

are all concerned about all of our communities in rural Manitoba, and I think anytime businesses close, facilities close, that is not healthful to the communities, and obviously this was also a means to maintain those hotel facilities in a viable fashion.

**Mr. Struthers:** I am sure the minister can forgive me for maybe asking the right question at the wrong committee hearing, but since the proper route had met on June 1993 and then not until September 1995, I am sure that he could understand why I would take this opportunity to ask again.

I have no idea when the next opportunity might come across, and if it is two and a half years time, then I find that absolutely unacceptable. So I am going to get my questions in wherever I can.

The other weakness I think that I heard in the statement was trying to blame other jurisdictions for why we are ending up with a rapid increase in lotteries. I know of other jurisdictions that have legalized marijuana and legalized prostitution, but I do not see the government taking those steps here. I do not think that we can look at other jurisdictions and take something that they are doing and implement it here simply on the basis of that.

The minister mentions gamblers going to the United States from Manitoba. I would like to know a few things about this.

Is there anything in writing, any study that he can point to to suggest what the numbers were before the rapid increase in gaming opportunities in Manitoba as compared to now? Where from our province are these people coming from?

I represent an area in Dauphin that did not have that problem before this minister introduced VLTs to our area of the province. We did not have thousands of people taking off down to the south like he claims that there are in this province. We do not have that in our area. Where is this problem occurring?

**Mr. Stefanson:** Mr. Chairman, first of all, the member expresses his concern about opportunities to ask questions on gaming. Obviously I have showed a

willingness to be co-operative and answer his first question, and I am prepared to have more of a discussion on lotteries.

Secondly, I am not sitting here blaming any other jurisdictions. I want to remind him that it was a party of which he is a member that introduced and started gaming here in Manitoba in terms of casinos.

In terms of trying to play politics with this issue, I would suggest he review all of the history on the evolution of gaming in our province before he starts attempting to point blame at any level of government or jurisdiction.

I certainly am not blaming other provinces. I am saying, that is a reality, that is a decision that is being made by Liberal governments in Nova Scotia and elsewhere, NDP governments in Saskatchewan and Ontario, and Conservative governments in Manitoba, Alberta and elsewhere. It is a reality right across Canada; it is not a politically motivated or driven ideological issue that is happening.

In terms of surveys of customers, I know at the two entertainment centres, surveys are consistently done in terms of the gaming habits of Manitobans and also surveys in terms of people coming from outside of Manitoba. I know at the entertainment centres, I believe about 10 percent of the people who attend those facilities are from outside of Manitoba, so that is obviously adding to the economic activity here in our own province.

I know they also do surveys of Manitobans in terms of whether or not by having access to gaming opportunities that means that they still want to participate, but they are staying in their own province. I know that, again, the surveys have suggested that is exactly what is happening.

Because there are opportunities here, the people are not being enticed by the Shooting Star Casino ads and going down to the United States, or, now, when the Regina casino opens, I believe, in December or early next year and so on. By having the opportunity here, the people who do participate are saying, yes, it is keeping them at home.

I do want to remind the member, I am not sure of the hotel facilities in Dauphin or that community, I certainly could look into individual facilities and have a discussion with the Hotel Association, but I know from discussions I have had with the Hotel Association that by introducing VLTs in rural Manitoba, it has saved a significant number of rural hotels, meaning those facilities continue to be economic engines in those communities because, obviously, they are there either for tourists or they are there for people who are there on business or visiting family or whatever, and obviously they employ a significant number of people in each of their communities.

\* (1120)

I know from information provided by the Hotel Association, they have had a very significant impact throughout all regions of rural Manitoba, and I will gladly look into his direct constituency to see what the Manitoba Hotel Association says about his area that he represents here in our province.

**Mr. Chairperson:** Excuse me, I would just like to encourage members around the table that we are discussing the 1993 report of the Crown Corporations Council. I understand some of the questions dealing with lotteries could well be put to the Lotteries Corporation when they come before the committee.

I just lay that out as a suggestion. Thank you.

**Mr. Struthers:** I would like the minister to take it upon himself to get some numbers that suggest that the increase in gaming in this province has produced a decrease in the number of people going south of the border to spend their gambling dollars.

The contacts that I have indicate to me that it is the exact opposite. All this minister is doing is whetting the appetite of people in Manitoba and encouraging them to go down south in more numbers. I would prefer to see something in writing, something authoritative to suggest that I am indeed wrong. I hope I am wrong. I encourage the minister to prove me to be wrong.

I want to move on a little bit now to something that the minister touched on in terms of problem gamblers.

I would like to know how much money has been allocated to identify and help people who have become addicted to gambling since the rapid increase in gaming in this province. I would like a breakdown of the people across the province, the regions that they have been hired in to provide these counselling services. Can the minister or anyone in the council provide me with that kind of information today?

**Mr. Stefanson:** Mr. Chairman, I did outline for the member that various surveys and studies done by the Lotteries Corporation does show that some Manitobans are staying here and not going elsewhere to spend the gaming dollars that they want to spend.

It is interesting we just came through a provincial election not very long ago, and I do not recall the member or his party speaking out very strongly about significantly reducing VLTs anywhere in Manitoba or reducing entertainment centres or reducing casinos. Only one party made a token gesture in that area; it certainly was not the NDP.

In terms of the allocation for problem gaming, originally \$2.5 million was allocated to the Addictions Foundation over five years. They returned to government several months ago requesting an additional \$415,000, I believe, to deal with counselling and educational activities. That money was provided to them, so the total budget now to the Addictions Foundation is about \$914,000. Again, any of the requests that they have made to provide the resources that they feel they require not only for counselling but for education and information and so on have been provided. They are certainly the organization that deals with the issue and knows their financial requirements.

In terms of their breakdown of staffing complement and regions and so on, I will take that part of the member's question as notice and undertake to provide that information.

**Mr. Struthers:** The reason I ask specifically about the breakdown of counsellors in positions to help people addicted to gambling is that I know in the Dauphin area there is one person designated to that position and she has an area about the size of a medium-sized European country to take care of. I do not think that is anywhere

near adequate, and I am wondering if that is the case across the province. I would appreciate the minister getting back to me on that as soon as he can.

I have some problems in the area of accountability with Manitoba Lotteries Corporation. My concern stems from the fact that the Winnipeg Free Press, to get some information, had to go through the Ombudsman to force disclosure of community-by-community breakdown of revenue. I have already mentioned my problem with the lack of meetings of the committees to be looking into the Manitoba Lotteries Corporation. For over two years, we did not have a committee meeting to discuss anything on gaming and during that time the profits of the corporation, I understand, went up in the area of 300 percent. I think it is something that Manitobans are worried about when it comes to the Manitoba Lotteries Corporation and that is the whole area of accountability.

I would like to ask the president, what are the plans to become more accountable to Manitobans?

**Mr. Stefanson:** Mr. Chairman, in terms of the issues the member raises, first of all, if he has not had an opportunity already, I would encourage him to read Hansard from the very lengthy discussion we had on many issues around lotteries and certainly the issue that he raised here this morning.

In terms of accountability, if he goes back to the Provincial Auditor's report of 1994, her reference to the quality of information produced by the Manitoba Lotteries Corporation, I believe her statements were—certainly reliable was one and generally implying that the information is very comprehensive. Again, between the reports of the Manitoba Lotteries Corporation ultimately the committee that deals with it there are many avenues and opportunities for information on lotteries.

The annual Public Accounts also shows the earnings of lotteries, shows the money in the lottery trust account. There has been information put out by the Manitoba Lotteries Corporation, where the dollars are utilized. We have released the economic studies that were done by the Manitoba Lotteries Corporation, the Volberg study on problem gambling and so on.

There are many avenues and many sources of information on gaming in Manitoba, and there are certainly the traditional avenues of dealing with it here in our Legislature through Question Period, through committee. The committee did meet, as the member knows, a couple of weeks ago and, obviously, House leaders will determine when that committee meets again.

**Mr. Struthers:** I think maybe some people would be encouraged by what was just said, but why does it remain then that as of the end of November in 1994, Manitoba Lotteries Corporation knew the community-by-community breakdown of revenues and it was not released until after a provincial election and after the public hearings into the effects of gambling on Manitobans. The words are great, Mr. Chairman, but the proof is in the pudding, and this government has failed in that area.

**Mr. Stefanson:** Mr. Chairman, rather than take the time of this committee, although I know many of the members sat through the Lotteries committee as well and heard the explanation, what I would suggest that the member do is to read Hansard. If he has not done so already, there is a very detailed explanation provided by myself in Hansard, and if he has any problems after reading that, I would encourage him to come and see me and ask me any other questions that he might have.

**Mr. Struthers:** The next area that I want to talk a little bit about is what I see as a misuse of funds in the Manitoba Lotteries Corporation. First and foremost, a KPMG report, a KPMG and Ernst report whose, as far as I can tell, the sole purpose was to discredit the Winnipeg Free Press article in the middle of the provincial election campaign and also to discredit Philippe Cyrenne's report. In the report itself one of the specific objectives is to critically review the report that Dr. Cyrenne had made. I consider that a misuse of taxpayers' dollars in an attempt to damage control in the middle of an election campaign. Just to refresh your memories, I would like to know how much that report cost the Manitoba taxpayers.

**Mr. Stefanson:** Well, Mr. Chairman, I think the member is confused when he refers to the KPMG report and the Ernst & Young report and the provincial

election. They were commissioned and released subsequent to the election. In fact, they were released the day before the committee met to deal with the lotteries reports. It has nothing to do with the provincial election.

In terms of the issue of the economic report, I know in flipping through the Crown Corporations Council report, I know the Crown Corporations Council itself has recommended the undertaking of just that kind of an initiative. I will turn it over to Mr. Sherwood to comment on that, but I provided the cost of the reports. Again, if the member reads Hansard, I provided the cost of both the Ernst & Young report and the KPMG report during committee. I believe the KPMG was around \$90,000, but I had the precise amount that day in committee. I will certainly undertake to provide it to the member again, but it is also in Hansard as a result of our lotteries committee review. Mr. Sherwood, you probably have some comments on the issue of that economic report.

**Mr. Sherwood:** There is not too much I can add other than to say from a nonpartisan perspective that council felt it would add to the voluminous discussion on gaming activities in Manitoba if an independent study were undertaken which indicated what the full and complete economic impacts of gaming activities were and this gets back a little bit to things like Manitobans going outside the province to gamble, outsiders coming into the province to visit our casinos and so on, plus the spin-off from the lotteries activities.

\* (1130)

We have indicated—it is actually on page 14 of our 1994 annual report. We have recommended that such an economic study be commissioned.

**Mr. Struthers:** Another area that I think that needs to be talked about a little bit is a parking lot was built in McPhillips Street Station. My understanding is that \$1.4 million was spent on this. The building is only worth \$900,000 and it is not going to be used for two years. Could you comment on the defective use of taxpayers' dollars in that regard?

**Mr. Sherwood:** The first comment I would make is that is a 1995 business activity and I think we are here

to talk about the earlier reports. Mr. Chairman, I do not know if I should respond or not.

**Mr. Chairperson:** I give you leave to respond or not. It is your wish.

**Mr. Sherwood:** Again, from a business perspective it seems to me that any business that needs to accommodate its customers to provide a good service has to make certain expenditures. If you have to spend a certain amount for an asset that is necessary to your business, you obviously do a cost-benefit analysis on that and if you think that the benefits outweigh the cost, you proceed. We feel that this is exactly what the Lotteries Corporation has done in this particular case.

**Mr. Struthers:** The only other area that I want to talk about a bit is the advertising that the government has done to promote people to become addicted to these VLTs in casinos. I do not know if I have seen all the ads, but I have not seen one promoting people off gambling. I have seen a lot of them promoting the benefits and why you should be gambling. The advertising that the government—that I have seen includes billboards and newspapers and ads on television and those sort of things. What is the total cost to Manitoba taxpayers of the ad campaigns that have been hitting the airwaves?

**Mr. Stefanson:** Mr. Chairman, again, I would encourage the member to read the summary of the Lotteries committee meeting just two weeks ago and he will see that we outlined the cost of advertising and promotion in some detail during that committee. So by reading Hansard he can certainly see that information—but his comment about promoting people to become addicted to gaming.

If he looks at the majority of the advertising being done by the Lotteries Corporation, it was a very significant beneficiary awareness campaign so that Manitobans were informed of how their lottery dollars are, in fact, being utilized here in Manitoba.

That has been something Manitobans have been requesting, even the opposition have requested that on occasion, wanting to know how lottery dollars are being utilized. That was a major part of the Lotteries

Corporation campaign, so that Manitobans would know that money was going into health care or going into economic development or going into other areas. Of course, at the end of the day, a significant amount had been going to deficit reduction here in Manitoba, which is certainly something that I believe most Manitobans appreciate and support.

So, again, his comment about promoting people to become addicted is totally erroneous. I have already outlined to him what is being done to deal with the other side of gaming in terms of providing whatever resources the Addictions Foundation requires to do the follow-up gaming study.

We are the only province in all of Canada to do not one but to do a subsequent follow-up study on problem gambling to be sure that we are aware of what the level of problem gambling is, that we attach the appropriate resources to deal not only with counselling but with education and so on, recognizing that gaming is here, that it is here right across Canada.

There are economic benefits to gaming. There is a social side of gaming, and, obviously, we have to continue to monitor that. That is part and parcel of the reason why we now have a moratorium here in Manitoba with no expansion of gaming, part and parcel of why we set up the commission, chaired by Mr. Larry Desjardins, that will review all aspects of gaming from the economic side of gaming to the social side of gaming.

As we have discussed in the House, that report is now due on December 15. It is obviously going to be a very important report in terms of the future of gaming here in Manitoba.

**Mr. Kevin Lamoureux (Inkster):** I actually have two lines of questioning regarding MPIC and also Venture Tours.

I am trying to get a bit better of an understanding in terms of the corporation, when it makes a decision or it comes up with recommendations. I am in particular looking at the Venture Tours when it makes the suggestion that they should be considering closing down. It was interesting in your opening remarks, you

had made reference that, unless there is something new or something of significance occurring over at Gull Harbour, it might be in the public's best interest to see this particular business venture shut down.

I am wondering if you enter into dialogue with the board regarding that, or is this just something in which you come up with the recommendation, you make a statement after looking at the books, or is there a dialogue between you and the board?

**Mr. Sherwood:** There is most definitely dialogue between council and myself, specifically, in many cases and the Crown corporations' board and management. What you see in the annual report is simply the end result of that dialogue.

In looking at the future for Venture Manitoba Tours, obviously, part of that dialogue is focused on looking at every conceivable option that might try to make the investment, if you will, a more successful one.

You frequently throw things up and say, does this make any sense or not? Some of them are totally off-the-wall thoughts. Some of them are realistic ones. That is how new ideas and actions develop, so, specifically, yes, we have a very considerable and ongoing dialogue with the boards of all the Crown corporations and the chairs in particular of those Crown corporations.

I might add that I think you put a few words in my mouth in terms of my opening comments. Our concern here is that something needs to be done in terms of new business activities that will make the operation more financially successful than it has been.

**Mr. Lamoureux:** When you talk about, let us say, a new business activity, it is interesting, Venture Tours was actually before the committee just the other day.

They made reference, well, you know, we have reconditioned or we have done all sorts of things with our golf course and they feel rather optimistic, that the future does not look all that bad for Venture Tours. Yet I hear comments coming from the Crown corporations. You provide the statistical information, and your projections are continual losses.

Were you aware, for example, that they were doing these renovations to the golf course, or are we being sold something that is maybe somewhat—I do not want to use the word "misleading," but maybe building expectations that just really cannot be met, like the golf course, or are we being sold something that is maybe somewhat, I do not want to use the word "misleading," but maybe building expectations that just really cannot be met, like the golf course? After all, it is only open four, five, six months of the year type thing.

Gull Harbour is open year-round. When you talk about this new form of business or whatever term you want to put it, is Venture Tours headed in the right direction when they talk about the golf course? Is this the type of new business that you would see?

\* (1140)

**Mr. Sherwood:** Certainly that is a part of it. There is no question that many of the actions that the board and management of the company have taken in the last couple of years have been good ones. The losses, which were very substantial three years ago, have fallen quite significantly each year and in this fiscal year, which ends March of 1996. They will be substantially less again, so they are making some pretty good progress, and I think that is the general context that the Venture people were commenting on when they appeared before their standing committee.

Our perspective is much more of a long-term one. We have a facility here that is 18 years old. It is in pretty good shape at this point in time. The monies that they spent, and we are familiar with those, were good and appropriate and keep it looking nice and attractive to the visitors, but there are things like parking lots, new roofs. How is the wiring? How is the heating?

Customers' expectations perhaps are changing. You go to a resort these days, perhaps the more sophisticated and advanced and perhaps more expensive ones, and there are health spas. Should Venture be considering putting in further health activities, have a big gymnasium with all sorts of exercise equipment? These things cost money, but they also generate revenue and they generate guests. That is the type of thing that I am referring to.

**Mr. Lamoureux:** You mention that there is a considerable amount of dialogue, in particular with the chair. Have there been that sort of discussions? You mentioned a health spa. The other day I made reference to casinos. Have you had those sorts of discussions with the board?

**Mr. Sherwood:** Yes.

**Mr. Lamoureux:** Can you indicate what type of discussions regarding casinos they talked to you about?

**Mr. Sherwood:** A casino is something that for many years has been bandied around as sort of a possibility. Would it enhance the financial performance of the resort? Frankly, we have taken a look at it from a totally, again, nonpartisan perspective and without having any idea as to whether the government would be interested in putting one in. Our understanding is, they probably would not be, but the difficulty with the resort as it is presently structured is that it is too small.

If you have a casino you need many rooms and operations. It does not make an awful lot of sense at this point in time. Sure, I would not say, from a business perspective we have not looked at any and every option, and casinos would be one of those options you look at.

I mean, Minaki has done exactly the same thing. They talk about it openly and publicly. Does that mean that the government in Ontario is onside with putting a casino in Minaki? Absolutely not.

**Mr. Stefanson:** Mr. Chairman, we probably waded into policy areas here. I have one member concerned about too much gaming and I have one wanting to put a casino into Hecla Island.

First, I want to make it perfectly clear that it has been communicated that there are no plans to develop any casino at Hecla Island or anywhere else in Manitoba. The member for Inkster, I know, knows that there is a moratorium in place and I know he is interested in the Larry Desjardins report because he has asked me about it on a couple of occasions, but I do not want any wrong impressions left here. To have the kind of discussions for cursory review that is maybe done by

Mr. Sherwood and staff is one thing, but I do not want the impression left in any way whatsoever that there are any plans in place, any detailed work that has been done, any intentions to be developing a casino at Gull Harbour Resort.

**Mr. Sherwood:** If I could just add to that, for absolute certainty there has been no discussion whatsoever with any member of government about putting a casino on Hecla Island. This is simply one of the many what-ifs that business people look at and contemplate in terms of how we can possibly make this operation more successful.

It has not gone anywhere and it is not going to go anywhere at this time.

**Mr. Lamoureux:** But it is an option that has been discussed between the Crown corporation or Venture Tours and the Crowns Corporation Council.

**Mr. Sherwood:** I have to be very careful in answering that question. Has it been discussed? Of course, it has been discussed. But does that mean that there is any serious thought given to it? The answer is no, and I do not want to be led down the path of being drawn into a political discussion that would suggest that there is consideration given to it. As I mentioned earlier, we look at many, many options.

**Mr. Lamoureux:** Mr. Chairperson, I appreciate the sensitivity to it, and no doubt I will be pursuing this some time inside the Chamber, comparing in terms of what has been said here and what has been said in previous committee meetings and so forth, because there are some real concerns that I do have regarding this issue, very serious concerns. I will be expressing them at another point in time.

I want to move on to MPIC. MPIC has requested a 6.1 percent increase this year. I am a bit surprised in the sense of the timing of increases. I received the press release or press statement, and it says, well, it is because of the prior to no-fault that they require a 6.1 percent increase. I understand—or I am wondering if the Crowns Council can give me some sort of an idea what sort of request was put forward last year to be able to go before PUB or why it is.



I am a bit sceptical, I will be right up front. It is not to hide from anything. You know, I can recall debates and discussions and campaigns in particular where there were assertions made about MPIC having rate increases depending on the fiscal year—or an election cycle more so than a fiscal year. That is a concern that I do have, and I am wondering if you could comment on just the increases and when increases actually are requested, in particular, the previous year. That one I do not have at hand, but I do know that this year is 6.1 percent.

**Mr. Sherwood:** Well, the company makes an annual rate application before the Public Utilities Board, and that is done on a routine basis. Basically, it has been, to this point in time, around this time of year each year.

Let me try to address your concern. I think it is a natural one to have under the circumstances. The claims under the old tort system, and even under no-fault, are claims that take a very long time to get resolved, depending on their nature. Some of them are very complex; they involve physical disabilities and so on that cannot be determined for sometimes several years. In fact, any auto insurer will tell you that they have cases that go out at least 10 years after the accidents actually happen. So they go over a long period of time. That is my first point.

Secondly, because of that, it involves a considerable uncertainty in terms of what the value of those claims is. You try to make your best assessment, but then the numbers keep changing on you. Again, it is complex. The initial medical diagnosis may be one thing, and, subsequently, the injured person has other types of things that are popping out that can be attributed back to the accident. So it is very difficult to look at individual cases on this.

What does the company do to address that? The company, basically, takes a situation where they have external actuaries review their outstanding cases, professional external actuaries, to say, have we enough set off to pay for these future claims? They have an internal actuary that does the same thing, and our auditors also have a third actuary that does the same thing. So there is a tremendous amount of expertise brought to the table on these things that says, we think

that the reserves the company has set up are appropriate.

Now, again, if you put it in the context of cases that take many years and are very complex to get resolved, as the cases are starting to be resolved, new information is coming to light and there are new trends developing and so on. In this case, the actuaries took another look at it with new, current information and concluded that the reserves that were initially set up were not adequate. The result was the company booked an extra \$29 million as an accrual for future liabilities under existing tort claims, and that is really what drove the company into a severe financial situation and subsequently led to the present rate increase that they have requested.

It was not something that was anticipated nor expected as a result of the actuarial reviews, the outside and professional actuarial reviews that they had received.

\* (1150)

**Mr. Lamoureux:** Could you indicate in terms of what last year's requests would have been?

**Mr. Sherwood:** My recollection was that the average was around zero. In other words, they were going through some category changes, which resulted in increases in some categories, no change in some, and decreases in others; but, overall, it worked out to about no change.

**Mr. Lamoureux:** And I guess that is in part what makes me suspicious. Zero percent in one year, and I appreciate the time you took to explain why it is 6 percent, but I would think we have the expertise and the talents from within, actuaries and so forth that would be able to have better projections than from zero percent one year, which coincides with an election, and right after the election it is a 6.1 percent. When did the 6.1 percent first become public knowledge?

**Mr. Sherwood:** I cannot be precise, but it was obviously earlier this year when the company filed its rate application. I can understand your doubting why there be no rate increase requested in the year before an

election and then a larger one immediately after. The best answer I can give you, and it is one we believe in, is that there are independent and professional bodies that have to review these files and provide in writing in MPIC's, in this case, annual report, that they feel that those liabilities are appropriate. They have done that, so I think it takes it beyond any possibility of political interference.

To put it in context for you, although the adjustment was large and resulted in a significant rate increase request this year, it is small relative to the total liabilities the company has. Again, MPIC has liabilities that are in excess of, I believe, \$600 million, so if you look at an adjustment of less than \$30 million, it is under 5 percent of the total claims outstanding that the company has. Is that, within the context, a reasonable tolerance of error if you look at the fact that these things are paid over the next ten years? I would argue that, if you are within 5 percent, you are probably not too bad, still accepting the fact it is a very large number.

**Mr. Lamoureux:** I am not sure, you say right at the very end: if you are within 5 percent. This is a 6.1 percent one year, zero percent another year. I do not want to bevel on this particular point; but, if history serves me correct, and I am not all that knowledgeable about it, I can recall previously when we have had zero percent increases followed by larger increases, with the exception of the '88, but there was no election expected in 1988.

I would encourage the Crown Corporations Council to look at the rate request over the years, and, hopefully, next time when the Crown Council is before us and I am provided the opportunity to ask some questions, I would be very much interested in continuing this dialogue.

Out of the Crown corporations that are there right now, the eight that you are responsible for, how many of them actually have MLAs actually sitting on the board?

**Mr. Stefanson:** Prior to Mr. Sherwood responding to that, this whole line of questioning from the member for Inkster, I think Mr. Sherwood has outlined it very clearly why the rate increase was applied for. I do not

think anybody is happy with the actuarial calculation and assessment that was performed on behalf of MPIC. I am sure the board is not happy, the government is not happy, the consumer will not be happy, nobody will be happy, but that was the situation.

That was what happened, and, as Mr. Sherwood outlined in some detail, it is the combination of the external actuary, the internal actuary and the actuary utilized by the auditing firm that does the audit for MPIC.

Again, I want to put to rest any impression the member for Inkster (Mr. Lamoureux) is possibly trying to create here in terms of a link to the provincial election, that there was absolutely none. Last year, with the best information MPIC had available, they made the rate request. It was dealt with through the Public Utilities Board review process.

This year, in light of revised reviews by the professional actuaries, this issue of the liabilities being understated came to light and was dealt with by the board and brought forward as a request this year. There is no more to that issue than that factual aspect of the issue, and I hope the member for Inkster understands that and recognizes that.

Mr. Sherwood, on the other issue?

**Mr. Sherwood:** I do not think there is much else I can add to it.

**Mr. Stefanson:** No, I mean, MLAs on boards.

**Mr. Sherwood:** To the best of my recollection, there is an MLA on the Hydro board and on the MPIC board.

**Mr. Lamoureux:** I am somewhat reluctant, but I will still pose the question and you can answer it if you feel that it is necessary.

We claim that Crown corporations should operate at arm's length from government. Do you perceive that as a conflict, as the Crown Corporations Council, to have a government MLA sitting on a board that would have meetings on an ongoing basis? Is there a conflict there that you perceive?

**Mr. Sherwood:** From our vantage point, it is the prerogative of any shareholder to appoint whatever board members they want. It is not something I would be prepared to express an opinion on.

**Mr. Stefanson:** I think it is important to note exactly the point that Mr. Sherwood touched on, that ultimately the government of Manitoba is the shareholder of all of these Crowns. To have some representation, a small portion of these boards—the MPIC board has how many members, Doug, eight or nine, whatever? I mean, to have roughly 10 percent of the representation on the board with the remainder usually being citizens at large and in some cases employee representation, I would think only enhances the ability of those boards to function in many cases.

**Mr. Lamoureux:** Mr. Chairperson, I would then pose the question to the minister that you have MLAs sitting on two boards. One, co-incidentally, is MPIC, of course, but why then would you not have MLAs sitting on other boards and just these two boards?

In terms of size, Manitoba—and do not get me wrong, I am not recommending that you do. I would rather see no MLAs sitting on the boards, but why do we have the discrepancy between the two? After that, I appreciate the opportunity and the patience from my colleagues for allowing me to ask those questions.

**Mr. Stefanson:** Mr. Chairman, how long did it take to get the more current information for the member? I believe we also now have a member on Manitoba Telephone System, but for a long period of time I think we did not have a member on MPIC, so it has not necessarily been that there has been a member. He is trying to suggest that there has been a member there throughout all of the issues and so on, so it has not necessarily been on a continuous basis even with the boards that have MLAs.

\* (1200)

But I believe today that there is Hydro, Manitoba Telephone System, Manitoba Public Insurance, those three for sure, which are three of the largest Crowns that we do have. Again, I think there is some merit to having a small percentage of the boards having representation from government to obviously clearly

understand the policy direction of government. Obviously, for representation they are to be understanding the direction of the corporations, so I do not think it is an unreasonable approach, probably fairly commonly used in many other jurisdictions. Some of the smaller Crowns, there might not be quite the need to have MLA representation on them.

**Ms. Jean Friesen (Wolseley):** I wanted to ask, first of all, about the nature of reporting. I know this is—and I am new to this, so my assumption is that this is the first of recent changes, a difference in the nature of your report, from between '94 and '93, that you are reporting in a different way. Your annual report contains recommendations rather than just tables, and it seems more extensive in some areas and perhaps more limited in others. I wondered why you changed the nature of the report? What are you trying to achieve here?

**Mr. Sherwood:** First of all, thank you for noticing. What we have been trying to do, if you look at our annual reports for the last five years or so, you will see there has been an evolution of them. They started out basically reporting on the number of meetings we had and who we met with and what our fundamental business activities were. They did not provide much insight on the Crown corporations themselves over the years, and I would take it back to—if you went back to '92, you would see the same change between two and three and so on.

What we have tried to do is to make this report a single document that a person can look at, which would give them some significant but capsulized information on all of our Crown corporations. To the best of my knowledge there is no other such single document available, and that has been my personal motivation in doing that.

The second part of that obviously, in addition to providing the reader with some insight as to the size and nature of the problem, is to provide them with some insight on the key areas of concern we may have about those Crown corporations. That is really what this report attempts to do.

**Ms. Friesen:** I would be interested in looking back over the last five years, but just examining these two, I

would say from a person who has never looked at any of them before, that certainly the more recent one does give me a better understanding of the corporations. I am interested as to why you chose to make recommendations in this public way, in ways that you have not before, I understand?

**Mr. Sherwood:** The best answer I can give you is that it has evolved and developed. We are trying to be a good corporate citizen ourselves and fulfill our mandate. So each year when you go through this process, you look at and say, how can we improve on what we did last year? It is nothing more or nothing less than that. We felt it was an improvement over what had been done. It increased our level of accountability to the public, hopefully it has accomplished that.

**Ms. Friesen:** Along the same line of argument, Crown corporations are expected to have at least a number of them, our annual public meetings, including one in the North. I wondered if you could give me some account of how that has been fulfilled in the past year or '93 or in '94?

**Mr. Sherwood:** You are correct in that, and all of the large Crown corporations do have those public meetings. Prior to them taking place they are advertised in the press, both in the communities in which they are held, as well as in Winnipeg. They typically have three, typically one in Winnipeg and one in two other communities in the province.

We attend the Winnipeg one. Frankly it is too costly, and it does not produce much result in attending the ones outside the city. Our observation, and it is a general one, for all of the Crowns that have the large ones which have them is that they are very sparsely attended.

**Ms. Friesen:** Which Crown corporations do not do it, do not have annual public meetings or is it simpler to say which ones do?

**Mr. Sherwood:** As I mentioned, the small ones, Venture Manitoba Tours, Communities Economic Development Fund, Manitoba Hazardous Waste Management Corporation and the Manitoba Lotteries Corporation, do not have them.

**Ms. Friesen:** It seems to me, as I look at each of those, the Communities Economic Development Fund, Venture, for example, both of those have very local communities, who are very intensely interested in the activities of those corporations. You might say that both the Hazardous Waste Corporation and the Lotteries Corporation have extensive pan-Manitoba interest groups who would be very concerned about the activities of those.

Have you considered adding those to the list in a recommendation to the minister, that they be included as having annual public meetings, because, I think, you are saying, that the large corporations, these public meetings, are not particularly successful. I might want to go into that in a minute, but here are areas where there is intense public interest both regionally and across the province. It seems to me a case to be made there for annual public meetings.

**Mr. Sherwood:** It is an excellent point. I would argue, or I would respond simply by saying that I think each company does it perhaps in a less formal manner. The ones that do have them are required to have them under their acts of legislation, but the other companies, make no mistake about it, a company like Communities Economic Development Fund meets with its constituents in all of Manitoba, basically, outside of Winnipeg on a very regular basis. The Hazardous Waste Corporation, in fact, has a community liaison committee with the representatives from the regional municipality of Montcalm that they meet with, again on a very regular basis. So it does take place. It is just not set up in the formal manner that the larger Crowns are structured.

**Ms. Friesen:** Thank you, and that leaves Ventures and Lotteries Corporation, and the Crowns Corporation Council is interested, as it said and as it indicates in its report, in public accountability. Could you suggest some ways perhaps in which the Ventures fund and the Manitoba Lotteries Corporation might be more accountable in a public way or would you be prepared to consider that in your next report? Perhaps that is the formal way to put it.

**Mr. Sherwood:** It is certainly something that deserves some thought. I would be reluctant to just give you a

sort of hip-shot response to it. I think that from our vantage point with Manitoba Lotteries Corporation, frankly, it gets so much publicity now I am not sure much can be added by it having any more, but we need to think about it. It is a point that we will give some further thought to.

**Ms. Friesen:** I think there is a difference between publicity and accountability, and that is one of the points that I am trying to get at. The community liaison committee, for example, that you mention for the Hazardous Waste Corporation fund and the Communities Economic Development Fund meeting in particular communities, are those publicly reported in any way, in a formal way in the same way that MTS and Hydro, for example, are required to have formal annual public meetings with formal minutes and et cetera?

**Mr. Sherwood:** Every Crown corporation publishes its annual report.

**Ms. Friesen:** There is a difference between an annual report and an annual public meeting, and that was the reason that the larger Crown corporations were required to have an annual public meeting. I might point to the University of Manitoba, for example, which has done that for the first time this year. It has always had an annual report, but it decided that the pressure for accountability was a very important one and went to an annual public meeting. There is a different kind of accountability, it is an additional one, that I think many institutions are finding very valuable, and so I am asking the community liaison committee of the Hazardous Waste Corporation, are those meetings open? Are they public? Are they advertised? Is there a formal reporting system?

**Mr. Sherwood:** They are attended by publicly elected officials from the municipality and I would have to assume, therefore, they would have open dialogue or dialogue that would be accessible to the general public. Beyond that I really do not know.

Can accountability be increased through public meetings? Perhaps. It is an excellent suggestion that we will give some further thought to. As I say, our perspective on those held by the larger Crowns really

is that they are costing a lot of money but do not produce very much in terms of value to anybody. Frequently there is more of the management of the company there than there are public at large. The questions are not of any great consequence or substance. So we have to be careful in walking the line between trying to be responsible and trying to be accountable.

**Ms. Friesen:** Let us look at that side of it then, the argument that perhaps these larger Crown corporations, and in that I might include, perhaps, The Forks corporation and the North Portage corporation which also are supposed to have similar annual public meetings, if they are not effective, can it be part of your mandate to make them effective? I mean, you are obviously reflecting on that. You have a concern over the general process of meeting. Perhaps they have fallen into a kind of routine format. How do we make them more effective? That is part of the legislation. It is part of their job, and it is also, I assume, part of the responsibility of the Crown Corporations Council. Can that form part of your deliberations for the coming year?

\* (1210)

**Mr. Sherwood:** The public accountability is perhaps more of a question for the government as the owner of these Crown corporations than for council. Clearly we are interested in seeing that these businesses are operated in a manner that is most satisfactory to the people of Manitoba. If greater accountability enhances the ability of these operations to conduct business, then we would certainly be supportive of it. But I would really suggest that perhaps it is more an issue for the government as shareholder, representative of the people, than it would be for council.

**Ms. Friesen:** Thank you. I suppose that gets back to the earlier discussion you had with Mr. Santos about the role of Crown corporations in a social and political sense rather than simply in the economic business sense. Clearly we have a division. It is not a dispute over the facts, it is a division of ideological opinion. It seems to me that the Crown Corporations Council does have a role to ensure many kinds of accountability. Clearly you are aware of that, the kinds of suggestions

you have made today. I was really asking whether that could formally become part of your report for next year.

**Mr. Sherwood:** We will consider it.

**Ms. Friesen:** I notice that one of your responsibilities also is to take complaints from the public. How many complaints have you had—we are looking at two years here—in the past two years?

**Mr. Sherwood:** Two.

**Ms. Friesen:** Mr. Chairman, could the council tell us how those complaints are reported upon? Are they publicly available in the same way say that the Ombudsman makes an annual report of complaints and how they have been dealt with?

**Mr. Sherwood:** I apologize for being a little fuzzy. There have been two complaints in the last three years. It is hard to have this straight. Typically, what we do is we will report on results in our annual report. I think if you look at 1992's, you will find that we in fact did that.

**Ms. Friesen:** What page?

**Mr. Sherwood:** You do not have 1992's there. No, you would need our 1992 annual report.

**Ms. Friesen:** So there have been no complaints addressed to the Crown Corporations Council in '93 and '94, the annual reports that we are looking at.

**Mr. Sherwood:** In 1994 there was one complaint, and we reported on it in our quarterly report which is also a published document.

**Ms. Friesen:** Just for the record, could you tell me which quarterly report?

**Mr. Sherwood:** I would have to check.

**Ms. Friesen:** Thank you. I am sure the minister then will let us know that in writing later.

I wonder, Mr. Chairman, if I could ask the Crown Corporations Council whether they are satisfied that all

Manitobans are aware that they can report, bring complaints to the Crown Corporations Council.

**Mr. Sherwood:** Very difficult to answer that question. It is a good question. We make it known, if you look at our annual report each year, right at the front section, in terms of our own mandate, is to respond to any such complaints. We try to distribute that report as broadly as we possibly can and to make it known that that capability does exist. Beyond that, you know, if you say, should we advertise it? We have not done that.

**Ms. Friesen:** It seems to me that that was one of the differences I noticed between your '93 and '94 report is in fact it seems clearer in the '93 report than it does in the '94 report that you are in fact an appeal body that will hear complaints. It is very clearly laid out in this one but less clear in this one. I draw that to your attention.

I want to ask about, to change topic, Mr. Chairman, the salaries of directors of Crown corporations which I gather this council recommended be increased this year by a certain percentage. I wonder if the Crown Corporations Council could give us an account of that. How much have you recommended that they be increased and could you provide us with the evaluation that you prepared in order to make that recommendation?

**Mr. Sherwood:** We did conduct a review of the stipends paid the directors of all the Crown corporations. That review indicated that there were several anomalies both in terms of the absolute amounts they were paid and the relative amounts they were paid. For example, some of the larger Crowns' board members were paid very little and some of the smaller Crowns' board members paid relatively more.

Our comparisons which were general with the standards in the private sector were that the stipends were substantially, generally all substantially below what is paid directors of private sector corporations of comparable size and complexity.

We summarized this data for the government and provided it to them with recommendations that some actions would be required. We did not specify exactly

what actions we thought were necessary, although what was done would be ones that we would support. They have brought some of the boards into line with some of the other ones.

**Ms. Friesen:** So what the council did was to prepare an evaluation with comparisons to the private sector. Did the council make a recommendation in anyway?

**Mr. Sherwood:** The council did a comparison of the stipends paid each board member with some very broad commentary that indicated that we felt that the stipends were low relative to what the responsibilities were.

**Ms. Friesen:** Did the council make a recommendation for equalizing those stipends across the board? That was one of the comments you made at the beginning that there was a great variation. Was one of your recommendations to equalize?

**Mr. Sherwood:** We did not make formal recommendations. We drew the anomalies to the attention of the government in order to assist them with making what hopefully would be an educated decision.

**Ms. Friesen:** I understand that the result of this has been an increase of between 11 percent and 20 percent, or is it more for boards of Crown corporations?

**Mr. Sherwood:** In percentage terms, it would be more. Again, if you accept the fact that the stipends were pretty low to start with, I think the percentages can really distort the absolute amount of the stipend.

**Ms. Friesen:** Would you tell us then what an average, what you say would not distort the picture?

**Mr. Sherwood:** In terms of percentages, you mean?

**Ms. Friesen:** Yes.

**Mr. Sherwood:** No, you cannot do that. You have to look at the absolute dollars and say, you know, what sort of compensation is reasonable for the services performed and expertise required. The percentages become somewhat meaningless.

**Ms. Friesen:** Did you do a comparison with other Crown corporations across the country?

**Mr. Sherwood:** On a very limited basis. The data, frankly, is very difficult to get.

**Ms. Friesen:** How limited? Who did you look at?

**Mr. Sherwood:** I personally talked to chairs of several Crown corporations outside the province.

**Ms. Friesen:** Which ones?

**Mr. Sherwood:** I would rather not say. I think that is a confidential discussion.

\* (1220)

#### Point of Order

**Mr. Gerry McAlpine (Sturgeon Creek):** On a point of order. Yes, I have been sitting here very patiently, Mr. Chairman, over the last 50 minutes. We are here to deal with the reports of 1993 and 1994 Crown Corporations. We agreed on the outset of this meeting that we would deal with the reports individually. For the last 50 minutes we have been talking about policy and everything and anything but the 1993 and 1994 reports, and I think we have been talking more about policy and the future of the Crown Council's decisions.

If we are going to set these rules at the outset of the committee hearings, then I would say either we follow what the committee agrees to do or we just drop the formality. Either we stick to what decisions are made or we speak on it in general, and I ask for your ruling on that.

**Ms. Friesen:** Mr. Chairman, on the same point of order, I understand the point that the member is making, and certainly that was agreed to at the beginning. But I would point out to the member—and I can understand his frustration on that—that there have been a number of questions that we have gone along, particularly from the member for Inkster (Mr. Lamoureux), which dealt with future issues and MPIC, for example, and future rates. I can also understand why a government member does not want to have any discussion on the table about the increase, quite enormous increases in some cases, of Crown corporation salaries.

There was no objection made at the earlier time when we deviated from the original debate, and I submit that is a precedent and that we should not be deviating at this point, that we should not, rather, be changing that line of questioning at this point. Mr. Chairman, I am sure you are aware that there are only seven minutes left—

**An Honourable Member:** Exactly.

**Ms. Friesen:** That is why you do not want to hear it.

**Mr. Stefanson:** Mr. Chairman, I have no problem with moving to more current issues in any of our committees, and I think all of us on our side have continually shown a willingness to do that. Hopefully, at the end of the meeting then, that suggests that members have no specific questions on 1993 and 1994, and there will be co-operation and a willingness to pass the reports. That is the basis I operate on. If there are old outstanding reports, if there are questions, ask the questions on the older issues and the more outdated.

My assumption, based on the questions from the member for Inkster (Mr. Lamoureux) and the member for Wolseley (Ms. Friesen) and so on, is they are asking very current questions. We do not have any problems dealing with that. That tells me that they do not have any questions on '93 and '94, and, before 12:30 arrives, that we will have agreement to pass both of those reports.

If I have been operating on incorrect assumption, I guess that is unfortunate for me, but that is certainly the basis I have been operating over the course of the last hour as we moved to more current discussions.

**Mr. Santos:** I understand the frame in which we are operating. The report on the table, the 1993 report, is the first one to be considered. Does it mean that you exclude every other question other than contained in the report? Of course not, because in this world everything is related to everything else.

What we do in the past, what we do at the present has something to do with what we shall do in the future. Unless the deviation is so blatant, I think we should allow some tolerable kind of flexibility in the

questioning, even if there is a specific report on the table. Is that correct, Mr. Chairperson?

**Mr. McAlpine:** Mr. Chairman, nobody is suggesting that we should direct the line of questioning from any member of this committee. This committee agreed at the outset to deal with the reports individually and to pass them individually. We are not doing that. We have strayed for the last 55 minutes on this issue. That is the only point that I am making.

**Mr. Chairperson:** In regard to the point of order, at times earlier on in the meeting, I did make a comment that we were discussing the 1993 report. At that point in time I felt that in periods during the questioning we were wandering off the 1993 report, but also keeping in mind that there was overlap and carryover to both years. So, in regard to the point of order, I am going to take it under advisement.

\* \* \*

**Mr. Chairperson:** We will proceed on the basis that the intention is to have the annual reports for '93 and '94 passed prior to adjournment. Is that acceptable? Is that agreed?

**Mr. Santos:** There is no such commitment.

**Mr. Chairperson:** No commitment? Then we will consider that.

We will have those motions on the floor before—

**Mr. Santos:** At the beginning we agreed to have the 1993 report considered, and then we say if there is time, we will pass it. But we did not commit that we will pass both reports.

**Mr. Mike Radcliffe (River Heights):** Deal with them one at a time.

**Mr. Chairperson:** Okay. We will deal with them one at a time, prior to adjournment.

**Mr. Radcliffe:** Mr. Chairman, I would move at this time that we pass the 1993 report for the Crown Corporations Council.



**Mr. Chairperson:** It is suggested by Mr. Radcliffe that we pass the 1993 annual report. Is there a willingness of the committee to do so?

**An Honourable Member:** No.

**Mr. Radcliffe:** I would move a formal motion to that effect. I will submit it in writing.

**Mr. Santos:** Point of inquiry, once we pass the report and we consider the next report, can we relate questions to that report that we have passed?

**Mr. Chairperson:** The motion before the committee is: I move the Crown Corporations Council report, ended December 31, 1993, be passed, moved by Mike Radcliffe. Is there any discussion?

**Mr. Santos:** I believe my question was answered affirmatively, meaning that when we consider the 1994 report we still can go back to the reports even if we have passed the same, because there is no point in limiting ourselves to any particular one—[interjection]

I have the floor. If that is the case, on that reservation we are willing to pass the 1993 report.

**Mr. Chairperson:** We have the motion before the committee. Any further discussion? Question?

**An Honourable Member:** Question.

**Mr. Chairperson:** All those in favour?

**Some Honourable Members:** Yea.

**Mr. Chairperson:** Opposed?

**An Honourable Member:** Nay.

**Mr. Chairperson:** The motion is accordingly passed.

We will not proceed on with the discussion of the 1994 report with the time remaining.

The time is now 12:30 p.m. What is the will of the committee?

**Mr. Ben Sveinson (La Verendrye):** Mr. Chairman, I believe it was also agreed that we would sit until 12:30. I guess this does mean that the 1994 report will have to stay on the table.

**Mr. Chairperson:** Is it the will of the committee to rise? [agreed]

**COMMITTEE ROSE AT:** 12:31 p.m.