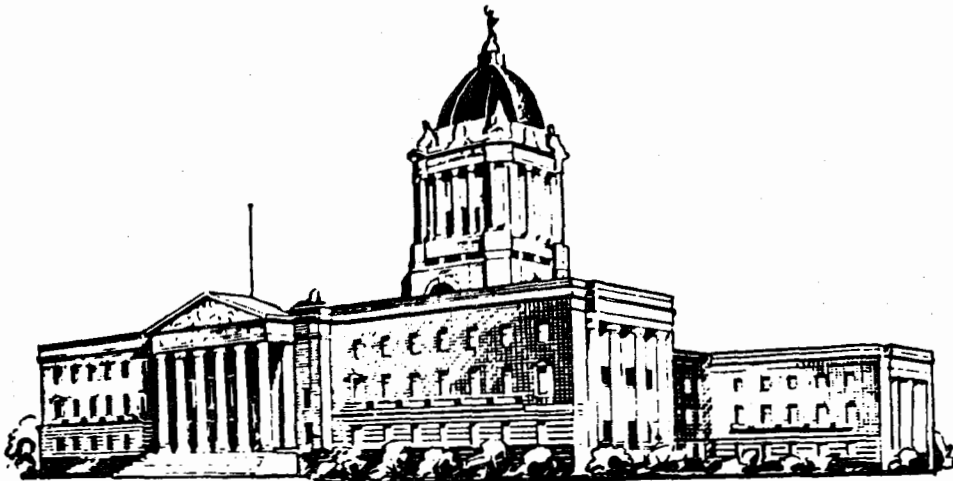




**Legislative Assembly of Manitoba**

**HEARING OF THE STANDING COMMITTEE  
ON  
ECONOMIC DEVELOPMENT**

**Chairman**  
**Mr. D. James Walding**  
**Constituency of St. Vital**



**FRIDAY, June 10, 1977, 10:00 a.m.**

**Economic Development  
Friday, June 10, 1977**

**ME: 10:00 a.m.**

**AIRMAN: Mr. D. James Walding.**

**MR. CHAIRMAN:** Order please. We have a quorum, gentlemen. The Economic Development Committee will come to order. When we adjourned the last meeting we had, I believe, concluded the consideration of the reports of Flyer Industries Ltd. Were there any further questions on that report before we move on?

If not, Mr. Parsons, you had an announcement to make?

**MR. PARSONS:** Yes, if I might before we get into the next company, I would like to make an announcement that the Manitoba Development Corporation have approved a \$7 million loan to McCain Foods Limited for the construction of a modern potato processing plant in Portage la Prairie. The new facility which will produce frozen french fried potatoes and dehydrated potato flakes will involve some \$18 million, and that including the assistance of a DREE grant of approximately \$2.4 million. Construction has started now and will be slated to finish in September, 1978. The plan is expected to create 205 direct jobs and require more than 13,000 acres of potatoes by its third year of operation.

McCain Foods is one of the few large food companies operating in this country which is wholly Canadian owned. The success of its operations around the world auger well for its positive impact on the Portage la Prairie and Manitoba economy.

The huge plant, it is 110,000 square feet, I think, will be of great benefit to the region. When the plant is operating at capacity it is expected that the Manitoba potato acreage will increase approximately 50 percent to supply the needs of the plant. Thank you.

**MR. CHAIRMAN:** Mr. Banman.

**MR. BOB BANMAN:** Thank you, Mr. Chairman, to Mr. Parsons. I wonder if Mr. Parsons could tell me, the \$7 million does that constitute an equity position in that company?

**MR. PARSONS:** No, it does not. It is a straight loan.

**MR. BANMAN:** So it's a straight . . .

**MR. PARSONS:** Just a straight term loan.

**MR. CHAIRMAN:** Mr. McGill.

**MR. MCGILL:** What are the terms of the loan? What is the interest rate?

**MR. PARSONS:** The interest rate will be established at the time of draw-down. It will be on a 20-year period. They will not be drawing down any of the money until the plant is completed. At that time the interest rate will be established.

**MR. MCGILL:** Will it be at prime rates or has any discussion taken place on this question?

**MR. PARSONS:** Yes, it will be above prime rates. We have established a principal to that loan but we haven't established the rate at this time.

**MR. MCGILL:** What security is being received by the MDC for this loan?

**MR. PARSONS:** The MDC is getting the first charges on all the plant and equipment and mortgage and we are getting the guarantee of the parent company.

**MR. MCGILL:** How many jobs will be created by this plant when it's fully operational?

**MR. PARSONS:** They estimate 205.

**MR. MCGILL:** Thank you.

**MR. CHAIRMAN:** Any further questions? If not, perhaps we can go to the next report Mr. Parsons.

**MR. PARSONS:** All right. The next report shows as Morden Fine Foods but if you look at our statement last year we had an equity investment in Macey Foods Limited of Brandon. They were a duck and goose processor. In 1969 the MDC provided assistance to this new company to permit it to purchase an idle poultry processing plant and cold storage facility and establish a duck raising and processing business. The corporation subsequently acquired a 51 percent interest in the company in consideration for a \$250,000 deferred loan, with Macey retaining an option to repurchase this interest by repaying the loan plus a return on investment. This year, Macey has exercised his loan; has fully paid out the \$1,200,000 we originally loaned him. He paid out the \$250,000 deferred loan that he was required to do to take up his option and we received \$124,000 bonus which was our share of the surplus at that time. Mr. Macey has paid out the corporation completely and is now the full owner of that business. Are there any questions on Macey's? I wanted to report that to you because it was in our annual statement last year.

**MR. CHAIRMAN:** Mr. McGill.

**MR. MCGILL:** Mr. Chairman, on Macey Foods, we show in our annual statement of last year for MDC that there was an equity investment. What happened to the common shares that were held?

**MR. PARSONS:** The equity investment, he paid us out for our equity investment.

**MR. MCGILL:** Oh, I see, he recovered the shares.

**MR. PARSONS:** He recovered, he paid the whole thing out under his option.

**MR. MCGILL:** So there is now no longer any association with this operation in Brandon through the MDC.

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**MR. PARSONS:** None at all. We got \$124,000 above our original investment on the pay-out

**MR. CHAIRMAN:** Any further questions? Proceed, Mr. Parsons.

**MR. PARSONS:** Thank you. The next company is the Morden Fine Foods and you have a statement for the 31st of March, 1976. I think you have all had time to look at it. Morden is 100 per cent owned by the MDC and we have been operating this company for five years. This last year, because of market conditions and really depressed prices because of the over-market, the company didn't do as well as we expected even though the sales showed a fairly substantial increase. The company is going ahead and we have expanded it and are going into new products for 1977 and we hope that it will show a positive result for the year ending 1978.

There are still 35 permanent employees out there and of course this fluctuates during the fre canning season.

Are there any questions on Morden. . . ?

**MR. CHAIRMAN:** Mr. Banman.

**MR. BANMAN:** I notice on Exhibit B, the statement of income, the selling expenses and administration expenses have jumped quite substantially. Is that because of the increased sales . . . ?

**MR. PARSONS:** Well, there was an increased advertising program basically. I think if you will look in Exhibit C you will see where the difference is. It's all detailed in there and we jumped our advertising program, we also saw quite an increase in brokerage. We appointed brokers in Alberta and Saskatchewan, and in Manitoba for that matter, and this increased sales would increase our costs.

**MR. BANMAN:** I also note that one of the largest components of the increased costs is the freight costs. Have there been different arrangements made? Are you starting to prepay some shipment

**MR. PARSONS:** No, it just meant that we were selling more outside of our Manitoba market because of the market conditions and this is shipping both down East and out much more so than the previous year, because we had extra product that we had to dispose of. We had to go further afield and it wasn't profitable but we did move the product by doing that.

**MR. BANMAN:** Are you having a hard time breaking into the chain store market?

**MR. PARSONS:** Not really, no, we have our product in all the Co-op Stores, Safeways, Dominion. We don't have an easy time getting shelf space because, as you know, many of them have their own product lines so the competition is heavy.

**MR. BANMAN:** Have you started some canning or labeling for other companies?

**MR. PARSONS:** We always have, yes.

**MR. BANMAN:** You always have.

**MR. PARSONS:** Yes.

**MR. BANMAN:** Is that a market that you are pursuing quite aggressively?

**MR. PARSONS:** Yes, I would say that probably 60 percent of our sales are done under our other label. Maybe 65 percent. We are also pursuing other products. We do a lot of juice canning now as well as beans with pork, that type of thing.

**MR. BANMAN:** Fine.

**MR. CHAIRMAN:** Mr. McGill.

**MR. MCGILL:** Mr. Chairman, I wonder if Mr. Parsons has perhaps an unaudited report for March 31st, 1977. Is he able to report on the . . . ?

**MR. PARSONS:** No, we don't have an audited statement, as I've said, at this time, but this last year has been worse than, I think I said that, we had a poor year for 31st of March, 1977. There was a high loss; the market conditions were worse and because of an overstocked market condition the sales were just not profitable and our loss for March 1977 will be substantially higher than this one.

**MR. MCGILL:** Could you give us some idea of what that loss will be?

**MR. PARSONS:** In the \$450,000 range.

**MR. MCGILL:** \$450,000.00?

**MR. PARSONS:** Yes.

**MR. MCGILL:** That really is a major decline. I don't quite understand, Mr. Parsons, why it is that you have to ship your product out at very high freight rates and sell it at a loss. Most of your product is not perishable. It's . . .

**MR. PARSONS:** No, that is correct but also at this particular season ending March 1977, we had tremendous inventory still on our hands from 1975. You've got to move it or it does deteriorate even though it is canned, so you do have to turn it over. During the 1976 year, our carrying costs were very substantial and we tried to move it out to various markets but the market conditions were not good. Everybody had lots of the same product as we did, every canner. So the price competition was very heavy.

**MR. MCGILL:** You talk about products from 1975 and you told us a few minutes ago that you were expanding the operation down there. With the surplus of production dating back as far as 1975, how do you rationalize an expansion of your plant then?

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**MR. PARSONS:** We have expanded the warehousing space which we were leasing out before and are going to move the product back and forth. The other area that we are expanding are different product lines. We've expanded into juices substantially; we've expanded into pork and beans and into beans. These are off-season, the fresh canning season type of things to keep the plant going. These things sell well and really are fresh vegetable products that we were overstocked in.

**MR. MCGILL:** I assume you're expanding into lines where we have some natural advantages.

**MR. PARSONS:** Oh, yes.

**MR. MCGILL:** Some built in advantages in terms of quality?

**MR. PARSONS:** Our white beans and the pinto beans that are grown here in Manitoba are very good. Very high quality.

**MR. MCGILL:** What is the total financial involvement of the Government of Manitoba now at this place in Morden Fine Foods?

**MR. PARSONS:** The end of March, 1977, it would be about \$1.3 million. We have put about either \$400,000 or \$500,000 in the last year.

**MR. MCGILL:** So, in rough terms, you have almost doubled your financial commitment to Morden Fine Foods in the last year and you have experienced . . .

**MR. PARSONS:** It's a little longer than a year.

**MR. MCGILL:** . . . and you have experienced a loss of roughly half a million dollars in that one year.

**MR. PARSONS:** Right. Yes.

**MR. CHAIRMAN:** Mr. Banman.

**MR. BANMAN:** With the projected loss, and I notice that even in this statement here, there is a depletion of working capital. You mentioned that there has been additional funding for the operation. Where an anticipation that more money will be required to keep it going?

**MR. PARSONS:** If we have a loss, there will be. We've put enough money in to carry it through now, that's what I've just mentioned. Mr. McGill asked that question. We did fund it again.

**MR. BANMAN:** The \$400,000 that you were talking about.

**MR. PARSONS:** Yes.

**MR. BANMAN:** Do you foresee now with the \$450,000 loss, the \$400,000 covers it. If I look at the working capital at the year end, \$59,000 and if you experience a \$450,000 loss, I guess you're going to have to be putting some more money in?

**MR. PARSONS:** Well, it's roughly a half million dollars. That's correct.

**MR. BANMAN:** Okay.

**MR. CHAIRMAN:** Any further questions on this report? Hearing none, perhaps we can move on to the next one, Saunders Aircraft.

**MR. PARSONS:** Yes, I don't intend to report. We reported previously on Saunders Aircraft. It's now in the hands of the Receivers. I was requested to give you these last statements, but the Receiver I believe is making a report to the court and I don't think that I should be involved unless there's something.

**MR. CHAIRMAN:** Mr. Banman.

**MR. BANMAN:** Well, I would just like to ask a few technical questions. First of all, I wonder if you could confirm that the time has elapsed for the completion of the certification.

**MR. PARSONS:** Yes it has. Yes.

**MR. BANMAN:** So where do we stand with the development as far as the possible sale of the . . .

**MR. PARSONS:** Oh, it's still saleable but the certification would have to be re-opened and finished. I don't know what that would involve.

**MR. BANMAN:** Would that mean that we would have to go back to square one on the . . .

**MR. PARSONS:** No, I would doubt that because the majority of it was certified, but once you stop certification and re-start it up, you come under new rules and I don't know what that would be at all.

**MR. BANMAN:** Is it correct to say that the time lapse was April, the end of April?

**MR. PARSONS:** I don't know. I know it's lapsed.

**MR. BANMAN:** Are all the airplanes back from Columbia now?

**MR. PARSONS:** Yes.

**MR. BANMAN:** I think it was last year when we asked the questions with regard to the airplanes that we had sold, there was a certain amount of maintenance and parts servicing that was undertaken at the sale of when those aircraft were sold. At that time we were wondering what the costs of maintaining those few airplanes that were running was and you mentioned at that time it might be cheaper to buy them back. Has there been any move made in that direction at all?

**MR. PARSONS:** No. We have not moved to buy them back. As a matter of fact we've sold a couple more this year. We are maintaining the product support and I think we are committed to do that. We may not make any more by doing that but the Receiver will clean up the inventories and he will receive enough money from the sales and the leases to cover his product support, but may not be in a position of a gain by doing that.

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**MR. BANMAN:** There wouldn't be anybody interested to just buy the airplane without a warranty or any product support at all?

**MR. PARSONS:** Not likely. Not unless it was a real sacrifice price.

**MR. BANMAN:** The reason I ask that question, it might be cheaper to wind it down.

**MR. PARSONS:** We've looked at that. Yes. I appreciate what you're saying. We've taken a look that.

**MR. BANMAN:** And you felt it was more economical to provide the support.

**MR. PARSONS:** Yes.

**MR. BANMAN:** How many aircraft are still sitting on the tarmac there?

**MR. PARSONS:** Five or six. There's half of them. There's six flying and six sitting there.

**MR. BANMAN:** Has there been any interest shown by anybody in picking up the . . .

**MR. PARSONS:** We've had various parties from time to time, but really nothing that you could say was concrete at all. There's always enquiries coming in on it, but that is as far as we can go at this time.

**MR. BANMAN:** Okay, fine.

**MR. CHAIRMAN:** Mr. McGill.

**MR. MCGILL:** What will you do with the S28, an airplane that's not certified?

**MR. PARSONS:** Well, we're leaving it at the present time because we're short of some people but there is some salvage in that. All you can do is probably sell the engines off and all the bits and pieces.

**A MEMBER:** Melt it down.

**MR. PARSONS:** We couldn't sell it to any commercial operator. Well, of course, it's not finished inside. We don't intend to, but for the present we're leaving it sit the way it was.

**MR. MCGILL:** What are you budgeting for in terms of product support, continuing the operation that you have? How much annually will that cost you?

**MR. PARSONS:** The total thing is probably \$240,000, less whatever. There will be some saleable. That is the top budget item without taking off any profit from service we might sell or parts profit.

**MR. MCGILL:** How many people do you require as staff for this?

**MR. PARSONS:** Seven, plus outside engineering that we contract for.

**MR. MCGILL:** How are you handling sales? Do you employ a salesman pilot?

**MR. PARSONS:** No, the Receiver and Mr. Christie have been handling the sales. He has at times appointed an agent maybe to look after a sale for him and paid a commission for it.

**MR. MCGILL:** You are involved in some litigation with Bratton-Whitney (?) over a contract for engines.

**MR. PARSONS:** No, we're not in litigation.

**MR. MCGILL:** I understand there was a disagreement about delivery of aircraft engines.

**MR. PARSONS:** Yes, there still is, but it has not gone to litigation.

**MR. MCGILL:** I see. How much money is involved there?

**MR. PARSONS:** From our side or theirs?

**MR. MCGILL:** Well, what is the possible additional costs?

**MR. PARSONS:** The outside could be — just a minute now, I think it was mentioned in this report — it started off between \$500,000 and \$600,000.00. We've talked to them. We could settle for probably half that, but we're not sure that we should pay them anything because of their lack of performance during the time when we were hard-pressed for engines. So we're still negotiating with them.

**MR. MCGILL:** This is a carry over from the period when engines were at a premium and you were unable to get delivery.

**MR. PARSONS:** That's right.

**MR. MCGILL:** I presume now there's a surplus of them and . . .

**MR. PARSONS:** I don't know about the surplus, but we were certainly held up for almost a year. You remember they were on strike for quite some time and they wouldn't supply us anything. When they did supply us, we were paying cash in advance. Now what they are claiming is that we did order a substantial number of engines and they had substantial costs in getting up to that point, but they would never ship anything. We always had the price of one engine on deposit with them.

**MR. GREEN:** You don't owe them anything for engines that were supplied. They're claiming for engines that they were building for . . .

**MR. PARSONS:** That's right.

**MR. MCGILL:** Is this the same engine that De Havilland used in the Twin Otter?

**MR. PARSONS:** No. They use a 27, we use the 34. It's a PT 6, yes. They can be changed.

**MR. MCGILL:** Is there no way from getting another company using the same product to take over your . . .

**MR. PARSONS:** Well, we're selling the engines off that we have. They are used in other installations but they are not used in the Twin Otter that I know of. They will fit and they can be used providing that you're playing around with quite a bit more horsepower. So as long as you're flying, as long as the pilot doesn't push that full throttle, they will operate fine.

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**MR. MCGILL:** Yes, it's a different grade of engine, though they're both PT 6 engines.

**MR. PARSONS:** Yes. It attempts at a higher rating in the 34 over roughly the 26.

All right. If there's no more questions on that really, the Receiver will be reporting on that in court.

**MR. SPEAKER:** Mr. Banman.

**MR. PARSONS:** I'm sorry.

**MR. BANMAN:** If I could just ask, further to the questions that Mr. McGill asked. You're projecting 240,000 annual operating cost. What would that net out at after your . . .

**MR. PARSONS:** I don't know. We haven't really got into it for a full year.

**MR. BANMAN:** You are obligated under the aircraft that you have sold. How many years are you obligated — five years?

**MR. PARSONS:** On some of them, five. We have generally stated that we would supply product support for ten years. Legally we don't probably have to support it more than five in any of our contracts.

**MR. BANMAN:** I wonder if you could tell us if there will be further infusion of funds required if we stop operating.

**MR. PARSONS:** I don't anticipate that there should be any more although I can't tell down the line. Right now the Receiver from what he has sold and what he will be collecting, should be sufficient to try that.

**MR. BANMAN:** So really what you're saying, that by selling off some more of the aircraft, you're going to cover your operating costs at the other end for the product support.

**MR. PARSONS:** And should have a fair amount left over. The Receiver right today, we're paying it out of funds that he has collected and he probably has three-quarters of a million dollars on deposit with us and there will be substantial more as the money is collected. So, by the end of his program, I don't think that the government would have to put up any more money, no.

**MR. BANMAN:** Do you see any money coming back into it?

**MR. PARSONS:** Could be, yes. That's what I just say. I don't know how much, but it depends on what the rest of the aircraft are sold and all the parts and so on are wound up by him.

**MR. CHAIRMAN:** Are there any further questions? The next report to be presented.

**MR. PARSONS:** The next report is Sheller-Globe (Manitoba) Ltd. This is a company that we own a percent interest in. As you see they have made a substantial progress. They are operating the plant at Morris, Manitoba. They had been feeding the plant from U.S. orders and taking the buses back across the line and that is where you are really seeing a substantial increase in the sales. They were able to do this. Consequently, they are showing a fair profit.

Their year of 1977 will probably not be as good because they lost the order to the Province of Manitoba and also part of their other businesses is down. But, as I say, we have a very minor interest in this at this time.

**MR. CHAIRMAN:** Are there any questions? Mr. McGill.

**MR. MCGILL:** I have Sheller-Globe statement here dated September 30, 1976 and the Chartered accountant's statement is dated October 21st.

**MR. PARSONS:** I beg your pardon.

**MR. MCGILL:** I'm just looking at the dates on this.

**MR. PARSONS:** Well, the year end is September 30th, the date of the report of the Auditor is October 21st.

**MR. MCGILL:** October 21st.

**MR. PARSONS:** Yes, right.

**MR. MCGILL:** You're saying that their operation is down substantially for this year. There's only about — well there's eight months or so.

**MR. PARSONS:** We only get verbal reports from them. Well we get sales reports from them too, but they are expecting their volume for this year to be down. They had a very good year in 1976. They do not think that they will have as good a year this year.

**MR. MCGILL:** There's quite a noticeable difference between the financial report of this operation and Flyer. What are the principal differences?

**MR. PARSONS:** We made \$4 million. At Flyer we only made \$216,000 on this.

**MR. MCGILL:** You made \$4 million in Flyer?

**MR. PARSONS:** Yes, in the last statement.

**MR. MCGILL:** That is in the latest year's statement then.

**MR. PARSONS:** Actually they are not the same kind of bus at all. This is a school bus. It's just not the same type of operation.

**MR. MCGILL:** These are producing shells only.

**MR. PARSONS:** Yes. The chassis were all supplied. It's a different product altogether.

**MR. MCGILL:** What percentage of the total product here is exported, if any?

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**MR. PARSONS:** I can't give you that. They don't supply us that. You mean of the \$4.6 million can't tell you. They don't give us the breakdown on that. I don't think that's a thing that I would release anyway because the competitors have been trying to get that figure and I don't think that's a proper disclosure.

**MR. CHAIRMAN:** Mr. Banman.

**MR. BANMAN:** Several months ago there was, I think, some controversy with regard to Shell Globe and some tendering procedures. Is this particular market a tough market right now? It's when I gather when I look at the tenders that Bluebird tendered in the Province of Manitoba. We're looking some pretty stiff competition and I understand Bluebird is swamped right now with a lot of buses to

**MR. PARSONS:** Yes. I've been told that as well. I think it is a tough market and that's why they came in at such a low price. They had high inventories down east and their plant is down there and I understand that they are still very high.

**MR. BANMAN:** What percentage of Sheller-Globe's production would be for the Manitoba market?

**MR. PARSONS:** I can't tell you that. I don't have that figure. They basically, traditionally, have sold probably 175 to 200 buses in Manitoba. That's about what the Manitoba Government, I think, buys that area. What other they sell other than that, I don't know.

**MR. CHAIRMAN:** Are there any further questions? If there are none, perhaps we can go on to the next report Mr. Parsons.

**MR. PARSONS:** Yes. The next report is on the Tantalum Mining Corporation of Canada Limited situated at Bernic Lake. They are producers of tantalum, oxide, cesium and one or two other small items. Now the Manitoba Development Corporation are 25 percent shareholders along with Kawer Berylco who own 24.9 and International Chemalloy who own 50.1.

During the year we were subjected to a three-month strike which reflected in the lower sales dropping roughly \$800,000 and because of that, for the year ended December 1976, we show a \$46,900 loss. That situation has turned around somewhat this year. Production has been relatively good and barring any further strikes or interruptions, the 1977 year end should be a good year. The price of tantalum has strengthened considerably and this will also reflect — mind you our costs are up too — but nevertheless it should reflect in our statement for year ending 1977.

We roughly have 60 to 70 people employed permanently at the mine on hourly and about 20 on salary, giving a total of around 90 employed and during the summer the mine always employs 10 or 12 students. The mine operation itself is very good, an excellent mine and we really don't have too much in the way of problems and getting help.

Are there any questions on this, on the statement itself?

**MR. CHAIRMAN:** Mr. Green.

**MR. GREEN:** Well, Mr. Parsons, with the three-month strike there is shown a \$46,000 loss. Given the fact that it would have operated normally, I assume that it would have been a very healthy year.

**MR. PARSONS:** Oh, yes. We would have increased our profits with that extra three months.

**MR. GREEN:** Even the \$46,000 loss, I assume that there is a good amount of depletion in there; that a cash flow has not suffered in that mine at all.

**MR. PARSONS:** No, there's a substantial amount of depletion and also other write-offs — research and development write-offs — so the cash flow would still probably be in the . . . As a matter of fact it shows in 1976 we had better than a \$600,000 positive cash flow.

**MR. GREEN:** If you were using some of the terms that are used by the Chairman of ManFor, which I've had some debate with him, he refers to a cash profit, which I don't know as an accounting term, but if we applied that term here this mine would be showing a cash profit.

**MR. PARSONS:** Well, yes. I think what he's referring to, he shows his depreciation and so on after he shows a profit, then he takes off his depreciation and then he takes off his interest and on that basis we would show a \$550,000 profit.

**MR. GREEN:** In any event, you have a positive cash flow . . .

**MR. PARSONS:** Yes we do.

**MR. GREEN:** . . . in this operation and the same is applying this year.

**MR. PARSONS:** Yes, our cash flow will be double this year.

**MR. GREEN:** It is also a fact that the Manitoba Development Corporation made an investment of one million and a half dollars, roughly, in 1973.

**MR. PARSONS:** 1973.

**MR. GREEN:** 1972. And that there has been no call on the Development Corporation for additional funds for this particular venture since that date.

**MR. PARSONS:** No. No, there has not. The cash flow has been substantial enough to cover all the costs and not only that, has allowed us to do a limited amount of exploration and expansion.

**MR. GREEN:** My recollection, Mr. Parsons — it's more than a recollection because it was the case — that the people from the mine at that time could not proceed because there was such a tangle of that no conservative lending institution would advance funds and that the mine was on the verge of

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sing.

**MR. PARSONS:** Well they were in a terrible legal dispute that could only be solved by someone ourselves setting in and guaranteeing bank loans and taking up the shares and getting the parties separated so that we could operate the mine and settle their affairs.

**MR. GREEN:** And the legal dispute within Chemalloy continues to this day.

**MR. PARSONS:** Yes, International Chemalloy are back in courts again, but that does not affect in operation of the mine.

**MR. CHAIAN:** Mr. McGill.

**MR. MCGILL:** Mr. Chairman, could Mr. Parsons give us the name of the President and the Board of directors, the individuals on the Board of Directors and indicate who represents MDC?

**MR. PARSONS:** Yes, I can. The Board of Directors, there are two representatives. To start off with, the President is Mr. D. R. Richardson of Clarkson-Gordon, he's the Receiver. There is Mr. J. Abeles and Mr. J. Cenerazzo representing Kawecky Berylco Industries. There's myself, Mr. A. Schwartz and J. A. Thiessen are representatives on the board representing MDC's interest. There is a Mr. Peter Howe who is on the board and really is representative for KBI as well, I guess. So there is seven of us the present time on the board. Really, the Receiver is in control by being the Chairman and the two other partners each have three directors on the board.

**MR. MCGILL:** Are there any restrictions presently applying to the export of cesium?

**MR. PARSONS:** Yes. It is on the restricted list. We cannot sell it. We can sell it to the United States, but we cannot sell it to Russia.

**MR. MCGILL:** What effect is this having on your sales of cesium?

**MR. PARSONS:** Well, we lost a sale last year. Historically we've sold \$80,000 to \$100,000 worth of cesium each year. It was growing a little bit because of the experimentation taking place with it. Our market to the States has not been closed off. We always sold the overseas market probably about \$100,000 worth, that will be cut off. We are now applying as it's a restricted mineral, for stockpiling if they are going to cut us off at our market.

**MR. MCGILL:** What percentage of your total sales would be represented by cesium sales?

**MR. PARSONS:** Oh, very small. Very small. Some years it's been \$40,000, next year may be \$60,000 — \$100,000 is the top it's ever been. Last year it was back to probably \$40,000.00. So it's not a significant amount this time.

**MR. GREEN:** But changed the red figures to black.

**MR. MCGILL:** In respect to the litigation that has been going on for a considerable length of time, involving the former President of the mine, is that now resolved in terms of Tantalum Mines Limited? Are they completely out of that?

**MR. PARSONS:** Yes, there was a Receiver appointed so they have no input into the operations of Tantalum Mining Corporation whatsoever. As a matter of fact, Mr. Winchell is no longer a director of International Chemalloy either.

**MR. MCGILL:** I see. What ore reserves are blocked out at Tantalum?

**MR. PARSONS:** At a production rate that we are going now, our ore reserves for Tantalum will probably run somewhere to 1981-82. There is probably a 30-40 year reserve of lithium, a quantity of lithium. Of course it's not being used right now. The studies are ongoing as I reported last year. We had a pilot plant. The pilot plant operation went very well and will be concluded by September of this year and the tests are running well at the pilot plant stage; then the planning for the chemical plant will have to go on from there.

**MR. MCGILL:** Is it not characteristic of that area geologically that ore is in relatively small tonnage and relatively high grade? Has this not been the history of the area in which Tantalum is mining? What I am getting at is: Are you able to continue by exploration to block out and maintain five or six or eight years?

**MR. PARSONS:** We have been hoping to do this. The exploration is going on. We haven't discovered any sizeable amount in our exploration. There is both surface exploration and there has been drilling but we haven't hit another area with tantalum in it this time. There are lots of signs that seem as though we were going to discover this mine, but it's a matter of actually finding out where it is.

**MR. MCGILL:** So that in terms of known reserves, there is a definite life expectancy of perhaps four or five years.

**MR. PARSONS:** That's correct.

**MR. CHAIRMAN:** Is there any further question? If not, can we move on to the next one.

**MR. PARSONS:** Venture Manitoba Tours Limited. This company operates the M.S. Lord Selkirk. We acquired it when the Lake Winnipeg Navigation Corporation went bankrupt. We acquired the M.S. Lord Selkirk in 1971 and had been operating it since. Basically it is a tourist attraction and a very nice cruise ship. There's a very difficult operation to even break even because of the size and the cost of operating it. As you can see for this last year, it again required funding to carry on. What we have proposed is that this be taken over by the Department of Tourism and if necessary, they would have to subsidize any loss in the future if they operate it as a tourist attraction, and basically, it has been



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moved along under their operation and direction for this year. They will be operating in conjunction with the Gull Harbour Inn; and I think this is probably the area where it should be because it can handle much more efficiently through them.

**MR. CHAIRMAN:** Mr. Banman.

**MR. BANMAN:** I understand that during the Tourism Estimates that negotiations as mentioned are now underway with the Department of Tourism for the taking over of this particular facility.

**MR. PARSONS:** Yes.

**MR. CHAIRMAN:** Mr. Green.

**MR. GREEN:** You know, it's a matter of the government involvement. . . . I think that that is don't think that what is happening here, I am not sure whether all the mechanics are through, that all of items with regard to Venture Tours have been taken out of the MDC statement, put into Department of Tourism statement, in a similar way as what was done with ManFor. ManFor be operated as a Crown Corporation, that all of the items will be removed out of the MDC budget, they will be taken over by the Department of Tourism as if it had been operated by them from beginning. I know the mechanics have not been completed.

**MR. PARSONS:** I am sorry I didn't mean to mislead you. Mr. Green is quite right. It's set up to that under Northlands, but the mechanics through ourselves and the Department of Finance & Tourism aren't completed. They probably will be within a month. But that is exactly what is happening.

**MR. BANMAN:** Well with regard to the mechanics of this, will Northlands then be paying out amount owing to the Manitoba Development Corporation as far as Venture Manitoba Tours Ltd concerned?

**MR. GREEN:** I hope so.

**MR. PARSONS:** That is the way we are looking at it at the present time. That's one of mechanics. Who pays that out hasn't been decided. It could be Tourism or Northlands depending on which way they capitalize it. . . That's the mechanical thing or a bookkeeping aspect.

**MR. BANMAN:** So if I understand it correctly, another government agency will be paying out loan as far as the Manitoba Development Corporation is concerned.

**MR. PARSONS:** Pardon me, not paying out the loan. They'll be paying out the net balance on a dollar.

**MR. BANMAN:** Could you tell me what that balance is?

**MR. PARSONS:** It's about \$560,000 which would be the net amount left for the — that's what they'd be paying to take over the ship and the rest of the assets.

**MR. BANMAN:** That means as far as you and the MDC are concerned, then that you have got your money out of that venture then.

**MR. PARSONS:** Oh, we'll have lost plenty. We have taken the loss. What we are getting is a balance that's left. . .

**MR. GREEN:** I am not even sure of that, Mr. Parsons. Mr. Parsons wasn't in on the late discussion, which was between the Minister of Finance, myself and the Minister of Tourism. There was some suggestion that we just remove it entirely from the MDC's books and put it into the Department of Tourism's books. But I can vouch to you, to the Member for La Verendrye, that whatever will happen will be bookkeeping, that the accumulated loss will be a liability of the people of Manitoba in one way or in the other way. They will have the physical asset, which cost more than a million dollars to build, I think, if they were going to desire such an asset such as they have in Nova Scotia. But I would have to apologize for the Chairman because the mechanics as between the two departments has been considered what the government policy wishes it to be. Whatever happens will be the same person who has both the asset and the liability.

**MR. BANMAN:** Mr. Chairman, in all due respect to Mr. Green though, it will make his portfolio as far as the Manitoba Development Corporation look better and the loss, of course, will reflect on the Department of Tourism.

**MR. GREEN:** Well, no, no. I've always said the other. I have said to the auditor on numerous occasions that I didn't care if they left all these losses in. It is he who said that that wasn't business like and therefore we are yielding more to what has been the — I've never wanted to make our operation look better. Because I don't like to have things look better if they are not better. It doesn't make any difference.

**MR. PARSONS:** You see, the MDC are already showing those losses, we won't be recovering those losses. They will still be ongoing in the MDC. All we will be doing is, as I understand it, move out at the asset and liability figure. So we will not be recovering losses by this manoeuvre.

**MR. BANMAN:** But you will not be incurring any new losses. I would like to go back . . .

**MR. PARSONS:** No, because we won't be operating it. We won't be incurring any of the losses from now on.

**MR. BANMAN:** It won't be an MDC company and therefore it is not another MDC company losing

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oney?

**MR. GREEN:** That is right.

**MR. BANMAN:** It's the Department of Tourism that will now lose the money.

**MR. GREEN:** As it is done in Nova Scotia with the Bluenose.

**MR. BANMAN:** That's fine, as long as we get that straight. The company required a subsidy of \$62,000 from the Manitoba Government this year. In the notes and statement you are looking at, a subsidy from the Department of Tourism of \$200,000 they mention and then \$40,000 a little later. Is that correct?

**MR. GREEN:** There were several advances.

**MR. PARSONS:** Yes, there was more than one advance.

**MR. BANMAN:** What I am getting at is, has the Department of Tourism for this particular statement under question, picked up the total loss. In other words, the subsidy from the Province of Manitoba is that billed to the Department of Tourism?

**MR. PARSONS:** Yes, it went through the Department of Tourism as a grant to Venture.

**MR. GREEN:** May I say, I wonder if Mr. Banman will again just give me the indulgence of indicating that the MDC Board of Directors would not continue to have a MDC company losing money, because they decided that this was not a commercial operation under their guidelines, and the alternative was to put it into receivership and dispose of it. So it would not have stayed on our books losing money, and the province decided that rather than doing that they would make it a part of the Department of Tourism. This is what the MDC has done with various other operations that they did not consider commercial. They put them under receivership and disposed of them, because they don't take the position that they will lose money indefinitely.

**MR. BANMAN:** That's an interesting statement and I wonder if I could ask if it was the feeling of the board of Directors and the Chairman of the Manitoba Development Corporation that this company . . . you know, there is just no way we are going to continue to operate at a \$250,000, \$300,000 loss no matter what we do. Is that their analogy that . . .

**MR. PARSONS:** Basically, in order to break even as you saw, we did that one year, we had about 10 percent occupancy and we don't believe that that is really realistic. And maybe \$250,000 a year is too high, but somewhere between, I don't think it will ever make money. Probably if you worked very hard it might lose \$50,000 a year, and if it is deemed that it is desirable as a tourist attraction for that price, fine. Last year we had a very bad year — we lost 250 and that is the chance there is going to be. I don't think you will make that money back. Maybe in conjunction now working with Gull Harbour Inn, it might have an effect on it.

**MR. BANMAN:** In Exhibit C, Notes payable Manitoba Development Corporation — was there further infusion of funds from the Manitoba Development Corporation as far as guarantees or loans in that particular year?

**MR. PARSONS:** Yes, it showed the increase.

**MR. BANMAN:** In Exhibit C it shows Notes payable Manitoba Development Corporation — \$115,000 and the year before \$12,000.00. So I imagine there was...

**MR. PARSONS:** There was another \$125,000 advanced, I believe, in the way of a guarantee.

**MR. GREEN:** All of these things, I'm sorry, all of these things are recorded in the Gazette as you are aware.

**MR. PARSONS:** Yes, it is recorded in the notes here too. But there was an increase, yes.

**MR. BANMAN:** I imagine if you are dealing with the transfer of this particular company, this statement shows a loss of \$262,000.00. I wonder have you got any indication of what it lost last year?

**MR. PARSONS:** This is last year, this is October 1976.

**MR. BANMAN:** Fine, yes, okay.

**MR. PARSONS:** So you are right up to date on that. That was the end of last season.

**MR. GREEN:** We are starting again now.

**MR. BANMAN:** So if I understand the Minister correctly, the negotiations and the transfer in about one month's time, the government anticipated it will be transferred over to either Northlands Inn or Gull Harbour Lodge.

**MR. GREEN:** Tourism in any event.

**MR. BANMAN:** Thank you.

**MR. CHAIRMAN:** Any other questions? Hearing none.

**MR. GREEN:** Mr. Chairman, I move the report be received.

**MR. CHAIRMAN:** The report be received. Mr. Banman.

**MR. BANMAN:** I wonder, Mr. Chairman, I would like to ask some questions on Evergreen Peat Moss if it is possible.

**MR. GREEN:** I'm sorry, absolutely, we indicated at the last meeting that if there was something

**MR. BANMAN:** I understand if the report would be received, then we are finished and we wouldn't be able to ask any questions.

**MR. GREEN:** I had forgotten that you could go back to some of the old ones.

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**MR. CHAIRMAN:** It's a typical motion.

**MR. BANMAN:** Mr. Chairman, through you to Mr. Parsons, Evergreen Peat Moss was closed almost a year ago now and it has still not been put into receivership. I wonder if you could tell the Committee why it hasn't gone into receivership?

**MR. PARSONS:** I can tell the Committee it has gone into receivership.

**MR. BANMAN:** I wonder if you can tell me when it went into receivership?

**MR. PARSONS:** About two or three weeks ago the Federal Business Development Bank put it in April 13th.

**MR. BANMAN:** The IDB has the first mortgage on that particular . . .

**MR. PARSONS:** Yes.

**MR. BANMAN:** Does it look like there will be any amount of money as far as the people who have done work for the company, in other words, the people that have accounts payable or receivable from there. Will they be receiving any percentage on their dollar at all?

**MR. PARSONS:** I would doubt it. It does not look at this time — the assets are going up for sale. But I can't second-guess what they are going to get from the assets. But from what I know of the company I would say there would be no money for the ordinary accounts payable.

**MR. BANMAN:** The principals of this company when you went into partnership with these people is this the same, very much the same group of people as Minnedosa Distillers?

**MR. PARSONS:** I am not entirely familiar with that, but I can tell you who the partners were. Mr. Perron was definitely involved with the Manitoba Distilleries. Mr. Shead may have been. To my knowledge the other four were not. They are all chartered accountants. I do not think they were involved with the Manitoba Distilleries.

**MR. GREEN:** Asper wasn't involved in Evergreen.

**MR. PARSONS:** No, Asper was not involved in this.

**MR. BANMAN:** At least not that we know of.

**MR. PARSONS:** Well, if he was, he lost his money.

**MR. BANMAN:** Has the Manitoba Development Corporation written off the \$275,000 that they paid for the equity, and then I understand there was another \$45,000 that was put in as shareholder loans and matched by the other shareholders?

**MR. PARSONS:** Yes, that is correct.

**MR. BANMAN:** That has been written off?

**MR. PARSONS:** Yes.

**MR. BANMAN:** I am just wondering, when the Manitoba Development Corporation buys into a particular company such as this, and I don't know if maybe this is a unique case, but did these particular individuals come to the Manitoba Development Corporation and ask if you would want to purchase a 50 percent equity position?

**MR. PARSONS:** Yes, they approached us for a loan and they ask us if we would take an equity position. They were the ones that suggested the equity position at that time, yes.

**MR. BANMAN:** The cash-flow figures at the time were not very good on the statements that were put out I think if we look at the previous statements of that particular company. When the Manitoba Development Corporation is advancing moneys like the \$275,000, do you ask for a statement of account?

**MR. PARSONS:** Yes, we do.

**MR. BANMAN:** In other words, where your moneys are dispersed?

**MR. PARSONS:** Basically you could see that with the payables and so on that they had, where the money was going. We do require statements. I don't know whether we specifically ask for it in the words that you put it. We watch where it goes, yes. And that's the Board of Directors' responsibility as well, of course.

**MR. BANMAN:** So you are telling me that when they advanced the \$275,000 there was sort of a statement of dispersal — in other words, when you are loaning money from the bank and they are giving you money . . .

**MR. PARSONS:** They know where it is going, yes.

**MR. BANMAN:** So that they know where it is going. So there was a good accounting of that?

**MR. PARSONS:** Yes, I think there was an accurate accounting. I know that Mr. Warren, who was the General Manager, said that we didn't really monitor it, but I don't think that was correct.

**MR. BANMAN:** Last year during the Committee meetings was there any indication, because during the Committee meetings we questioned this particular company and you gave us a pretty optimistic report on that particular company.

**MR. PARSONS:** I think if you look back I said that there was, you know, the market for Manitoba peat is very good. Sales are not a problem, and they still are not, providing they could produce it for a price. There is still a tremendous market for Manitoba peat and, you know, the peat that Evergreen get out of that bog is excellent, but it is the cost of their operation. They obviously couldn't produce it

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what they were selling it for.

**MR. BANMAN:** I notice that the method of operation is totally different to the other peat moss companies that are . . .

**MR. PARSONS:** That is correct.

**MR. BANMAN:** The other peat moss company, of course, is not dredging and I think possibly one of the problems that this company had was that they were dredging it out of a peat swamp and the dredging costs became just prohibitive.

**MR. PARSONS:** Yes. Actually the other company that you are referring to have an operation where they dredge it out in Vancouver.

**MR. BANMAN:** No, the one out in . . .

**MR. PARSONS:** Yes, they are in Manitoba. Western peats are both air dried. V.S. Evergreen were dredging it out, they had some drainage, but basically they had to put it through a kiln to dry. And it is a different type of operation.

**MR. BANMAN:** Have there been any offers or proposals made to this particular company for the purchase of that company?

**MR. PARSONS:** We are not handling that. I don't know what the receiver — there have been interested parties, yes, but what offers he has, I don't know.

**MR. BANMAN:** I wonder, when does the receiver — all the bids come in?

**MR. PARSONS:** The tenders are to be opened on June 22nd by the receiver. It's been advertised.

**MR. BANMAN:** So they are anticipating some . . .

**MR. PARSONS:** Yes — 24th, pardon me. They are anticipating getting some. Now, if they get orders for equipment, that doesn't necessarily mean somebody is going to open up the bog. I mean, there are trucks and cranes there that could be used elsewhere, so.

**MR. BANMAN:** The equipment, I understand, on July 5th when it closed, the company that owns the equipment was going to repossess that equipment. Has that equipment been repossessed?

**MR. PARSONS:** The company that owns the equipment, the FDB, have the first mortgage on a majority of the equipment. The leased equipment went back or was repossessed. The leases were not filled but the lease companies picked them up but there is still a fair amount of equipment sitting there.

**MR. BANMAN:** At the time of our last Committee hearings on May 27th, did the situation change that much in the matter of a couple of months where we are down to a point right now where the people who are looking to receive wages and judgments and stuff like that won't even be able to claim it?

**MR. PARSONS:** The wages have been paid now.

**MR. BANMAN:** The wages have been paid now?

**MR. PARSONS:** Yes, the wages are paid off.

**MR. BANMAN:** Was that paid by the company?

**MR. PARSONS:** No, by the directors. The directors personally are liable.

**MR. GREEN:** Which includes us.

**MR. PARSONS:** Which includes us. Their directors and our directors had to put up the amount of wages.

**MR. BANMAN:** You mean out of the approximately \$36,000 worth of wages, the MDC paid \$18,000 and the other directors paid \$18,000.00?

**MR. PARSONS:** That's right. Pardon me, it wasn't that high. I should correct that, because there were collections that had reduced that \$36,000 down quite considerably and the directors paid the balance. Do you want the figures?

**MR. BANMAN:** No, I'm just trying to arrive at . . .

**MR. PARSONS:** They are paid off. But there were some collection receivables that went to them, the Labour Board to pay wages and the balance was . . . just recently.

**MR. BANMAN:** Just very recently. So in addition to the \$275,000 that we paid out in equity and the 5,000 in shareholder's loans, we paid out . . . What I'm trying to do, I'm trying to get a figure.

**MR. PARSONS:** All right. That may be about \$11,000.00. We may recover some of that because wages have a priority and if there are receivables or inventory there could be a possible recovery of that money. But they have had to put it up in the meantime.

**MR. BANMAN:** Is the Industrial Development Bank ready to settle for less than what is owing?

**MR. PARSONS:** They have no choice. Well, pardon me, they have a choice. They are the ones that appointed the receiver and he is advertising the property that they have the mortgage on which is roughly \$175,000 plus accumulated charges. They might well, if they got an offer for \$125,000, take it. I don't know whether they are going to put in a reserve bid.

**MR. BANMAN:** I understand Mr. Shead, one of the partners, owns the first mortgage of about \$10,000 on that. Is that right?

**MR. PARSONS:** On the bog.

**MR. BANMAN:** On the bog. Does he have first claim as far as any moneys?

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**MR. PARSONS:** He has first mortgage on the bog but the buildings and so on aren't built on land. And then there is quite a considerable amount of leased bog out there too.

**MR. BANMAN:** So basically what you are saying is that it really looks like there are recoverables for anybody on that with the Industrial Development Bank holding a mortgage \$178,000, if it sells for \$150,000, there won't be anything for anybody?

**MR. PARSONS:** That's correct. Well, depending. You see, if they sell the bog for \$100,000, there only \$30,000 against it. There could be some cash from there but I don't know whether they will.

**MR. BANMAN:** There is also, I understand, a large amount of land leased from the Crown that is involved.

**MR. PARSONS:** Yes.

**MR. BANMAN:** When the company closed on July 5th, did the MDC take most of the records and make a final closing statement?

**MR. PARSONS:** Yes, we picked up the records and closed them off.

**MR. BANMAN:** And then the records were given back to the Board of Directors of . . .

**MR. PARSONS:** The records were returned to Mr. Parent.

**MR. BANMAN:** Would it be possible to get a closing statement?

**MR. PARSONS:** Well the Receiver will handle that. We wouldn't do it. Actually I don't know the answer was really a . . .

**MR. BANMAN:** The Bank of Montreal had a \$200,000 guarantee. Was that guaranteed by the Evergreen Peat Moss or was it . . .

**MR. PARSONS:** It was guaranteed by the other shareholders.

**MR. BANMAN:** By the other shareholders. Not MDC.

**MR. PARSONS:** They will probably lose most of that too.

**MR. BANMAN:** Pardon me?

**MR. PARSONS:** They will probably lose that, or the majority of it.

**MR. BANMAN:** The other shareholders.

**MR. CHAIRMAN:** Mr. McGill.

**MR. MCGILL:** Mr. Chairman, Mr. Parsons has no doubt read the comments of the Provincial Auditor on the operation of the Manitoba Development Corporation and some reference has been made to that by Mr. Banman and the comment I think has been made by Mr. Parsons. There's another section to this report by the Provincial Auditor which I would like Mr. Parsons to comment on and I would just read it here for him. He says, "We have also observed during the course of our audit that the Board was approving substantial loans and advances of funds without appropriate documentation being on file to support such decisions. In our opinion, undue reliance is being placed on verbal briefings by way of an interlocking directorship. This results in inadequate documentation supporting the decisions, particularly when decisions taken are not in agreement with recommendations of the management committee and/or investment officers." Mr. Parsons . . .

**MR. PARSONS:** Are you reading that out of the Auditor's Report just tabled.

**MR. MCGILL:** Yes. I'm reading it out of the Provincial Auditor's Report. I presume you have read that and I would like you to comment on that criticism of your operation. . .

**MR. PARSONS:** That criticism was made at the time when we were advancing money to Flyer. I did not believe that the documentation was adequate and it was true at one point, when we were advancing money to Flyer, we did not have up-to-date statements. I reported last year that we had horrendous time getting off a financial statement because of launching into a computer operation that tied us up completely for quite some time.

His remarks were well taken. As far as Flyer, we had to keep operating the firm. We knew that they had to have money. We did not have accurate monthly statements as an auditor would wish us to have. We did get a lot of the reports verbally. Our production reports were probably not up to snuff and basically, I think his remarks were well taken and well met. I don't feel it was as serious because we were all very close to the Flyer situation, we knew the problems.

We were at that time striving more to get the production and so on flowing through because of the heavy penalty clauses we had been looking at and we probably neglected the accounting area to some extent. That was corrected very quickly. We get the statements and the material information that flow through from them is now excellent and he has subsequently reported on that. I think that's really about all I can say about that. It was basically Flyer Industries that he was referring to.

**MR. CHAIRMAN:** Mr. McGill.

**MR. MCGILL:** Mr. Chairman, Mr. Parsons then agrees that this is a fair criticism of the operation during the period covered by the Provincial Auditor's Report. Can Mr. Parsons assure the committee that this difficulty has been corrected.

**MR. CHAIRMAN:** Mr. Dillen state the point of order.

**MR. DILLEN:** Well I don't want to prevent Mr. McGill from continuing with his questioning, but I was under the understanding that we had referred back to Peat Moss, that we were dealing only with that subject.

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**MR. GREEN:** No, no. It's correct that we are now dealing with the report as a whole. Therefore it is no problem in dealing with it.

**MR. CHAIRMAN:** The motion is shall the report be received.

**MR. MCGILL:** Mr. Chairman, I was asking Mr. Parsons after having had his agreement that these criticisms were fairly and well placed, that he could assure the committee that in this current year's operations that no such activity will continue and that there will be adequate documentation for all of loans made and that these will not be made verbally between directors of the corporation.

**MR. PARSONS:** No, I don't think . . . As I say this was a situation with Flyer at that time when he reported on it. The information flow is now very good from them, so that should not happen. Whether it comes up in another firm during the year, we always try to avoid it; it could happen again, but I don't anticipate it will.

**MR. MCGILL:** Well, as the Director of Manitoba Development Corporation, is it not your responsibility to insist that this does not happen?

**MR. PARSONS:** I do insist, but if it's impossible, such as it was in Flyer, if we had insisted down to hard line, we would have closed the company down for three months while we got a statement off. In the meantime we would have been in horrendous problems. It was very important to keep the staffing and the production going, so we had two choices: either you close it down and lose millions because of default or you take verbal reports as I had to when we were doing the funding to see them through that period. Looking at the alternatives we had, we had to take the avenue we did, and I think it is the correct one. I don't deny that, what Mr. Ziprick has reported was partly true.

**MR. MCGILL:** And you can't assure us then that it won't happen again.

**MR. PARSONS:** I will assure you that I will endeavour to make sure it doesn't happen again, but if a situation came up the same as that, I think I would do the same thing. But we certainly endeavour not to have that happen.

**MR. CHAIRMAN:** Mr. Spivak.

**MR. SPIVAK:** Mr. Parsons, I would like to go back, if I could, just to a few general questions with respect to Tantalum Mine.

**MR. PARSONS:** With respect to what?

**MR. SPIVAK:** To Tantalum. I wonder if you can indicate the status with respect to the project on the lithium mine?

**MR. PARSONS:** I reported on that earlier, but the pilot plan is coming along very successfully. We expect to have the finalization of the reports by September of this year. The total project and the pilot plan has gone well. Now I received those reports from the chemical engineers and it looks like the processes they have been working on fits very well with the type of rock we get out of that mine just now.

**MR. SPIVAK:** Do you know in terms of any scheduling, when it would be anticipated that the decision to proceed or not to proceed would have to be made?

**MR. PARSONS:** We are going to have to spend some money on the preliminary drawings, the engineering, the total plant. Now if the pilot plant project proves out as successfully as we think it will, the marketing reports indicate that there is going to be a high demand later in the Eighties. Then, when we see this next engineering phase that we are going into, which will be starting within two or three months, when we see the costs and have that portion done, then we will have to make a decision. That would probably be early in 1978.

**MR. SPIVAK:** Have you discussed the financing with the partners involved in Tantalum?

**MR. PARSONS:** Yes we have. Our partner, Kawecki Berylco of course, are very interested at this particular point. The Receiver is unable to move and, of course, he has not got funds on hand for his operation. Come the end of this year we would have to resolve that.

**MR. SPIVAK:** Have you talked to any of the competing groups who are vying for control of the alloy to determine whether they are prepared to supply funds along with the other partner.

**MR. PARSONS:** No, not recently. I've only had one conversation with the Del Zotto Group who are bond holders. That was two years ago. They said that if it worked out that they ended up in control, it they would be very interested in going along with the project but that was over two years ago. We have not talked to any of their group.

**MR. SPIVAK:** Has the Board met on this in terms of determining what options will be open to them at the time, if you're prepared to proceed and the matter with Receiver is not settled as to the purchase of the shares of Tantalum from the Receiver.

**MR. PARSONS:** Yes, we've discussed that with the Receiver and really outside the Board formally because we can't do it within the Tantalum Board, but we have discussed . . . It may come down to the point that we would probably have to make him an offer to buy the other 50.1 percent. He is getting into the position where he could probably accept that or will have to. It's the only asset that they really have that they know they can sell and that 50 percent then we ourselves and our partners could find a third partner, which I don't think would be that difficult with that.

**MR. SPIVAK:** Well with the 50 percent to be purchased from the Receiver be purchased by the

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Government or would it be purchased with Kawecki?

**MR. PARSONS:** We could do it either way. Under the agreement Kawecki cannot buy at all. I have the option.

**MR. SPIVAK:** Well, has the Board discussed it . . .

**MR. PARSONS:** Yes, we have discussed it with Kawecki. They would be willing to buy another to our 1.5 if we wish to go that route.

**MR. SPIVAK:** So that in effect, what would happen is the Government would end up or MDC would end up with 50 percent, Kawecki would end up with 50 percent.

**MR. PARSONS:** That's correct.

**MR. SPIVAK:** Can I ask whether that proposal, that option has been discussed officially with the Government in terms of . . .

**MR. PARSONS:** No, officially it has not because we have not come down to that point.

**MR. CHAIRMAN:** Mr. Green.

**MR. GREEN:** I really believe that there are several options which I believe would affect our position if they were all discussed at a committee meeting. And there are several options and I really don't know whether I want to discuss the Government's option. Mr. Parsons has indicated some of the things that have been discussed.

**MR. SPIVAK:** Well then, I'll leave that area and simply ask, if the Del Zotto group get control of Chemalloy and you are dealing with them, and they are prepared to put up their portion of the money either through Chemalloy or as the main shareholders, is the MDC prepared to proceed with them?

**MR. PARSONS:** Well, that would have to be the decision at the time by the Board. From the indications that we have, yes, I would think so, but that would come back to the MDC Board decision. I would have to present it to them as a proposal and they would have to consider it at that time.

**MR. SPIVAK:** The Board would not be concerned with the allegations made with respect to Del Zotto and their alleged connection.

**MR. PARSONS:** I don't know that our board are cognizant of what you are speaking of. That there has been lots of innuendoes, but I . . .

**MR. SPIVAK:** Well, I know, it's not the innuendoes. The innuendo came through a Roy Commission Report, and the question at this point is whether the board is simply prepared to proceed.

**MR. PARSONS:** I don't think the Del Zotto's are going to get control. I don't know. But when we come down to consider, we will consider who our partners are, whoever they are, and that will be one of the things that they will have to discuss. But I don't know who they are going to be.

**MR. SPIVAK:** You are not going to let the . . . But I think it would be important to know who you are dealing with.

**MR. PARSONS:** Oh, absolutely.

**MR. GREEN:** : We even deal with Otto Lang.

**MR. SPIVAK:** Are you saying that he is in the same position as the Del Zotto's?

**MR. GREEN:** I don't know how bad they are. I know how badly . . .

**MR. PARSONS:** No, that would be one thing we would have to take a look at. You always look at who your partners are.

**MR. CHAIRMAN:** Any further questions, Mr. Spivak?

**MR. GREEN:** . . . receive the report?

**MR. CHAIRMAN:** Shall the report be received? (Agreed) So ordered. Committee rise.