



First Session — Thirty-Second Legislature
of the
Legislative Assembly of Manitoba

STANDING COMMITTEE
on
PUBLIC UTILITIES
AND
NATURAL RESOURCES

31 Elizabeth II

Chairman
Mr. Andy Anstett
Constituency of Springfield



MG-8048

VOL. XXX No. 6 - 10:00 a.m., THURSDAY, 20 MAY, 1982.

MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Second Legislature

Members, Constituencies and Political Affiliation

Name	Constituency	Party
ADAM, Hon. A.R. (Pete)	Ste. Rose	NDP
ANSTETT, Andy	Springfield	NDP
ASHTON, Steve	Thompson	NDP
BANMAN, Robert (Bob)	La Verendrye	PC
BLAKE, David R. (Dave)	Minnedosa	PC
BROWN, Arnold	Rhineland	PC
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DOERN, Russell	Elmwood	NDP
DOLIN, Mary Beth	Kildonan	NDP
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DRIEDGER, Albert	Emerson	PC
ENNS, Harry	Lakeside	PC
EVANS, Hon. Leonard S.	Brandon East	NDP
EYLER, Phil	River East	NDP
FILMON, Gary	Tuxedo	PC
FOX, Peter	Concordia	NDP
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GRAHAM, Harry	Virden	PC
HAMMOND, Gerrie	Kirkfield Park	PC
HARAPIAK, Harry M.	The Pas	NDP
HARPER, Elijah	Rupertsland	NDP
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HYDE, Lloyd	Portage la Prairie	PC
JOHNSTON, J. Frank	Sturgeon Creek	PC
KOSTYRA, Hon. Eugene	Seven Oaks	NDP
KOVNATS, Abe	Niakwa	PC
LECUYER, Gérard	Radisson	NDP
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MERCIER, Q.C., G.W.J. (Gerry)	St. Norbert	PC
NORDMAN, Rurik (Ric)	Assiniboia	PC
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ORCHARD, Donald	Pembina	PC
PAWLEY, Q.C., Hon. Howard R.	Selkirk	NDP
PARASIUK, Hon. Wilson	Transcona	NDP
PENNER, Q.C., Hon. Roland	Fort Rouge	NDP
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SANTOS, Conrad	Burrows	NDP
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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON PUBLIC UTILITIES AND NATURAL RESOURCES
Thursday, 20 May, 1982

Time — 10:00 a.m.

MANITOBA HYDRO-ELECTRIC BOARD

MS. DePAPE (Clerk of Committees): Since Mr. Hara-piak will be unable to attend this morning's meeting, we'll have to elect a new Chairman. Are there any nominations? Mr. Mackling.

HON. A. MACKLING: I nominate the MLA for Spring-field, Mr. Anstett.

CHAIRMAN — Mr. Andy Anstett (Springfield)

MS. De PAPE: Are there any further nominations? Mr. Anstett will you please take the Chair?

MR. CHAIRMAN: Committee will come to order. The Clerk has received IBEW wage rates for selected clas-sifications that were requested and they'll be distrib-uted. They were requested at the last meeting. I understand that we are proceeding with considera-tion of the Hydro Report and the floor is open.
Mr. Blachford.

MR. L. BLACHFORD: Mr. Chairman, I've had an opportunity to review the transcripts from the last meeting. At one stage here Mr. Lyon made a statement as asking myself if I was aware of any major deficien-cies in the agreement over which he, Mr. Blachford, had some power of superintendency and some power of control up until a certain date.

I'd just like to clarify here that I was not part of a negotiating team on this. The two people I mentioned who were involved with it were information people. They gave information as requested to the Chairman of Manitoba Hydro or to the negotiators as required.

I did indeed have awareness of this and had some input to this information but I was not part of the negotiating team.

MR. CHAIRMAN: Mr. Lyon.

HON. S. LYON: On that point, Mr. Chairman, I quite accept and understand that and if I've left the implica-tion otherwise in Mr. Blachford's mind, why certainly we can dispell it right away. I was not trying to indicate to him that he was part of the negotiating team. But as President and Chief Executive Officer of Hydro what I was indicating was, that he obviously was privy to the process of negotiation and the principles upon which that negotiation for the Western Inter-tie was proceed-ing and is proceeding at the present time. The ques-tion was very simply on those principles prior to November 30th of 1981, was he aware of any major deficiency?

MR. L. BLACHFORD: Regarding the general princi-ples, I don't have any problem with the general princi-ple of an inter-tie between the two provinces. Now, beyond that I'm not aware of exactly what the general principles are that you referred to, Mr. Lyon.

But regarding the other part of the matter, there were weaknesses in the Interim Agreement which were pointed out by myself and by my staff as negotia-tions proceeded.

HON. S. LYON: I presume, Mr. Blachford, that as a regular part of the negotiations those weaknesses would go to the negotiating table and the negotiators, as good negotiators, would try to work them out if possible.

MR. L. BLACHFORD: I presume they would, but since I wasn't there I have no knowledge of how it was proceeded with.

HON. S. LYON: In any case you're still, I take it, a strong supporter of the concept of the Western Inter-tie or Grid?

MR. L. BLACHFORD: Yes I am and keeping in the back of one's mind at all times that when the original feasibility study was made it was pointed out that it was a marginally positive project on the basis and assumptions that were made in the study.

HON. S. LYON: That is for all the participants?

MR. L. BLACHFORD: That is for all the participants, right.

HON. S. LYON: And that Manitoba would gain the rather unquantifiable benefit of being able to proceed faster than would ordinarily be the case with the con-struction of Limestone and these other subsequent major projects, depending upon our domestic load growth, faster than would have been the case without the Western Inter-tie.

MR. L. BLACHFORD: Yes, this project would trigger the construction of Limestone.

HON. S. LYON: Mr. Blachford, we understood I believe, the other day from your comments and I believe questions that were put to the Chairman as well, that the steps to bring construction to re-start again at Limestone are still under way premised, I take it, upon the successful conclusion of the negotiations for the Western Inter-tie?

MR. L. BLACHFORD: Yes, the Western Inter-tie is the most obvious trigger for Limestone. And as I said before, we are holding the nearest date for the inser-vice date of Limestone on the hope that this will be straightened out soon and we can adhere to that date.

HON. S. LYON: Yes. You would be familiar, would you not Mr. Blachford, with an exchange of corres-pondence that took place in October between the then Minister, Mr. Craik and the then Chairman, Dr. Kris Kristjanson of Manitoba Hydro concerning the Western Electric Power Grid; Mr. Craik, advising the Chairman of the parties involved in the negotiations,

had unanimously agreed on the Interim Agreement and then Mr. Kristjanson in turn responding in November of 1981 to that letter with a memorandum to the Minister, Mr. Craik. You are familiar with that correspondence?

MR. L. BLACHFORD: Yes I am, Sir.

HON. S. LYON: I believe in the correspondence it is indicated that the Critical Schedule Requirements of the inter-tie to enable delivery of first power in 1988 are essential to the moving ahead of this project. Is that still the case?

MR. L. BLACHFORD: I'm sorry, what is still the case, Mr. Lyon?

HON. S. LYON: The Critical Schedule Requirements of the inter-tie which would enable delivery of first power in 1988, those still apply do they not?

MR. L. BLACHFORD: Yes, they do.

HON. S. LYON: What action then is Hydro taking, if any, at the present time, keeping in mind those Critical Schedule Requirements on the one hand and the fact on the other hand that the matter is still under negotiation.

MR. L. BLACHFORD: We are keeping the engineering up to date. We are proceeding with whatever may be necessary for the contracts that may have to be let initially, in order to get the project started again.

HON. S. LYON: Mr. Chairman to Mr. Blachford, what is the status of such items as the taking out of mothballs of the Townsite of Sundance and matters of that sort?

MR. L. BLACHFORD: There is another aspect to taking Sundance out of mothballs as it were. We have the project for increasing the capacity of the HVDC lines to which I alluded yesterday and they're demothballing a part of Sundance in order to put people in there for this other project.

They're also doing the same thing on a part of the actual camp at Limestone which, as you may know, is very close to Henday Station where the work is being done. I'm sorry, Mr. Chairman, I just want to say, this is on account of the HVDC project, not on account of the Limestone project. It will all dovetail together if Limestone gets going.

HON. S. LYON: In the correspondence between the then Chairman of Hydro, Dr. Kristjanson and the then Minister, Mr. Craik in early November of 1981, I believe there was attached to Chairman Kristjanson's memo back to Mr. Craik, a list of appendices including items such as the list of major contracts and purchases including award dates, description of work, estimated costs in April 1980 dollars, sight labour and so on. Some of these contracts called for award dates in 1982, indirects, for instance, catering, security, equipment rental, school and shopping centre extension including furnishings and equipment, items of that sort. Are they proceeding at the present time?

MR. L. BLACHFORD: They are not proceeding on account of Limestone but I believe the work has been done so this can be triggered on very short notice, if necessary.

HON. S. LYON: So the award dates that were set forth in the schedule to Dr. Kristjanson's memo of November 2 to Mr. Craik, are those contract award dates, are they all put forward?

MR. L. BLACHFORD: I haven't studied this recently, but I think you may realize that in these schedules there's always some float put in them. There will come a time — and I don't know exactly when that time is — when we'll have to go from a modified 1988 date to a straight 1988 date, an ordinary 1988 date. The difference between these two schedules is, the modified 1988 date includes four machines in service before the end of 1988. The straight schedule calls for only two machines being in service and therefore, there's a bit of slip possible on that basis.

HON. S. LYON: So that there's no misunderstanding and I'm sure that, Mr. Chairman, I can't imagine any objection to this kind of correspondence being tabled by the President if the rest of the Committee wishes to see it. It's no secret. I've got copies of it. He has copies of it. The Appendix to the response from the Chairman of Hydro, November 2, 1982 is entitled, "Limestone Generating Station Modified 1988, inservice date."

I'm quite prepared to suspend any further questioning on that in order to let Mr. Blachford have a look at that schedule which I'm sure is part of his files or can be made available to him quickly, in order that he might tell us and the question would be this: which of the indirect and direct contracts specified on page one of the first schedule, which were to be awarded in 1982, (a) which of those has been awarded or, (b) if none has been awarded, what are the new dates that have been ascribed to these different matters consequent upon the start-up of Limestone, and when does Hydro expect to be tendering on these matters if at all this year?

MR. CHAIRMAN: The Honourable Minister on a point of order.

POINT OF ORDER

HON. W. PARASIUK: On a point of order, Mr. Chairman. The Leader of the Opposition is basically talking about a hypothetical case. That schedule was sent to the President; it was a schedule; it was a tentative schedule and the former Premier is trying to say that they were going to be awarded. There was a lot of water that had to pass under the bridge before contracts could be awarded or was it the intention of Hydro on November 2nd when it received that, to tender all those contracts and assume all those obligations on the basis of the information it received in conjunction with that schedule? Was it their intention to tender on the basis of that information only?

MR. L. BLACHFORD: No, Sir, it wasn't the intention to tender based on what we had in hand at that time. There were still subsequent events to occur, such as

the signing of the Interim Agreement.

HON. S. LYON: Mr. Chairman, I take it the signing of the Interim Agreement was obviously, in the opinion of the Chairman of Hydro at that time, a matter that was going to take place fairly soon because it was he who sent the schedule to the Minister, not the reverse. Is that not the case?

MR. L. BLACHFORD: We sent the schedule to the Minister, that's correct. If you'd refer to the schedules for the construction, the first contract that I have noted on here was only to take place about the second quarter of 1982 of the calendar year. Hence there was quite a bit of time before anything needed to be committed.

HON. S. LYON: Mr. Chairman, I'm looking at page one, 1982 Indirects Award dates: 1982 February 15; 1982 March 15 for security, etc., and then the Directs Award dates: 1982 May 15, for initial excavation contract; 1982 December 15 for turbines, those are the latter ones that you would be referring to, Mr. Blachford, I take it.

MR. L. BLACHFORD: I'm looking here at the catering contract. I have a different piece of paper that you have, Mr. Lyon. But in any case, there was nothing to be committed immediately. We were already doing the work as was pointed out. We were ready to do the work. Circumstances changed in the interim and it's been deferred. We do not have any new dates set because there's nothing to base those dates on.

HON. S. LYON: So that schedule that was forwarded on the, I believe, 3rd of November, 1981 by Dr. Kristjanson the then Chairman of Hydro to Mr. Craik, that schedule you say, no longer applies.

MR. L. BLACHFORD: That's correct, it no longer applies.

HON. S. LYON: I take it, it no longer applies for what reason?

MR. L. BLACHFORD: The Interim Agreement did not go forward.

HON. S. LYON: When do you expect, or do you have any expectation based upon information that has come to you from Hydro's negotiating team or from the Minister's office, as to when that Interim Agreement is likely to be signed now?

MR. L. BLACHFORD: I'm not leading this team, Mr. Lyon, so I wouldn't make any comment on that. As I say, we're keeping the 1988 date for as long as we can. If we miss the modified date we'll go to the ordinary 1988 date and we'll wait for a survey post in order to set up another schedule for it.

HON. W. PARASIUK: Point of order, I think I can answer that question. Since I am the person leading that team, it's expected that when we can resume discussions with the Saskatchewan Government Minister responsible for the Inter-Tie negotiations, we will

be able to proceed with the negotiations to come to an agreement on the Inter-Tie in an interim manner. Mr. Shaben, the Minister from Alberta has said that he is willing and waiting for that meeting date. Mr. McLaren, the Minister in Saskatchewan has said that we would be meeting but he will let us know when that meeting can take place according to his schedule because he's just been sworn in recently. So the meetings are on tap; the exact date will be set by the Saskatchewan Minister when he can free up his time.

HON. S. LYON: Mr. Chairman, to the President, would it be fair and reasonable at this stage, this being the 20th or thereabouts of May, having regard to the fact that the first award date for initial excavation contract in the schedule sent by Hydro last fall to the Minister was the 15th of May, do you expect that kind of work, the initial excavation contract can possibly be tendered this year?

MR. L. BLACHFORD: Yes, it's still possible.

HON. S. LYON: Still possible. Good. What about the turbines, even though they're only slated for awarding on or about the 15th of December, 1982? Is there still sufficient lead time to permit that to go ahead?

MR. L. BLACHFORD: Yes, as of now, there still is time for that to go ahead.

HON. S. LYON: In that connection, could you confirm or otherwise, Mr. Blachford, that the plans that were afoot prior to November 30th, 1981, for an industrial benefits group within government to ensure that Manitoba-made, western Canada-made, Canada-made products be given first opportunity by the purchasing agents of Hydro and others involved in projects of this magnitude, does that policy still remain with respect to Manitoba Hydro?

MR. L. BLACHFORD: Yes, that is one of the priorities of the orders and contracts for this machinery.

HON. S. LYON: Excellent. I'm glad to hear that is still intact. Mr. Chairman, I have, perhaps, a few questions now for Mr. Cherniack.

Mr. Cherniack was advising Mr. Ransom the other day that he expects that the position of Chairman will involve him about 50 percent of the time in his duties as Chairman.

MR. CHERNIACK: No, Mr. Chairman, I didn't say I expected to. I said that I estimated that up to now it has.

HON. S. LYON: Do the duties of Chairman involve much out-of-country travel?

MR. S. CHERNIACK: I can only say that up to now I've been to Denver with the team that re-opened negotiations with WAPA. I expect that there will be other occasions to represent Hydro anywhere.

HON. S. LYON: Mr. Chairman, has the Chairman involved himself in any way in the financing requirements of the utility, that is, the expected loans that the

utility will have to make when it begins construction on Limestone?

MR. S. CHERNIACK: Mr. Chairman, I assume Mr. Lyon knows that the financing activities are conducted by the Department of Finance and in the past the Department of Finance conducted them. When Hydro was directly involved it had representation at the negotiation table but the decisions were made by the Department of Finance. I'm not aware of any change but I have always been ready and will continue to be ready to be of assistance to the Department of Finance in any way I can.

HON. S. LYON: In the Chairman's capacity as Chairman of Hydro since his appointment in December, 1981 he has not travelled outside of Canada with respect to the financial requirements of Manitoba Hydro?

MR. S. CHERNIACK: Mr. Chairman, I've no idea why Mr. Lyon says that. Nothing I said indicates that I didn't.

HON. S. LYON: I'm merely asking the question. I wasn't picking a fight.

MR. S. CHERNIACK: Oh, well the fact is that at the invitation of the Department of Finance, I did go to Switzerland to assist the Department of Finance in rolling over a Swiss loan which had come to maturity.

HON. S. LYON: Well, then you did travel in your capacity as Chairman of Manitoba Hydro or as a special financial consultant to the Minister of Finance or what?

MR. S. CHERNIACK: Mr. Chairman, I went at the invitation of the Department of Finance and I did not pretend that I was not Chairman of Hydro, but I did not specifically go as representative of Hydro. I suppose there's a fine distinction. Wherever I go I can assume to be Chairman of Hydro and I have responsibility for it but it was really the Department of Finance whom I accompanied.

HON. S. LYON: Was that trip in connection with the arranging of financing for Manitoba Hydro or for the Manitoba Government?

MR. S. CHERNIACK: It was a rollover of a debt owing by Hydro to the Manitoba Government, of course, because of the change under the Act which was passed in the last few years.

HON. S. LYON: The term 'rollover' - what do you mean by that term?

MR. S. CHERNIACK: Mr. Chairman, when there is a borrowing in currency other than Canadian, there is a choice when it has to be repaid, of borrowing the money elsewhere or other than in the coin of the realm. I can't think of the monetary monies in which they were borrowed which come to maturity, there's a choice between borrowing it elsewhere and converting into — in this case it would have been into Swiss

francs — at the then current rate of exchange.

Or you have another alternative and that is to attempt to negotiate a transaction whereby the borrowing is in the same Swiss francs in this case, so that there is no need to convert from any other exchange to Swiss francs. In this case there was a loan that came due in Swiss francs and I believe it was 100 million Swiss francs, that's my recollection. In this case it was possible to borrow 100 million Swiss francs to be used to pay off the debt that had come due; that borrowing was done at an interest rate of 7 percent.

The benefit was obvious in that the Manitoba Government then informed Hydro that that was converted into Canadian funds from the standpoint of the Hydro, a responsibility to Manitoba at 17 percent and that differential of 10 percent is now available to the government in its rates equalization. That's what I call a rollover, the need not to convert the monies from Canadian or other back to Swiss francs to pay it off, but to borrow in the same denominations or the same type of money and, in effect, extend the borrowing and extend the benefit of low interest rates that were negotiated on the original loan, at which time that too, had been borrowed at a lower interest rate than was available elsewhere. I hope that explains the rollover, I'd be glad to elaborate if I can.

HON. S. LYON: I'm happy to have Mr. Cherniack's definition of it, the reason being, of course, that rollovers can be accounted for in different ways. That is, a rollover can take place without a foreign exchange or currency loss being attributed to that particular loan, or a rollover can take place with the foreign exchange and currency loss being attributed to that loan and being costed in the year in which the rollover takes place. Is that a fair exposition of, at least, two methods of treating a rollover?

MR. S. CHERNIACK: Well, my understanding, which is not that of an expert, is that attribution is not a necessary aspect of what a rollover is. What a rollover is in this case is, in effect, to extend the loan that was made earlier in the same kind of currency for a further period of time, to be done when it's beneficial and when the interest rate differential is great enough to make it worthwhile. The attribution of where the risk was is a matter of, I suppose, accounting decision. To me it has nothing to do with rollover but then I don't pose as an expert.

HON. S. LYON: Mr. Chairman, Mr. Cherniack made some mention of the fact that on this loan on which he was giving advice to the Government of Manitoba in Switzerland earlier this year I take it, that there was a low interest rate on the loan. My recollection is that when the document came out that the former loan had been, at what rate - 4 percent or something of that nature?

MR. S. CHERNIACK: I don't remember. I don't have the figures before me so I don't want to agree or disagree with any figure at all.

HON. S. LYON: Again, I don't have the exact figures at this moment in front of me, but my recollection is and Mr. Cherniack can tell me whether or not my

recollection is within the ball park because he was an advisor on this loan.

MR. S. CHERNIACK: Mr. Chairman, the Annual Report which is before this Committee now indicates that a loan numbered 10K matured on February 22, 1982 and had a coupon rate of 5.25 percent and a Canadian equivalent rate of 8.120 percent. I assume that's the loan we're talking about; it would appear so.

HON. S. LYON: The face value of that loan when it was taken out was \$40,786,000 Canadian?

MR. S. CHERNIACK: The face value was 100 million Swiss francs which was calculated I am told, at that time as having been the equivalent in Canadian dollars of the figure mentioned by Mr. Lyon, but the face value was 100 million Swiss francs. That's what was owing.

HON. S. LYON: 100 million Swiss francs due on February 22, 1982 which had a Canadian face value of \$40,786,000.00. What did it cost in the Canadian dollar equivalent to roll that loan over?

MR. S. CHERNIACK: I'm not in a position to say, Mr. Chairman. We rolled it over by borrowing 100 million Swiss francs and paid off this 100 million Swiss franc debt. There is, of course, a figure that can be calculated, though when Mr. Lyon says what did it cost, you must always take into cost the projection of what is likely to be the rate of exchange at the time of maturity or from time to time when payments are being made, and offset that by the beneficial interest rates which you receive and offset it further by taking into account the availability of the money in any other money market in the world to see whether you could make a deal. There are times when there's just no money available in certain places and therefore that has to be taken into account. So cost is a relative figure which is, I believe, subjective.

HON. S. LYON: Mr. Chairman, I agree with Mr. Cherniack that there are many subjective things in this life.

MR. S. CHERNIACK: I didn't say that either.

HON. S. LYON: One of the things that is less subject to being subjective however, from time to time is the money market. Is it not a fact that the - and I don't have the exact figure, Canadian dollar equivalent to retire the loan and take a new loan of 100 million Swiss francs was about \$63 million Canadian whereas the face value of the borrowing had been \$40 million.

MR. S. CHERNIACK: Mr. Chairman, I am under the impression, and I think it's correct, that if one had to buy 100 million Swiss francs in February of 1982 with Canadian dollars, one would have to pay something in excess of \$60 million. I'm putting it differently than Mr. Lyon did, because as I believe what happened - and which is the responsibility of the Department of Finance - was that they borrowed 100 million Swiss francs to pay off 100 million Swiss francs. The reason I'm careful in responding, Mr. Chairman, is that when you look at borrowings and at rates of interest one has

to take into account the time element as well.

For example, the previous government did, indeed, pay off - I think it was a Swiss franc loan, it may have been some other form of European currency - by borrowing Canadian about maybe a year ago and then cut off that loan by borrowing Canadian and paying it off.

History has shown — and I don't have the figures in front of me, but they were prepared by the Department of Finance — that had that loan been rolled over, then there would have been a very substantial reduction in cost to the borrower by the fact that the continuing beneficial interest rate available at the time in Europe would have been much less than was undertaken to be paid by the previous government. I'm not saying that was a wrong thing to do because it's judgmental, but certainly when one looks back at it one could say that there were some numbers of millions of dollars difference between what was paid and what would have been payable had it been rolled over. So I'm using that as an example of the uncertainty of knowing what the future holds.

HON. S. LYON: Yes, Mr. Cherniack uses that example after only one year, but here we have in front of us one example of a five-year loan for 100 million Swiss francs that was taken out in 1977 when the effective Canadian interest rate was about 9.25 percent and when, according to the information that we have now, the effective interest rate of the loan when it was rolled over was over 16 percent. So I'm stimulated because Mr. Cherniack makes mention of the favourable interest rate for this rollover loan on which he gave advice as being low, by our standards, at 5.25 or whatever - 7 on the new one - without taking into account the foreign exchange loss which gave an effective rate on that loan during its term of over 16 percent, whereas the same money in 1977 could have been borrowed in Canada, presuming it was available in Canada, at 9.25 percent.

That's why I'm interested in having Mr. Cherniack's definition of a rollover because we could be rolling over into bankruptcy if we continue to be taking loans out in foreign currency with the Canadian dollar weakening, strengthening and weakening over the term, as against some of these foreign currencies. Is that not a legitimate concern?

MR. S. CHERNIACK: Mr. Chairman, all borrowings carry with them legitimate concerns as to the impact in the long range. The previous government, I believe, borrowed Japanese yen and I believe it had to borrow, U.S. dollars and I think they borrowed on the Eurodollar market, I'm not sure. All of that is, as I say, judgmental.

The only thing I would point out, Mr. Chairman, is that Hydros and provinces borrow for the very long range; they borrow on periods of time which are best at the time they borrow. But I see no reason why what I call a rollover could not continue over a long period of time always measuring, at the time of maturity, interest rates available and if one continually converts back and forth between Canadian dollars and other dollars, one is going through an exercise which may be of interest but need not be of significant impact unless one decides to pay it off with Canadian dollars.

I see no reason why much of these foreign borrowings cannot be rolled over over a long period of time. A hydro-electric plant is considered to live 67 years and if you take the long 67-year period always taking advantage of interest in that type of currency - it's judgmental, but I think it's not as simplistic as to say we are converting always figuratively as at the time of the borrowing unless you do it actually, rather than figuratively.

HON. S. LYON: But, Mr. Chairman, to Mr. Cherniack, while one can listen with interest to that as he would describe it 'subjective' view of financing as he would know and all of us around this table know, there is a day of judgment, namely, when you have to pay on the borrowing. Merely rolling over doesn't ameliorate that situation vis-a-vis the value of Canadian currency to the foreign currency when that rollover takes place.

Isn't it a fact - I have more exact figures - that the Swiss franc debenture that was due on February 22, 1982, which Mr. Cherniack tells us he gave advice to the department on, had a book value of \$40,786,200 Canadian, and was refinanced at a Canadian value of \$63,760,000? The difference of \$22,973,800 was charged to the energy rate stabilization appropriation for the fiscal ended March 31, 1982. So there was a considerable currency loss of \$22,900,000 on that particular five-year loan which was charged to the energy rate stabilization for that fiscal year. While I can understand what Mr. Cherniack is trying to say, is there not merit also in the proposition that the chickens do come home to roost and the chickens come home to roost when you have to pay the bill, and that merely refinancing is no guarantee against the currency loss that takes place, refinancing that is, in the same currency?

MR. S. CHERNIACK: Mr. Chairman, I don't see much point in our debating unless we agree on premises and assumptions and we obviously do not agree. I don't visualize that a five-year loan in Swiss francs comes due in Canadian dollars; I visualize it comes due in Swiss franc dollars. I don't visualize that that loan must be paid back in Canadian dollars when it comes due and I know I can borrow the same amount of Swiss francs at a much lower rate of interest and extend the loan.

Hydro which, as I say, has plants which are given a life expectancy of 67 years and I think historically have already proven that's a conservative estimate, will be in the money market for - I imagine, forever. If we're going into Limestone with an estimate of \$3 billion the borrowing will certainly have to be wherever there are available markets. To think in terms of the chickens coming home to roost or the day of judgment being the maturity date of a loan, I think is a premise which I don't agree with. I recognize what Mr. Lyon is saying; I just don't agree with it and I don't know how much - well, we can continue discussing it although unless we agree on a premise or an assumption, I don't see much value to it.

I want to say just one thing more. It would be the decision to borrow or to roll over was a government decision. The advice which I gave was not as much advice as assistance in attempting to arrive at the best possible terms in Switzerland. I am available to give

advice as Mr. Lyon is, of course, to any government on any of its decisions and I'll continue to do so to the best of my ability.

HON. S. LYON: Mr. Chairman, to set Mr. Cherniack's mind at ease, I was not questioning his availability or anything of that nature at all. I was merely questioning whether he did go offshore with respect to Hydro's business and he's cleared that up, at least partially to our satisfaction.

My question now is, is he aware of the fact that the difference in this refinanced loan of \$22,973,800 was charged by the Provincial Auditor to the energy rate stabilization appropriation for the fiscal year ended March 31, 1982, and that, in effect, that loss did become part of the financial losses of the Province of Manitoba.

MR. S. CHERNIACK: Mr. Chairman, I was aware of the legislation brought in by the previous government which set a pattern which was followed of course, by the Department of Finance and by the Provincial Auditor.

The decision to have the taxpayers of Manitoba subsidize the ratepayers of Manitoba Hydro was a decision of the government and of course, Mr. Ziprick had to carry out the intent of the Act. I assume that's what he did.

I can't say that I'm aware he did it, but I assume he did it and that loss is an amount which is already being compensated for to some extent by a beneficial interest rate as between Hydro and the Province of Manitoba.

HON. S. LYON: So we do agree then, Mr. Chairman, that there was a loss of \$22,973,800 on that particular rollover or refinancing?

MR. S. CHERNIACK: Mr. Chairman, I will state it my way and Mr. Lyon can decide whether we agree or not. I believe that there was a transference of debts from Hydro to the Province of Manitoba. There was no actual dollar loss. There was an audited statement transference of liability, as I say, to the benefit of Manitoba Hydro at the expense of the Manitoba taxpayer in the long haul, compensated as I say, by other facts such as beneficial interest rates.

HON. S. LYON: Mr. Chairman, if we were to pursue Mr. Cherniack's definition of a rollover, that is, if one had borrowed 100 million Swiss Francs by way of example and for a five-year term, at the end of that term one merely rolled that over and borrowed another 100 million Swiss Francs, when in this hypothetical series of rollovers does the currency-loss, currency-gain or whatever, when does that come to be felt then by the people who owe the money, be they the ratepayers of Manitoba Hydro or the taxpayers of Manitoba?

MR. S. CHERNIACK: It is felt at the time, either beneficially or to the disadvantage of the payer at the time when it is a decision of that government of the time, to pay off a debt as between two kinds of currencies. Sometimes it's beneficial.

Mr. Chairman, I can just recall that when I first

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became Minister of Finance of this government, the preceeding government at that time had borrowed a Deutsch Mark loan that I believe was something like a three-year loan. At the time it came to maturity, which I believe was in the first year that I was Minister of Finance, the exchange rate was very substantially changed to the detriment of the Province of Manitoba. I know I did not fault Gurney Evans for what was done. What I did do was to agree with the department's advisors and rolled over that Deutsch Mark loan for, I believe it was seven years, and the benefit of the reduced interest rate compensated to an extent against the loss.

Now, there is no reason why a utility like Hydro or a government like Manitoba whose credit rating is good, to be out there always looking for the beneficial deal at the time as it appears to be.

Now I must say also, Mr. Chairman, that these questions, I welcome them and try to respond to them as a lay person but at all times our government when I was part of it — the present government I assume in connection with the Swiss loan — and I would hope the previous government always took the advice of their financial advisors in what they did. Therefore, it may well be that the Department of Finance can give Mr. Lyon more specific details than I can.

HON. W. PARASIUK: Mr. Chairman, I believe that this fact has been raised in the House and discussed at some length. I know that the present Minister of Finance has indicated that the former Conservative Government, in fact, had put a place into the lineup for the Japanese Yen and under the Conservative Government, the Department of Finance had in fact made application to borrow money in the Japanese money market offshore. That was a judgement made at that time, I believe, by the previous government.

It is a matter that I think has been discussed at some length and in the Department of Finance Estimates I know it's been raised since that time. I think there are opportunities to discuss that with the Minister of Finance who is the Government Minister responsible for those actions.

HON. S. LYON: Well, Mr. Chairman, the Minister's views are always interesting and with your permission I'll just carry on with my questioning.

Two-thirds of the debt of the province, Mr. Cherniack, roughly is made up by Hydro debt. In this discussion that we've been having this morning about foreign exchange fluctuations, I note from Appendix 1 of the Budget Address given by the Minister of Finance just a few days ago, that the foreign exchange fluctuations on the total direct and guaranteed debt of the province now represent — and this is of course a notional figure because it applies as at March 31, 1982 on which date the foreign exchange was equated with the Canadian dollar — that the loss to the taxpayers and the ratepayers of Manitoba, the notional loss because of the currency variations and so on, stands at \$488,520,000.00.

The question that must arise, of course, by virtue of your involvement as Chairman of Manitoba Hydro — the biggest borrower within government — by virtue of your stating this morning that you've been asked to be an advisor to the Minister of Finance on a recent

rollover loan and so on, are you giving the same quality of advice to Manitoba Hydro and to the Manitoba Government that apparently you either directed or followed in the years when you were Minister of Finance, when a fair number of these loans were taken out?

MR. S. CHERNIACK: Mr. Chairman, my role is not to give advice as much as to assist in the negotiations which are taking place and are the responsibility of government. I will give the best assistance I can to the limit of my ability.

HON. S. LYON: Would you not say, Mr. Cherniack, in the light of this figure, that it's a figure that is required to be shown as I recall by some edict of the Chartered Accountants Association of Canada? Mr. McKean would know more about that than I do, about how financial statements must be shown and so on.

My recollection is that because of foreign exchange borrowings by public and other companies that the chartered accountants required this to be shown because it is a growing factor in many many businesses; that this policy which Mr. Cherniack has commented upon in rather favourable terms — and he can speak for himself — and that all governments in a minor or major way have followed to some extent over the years of borrowing in currencies, what I would call offshore currencies, currencies other than Canadian or American, is he giving advice to the present Government of Manitoba that that is still a good policy faced with the fact that we are carrying on our books today, at least a notional loss, of \$488 million on the total direct and guaranteed debt of the province largely because we were involved in borrowings in foreign currencies.

MR. S. CHERNIACK: Mr. Chairman, I've said more than once it is not my role to give advice. My role is to assist and I don't know of any borrowing that has to take place of a capital intensive nature such as Hydro that could possibly be borrowed in Canadian funds.

I am told that Ontario, Quebec Hydros are getting ready for massive borrowings in the markets which Mr. Lyon calls offshore and I don't see how he thinks, or how his own government was able to borrow only on the Canadian market even at an excessive interest rate.

There is no doubt that the fluctuations in foreign exchange currency, which go up or down, currently indicate that the Canadian dollar has softened as compared with the others. I would hope, as he said earlier, that it will harden. I can also say that I never posed as an expert. I'm just trying to tell him what I understand of what I learned.

HON. S. LYON: Well, because Mr. Cherniack was involved in this particular rollover that we've been talking about this morning, the \$100 million Swiss Franc one, and because we know that the Canadian dollar difference in that loan of \$22.9 million was charged to the Energy Rate Stabilization Appropriation for the fiscal year ended March 31, 1982. If the legislation to which Mr. Cherniack made reference, passed by the previous administration, to stabilize hydro rates in Manitoba, if it had not been in place,

would that \$22.9 million loss not have been directly attributed to Manitoba Hydro and the ratepayers have had to pay for it?

MR. S. CHERNIAK: I believe it would be notional, to use Mr. Lyon's term, it would be a footnote to a statement. In other words, if it were rolled over I don't believe it would show but I don't know, I'm not an accountant either.

HON. S. LYON: Perhaps, Mr. Chairman, I could ask Mr. McKean, because he obviously knows what Mr. Cherniak and I are trying to wrestle with.

MR. CHAIRMAN: Is that okay with you?

HON. W. PARASIUK: Yes, I'll ask Mr. McKean to answer that question.

MR. CHAIRMAN: Mr. McKean, could you come forward here? Mr. McKean.

MR. A. MCKEAN: Yes, the bookkeeping that would be carried on at that time is, we would have charged it as part of the cost of Manitoba Hydro.

I think I will also point out that the accountants of U.S. and Canada are not completely together in how to handle this foreign debt loss. They are still struggling with it. We were part of that struggle but I think we lost a little interest in the struggle when the loss was moved over to the province. But certainly it was one of the factors that was very prominent at the time when the rate freeze took place.

HON. S. LYON: Well, I think Mr. McKean and I'm sure Mr. Cherniak would agree with this too, that in any event what we're concerned about is losses and that losses do take place in foreign currency borrowings and ratepayers and taxpayers have to be aware that when any government gets into foreign currencies — by offshore currencies I mean anything other than Canadian or American — when you get into those currencies there is, as we have observed over the years, some considerable risk to the taxpayers and/or the ratepayers of Manitoba. Is that not a fair assessment?

MR. A. MCKEAN: Yes, I think earlier in the Session I said I was concerned about large debt and that would be one of my concerns.

HON. S. LYON: Perhaps Mr. McKean can tell us quickly, I'm sure it's in the Hydro report or in the financial statements tabled by the Minister of Finance, what proportion — and I apologize if this question has been asked earlier, you can advise me, Mr. McKean, if it has — what proportion of Hydro's debt at the present time, direct or indirect, is in offshore, as I define them, non-Canadian or American currencies?

MR. A. MCKEAN: I happen to have just the 1981 figure here and the report here. On page F5, Mr. Lyon, our whole long-term debt is broken down at the top of the page there. Of the \$2.5 billion in debt, the Canadian dollars are \$898,000; U.S. dollars, \$188 million; Deutsch Marks, \$90 million; European Units of Account, \$8

million; Pounds Sterling, \$7 million; Swiss Francs, \$244 million and Japanese Yen, \$68 million. Have I located you to the right page, Mr. Lyon?

HON. S. LYON: Yes, that's fine, thank you. I knew I'd seen it somewhere before but I was looking for a recap on it. Thank you.

To Mr. Cherniak, could he tell us if he has any other out-of-Canada travel planned for with respect to Hydro borrowings, either on the initiation of Manitoba Hydro or of the Manitoba Government or on Hydro business?

MR. S. CHERNIAK: Well, that last question sort of took us away from borrowing; he said on Hydro business. As I say, I've been to Denver to re-open negotiations which were cut off previously with WAPA. It may well be that it would be considered to the advantage of Hydro for me to participate in any other meetings that deal with our efforts to extend our market into the United States. As far as borrowing is concerned, I am at the call of the Department of Finance.

Mr. Parasiuk mentioned the possibility of a loan in Japanese Yen which was apparently put on the line by the previous government, which I don't know just exactly what state it is now, but I know that is being contemplated and if asked, as I may well be, to go to assist, I will do so. But I don't know if that's Hydro borrowing or government borrowing; that's a decision of the government.

HON. S. LYON: That's an out-of-country trip that you presently have planned, is it, Mr. Cherniak?

MR. S. CHERNIAK: I thought I made it clear, I don't have it planned. It's a possibility and if I'm asked to, I will. I believe it may well be in the offing.

HON. S. LYON: How did you describe it?

MR. S. CHERNIAK: Japanese.

HON. W. PARASIUK: Mr. Chairman, as I said before it was the previous government who, in fact, put the government in the queue for the Japanese Yen and I'm surprised that the former Premier doesn't remember that.

HON. S. LYON: Mr. Chairman, I'm interested in the Minister's preoccupation with people being put into line. When he has a little bit more familiarity with government he will find that people do get put into line whether or not they intend to borrow in that particular currency, having regard to the difficulties of the particular market that we're in now, because you have to have windows on various markets according to the same advisors, I presume, that are advising the government, but that doesn't necessarily mean that you borrow in that line just because you're in it, but that is not what's at issue.

I'm merely asking the Chairman, and I don't know why everybody is so defensive, Mr. Chairman, I'm asking the Chairman if he has any present plans to travel outside of Canada with respect to either Hydro borrowings or Hydro business. He has answered that he has tentatively something in the works with respect

to a trip to Japan and I'm asking, is there anything else that he has planned at the present time for such travel?

MR. S. CHERNIACK: Mr. Chairman, I did not say that this borrowing in Japan would be a Hydro borrowing; I'm not sure whether it is or not. But if the Department of Finance wants me to go there whether it be because they think I'm useful in the negotiation, or because of my former linguistic capabilities in that language, whatever reason, if they want me to go, I will go. In any other location when it is deemed advisable I am available. I have an obligation to Hydro and I believe to the Department of Finance to assist if called upon.

HON. S. LYON: Mr. Chairman, nobody is questioning that at all. I'm merely asking if the Chairman has any present plans for travel other than what he has indicated to us. Has he any plans to travel in the United States or in Europe? He's mentioned that he is possibly going to be travelling in Japan.

MR. S. CHERNIACK: I'm glad Mr. Lyon was belabouring the point to the extent that I did not mention that I'm going in a few days to California to participate in a conference there, dealing with interchange of power as between Canada and the United States.

HON. S. LYON: Is that a government conference, Mr. Chairman, or who is the sponsor?

HON. W. PARASIUK: I can clarify that, Mr. Chairman. I've asked Mr. Cherniack to attend that conference and he is doing so at my instruction. I am pleased he is able to do so.

HON. S. LYON: We're pleased as well that the Chairman is able to do so. We're all pleased I'm sure. Where is the conference being held and under whose sponsorship?

MR. S. CHERNIACK: It is being held in California. It is being organized and sponsored by Solomon Brothers who are one of the American Co-Managers for Manitoba Borrowings and it is of a western orientation, the Western Canada and Western United States participants, government and utilities.

HON. S. LYON: Earlier, Mr. Chairman, Mr. Cherniack used the expression that he had gone to Denver to the Western Area Power Agency to participate in negotiations and I believe his term was, which had been "cut off." Would he care to expand upon what he means by "cut off?"

MR. S. CHERNIACK: Yes, Mr. Chairman, I guess Mr. Lyon wasn't here. I think it was Tuesday when I had before me a letter written by Mr. Kristjanson as Chairman of Hydro to the incoming Premier of Manitoba, I think Premier Pawley was already Premier but just, in which he gave a summary of the status of Hydro's various negotiations and he indicated that the — well there had been an agreement made with WAPA and I don't have the words before me but they must be on the record already — to the effect that they were maybe placed in abeyance, it may have been that kind

of expression, due to negotiations of the Inter-tie. We learned that there was no longer at that time, any negotiations. I explained it to the Committee, I believe, that at the request of Mr. Parasiuk we reopened the negotiations indicating to WAPA that we felt that we were prepared and authorized to start the discussions afresh and as a result the meeting, which was arranged by Mr. Paul Jarvis in Denver, took place and I was there with Mr. Jarvis and with Mr. Derry.

HON. S. LYON: Would it be possible then because Mr. Cherniack alludes to the fact that he was referring to a memo from Dr. Kristjanson I take it, to the present Premier, that we could have a copy of that memorandum for the purposes of the Committee?

MR. S. CHERNIACK: Mr. Chairman, if Mr. Lyon does not already have it I suppose it would be a matter for the government to decide whether or not to produce it because all Crown Corporations, all departments were asked to forward to the Premier, even before there was a Cabinet, a report on the status of various affairs within the departments and Crown Corporations and Mr. Kristjanson of course, did that. Whether or not it contained anything that was confidential I'm not prepared to judge now but it was sent at the request — as a matter of fact I think I sent it when I was in charge of interim transition — that all were asked to send it in and they did. I believe it's a government document rather than a Hydro document and I think Mr. Lyon should approach the government to see whether or not it can be made available.

HON. W. PARASIUK: Yes, I will in fact, check with the Premier. The documents were sent to the Premier and I will check with him on that and if possible I will certainly release it to the House.

HON. S. LYON: Thank you, I can say, Mr. Chairman, that I don't recall having a copy of such a document even though it might have come in the interstitial period when the transition was taking place although I know the request was made by the outgoing government and I think by the transition team that that kind of information be made available. That's why I expect that it's probably not of a nature that would prejudice any ongoing discussions and I would take . . .

HON. W. PARASIUK: The reason why I just qualify that is that I'll have to check through that again myself, sit down with the Premier. I don't know if it's part of a set of documents that may, in fact, have aspects.

HON. S. LYON: Good. I'd be happy to have the Minister do that and if he could either let this Committee have the copy or he can table it in the House or whatever is satisfactory after he's had a chance to look at it.

The WAPA organization as I understand it, Mr. Cherniack, is the Western Area Power Agencies. It has sponsorship according to my recollection from the United States Federal Government, somewhat akin to the old TVA — Tennessee Valley Authority — tries to maximize the benefit of wholesaling or generating power for a regional distribution in the Western United States. Isn't it a fact that the negotiations with that group were first initiated back in 1978 or '79 in that

area, or is that within your knowledge?

MR. S. CHERNIACK: Mr. Chairman, Mr. Lyon I think describes fairly well the nature of WAPA. The only thing I would like to add is, my impression is that it came about because of the Federal Government's decision to create agricultural irrigation; that the U.S. Federal Government to create irrigation dams like TVA; and as a result there was power generated and the generation of power was turned over to WAPA almost as a side benefit, a fringe benefit for distribution and sale. I have no knowledge when the negotiations were commenced. I do know that they were stopped prior to November of 1981.

HON. S. LYON: What rooting for transmission interconnection with WAPA would be in place or would have to be put in place before any contract could be entered into for the sale of power to that group?

MR. S. CHERNIACK: Mr. Chairman, I believe that is part of the studies which are now being renewed and a technical answer to a simple question which I would not be able to answer. It would be up to our technical people, Mr. Jarvis, Mr. Derry, or possibly Mr. Blachford.

HON. S. LYON: Perhaps I could direct the question then to Mr. Blachford. The potential for the WAPA interconnection or sale from Manitoba Hydro to WAPA, is that a near-term or a long-term matter, the negotiations for which were initiated I think around 1978/79 on the understanding it was a long-term, but still nonetheless a very interesting prospect because of the possibility of getting into the southwest United States and perhaps even into the California market?

MR. L. BLACHFORD: It would seem that all of those possibilities exist, Mr. Lyon. However, until one gets into the negotiations and seeing what's available, I don't think anything definite can be said about it except that all of these matters are prospects.

HON. S. LYON: Near-term, medium-term, or long-term?

MR. L. BLACHFORD: I would suggest medium to long-term and by that I mean the late '80s at the soonest and anytime after that.

HON. S. LYON: What kinds of interconnections would be necessary to supplement those that are already in place or new ones, to make an export contract viable with WAPA?

MR. L. BLACHFORD: There are no interconnections in place with WAPA directly so there would presumably have to be some sort of a new interconnections made. One can conceive that some arrangement could be made through the proposed MANDAN line. You can also contemplate that there might be a transmission of whatever voltage, whatever AC or DC any place west of the proposed MANDAN line route into the WAPA area.

MR. CHAIRMAN: Mr. Lyon, one moment please, Sir. Mr. Cherniack has indicated a desire to clarify some-

thing if we can grant him leave.

MR. S. CHERNIACK: Thank you, Mr. Chairman. Right on the point, Mr. Lyon. Firstly, I've located the reference in the unedited copy which we received of the transcript of last Tuesday where I quoted from that letter that I've just referred to, wherein Mr. Kristjanson said that: "The WAPA study has been deferred pending the outcome of discussions related to a proposed Western Inter-tie." That's the quote. —(Interjection)— They're not numbered. I'm sorry. Well, it must be about the fifth or sixth page of Tuesday and it's near the bottom of that page.

At the meeting that we had in Denver, we discussed the fact that WAPA has an authority granted to it through its power as a federal agency, to take lines through states for its use without having to go through the regulatory state body, such as the, I guess it's Public Utilities Board. They indicated to us the possibility which was, as far as I know, not on record until then, that they could negotiate with some of the users in the Dakotas and possibly to bask in that area of the States, to sell power to them and be able to create larger markets even in the areas where we are already hoping to have markets and that could help in the speeding up the permission to get even MANDAN through. So there are possibilities which are certainly at this stage conjectural, but certainly they're interested enough to spend money on it and I think their last annual report even mentioned this as a potential source of supply for them.

MR. CHAIRMAN: I would thank Mr. Cherniack for that clarification. Mr. Lyon.

HON. S. LYON: To Mr. Cherniack or Mr. Blachford, the kind of contract, I take it, that is being looked for in the medium or long-term with WAPA would be a firm power sale?

MR. S. CHERNIACK: Mr. Chairman, it would be either. It would be for interruptible power to the extent that we've been able to benefit from sales to the States now, but the firm power is a possibility which we discussed and we just touched on the possibility that if we could foresee that they would be able to finance, let us say, Conawapa before our need for it comes up and start being the purchasers of the power generated from that plant, that the term of their entitlement to the benefits of the use of it would terminate in such a way that as it fell into line with Manitoba's needs, the plant could be turned over back to Manitoba Hydro so that Hydro would then have at least a partially paid for plant, without having to go to any other foreign markets for financing.

HON. S. LYON: That, of course, if a proposition that is not new or unique. It's very much the underlying kind of proposition for the Western Inter-tie, is it not?

MR. S. CHERNIACK: Mr. Chairman, I'm not involved in the Western Inter-tie discussions at all but the thought behind it is, I believe, the same. The important thing is for us to negotiate the best possible deal to the extent that we're dealing with WAPA. We are now only at the stage of trying to get a feel of what the benefits

and costs are.

HON. S. LYON: I don't want to be hairsplitting on words. Mr. Cherniack was good enough to interrupt and show us the reference in the earlier Hansard. I take it that "deferred" is perhaps then the proper word; "deferred," I would take it by Manitoba Hydro because they were coming close to conclusion on Western Inter-tie arrangements with the government and with the negotiations with Saskatchewan and Alberta. One can only assume that the negotiating talent of Manitoba Hydro, not being a bottomless or plumless depth, that they would be wanting to give attention to the conclusion of the Western Inter-tie arrangement in order that Hydro could get on in 1982 with the construction of Limestone. Would you not agree that was a sensible priority, Mr. Cherniack?

MR. CHAIRMAN: Mr. Parasiuk.

HON. W. PARASIUK: Mr. Chairman, again I think it should be clarified that the previous Chairman of Manitoba Hydro was involved in the Inter-tie negotiations and it was the previous Chairman of Manitoba Hydro who wrote the letter regarding WAPA. The way we've structured this, the President and Chief Executive officer of Manitoba Hydro is now a member of the provincial negotiating team when, in fact, he was not a member before. That is the situation now with respect to the negotiations of Hydro and when the Leader of the Opposition talks about Manitoba Hydro I think he should make the distinction between a Board Chairman and the President and Chief Executive Officer of Manitoba Hydro, because there is a distinction.

HON. S. LYON: Mr. Chairman, no one is more well aware of the distinction than the Leader of the Opposition. But that being the case Manitoba Hydro is still a corporate entity which is responsible to the people of Manitoba. When I speak of Manitoba Hydro I do so in a non-pejorative way, at least thus far, with respect to negotiations that it is carrying on and I was merely suggesting that sensible priorities, given the information that has come before this Committee and given the information that many of us around this table are seized of, sensible priorities would be to get on with the conclusion of the Interim Agreement with Saskatchewan, Alberta and Manitoba which, I take it, will involve the full talents of Chairman, Chief Executive Officer, negotiating team and whatever talents the Government of Manitoba can bring to the table as well, in order that we can start Limestone construction this year.

Not only because certain political parties promised it during the election campaign but because it was already started and ready to go when the change of government took place and we now find, of course, that it is being delayed.

I take it that even the Minister would agree that the priority facing the Government of Manitoba, facing Manitoba Hydro today, is to negotiate a good Interim Agreement on the Western Inter-tie so that we can get on with the construction of Limestone which is what Mr. Blachford, Mr. McKean, Mr. Cherniack, have all said they want to do. I'm sure the Minister if questioned, would say that's what he wants to do too.

HON. W. PARASIUK: I want to say that's in fact, what we want to do and that's why we've involved for the first time the management of Manitoba Hydro as part of the negotiating team, a full-fledged member of the negotiating team, not just providing information and acting in a sense as some type of go-between between the chairmen. We have the Chief Executive Officer as part of the negotiating team. I think that shows the extent to which we want to be able to mobilize Hydro very effectively and why we, in fact, are pursuing the negotiations as expeditiously as possible, taking into account in these deliberations the concerns regarding weaknesses that had been raised by the management of Manitoba Hydro regarding an Inter-tie from the perspective of Manitoba Hydro.

It is the government that has to make the ultimate decision on the benefits and weaknesses of any type of agreements that are signed but we certainly want the full benefit of management of Manitoba Hydro in terms of providing to us their assessment of the way in which this can be implemented, any type of weaknesses, any type of risks that might arise for ratepayers in the future in any way, shape or form and that's what we are doing. We are proceeding that as expeditiously as possible.

Mr. Blachford is a very key member of that negotiating team. At the same time it is important to ensure and ascertain that we have other markets because surely we are talking about setting in train, a long-term set of developments which I think we have excellent potential for. But our priority certainly has been to move as expeditiously as possible on the Inter-tie but to not preclude other possibilities and that's what we are doing.

HON. S. LYON: Mr. Chairman, for the Minister's peace of mind I can tell him that nobody is arguing with him, he seems to be arguing with himself. His inexactitude of terminology, however, is such that he's trying to create, perhaps not willfully, but in any event leaving the impression that somehow or other the WAPA negotiations are something that Manitoba Hydro is dependent upon for new markets and so on.

What I'm indicating is that the evidence shows that the WAPA negotiations were undertaken initially in about 1978 or so because they are a good medium or long-term prospect for Manitoba Hydro; that the first responsibility and priority of Manitoba Hydro, however, is to sign, seal and deliver, along with the Government of Manitoba the Western Inter-tie arrangement so that we can get on in 1982 with the construction of Limestone. Now surely I'm not finding any argument with that. I'm just saying that's the question of priorities.

The fact that the Minister has also directed the Chairman of Hydro to start discussions again on a face-to-face basis with the WAPA people in Denver is interesting but there's not a second sun in the sky as a result of that, it's a continuation of what was in place. I'm sure with his agreement trying to indicate that the priority of the Minister, the priority of the Chairman, President and Chief Executive Officer and I would suggest every member of this Legislature and the vast majority of the people of Manitoba, is to get on with the conclusion of the Western Inter-tie Agreement, which is good for the region, good for Manitoba, in

order that we can start Limestone construction this year and give that much-needed economic injection to the province which all of us I think, around this table desire. If that is the priority of the Minister and of Manitoba Hydro they're not going to find any argument from the Opposition.

HON. W. PARASIUK: I have already indicated that a number of times, Mr. Chairman, and I've indicated that we are proceeding expeditiously with negotiation to ensure that we have a fair and a good deal for all parties.

HON. S. LYON: Mr. Chairman, there was some reference the other day to negotiations with Kaiser, and I must say that I haven't had the benefit of reviewing those comments in Hansard and if only for the purpose of refreshing my memory, I forget whether it was the Minister who spoke on this topic or whether it was a question I directed to Mr. Blachford, as to who was involved. My note would indicate I'm merely looking for confirmation that Messrs. Fraser and Jarvis from Manitoba Hydro are working on the Kaiser negotiations, that's what my note indicates. Is that the case?

MR. L. BLACHFORD: Yes, they are the two involved from Hydro.

HON. S. LYON: A subsequent question, how far down the line are these negotiations with Kaiser? Are they in a very preliminary stage or what stage are they at without, in any way, wanting to jeopardize negotiations which have been under way for some time?

MR. CHAIRMAN: Mr. Parasiuk.

HON. W. PARASIUK: Yes, those negotiations, indeed, are proceeding. They certainly aren't as full-fledged or detailed or intensive as are our negotiations with Alcan, but at the same time the Government of Manitoba feels that there are possibly very good prospects for aluminum smelting in Manitoba that just don't extend to one firm. That's why we are pursuing these other options, I think one of which — I can't be sure of this — was just starting to be pursued at the end of the previous administration.

HON. S. LYON: Well, Mr. Chairman, perhaps I can refresh the Minister's memory just for the sake of the record. Both the negotiations with Kaiser and Alumex were in train. Some might describe them in a preliminary way and I won't try to capsulize the report that the previous Minister, Mr. Craik left with the present Minister, Mr. Parasiuk when he came into office but I think if he looks at that report he'll see that negotiations are contacts with, at least, those two companies — and I'm going only from memory — were in train, Alumex and Kaiser. Has anything further been done on the Alumex contact?

HON. W. PARASIUK: As I said, we are proceeding in our discussions with both of those. I know there has been some contact with at least one other aluminum company, again in a preliminary way and I'll have to check on that. I know there has been attempts at contacts with some, we've received some calls and

there's been some interchange but I'd have to check to be more definitive in terms of the exact nature of the contact.

HON. S. LYON: It would be fair to say then and accurate to say that the contact — to use that I hope neutral word — with Kaiser, is at a negotiating stage or at a discussion stage? How would one describe it?

HON. W. PARASIUK: I would have to say that they're at a discussion stage but what often happens in these instances is, you can quite easily move from a discussion stage to a negotiating stage.

HON. S. LYON: Would the Alumex contact be still a contact or is it at the discussion stage?

HON. W. PARASIUK: I would say that with respect to both of them they are at discussion stage.

HON. S. LYON: I see, and the third company which I'm not asking the Minister to name unless he wants to, is that a contact, I believe he said rather than a discussion?

HON. W. PARASIUK: It depends on the definition of the categories but I think they're moving that one as well as moving into the discussion stage.

HON. S. LYON: Well, I'm sure that because again, all members of the House have a deep interest in attracting this kind of industry to Manitoba and I'm sure that we wish the Minister, and Chairman of Hydro, and the Chief Executive Officer of Hydro and their senior staff people who are having these contacts and discussions with companies other than Alcan, we wish them well.

Of course, it was always the belief of the previous government that Manitoba need not be content with only one aluminum plant; that there was sufficient power in Manitoba to attract other power-intensive industries, whether in the aluminum field or otherwise, to provide the maximum benefit for Manitobans for generations yet to come.

I think it would be fair to say, Mr. Chairman, that our debate and our occasional confrontation with the Minister and with members of his government has been over our version of how well they're pursuing those negotiations — not that they should not be pursued — so that if need be to correct or put that on the record, it is now on the record.

We just want the Minister and his colleagues to get on with the job. We're very supportive of concluding successfully the negotiations with Alcan and then moving to conclude if possible, equally beneficial negotiations with Kaiser; with Alumex; with any other companies that come along because that was the aim and the purpose and the direction of the economic strategy of the government previous to this one. We hope this government will be carrying on that self-same economic strategy.

I have no further questions at the moment, Mr. Chairman.

HON. W. PARASIUK: No, I'll pass.

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MR. CHAIRMAN: Mr. Ransom.

MR. B. RANSOM: Mr. Chairman, I'd like to clear up a few things with respect to the rate freeze, if I might.

Perhaps I could ask Mr. McKean if he could advise us of what the projection in 1979 was for reserves at the end of the five-year freeze?

MR. CHAIRMAN: Mr. McKean.

MR. A. McKEAN: I don't know if I've got that handy. Those projections I gave you the other day were projections we made in 1979 and maybe if you give me a couple of minutes I'll see what that results in, in reserves, Mr. Ransom. The reserves would be whatever they were previous plus those additions to reserves that were in that statement I made the other day showing what we projected at the 22 February 1979. Now, you should give me a minute, maybe.

MR. CHAIRMAN: Mr. Ransom, do your further questions follow on from this line of questioning or could we proceed and come back to this matter?

MR. B. RANSOM: It follows from an answer to this question.

MR. CHAIRMAN: Committee's will and pleasure, we'll wait for Mr. McKean then to provide the information. Mr. McKean.

MR. A. McKEAN: Sorry for the delay, Mr. Ransom.

MR. CHAIRMAN: Mr. Parasiuk.

HON. W. PARASIUK: Mr. Chairman, in the report from Hydro that I tabled in the House and which I know Mr. Ransom received a copy of, I know that in the Appendix it indicated that the projected excess of revenue was going to be \$41.7 million in 1979; \$5.4 million in 1980; \$19.8 million in 1981; \$24.5 million in 1982 and \$14.7 million in 1983. Those would be additions to the existing reserve.

MR. CHAIRMAN: Mr. McKean.

MR. A. McKEAN: Yes, those are the figures I was just adding up. Our reserve at 31 March, 1978 amounted to \$50 million. So my quick addition of those would come to at the 31st March, 1983, we expected the reserves to be \$153 million. That's a quick addition. I hope I haven't made an error.

MR. B. RANSOM: That would be at the end of the freeze, March 31st?

MR. A. McKEAN: No. All our projections at that time only include projections to 31 March, 1983. These were projections we made during preliminary discussions. The fact that it was a five-year freeze was not knowledge to us until the night of the Budget Speech so the only information that we supplied to the then Minister of Finance, included projections up to 31 March, 1983.

MR. B. RANSOM: During that five-year period then,

what was it estimated at the time that the cost of the foreign borrowings would have been to Manitoba Hydro? Was it in the range of \$118, \$120 million?

MR. A. McKEAN: It would be in that range, Mr. Ransom and again, I could delay and find them. I think in my bag I've got some figures on it, but it would certainly be in that range. I think last year there was some reference made in the annual report that it was expected to be somewhere around \$125 million during the five years. Now, the foreign exchange did change because of values of dollars etc., but if that is close enough for your purpose, I would agree probably it was in that range of \$125 million. To be more exact I'd have to check.

MR. B. RANSOM: I don't think it's necessary to be more exact, Mr. Chairman. That was my recollection of what it was and if Mr. McKean agrees that's an approximate figure, then that's satisfactory. Given that estimate then at the time, would it have been possible for Hydro to have contemplated decreasing, lowering the rates, given the reserves at the time and their five-year projections?

MR. A. McKEAN: It would not have been our recommendation. I want to emphasize that the setting of rates is a board prerogative. We merely submit recommendations so I hesitate to conjecture what the opinion would have been of the board.

MR. B. RANSOM: I take it though from a financial point of view then, it certainly would not have been possible to contemplate lowering rates.

MR. A. McKEAN: I did not recommend that there would be a lowering of rates at any time.

MR. B. RANSOM: Mr. McKean, would it have been possible to contemplate at that time freezing the rates for five years without the commitment of the government to pick up the costs of the foreign borrowing? Would that have been recommended, something that you could have recommended to the board?

MR. A. McKEAN: At the time before the rate freeze appeared my concerns to the board that I had expressed in writing, related to, Number one, the concerns relative to the foreign debt loss that was facing us and; secondly, the possible ups and downs of water conditions, which I mentioned earlier, which we were subject to then and we'll continue to be subject to. I guess the one that I didn't mention at that time was the possibility of possible 18 percent interest rates. My concerns were mainly the foreign exchange at that point.

MR. B. RANSOM: But even in the absence of 18 percent interest rates you would not have contemplated recommending a rate freeze for five years?

MR. A. McKEAN: No, we were not recommending a rate freeze for five years at that point although we were not anticipating significant rate increases in that period.

MR. B. RANSOM: Mr. Chairman, I'm happy to have that information on the record because it does concern me somewhat, that the present Chairman of Manitoba Hydro, when he was a Member of the Opposition, in speaking to the committee in past years, raised the question of when Hydro ratepayers could expect to have their rates reduced, that indeed not only would it have been possible for Hydro to have frozen the rates at that time without The Hydro Rate Stabilization Act, but it would have been possible for Hydro to lower rates.

Despite the information that has been given to the committee in years since, including last year, it concerned me that the Chairman seems to still have that understanding on the basis of the answer that he provided to the Committee last Tuesday, that indeed it would have been possible for Hydro to freeze the rates and that the charges that the rate freeze was a phony thing and was a farce, still applied. So I think it's useful, Mr. Chairman, to have that information reaffirmed and placed on the record again.

HON. W. PARASIUK: Mr. Chairman, the high water conditions, in fact, created surpluses in those two years, which was the time that Mr. Ransom is now alluding to so at that time, the surpluses would have certainly been sufficient to meet any foreign exchange requirements at that time.

MR. CHAIRMAN: Mr. Ransom. With respect to Mr. Cherniak, I cannot recognize you to speak to the Committee except in response to questions through the Chairman. Mr. Parasiuk.

HON. W. PARASIUK: I'd like to ask Mr. Cherniak, if he would like to respond to the comment made by Mr. Ransom.

MR. S. CHERNIAK: Mr. Chairman, I want to respond to questions only and the reason I asked for the opportunity to speak is to correct the statement that Mr. Ransom just made, that I said that my opinion about the rate freeze still applies. I'm quite sure I didn't say that, or intended to say it. I said that looking back on what I said then, with the assumptions that we were given then, that I support what I said then. But I don't want it to be construed that I think it applies as of now because that's in contradiction with my accepting and recommending the rate increase.

I just want to say one other thing. I don't believe that any utility would, for its sake, recommend a rate freeze and I suspect it wouldn't even recommend a rate reduction. I think that decision was made by the government and is a government decision and not a utility decision so, as Chairman of Hydro, I wouldn't want to recommend something that would put at risk Hydro's reserves.

MR. B. RANSOM: Mr. Chairman, Mr. Cherniak said on Tuesday and I quote: "So that, Mr. Chairman, when the rate freeze which I criticized some three year's ago as being unnecessary and therefore phony or artificial, I think I was right and I think the figures that were shown then and are available now, are correct, based on the assumptions that were made and given to us at that time."

Mr. Chairman, it's difficult to appreciate, on the basis of the information which Mr. McKean has provided, that the reserves of Hydro at March 31st, 1978, were at approximately \$50 million and that Hydro was looking at the probability of approximately \$125 million foreign exchange cost over the next five years, I find it difficult to appreciate how those figures indicate that an action by the government to lift that \$125 million from Hydro was in any way phoney or artificial and that the figures in any way show that it would have been possible for Hydro to freeze the rates at that time without that action by the government.

Now if the Chairman of Hydro still maintains that is his interpretation of the facts at the time then, of course, that's his right to do so. If he still maintains that position it simply raises the concern that I have, that this sort of interpretation could be placed on those figures and I guess I couple that concern with concern that I have for some of the things that were said about the foreign borrowings that have taken place and whether or not they represent a real cost to the taxpayers of Manitoba.

MR. CHAIRMAN: Are there any further questions? Mr. Orchard.

MR. D. ORCHARD: Thank you, Mr. Chairman. I'd like to ask the Minister as to the status in undertaking an election promise of providing cheap regular power to communities in Northern Manitoba?

HON. W. PARASIUK: Could you repeat the question?

MR. D. ORCHARD: I would like to have the Minister give us a status and up-date on the fulfilling of an election promise to provide cheap regular power to Northern Manitoba communities by linking them to the Manitoba Power Grid by hydro lines?

HON. W. PARASIUK: I'll have to get further clarification from the member as to what he's referring to.

MR. D. ORCHARD: Well, Mr. Chairman, it's not my group of election promises from which I am referring. It is the policies of the Manitoba New Democratic Party as were given to all Manitobans during the last election campaign. This particular segment I refer to is on the North, subtitle: "A New Tomorrow."

First on the list of promises in bold letters is: "CHEAP REGULAR POWER — The NDP would link communities by hydro lines to the Manitoba Power Grid." I would like to have the Minister indicate the status of fulfillment of that election promise to Northern Manitoba communities.

HON. W. PARASIUK: Yes, I think there is work being done on the provision of hydro-electric power up the east side of Winnipeg. There's work being done on the provision of power to the Island Lake area. We've been negotiating with the Federal Government to extend transmission lines into Churchill. So I believe that progress is in fact being achieved with respect to that commitment.

I think that within six months a lot has happened and I hope that over the course of the four years and eight years, Mr. Chairman, that a lot more will happen.

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MR. D. ORCHARD: On the communities on the east side of Lake Winnipeg, when did the concept of delivery of power and the installations of lines commence?

HON. W. PARASIUK: Well, I don't know. I know that they had commenced probably some time between '69 and '77. They certainly probably proceeded with between '77 and '81 and now in '82 I think there's a very good chance agreements have been reached, that they will in fact be delivered.

MR. D. ORCHARD: Then I would take it that what the Minister would be doing in at least a couple of those communities is fulfilling a direction taken by the previous administration?

HON. W. PARASIUK: Mr. Chairman, when it comes to the development of Hydro, I think there's been developments that go back to 1963, 1966. There's been differences from time to time. But you look at '63, '66, '69, '77, '81, I think generally the intent of government has been to try and maximize the benefit that can be achieved from our very substantial hydro-electric resources.

There have been differences of opinions sometimes on that but I think that's been certainly the intention of all governments. If the member is saying that there was a role played by the previous administration in that, I certainly acknowledge that. If the member wants to say that there was a role played by the Roblin administration, I'd acknowledge that. If the member wants to ask whether there was a role played by the Campbell administration with respect to rural electrification, I'd acknowledge that too. If the member wants to say that there was a role played by the Schreyer administration, I would acknowledge that as well.

MR. D. ORCHARD: Thank you, Mr. Chairman. The installation of lines to some of these communities served by diesel power requires capital contribution from outside of the utility itself in order to make them an economic undertaking. The Minister indicates he is undertaking discussions with the Federal Government, I assume under the Off-Oil Program, to attempt to have the Federal Government participate in that funding. Should that not meet criterion of the Federal Government's Off-Oil Program, would the Minister envision the Provincial Government providing that direct capital construction assistance to Manitoba Hydro?

HON. W. PARASIUK: We'd have to look at that matter if in fact we don't get a positive response from the Federal Government but frankly, I would expect that we should be able to get a positive response from the Federal Government.

Churchill, in many ways — post-war-time Churchill and post-war Churchill — is a creation of the Federal Government. It was somewhat arbitrarily abandoned by the Federal Government. There were Native people moved to Churchill. There were villages established in Churchill. There's a port in Churchill. It's a port that we feel is very important to Western Canada. If in fact we are going to have federal subsidies to the St. Lawrence Seaway, I certainly feel that it's incumbent upon

the Federal Government to provide support to the extension of transmission lines to Churchill. I hope and frankly I expect that there should be a favourable response.

MR. D. ORCHARD: Well I'm not only referring to Churchill. I believe the expectations in a lot of the other communities in Northern Manitoba — the Native communities — were greatly enhanced with that commitment by the NDP during the last election so I'm not only referring to Churchill.

Could the Minister indicate as to when he expects an answer from the Federal Government on whether this would meet the Off-Oil funding criterion?

HON. W. PARASIUK: I don't think I can predict the time of an answer. I think the member is a former Minister and he's had dealings with the Federal Government in terms of predictability of timing of federal answers. But I certainly will put as much pressure as possible to get a quick answer because I think that Churchill would in fact be reinforced as a port if transmission lines were put in there.

MR. D. ORCHARD: Well I realize that is a moving target trying to get a commitment from the Federal Government. However, the Minister in dealing with Churchill alone has identified certain problems with the Port of Churchill in terms of the Federal Government involvement. Some of those may come rather quickly to a head and it would be convenient I suggest, for one department of the Federal Government, namely that department which is involved with the Off-Oil Program, to not make firm decisions whilst another department, the Transportation Department, would be making possibly decisions to discontinue the use of the Port of Churchill.

So I guess my question is, has the Minister even though he can't get a commitment from the Federal Government, has the Minister got a personal or a government deadline, a Provincial Government deadline, attempting to get an answer out of there so that other courses of action may be pursued?

HON. W. PARASIUK: I can't give a fixed deadline. One has to deal with events as they unfold and certainly I will be putting as much pressure as possible on the Federal Government to move in this respect.

MR. D. ORCHARD: Right, okay. Now the provision of power to the other communities in the North, the some 20-odd communities that are now serviced by diesel generation outside of the community of Churchill other than the community of Churchill. Does the Minister have a schedule of Hydro line connection and construction for those communities which would indicate that two years from now, three years from now, four years from now certain communities would be connected to the Power Grid by Hydro lines?

HON. W. PARASIUK: I know that work has been done on a connection through to Island Lake. That will, again, depend upon negotiations with the Federal Government because Treaty Indian communities are involved there and we certainly would want to make sure that we can get a full federal participation,

because to the extent that we don't get full federal participation, extending Hydro into those areas would have some impact on future rates. I think it's important for us to ensure the fullest federal participation.

With respect to some of the other communities; there are some other communities that will be difficult to service by Hydro lines. That's one of the areas that I think requires exploration of low-head technology that the member spoke about, either last Session or the one before that time, and there have been attempts at possibly having energy generated through wood gasification. There is evolving technology in this respect and whatever technology that best serves the communities' needs and is most economical, will indeed be pursued. In terms of a rigid timetable, I can't give the member a rigid timetable.

MR. D. ORCHARD: Well then, possibly the communities who considered that the NDP were making a commitment to hook them up to the Power Grid, possibly the Minister is indicating today that they shouldn't necessarily hold their breath for this government to deliver on that particular promise in the near future.

HON. W. PARASIUK: I think that the communities in the North know the record of the New Democratic Party Government since '77. They held their breath for four years between 1977 and 1981. They have acted and they, in fact have voted, as is their privilege and is their right in Canada and they obviously have the right to cast their ballots again in four years and we hope, that given our efforts, they will again give us the overwhelming support that they gave us in 1981.

MR. D. ORCHARD: The Minister, in terms of providing assurance to those communities, really hasn't today, despite the last statement he's made. I only hope his negotiations with the Federal Government particularly, and I pick one community, not for any other reason other than it is Manitoba's only port.

I particularly hope that the Minister has some success in negotiations with the Federal Government because I consider current economics of operation of that terminal itself - just the terminal, not the rail line but just the terminal - to be such that it may be, in that traditional phrase, the straw that breaks the camel's back, and allows decisions to be made outside of this province as to the future of that port. Certainly the provision of a lower rate electrical power to that terminal may well assure its long-term existence, and not only existence, but expansion in a growing export market for Canadian grain.

HON. W. PARASIUK: I'd just like to add to that. The Federal Government, frankly, has been negligent with respect to Churchill, historically. I think they've had a concern that somehow would weaken the Port of Montreal. We have the wierd anomaly of houses being bought by the Federal Government out of Yorkton, Saskatchewan, being shipped to Montreal, of being put on ships in Montreal and then hauled all the way around into the Hudson's Bay communities when, in fact, these pre-fabricated house could have quite easily, and should have been, shipped up the Bay Line to Churchill to be put on ships there and taken up. It was far more efficient. I think that kind of continued pres-

sure has to be put on the Federal Government if, in fact, they have any true conception of trying to develop the western potential to its fullest and certainly I think that hydro-electricity is an important feature in that respect and we certainly will be pursuing it, as I have told the member that we are - quite aggressively indeed.

MR. D. ORCHARD: I guess the Minister might concur with one of the observations I made a little while ago and the belief I hold that the Port of Churchill's viability is greatly decreased because it's on the wrong side of the Bay.

HON. W. PARASIUK: I, in fact, have said things to that effect with respect to the aerospace industry and other industries in the four years that I sat in the Legislature as a Member of the Opposition.

MR. CHAIRMAN: Are there any other further questions? Is it your will and pleasure to adopt the Report page-by-page or on a complete basis?

Pages 1 to 15 were each read and passed; Page 16—Mr. Orchard.

MR. D. ORCHARD: This would be to Mr. Blachford. The peak number of employees, does that number reflect the number of employees, total, at any one given time but not necessarily, say, a year-round employment base?

MR. L. BLACHFORD: It is my understanding that these numbers are a peak month; the average of a peak month. The figures vary from one time of the year to the other and what was put in here was the peak average for the peak month.

MR. D. ORCHARD: Then, for instance, if July was the month when most construction is going on, this may well be the figure for that month or the average employment for that month by the system?

MR. L. BLACHFORD: Yes, it's on that basis. I don't think it's July but it's on that basis.

MR. CHAIRMAN: Page 16—pass; Page F1—pass; Page F2—pass; Page F3—Mr. Orchard.

MR. D. ORCHARD: Mr. Chairman, in the 1980-81 comparison, I note in extraprovincial sale of power, there's a decrease of approximately \$14 million and at the same time, Operating and Administrative costs increased by approximately, in rough figures, \$21 million.

I realize that a portion of any Operating and Administrative expense would be an increase in salaries paid, but that would not account for the approximate 22 percent increase in costs to the system. Were there any unusual operating and administrative costs which would not be repeated, say, in this year's statement that occurred and that were accounted for in 1981?

MR. L. BLACHFORD: Mr. Chairman, what we have on this is, the increase is mainly attributed to an increase of \$4.2 million in the loss of rentals; a \$4.4 million increase in transmission line leased payments and a

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general increase of \$12 million in other Operating Expenses which would include salaries and general escalation of costs.

MR. CHAIRMAN: Any further questions on page F3? F3—pass; Pages F4—pass; F5—pass; F6—pass; page F7—Mr. Lyon.

HON. S. LYON: Just to reconfirm what I think was said either in the House or in this Committee by the Minister and/or the Premier, there is no present intention on behalf of the government, I take it, of repealing The Energy Rate Stabilization Act which provides for the Province of Manitoba to relieve the corporation of the cost associated with foreign debt of Manitoba Hydro.

HON. W. PARASIUK: I think we've said that. It's not our present intention.

HON. S. LYON: I believe so too, but I'd just like to have the confirmation before this Committee.

MR. CHAIRMAN: Page F7—pass; Pages F8 to F12 were each read and passed. Entire report—pass. That concludes the business referred to the Committee.
Committee rise