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of the
Legislative Assembly of Manitoba

STANDING COMMITTEE
on
PUBLIC UTILITIES
and
NATURAL RESOURCES

31-32 Elizabeth II

Chairman
Mr. A. Anstett
Constituency of Springfield



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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
BUCKLASCHUK, Hon. John M.	Gimli	NDP
CARROLL, Q.C., Henry N.	Brandon West	IND
CORRIN, Brian	Ellice	NDP
COWAN, Hon. Jay	Churchill	NDP
DESJARDINS, Hon. Laurent	St. Boniface	NDP
DODICK, Doreen	Riel	NDP
DOERN, Russell	Elmwood	NDP
DOLIN, Hon. Mary Beth	Kildonan	NDP
DOWNEY, James E.	Arthur	PC
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
GOURLAY, D.M. (Doug)	Swan River	PC
GRAHAM, Harry	Virден	PC
HAMMOND, Gerrie	Kirkfield Park	PC
HARAPIAK, Harry M.	The Pas	NDP
HARPER, Elijah	Rupertsland	NDP
HEMPHILL, Hon. Maureen	Logan	NDP
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
LYON, Q.C., Hon. Sterling	Charleswood	PC
MACKLING, Q.C., Hon. Al	St. James	NDP
MALINOWSKI, Donald M.	St. Johns	NDP
MANNES, Clayton	Morris	PC
McKENZIE, J. Wally	Roblin-Russell	PC
MERCIER, Q.C., G.W.J. (Gerry)	St. Norbert	PC
NORDMAN, Rurik (Ric)	Assiniboia	PC
OLESON, Charlotte	Gladstone	PC
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
PHILLIPS, Myrna A.	Wolseley	NDP
PLOHMAN, Hon. John	Dauphin	NDP
RANSOM, A. Brian	Turtle Mountain	PC
SANTOS, Conrad	Burrows	NDP
SCHROEDER, Hon. Vic	Rossmere	NDP
SCOTT, Don	Inkster	NDP
SHERMAN, L.R. (Bud)	Fort Garry	PC
SMITH, Hon. Muriel	Osborne	NDP
STEEN, Warren	River Heights	PC
STORIE, Hon. Jerry T.	Flin Flon	NDP
URUSKI, Hon. Bill	Interlake	NDP
USKIW, Hon. Samuel	Lac du Bonnet	NDP
WALDING, Hon. D. James	St. Vital	NDP

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

Tuesday, 7 June, 1983

TIME — 10:00 a.m.

LOCATION — Winnipeg, Manitoba

CHAIRMAN — Mr. Andy Anstett (Springfield)

ATTENDANCE — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Lyon and Parasiuk

Messrs. Anstett, Doern, Enns, Eyler, Fox,
Harapiak, Ransom and Scott

APPEARING: Mr. S. Cherniack, Chairman of the Board

Mr. J. Arnason, President and Chief Executive Officer

Mr. D.S. Duncan, Vice-President, Engineering and Construction

Mr. C.J. Goodwin, Executive Manager, Corporate Planning

MATTERS UNDER DISCUSSION:

Annual Report of Manitoba Hydro-Electric Board for the fiscal year ended March 31, 1982.

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MR. CHAIRMAN: Committee, come to order. Gentlemen, we have a quorum. We were continuing last week, or two weeks ago, I guess, with the Report of the Manitoba Hydro-Electric Board. I'm wondering, first of all, if the President or the Chairman of the Board have any answers for questions that were asked last time.

Mr. Minister.

HON. W. PARASIUK: We had sent around material to the various members of the committee and I guess we can proceed from there, if there are further questions that people would like to raise.

MR. CHAIRMAN: Further questions?

Mr. Kovnats.

MR. A. KOVNATS: Thank you, Mr. Chairman. I have a couple of things that I just wanted to bring up concerning the Minister responsible, the Chairman and the President, and I think that I'll direct these questions on an individual basis to these people and hope that I can get a satisfactory answer.

I was just wondering, when the President of Manitoba Hydro was first appointed President, was he given any terms of reference as to the actual operation of Manitoba Hydro. It seems to me that the terms of reference for Manitoba Hydro were to present electricity to the people of the Province of Manitoba at the

cheapest possible price. Now, this seems to me to be the terms of reference. When the President of Manitoba Hydro was appointed or hired, were these terms of reference discussed? That's to the President of Manitoba Hydro.

I'm sorry, I missed the last meeting and if it sounds repetitive, please forgive me, I would just like to be brought up to date.

MR. CHAIRMAN: Mr. Arnason.

MR. J. ARNASON: Mr. Chairman, the terms of reference were discussed in a general way. Our obligation, of course, is to carry out the requirements of the Act. There was a position charter that was established and used by the previous President and I've been using that as my position charter.

MR. A. KOVNATS: If I neglected to congratulate the new President on his appointment, I apologize, and I do congratulate him on his appointment. Was there any discussion on the development of hydrogen power in the terms of reference when you were hired as President of Manitoba Hydro?

MR. J. ARNASON: No, there was no discussion on the development of hydrogen power.

MR. A. KOVNATS: I think I would like to direct my next question to the Minister responsible. Is it his intention to proceed with the developing of hydrogen power through Manitoba Hydro?

MR. CHAIRMAN: Mr. Parasiuk.

HON. W. PARASIUK: The Manitoba Hydro Act talks about providing electricity to the people of Manitoba. It doesn't talk about providing hydrogen and that's one of the reasons why hydrogen was not, I presume, discussed in that sense.

It certainly is the intention of the Provincial Government to pursue the development of hydrogen. That obviously has a bearing on Manitoba Hydro, because if we do proceed in the long run with the development of hydrogen obviously electricity will be the energy source most probably used in that development. When one looks at long-term markets or possibilities for hydro-electric power, then hydrogen is one of those possibilities.

Indeed I know that the Schreyer administration had been looking at the possibility of hydrogen development, and there was some work being undertaken by, I believe it was the Manitoba Research Council in conjunction with the Atomic Energy Commission and also in conjunction with TransCanada Pipelines. I believe that project was cancelled by the Lyon administration, but we are now at a stage of early negotiations with the Federal Government with respect to some federal input

in this area in Manitoba in that Quebec and Ontario have been receiving federal assistance for hydrogen research. We believe that it's in Manitoba's long-term interests to be pursuing hydrogen development in this province.

In terms of the specific vehicle to be used for the development, it's not at this stage determined whether, in fact, it would be Manitoba Hydro or some other entity, because Hydro's mandate is with respect to electricity.

MR. CHAIRMAN: Mr. Kovnats.

MR. A. KOVNATS: I'm a little disturbed inasmuch as, you know, I've heard the Honourable Minister make reference on a few other occasions - the biggest problem that the Honourable Minister has to my understanding is to who's going to take the credit for the development of hydrogen power. I have heard him in the Legislature taking credit and the previous NDP administration, and it seems to be very, very important for the Minister. I don't think it really matters as long as it does develop.

Before the Honourable Minister speaks, let me just say, he stood up like a peacock in the Manitoba Legislature saying, it was the previous administration and not the Lyon administration. It is our administration that's developing it now. And that's not so. It really doesn't matter, as I say, I think as long as it does get developed. I'm very very disturbed with the Honourable Minister standing up there and trying to take credit where credit might be due, but let's work together on this and see that it gets off the ground. I'll let the Honourable Minister answer those charges or allegations.

MR. CHAIRMAN: Mr. Parasiuk.

HON. W. PARASIUK: I think the member is too sensitive. We did have some concrete work that was being undertaken with respect to hydrogen development. That is not the case. We are trying to revive that development, and I'm not trying to cast aspersions on anyone apart from saying there was a break in the momentum, in my estimation, on that.

I know that the Member for Niakwa is indeed a very strong proponent of hydrogen development, and I have said that I believe that's a very good thing. I believe that there are people on the other side of the House that are. If, in fact, the member believes that I am trying to play politics with that, that is not the case. I'm trying to explain why we are trying to start up again. Frankly, moving from inertia to momentum is a lot more difficult than adding a bit more momentum to an existing case of momentum.

We have found the situation where over the last few years the Federal Government has made some inputs into hydrogen development in Ontario and Quebec. We have been arguing with them that we believe that Manitoba is a very good province for that type of development, because we are situated right in the middle of the country, in a sense right in the middle of the continent, so that, you know, although electricity can't be stored, hydrogen can be, and hydrogen can be transported, conceivably in three different directions

or if we had further developments up north it might require a feed stock such as hydrogen. We could transport it in four different directions, so we're in a very enviable position with respect to the long-term development of hydrogen.

It's important for us to then get the Federal Government to recognize that they should be paying some attention to Manitoba in this respect as well as continuing, we're not telling them that they should stop their joint efforts with Ontario and Quebec, they haven't said that is sufficient, but at the same time we're trying to get them to really allocate some activity in Manitoba with respect to hydrogen development and, you know, I think that Ontario and Quebec did get the jump on us to a degree. I'm hoping to make up that ground, and I believe it should be an effort that everyone in this House supports because over the long run we will have a depletion of oil and despite everyone's predictions of long-term supplies of natural gas, we still will have a depletion of natural gas, and if you combine renewable energy with the productive technique of electrolysis to produce hydrogen, you have a very enviable long-term situation for this province. That's why I think it rises above partisan politics, and I certainly want to in a sense solve the sensitivity of the Member for Niakwa in this respect.

MR. A. KOVNATS: To the Honourable Minister, he has somewhat relieved me of a little bit of the pressure because it now sounds like he is willing to share . . .

HON. W. PARASIUK: I'll share it with you anytime.

MR. A. KOVNATS: . . . the problems and the benefits of hydrogen. You know, another point that I neglected to mention a little earlier when I guess I accused the Honourable Minister of making it political was to let one of the backbenchers bring in a resolution on hydrogen, much as the resolution was a good resolution and I support it in the House, but I couldn't understand it, unless he was trying to be political about it. Because it was the responsibility of the Minister, not a backbencher to bring in this resolution. And to allow the Member for River East to bring in the resolution and again, as I say, I did support the resolution, and I'm sure it was with the Minister's knowledge. The only thing I could see out of that resolution was that it was a political ploy on the Minister's behalf, and I'll let him answer that allegation.

HON. W. PARASIUK: Well, I reject that allegation entirely. I think the member misunderstands the nature of Private Members' Hour. Private Members' Hour is, in fact, to a large degree - well, it is the forum for the backbenchers to put forward their ideas about what should be taking place in the province and what the province should be doing to in a sense influence general world events, and that means, although it's a forum for backbenchers and the opposition has an opportunity to put forward items that generally wouldn't have the opportunity to put forward, it is also an opportunity for caucus backbenchers to put forward their ideas, too. Otherwise, it gets put in the position of being a Treasury Bench resolution and it has an entirely different status, and I don't think it has the same freedom of

debate that exists when these resolutions are put forward as backbench resolutions, put forward by a backbencher. I think it's very good that backbenchers on all sides of the House are very interested in furthering policy discussions and program developments and that's one of the reasons for having a Private Members' Hour.

I know that when I was in Opposition, I put forward resolutions with respect to freedom of information. I know that the entire Assembly approved of that resolution. I regret, you know, that was put forward by me.

I know that there were resolutions being put forward by backbenchers when you people were the government. I can remember the Member for Emerson putting forward a resolution with respect to changing the drinking age. Should that have come from the government or was it a reasonable effort to have it put forward by the Member for Emerson? So that's the context in which the Member for River East, who is interested in alternative energy, I think as interested as the Member for Niakwa, that's why he put it forward.

I wouldn't want to stifle that type of interest and desire to have some improvement take place with respect to what we do, with respect to alternative energy.

MR. A. KOVNATS: Well, just to carry on just a little bit further then. I guess I'm led to believe that the Member for River East put through his resolution really with the complete accord of the Minister of Energy. You know, I'm not against that and the only thing that I'm critical of is that I feel that it's so important that, you know, to bring in a resolution to recommend to the Federal Government, whatever the exact wording was, I thought that we should have been a little bit stronger and rather than procrastinating and not really wasting the time of the Private Members' Hour, because we all had a chance to speak our mind, but I thought that there should have been bigger and faster action being taken.

Now I'd like to get to another part of hydrogen, you know, and I'm going to stick on hydrogen, because this is the part of the Manitoba Hydro that I feel is the future of the province, including the future of the province and the future of Manitoba Hydro. During my discussions with the Minister of Environment, and I hope that he gave the Minister of Energy some forewarning, because I asked him to because I want the information. I'm not trying to catch anybody or trying to embarrass anybody. I just want to know whether the Minister has made any plans concerning hydrogen as to the environmental impact of the storage of hydrogen, the shipping of hydrogen throughout the province, and the electrolysis of water, where we get our hydrogen, and all of the things that go on with it.

Have we taken a study of hydrogen as to its effect on the environment and possible shipping to United States? Are there going to be any difficulties? Have we, - and I'll prepare the Minister also, give him a chance to answer - has there been any long-term discussions with the United States as to them buying hydrogen - because I guess when I read an article in the paper about how they weren't prepared to buy our electrical power, because we were four or five years late in talking

to them, is the same thing going to happen with our hydrogen power?

HON. W. PARASIUK: I think those are valid concerns on the part of the Member for Niakwa. Those are precisely the types of issues that we want to study and do some pilot testing on. We feel, and we'd like to ensure, that we can get federal participation for this, because this is a long-term development that should be begun now and if the member is a bit impatient, I can appreciate that impatience.

The technical people have advised me that the production of hydrogen by the electrolysis of water is probably about 20 to 25 years away, in terms of an economical process and there's some bugs that have to be worked out. This is what people are projecting and predicting. I hope that they're much more accurate with those types of predictions than futurists were, oh, say 25 years ago, when they were predicting the nuclear society, which was supposed to be upon us in 1984 and we were going to have nuclear-powered trains and jets and all these things, which, really at this stage, aren't practical. But I do hope that they're more accurate when it comes to predicting the viability of hydrogen produced by the electrolysis of water.

We haven't had any formal discussions with anyone to the south of us yet, we've been focusing more on the sale of electricity. But at the same time, we are acquainting ourselves through this process, with how the National Energy Board works in Canada and how the Federal National Energy Board, or its equivalent, works in the United States and they are amenable to these types of sales.

What's important for us is to make sure that we can work out the bugs and make sure that this is a practical proposition for Manitoba. From a theoretical perspective it looks very ideal. I agree with the Member for Niakwa. It's going to be important for us to test out the transmission or the transportation of hydrogen, because it's such a light commodity, that from what I've heard to date, it's best to have it mixed with natural gas, in terms of transporting it. I think the ratio is four parts natural gas to one part hydrogen.

All the items that the Member for Niakwa raises are items that have to be systematically addressed. We are organizing ourselves to address them but we haven't been spending the money, because we are looking for a federal contribution and I think it's important to get the Federal Government involved with us, rather than saying, well we can go alone on this, because it is a long-term development and over a 20 year period, we could end up spending a lot of money solely by ourselves here in Manitoba, while at the same time, the Federal Government and Provincial Governments in Ontario and Quebec cost-share these types of developments.

So we are taking the approach that Manitoba has a legitimate claim for federal research funds in this respect, and we would certainly put up our share, but that's subject to negotiation at present.

MR. A. KOVNATS: Well, to the Honourable Minister, I don't think that we can wait until there is something definite with the Federal Government, because I think that we will - even though we are left a little bit behind

now, we'll be left a long ways behind, if we have to wait until there is an absolute agreement. I think that we must proceed now, otherwise it will be far too late.

I wonder if the Honourable Minister can tell me whether, in the discussions of the Power Grid which were started by the previous administration - I only bring that in so that there won't be any political advantage as to who started or what, but we started it, and I just thought that I would let everybody know in case they didn't know - has there been any discussion. I hope that I'm not out of order. This is under Manitoba Hydro, and I see Manitoba Hydro really is so important in the whole issue. Has there been any discussion in the Power Grid situation for across Western Canada with the inclusion of hydrogen, any discussion with the other provinces as to whether Manitoba would be the biggest manufacturer of hydrogen and allowed to proceed with an all-encompassing grid for the future?

I guess really what I'm asking, has the Honourable Minister had any further discussions on the Grid including the discussion of hydrogen with the other provinces?

HON. W. PARASIUK: In looking through whatever files I was able to pull together on the Grid negotiations, hydrogen was never a factor in the discussions. It was never raised by the previous administration in the discussions. My discussions on the Grid came about later on in the discussion and negotiations.

The interesting thing is that the Grid itself, since it would sell a lot of Manitoba power to Alberta and Saskatchewan over a 35-year period, meant that power would not be available for hydrogen production. It might mean that there would be other facilities that could be available in Northern Manitoba off the Nelson River system to be used for hydrogen production 20 years from now or 25 years from now, but if in fact hydrogen production became economical 20 or 25 years from now we would have to be building other capacity because we would have made a long-term sale of the Hydro power to Alberta and to Saskatchewan.

Those are the trade-offs that one has to weigh when one looks at long-term sales, be they to Alberta, Saskatchewan, or Wisconsin, or Minnesota. When you make a long-term commitment of 20 or 25 years, a lot can happen in that intervening period and you may, in fact, want or need the power for higher value-added purposes here in Manitoba.

Those are judgments that our previous administration had to make and those are judgments that we have to make. You try and make the best judgments as to what the future demand and requirements for power will be and what the alternative uses might be. We believe that in 20 or 25 years that power will be required for other uses like hydrogen production. The staff of the Department of Energy are indeed doing work on hydrogen development. There has been a lot of research done.

In some instances, it's not a matter of reinventing the wheel, it's a matter of finding out who's doing what where, what the results have been, seeing, you know, in a sense, picking the results of \$5 million or \$10 million or \$15 million efforts in other provinces or other parts of the world. We feel we can keep abreast in that way, but at the same time we do believe that it's

important for us to look at some of the aspects relating to transportation, relating to storage, because that's where I think we can have some major influence because of our geographical location.

The further thing about that is that one then starts looking at ways in which one can put together some type of a chemical complex relating to hydrogen and oxygen and how that might be used in chemical processes.

So all those things have to be pursued, they are being pursued, but we are doing it at the staff level without spending a lot of money to date on something like a hydrogen research institute. There is a fair amount of work being done in Ontario and other parts of the world, and we are trying to get whatever information we can from their field results.

MR. A. KOVNATS: I can follow the Honourable Minister and it seems to me that the Honourable Minister is advising that the government will be taking a very active part in the development of hydrogen and is not at all considering any other outside interest, any private enterprise - well, I heard no mention of it. I was really giving the Minister all kinds of opportunities to make any kind of mention of whether private enterprise would have any kind of an opportunity to be competitive in this field, or is it designed for government purposes only? Will Manitoba Hydro - and I tried to find out a little earlier - be directly involved not just in supplying the electrical power to manufacture the hydrogen but in the actual manufacturing and distributing of it?

So I would turn it back to the Honourable Minister, if he could comment on that.

HON. W. PARASIUK: I think the Member for Niakwa is far too premature. There is no commercial production that I know of in any great quantity of hydrogen by electrolysis. What they are doing is they're getting it from natural gas, and the material I've seen on the subject indicates that this probably won't be commercially viable for 20 or 25 years. We haven't worked out who will be producing it and who will be distributing it or anything like that with respect to a time frame of 20 or 25 years from now.

I can say that the particular study that had been undertaken in the past did involve a private company, Trans-Canada Pipelines. I would think that it would be in everyone's interest in Manitoba if we proceed and when we proceed that we do involve everyone, everyone who would have any interest in this, so that we can try and collectively draw on the creative and research talents of every group, be they a non-profit research group or a government entity or someone like Hydro or someone like Trans-Canada Pipelines or Inter-City Gas or any of these people. But we're still a bit too early to put that together.

MR. A. KOVNATS: Well, that kind of satisfies me to some extent, although 25 years seems a long ways down the pipe, but it's really a very short ways down the road when you think, you know, in comparison, it's just a long way down the pipe but it's not. I think that we have to be considering all kinds of ways, not only the use of electrical power from Manitoba Hydro, but I think there are other forms of energy that are being

used - natural gas, as the Honourable Minister has stated - and I'm led to believe that there are other forms of energy that could be used in competition to Manitoba Hydro and energy such as, I think it's called, biomass, which is using some of the others. I believe that the government is negotiating now to be involved in assisting or being involved with such a group, and I recommend that the government do so.

At this point, it might be against all kinds of policies, but I think that what's best for everybody is what should happen and if the government is going to assist in the development of these other forms of electrical energy, I say that this is fine, as long as they don't try to take over the companies and socialize everything that goes on with it.

Assistance is certainly a good thing and I think that if the Minister would just take some of the recommendations that I have made, that 25 years isn't too far down the line, and that plans have to be made to supply the electrical energy for the future and it's Manitoba Hydro that's the one that's going to be involved. I make that recommendation to the Minister. I'm finished.

MR. CHAIRMAN: Mr. Ransom.

MR. B. RANSOM: Thank you, Mr. Chairman. I have a question to Mr. Arnason about hydro policy with respect to installing new lines and installing lines to newly established rural residences. What is the policy as of the present time?

MR. CHAIRMAN: Mr. Arnason.

MR. J. ARNASON: Mr. Chairman, the policy is that the cost of the extension is determined and we provide an allowance of three-quarters of a mile for rural and residential customers.

MR. B. RANSOM: Has that policy been in place for some period of time now? Is that the continuing policy of Hydro that's been in place for a number of years?

MR. J. ARNASON: The policy has recently been changed relative to the allowance factor.

MR. B. RANSOM: I wonder if Mr. Arnason could just outline the changes then that have been made. What's the difference between the old policy and the new policy?

MR. J. ARNASON: The former allowance was 1 mile and that has been changed to three-quarters of a mile.

MR. B. RANSOM: That is the only change, that it previously was a mile and it's now three-quarters?

MR. J. ARNASON: Yes, that is the change to my knowledge.

MR. B. RANSOM: When did the new policy become effective?

MR. J. ARNASON: It became effective April 1, 1983.

MR. B. RANSOM: What notification has been given to the public so that anyone establishing a residence would be aware of this change of policy?

MR. J. ARNASON: The notification would be through our regional offices to anyone applying for extension of service.

MR. B. RANSOM: No one would know about it until they applied, and would they know then that this was a new policy, or would they just be informed that this was the policy of Hydro?

MR. J. ARNASON: We did not issue a publication relative to the new policy, Mr. Chairman.

MR. B. RANSOM: Mr. Chairman, I have frequent complaints from people who are having realignments of lines, for instance. They may be building a new house in the same general area but requiring some realignment, and it seems to cause substantial problems for people one way or another. Why doesn't Hydro, at least, put a statement of their policy in with their billings? Some of the information that goes in with the billings is of rather questionable value, in my view, but something that outlines the real policy of Hydro, for people who might be contemplating making some changes, I think would be very useful.

I find it rather disturbing that Hydro would make a policy change of the type that has been outlined, which places additional costs onto someone establishing a new residence. I'm not saying whether that's right or wrong, but I find that it's a little less than open not to make an announcement that Hydro has changed their policy and anyone contemplating establishing a new residence in this way should be aware of it.

MR. J. ARNASON: Mr. Chairman, we'll take that suggestion under advisement.

MR. B. RANSOM: What is the present policy concerning realignment of lines into farmsteads?

MR. J. ARNASON: Mr. Chairman, is that question related to relocating an existing line into a present service?

MR. CHAIRMAN: Would you clarify it please, Mr. Ransom?

MR. B. RANSOM: Well, I'm speaking of a situation, it could be two types of situations, I suppose, one where a farmer may build a new home on a slightly different site and want to bring the line in by a different route to it; or it may be a situation, because of the type of building plan he has to develop his farmstead, that they want a realignment for that reason. I think there should be policies that cover that kind of thing, surely, and I'd like some explanation of how they function.

MR. J. ARNASON: I'd like to seek some advice from staff on that, Mr. Chairman, and come back to that question.

MR. CHAIRMAN: Further questions, Mr. Ransom? Further questions from members of the committee?

Mr. Downey.

MR. J. DOWNEY: Last year, Mr. Chairman, I brought a concern forward to the committee and that was dealing with the implementation of three-phased power in farm sites where they were putting in dryers. One particular problem I had was with a dairy farmer, who was wanting to go into three-phased power, and it was an exorbitant charge to just put an additional line across No. 10 Highway - that was one of the areas. Another one, there seemed to be an inconsistency in the policy for putting in three-phased power to dryers, or people who changed to special crops. What is the current policy dealing with the addition of three-phased power or the implementation of three-phased power to farm people at this time? What is the cost?

MR. CHAIRMAN: Mr. Arnason.

MR. J. ARNASON: In terms of grain drying, irrigation, where a request is for three-phase service, the requirement there is that we will extend the three-phase service. We would calculate the cost of extending that service, and the allowance is based on a revenue rate of return, 33 1/3 percent rate of return. What we mean by that is if the cost of the extension exceeds three times the annual estimated revenue, then a contribution is required, the contribution being the difference between that revenue and the cost of the extension. These installations usually, Mr. Chairman, are used relatively infrequently in terms of the 12 months out of the year and the revenue isn't that great from grain drying operations.

MR. J. DOWNEY: Is that a change of policy from last year, or is that policy the one that was in place a year ago?

MR. J. ARNASON: That would be a part of the new policy, relative to construction allowances that would be in effect April 1, 1983.

MR. J. DOWNEY: How many new policy changes are there dealing with the supplying of hydro service to Manitobans, particularly to rural Manitobans? How many policy changes like this one have taken place?

MR. J. ARNASON: The complete setup on construction allowances was reviewed and we have revisions to just about all of them, as of the date I mentioned.

MR. J. DOWNEY: I would like a comparison. It would appear to be - and without having the detail available to me, are the policy changes intending to return more money to Manitoba Hydro at the cost to the consumer of power?

MR. J. ARNASON: What we're trying to do is reduce the losses. As you realize, we have had deficits and it's simply a matter of trying to handle this in a more businesslike fashion and those people that are benefiting directly from these extensions should pay a fair share of the cost.

MR. J. DOWNEY: Mr. Chairman, it would appear then that the users or the potential users of additional service

of Manitoba Hydro services will in fact carry the costs and it will be an additional burden to them, as I understand that answer.

MR. CHAIRMAN: Mr. Parasiuk.

HON. W. PARASIUK: I'd like to just get a clarification as well. What's happening now is that the hydro users bear all the costs anyway. It's a matter of who's of direct benefit and who's sharing the larger cost, even though they may not be getting a benefit. What I'm not clear of, from the Member for Arthur's statements, is he saying that the people who get a direct benefit from a particular extension should in fact not pay a fair share of the costs and that people in other rural areas or Northern areas or urban areas should in fact pay a disproportionate share of that cost in order to benefit the particular individual?

MR. J. DOWNEY: Mr. Chairman, the Manitoba Hydro and the people of Churchill have been working, putting Hydro into the Town of Churchill. Will the people of Churchill be expected to pay for that complete installation of that Manitoba Hydro line into that town?

HON. W. PARASIUK: I don't believe so. In fact, we're looking to get a federal contribution, because they're the major users in Churchill. At the same time, I believe that there has been that type of a cross-subsidization that has existed for some time. I get a number of complaints from northern people who feel that it's unfair and that it should be reduced.

I guess that no one's going to be happy with their particular share of the Hydro costs even though Hydro is charging the lowest rates in North America virtually for the power.

MR. J. DOWNEY: Well, Mr. Chairman, I am very much in favour of all Manitobans having the service of Hydro and that it be done in a most efficient manner considering costs and availability of staff and work crews to put it in. But I do think it's incumbent upon the Manitoba Hydro to have a policy which is fair for all Manitobans, and that no particular individual should be treated differently when it comes to the policies of that, and would hope that we would have a clear explanation of all policy changes made available to us from Manitoba Hydro so we can examine what the past has been and what the future policies will be.

Thank you.

MR. CHAIRMAN: Mr. Cherniack.

MR. S. CHERNIACK: Mr. Chairman, firstly, I agree with the suggestion that changes of this nature ought to be published along with monthly billing. I think it's a valid point.

I think also that committee should be supplied with the details of the changes that have been agreed to and I'll undertake on behalf of the administration that that will be done.

MR. CHAIRMAN: Mr. Ransom.

MR. B. RANSOM: In supplying the policy changes, could we also have an indication of the cost implications,

either of cost cutting to Hydro, or additional revenue whichever way you wish to place it?

Are the answers to my previous question available at this time?

MR. CHAIRMAN: Mr. Cherniack.

MR. S. CHERNIACK: Mr. Chairman, I don't know the complete ramifications of the question in relation to the costs, and the comparison of costs to the extent that it can be produced and I think it ought to be. I'll see to it that it will be. I can't say that we'll get a clear picture per individual user. I don't know just how that would work out, but there will be an indication, I assume, of overall savings that would be achieved by that, and to the extent possible I'd like to see it produced and will again undertake on behalf of the administration that they will look at the question carefully and give the answer that they can give.

MR. B. RANSOM: Were these sort of changes in policy approved by the Board?

MR. S. CHERNIACK: Yes, Mr. Chairman, the Board - and I don't know whether it's the existing Board or the prior Board - instructed administration, and there's a constant instruction to look for improvements to policies of this nature, to look at equity, to look at revenue and expenditures, and to bring forth proposals, recommendations. Without saying that I know definitely that this was clear to the Board, I can't conceive that it wasn't. I'm quite sure that a recommendation came to the Board and that the Board approved it.

MR. B. RANSOM: Maybe Mr. Arnason could tell us then if the recommendation went to the Board?

MR. S. CHERNIACK: I'm sorry, since my answer may not have been that clear, I've just confirmed with Mr. Arnason that indeed it did.

MR. CHAIRMAN: Further questions?
Mr. Ransom.

MR. B. RANSOM: Are there any further answers to the question I asked about the policy on realignments? If it's too detailed to be provided here, I'd be quite prepared to have a written explanation of it provided.

MR. CHAIRMAN: Mr. Arnason.

MR. J. ARNASON: The general answer, Mr. Chairman, is that if the farmer requires a change in the location of his line, and there's no added revenue to Manitoba Hydro as a result of that change, a farmer would be required to pay the cost of that change.

On the other hand, if the change resulted in some added revenue, by virtue of enlarging his service for whatever reason, there would be a capital contribution allowed and the same principle would follow that if the cost of the extension exceeded that capital allowance, then he would pay the difference.

MR. B. RANSOM: What are we speaking about in terms of revenue? Are we talking about switching to electric heat in a house? Is that additional revenue?

MR. J. ARNASON: It would be based on the farmer putting in a larger service, or another service.

MR. B. RANSOM: Well, Mr. Chairman, perhaps I could have from Hydro a written statement of policy in this area. I'd like to know, for instance, do they give any allowance of the fact that hydro poles, for instance, might have been in the ground for 30 years? Presumably, they have some sort of depreciation over a period of 30 years. Does the farm, does the user of Hydro have to pay the full price then of putting in new poles, or is there some consideration given to the fact that the old ones have been there for 20, 30 or more years? If I could have some details on that kind of policy provided in written form, then it would be appreciated.

MR. J. ARNASON: Mr. Chairman, we will undertake to provide that information in a fair amount of detail.

MR. B. RANSOM: Mr. Chairman, I'd like to return to the question of the Cross Lake Arena again. There seems to have been a substantial amount of the debate of the explanations provided by Hydro and by the Minister of Northern Affairs. It seemed to centre around the award of the arbitrator. Perhaps we could deal for a few minutes with the award of the arbitrator, which seems to be, as I said the last time the committee met, a reasonable recommendation, because the arbitrator said that "the specifications of which shall be appropriate to a community in Manitoba of similar characteristics, population size and growth rate to those of Cross Lake." First of all, is this award viewed by the government or by Manitoba Hydro as being in any way an unreasonable award by the arbitrator?

MR. CHAIRMAN: Mr. Cherniack.

MR. S. CHERNIACK: Mr. Chairman, in the first place it should be clear that the award was in effect a negotiated one, that in the end it was a consent award after a great deal of negotiation. The Board felt that the costs were high, but at the same time in the light of all the circumstances it considered that it was fair. When I say, in the light of all the circumstances, I mean especially in the light of the Northern Flood Agreement and the negotiations on many matters of mitigation with the Cross Lake area, that on the advice of the lawyers who have been involved in this on behalf of Hydro, I don't know for how long but certainly long before I became Chairman, it was the best type of settlement that could be arrived at in the light of the background and knowledge that they had acquired in the negotiations and in the claims that had been made and heard and the arbitrator's reaction.

So although it seemed a high cost for that type of facility, the location and the amenities that were expected were such that it appeared that the award was the best settlement that Hydro could arrive at. Of course, the Board accepted the recommendations of both staff and of counsel - I should say that this is outside counsel, I think it was Knox Foster, wasn't it? The counsel had been involved in this from the very beginning and on their recommendation, after a great deal of discussion, the Board came to the conclusion

that this award was the best settlement that could be arrived at.

MR. B. RANSOM: So Mr. Cherniack, then is it correct that the reference which I made last week to the lawyer for the community - it seems to me his name was maybe Gillespie - that he had indicated that, in fact, this was something that had been agreed upon prior to the arbitrator making his report? That really had not been the indication that I had been getting at that time from Northern Affairs, or I believe it's fair to say from this committee. But that is the case then, that this was something that was negotiated between the parties and then that the arbitrator simply confirmed that negotiated settlement and put it in terms of an order?

MR. S. CHERNIACK: Mr. Chairman, as I understand it, that is correct, but I'm not sure of the extent to which the arbitrator himself was not involved in the discussions or negotiations. The Board did not come into the picture until after it was presented with this Consent Order.

I can't say whether or not the arbitrator was deeply involved or casually involved, but certainly in the end he had to sign the Order and it was done with the consent of all the other parties after, we are told, considerable negotiation had taken place. But the one distinction I'm making between what Mr. Ransom says Mr. Gillespie said is that I don't know the extent to which the arbitrator was involved prior to the Order being signed.

MR. B. RANSOM: Then what assurance do we have now that the design of the arena that's being built in Cross Lake is indeed appropriate to a community in Manitoba with the similar characteristics, population size, etc.?

MR. S. CHERNIACK: Mr. Chairman, it was just pointed out to me that whether or not the arbitrator was involved in the discussions, the arbitrator himself has counsel who serves the arbitrator and the counsel was very much involved, I'm told, in the negotiations.

In answer to the question, I think Mr. Ransom asked whether indeed the design was such as was in accord with the requirements of a community of that kind. I wonder, Mr. Chairman, if I could get a repetition of the question.

MR. B. RANSOM: The award says that, "It shall be appropriate to a community in Manitoba of similar characteristics, population size and growth rate to those at Cross Lake." Now what assurance can Mr. Cherniack give the committee that this arena is indeed appropriate, not only to Cross Lake but to other communities of similar size and characteristics in Manitoba?

MR. S. CHERNIACK: Mr. Chairman, it's a very judgmental view that one has to take as to whether or not it's appropriate. One of the features of whether or not it was appropriate was the way Hydro got involved in this in the very first place. Hydro was in this under an agreement which was signed after a great deal of debate and contention, which indicated that Hydro was responsible to the communities for damage caused to

the communities because of the diversion of the Churchill River. That is something that had to be taken in mind; otherwise, Hydro would not have been involved at all.

It being a judgmental response that one has to give to the question of appropriateness, then obviously the section which reads that the community itself had to be consulted and - I don't have the wording just in front of me, but I know Mr. Ransom does have it. Here it is - "shall be appropriate to the community; which shall be designed in consultation with the Band council and community council; which shall have regard to the minimizing of maintenance and to the possible subsequent expansion of the complex to accommodate further recreational facilities as the community may require and shall have at minimum the following characteristics." Then I've read these characteristics into the record on previous occasions.

All of these set certain parameters within which the settlement was made and within which the specifications had to be drawn. Whether or not all of these parameters would be appropriate to a community of that size is certainly debatable, but when you add on to it all these other requirements, then I would say that to the extent that the Board could, it made sure that there was nothing more extravagant than had to be provided in order to conform to the requirements as set out in the Consent Order. The fact that Hydro, Manitoba, Canada and the five Bands have to live with this agreement forever in perpetuity and have to be involved in discussions and settlement of damages in perpetuity - I believe that word is correct as it applies to the agreement - and therefore have to make sure that they do not have an adversary situation develop as between the persons damaged by the northern development and the bodies that are responsible for that.

In the light of all that, the Board came to the conclusion that the Consent Order was acceptable as the best settlement, and within the parameters of the description of the requirements for the arena, it developed specifications which would serve those requirements.

MR. B. RANSOM: What effort did Hydro make to find out what other communities of similar size and characteristics did indeed have in terms of arenas?

MR. S. CHERNIACK: Mr. Chairman, I'll try to answer that and obviously superficially, because I was not deeply involved in all that, but the Board wanted to make sure that a comparison was done.

Firstly, this firm of Eshmade had recently built arenas in two other Northern communities, Wabowden and Norway House, and was apparently considered to have experience which it could contribute.

Secondly, comparisons were done with costs in other places and I'm told that one of the factors involving this settlement was a visit to a Winnipeg arena, and I believe to a large extent that Winnipeg arena was accepted as being one that would serve the community and from that we had to insist that costs be developed that took into account and explained the differences in cost between building within the urban area and building in the Northern area. I believe that one of the questions responded to and handed to the Minister for

distribution does give some sort of comparison as between two different types of arenas. Yes, there is one like that.

MR. B. RANSOM: So a Winnipeg arena then was the one that was used as a standard, that was to be judged as appropriate to a community in Manitoba of similar characteristics, population size and growth rate.

MR. S. CHERNIACK: Mr. Chairman, I can't agree that simple statement is the way the Board understood it. We're told that the amenities were to be similar but then, of course, all these other requirements such as the minimizing of maintenance, possible subsequent expansion, the minimum characteristics described would make the difference.

A very important feature was the use of local labour, not just to do the work, but to be trained to do that kind of work for future use.

Another important feature was that the building was to be designed in such a way that it could be used 12 months of the year and not confined only to the ice season, if that's the expression, and therefore there were a number of other characteristics. But I believe that the appearance of the arena, the size of the arena, was supposed to have been resembling and not less than what was shown to be a Winnipeg arena. I think it's the Keewatin and the Pioneer arenas where the comparison is.

But there was a great deal of review required by the Board. It went back and forth in order to keep making sure that we did not go beyond the requirements of the Consent Order and therefore not exactly in accord with those arenas in Winnipeg.

MR. B. RANSOM: Mr. Chairman, the fact that local labour has to be used has absolutely nothing to do with the appropriateness of the arena. It has substantial to do with the cost of finally putting whatever design is selected into place, but it has nothing to do, surely, with the type of arena that's put in place.

I can also assure, Mr. Cherniack, that any reasonably modern arena in rural Manitoba, anything I would say that's been built within the last 20 years, is used year round in those communities. They're not confined just to winter use. That's common practice.

But there is something in the information, the answers that were provided to questions which I find to be of considerable concern, and that's a statement and I'll read the paragraph into the record. It says, "One of the tenderers of the the Cross Lake . . .

A MEMBER: Under what heading?

MR. B. RANSOM: . . . it's headed under Cross Lake Arena, but there's no page on it. — (Interjection) — Yes, it's comparison of costs to other arenas. The paragraph reads as follows: "One of the tenderers of the Cross Lake Arena also submitted a proposal for the Shoal Lake Arena. His estimated price for the Cross Lake Arena was approximately double the one he proposed for Shoal Lake. We must presume, therefore, that the quality of the arenas and conditions of construction are very different to warrant this cost spread."

Now, that raises the concern in my mind that either we're building an arena in Cross Lake which is substantially more elaborate than is appropriate for a community of that size, or else we have a situation where a town like Shoal Lake is forced to build something that is less than appropriate for their circumstances and I would point out that in the case of Shoal Lake that this is a complex that is being built. It was a curling rink as well as a skating rink and the tenders were called for, and that the low tender was \$980,821.00.

Now, the information provided on that same page says, "A cost comparison is not possible as the Shoal Lake arena has not been built, nor have any contracts been awarded." The latter part of that statement is true, it hasn't been awarded, not because of anything in the tender but because of some local problem with agreement between the local governments, but nevertheless the contract has been called for and bids have been received to do the work for that price. So here is a situation where a curling arena and a hockey arena can be constructed for \$980,821.00.

Now, I would like to know then, how much more elaborate we're looking at at Cross Lake, where we're only going to build a hockey arena, is it that much more elaborate than a community like Shoal Lake would be building, or how much additional cost is involved? What would it cost to put an arena into Cross Lake if one didn't have to take into consideration any of the other requirements which the arbitrator has placed on hydro in the province, etc., in terms of using local labour?

I see that one of the original estimates that was given by Eshmade said that the cost might be in the range of \$1.5 million.

MR. S. CHERNIACK: Mr. Chairman, dealing with the last point first, the very reason that the Board became very much concerned and spent many hours on this question was the fact that when this Consent Order was accepted Eshmade had given that evaluation of 1.5 million and the Board was very distressed when it discovered that the cost was that much greater. That is one reason why we forced - no, that's too strong a word - why we requested the administration to go back, review all the plans, review all the specifications, review all their requirements in order to try and bring the cost down substantially to accord more to Eshmade's - I'll use the word - guesstimate, because that's what it turned out to be. When we got down to the hard facts of construction, materials, etc., we were informed that that guesstimate was way out. Now, that's what brought it to our attention.

I must say, Mr. Chairman, I for one and the Board, to a large extent, probably spent more time on the cost and construction and development of this arena than it did on many other problems with which it dealt in the last year for that reason.

The first paragraph of the answer which Mr. Ransom read, part of which he read, reads as follows: "We have been in contact with one committee member associated with the Shoal Lake Arena.

Firstly, this firm of Eshmade had recently built arenas in two other Northern communities, Wabowden and Norway House, and was apparently considered to have experience which it could contribute.

Secondly, comparisons were done with costs in other places and I'm told that one of the factors involving this settlement was a visit to a Winnipeg arena, and I believe to a large extent that Winnipeg arena was accepted as being one that would serve the community and from that we had to insist that costs be developed that took into account and explained the differences in cost between building within the urban area and building in the Northern area. I believe that one of the questions responded to and handed to the Minister for distribution does give some sort of comparison as between two different types of arenas. Yes, there is one like that.

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Another important feature was that the building was to be designed in such a way that it could be used 12 months of the year and not confined only to the ice season, if that's the expression, and therefore there were a number of other characteristics. But I believe that the appearance of the arena, the size of the arena, was supposed to have been resembling and not less than what was shown to be a Winnipeg arena. I think it's the Keewatin and the Pioneer arenas where the comparison is.

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I can also assure, Mr. Cherniack, that any reasonably modern arena in rural Manitoba, anything I would say that's been built within the last 20 years, is used year round in those communities. They're not confined just to winter use. That's common practice.

MR. S. CHERNIACK: The letter reads as follows: "We have been in contact with one committee member associated with the Shoal Lake Arena, however, we were unable to get sufficient detailed information to do a meaningful facility comparison between the two arenas. A cost comparison is not possible as the Shoal Lake Arena has not been built, nor have any contracts been awarded."

Now, when you look at the sentence that Mr. Ransom read, the mere statement when they say that the same tenderer bid twice as much for the cost in Cross Lake as it did in Shoal Lake is, I believe, a logical assumption that there had to be tremendous differences. Now, we asked staff and staff did try to get particulars of Shoal Lake, so that Mr. Ransom's question could be answered, but they couldn't get it, and therefore, it is hypothetical to discuss the difference between an unbuilt arena, whose specifications we don't have, and this Cross Lake Arena, where we do have specifications.

The important factor for the Board was that we couldn't compare anything in the simplistic way, because of all these other factors and to zero in on the words "appropriate to a community" is inadequate for the review because of all the other factors involved. Since we're faced with that requirement, there wasn't much point in trying to decide what it would cost if we put a different type of arena into Cross Lake than the one that we were required to do. That's from the Board's standpoint.

MR. B. RANSOM: Mr. Chairman, Hydro officials, in answering these questions, say they are unable to get sufficient detailed information to do a meaningful facility comparison between the two arenas. But did they ask for a copy of the tender specifications, for example?

MR. S. CHERNIACK: Mr. Duncan, who is the Vice-President of Construction Engineering can respond to that.

MR. CHAIRMAN: Mr. Duncan.

MR. D. DUNCAN: Mr. Chairman, we don't have a copy of the specifications for the Shoal Lake Arena and the only contact we had was a newspaper article. We called a member of the committee and asked him his opinion on Friday. We haven't had an opportunity to have the specifications.

MR. B. RANSOM: Did you ask anybody for the specifications?

MR. D. DUNCAN: No, we haven't asked for the specifications.

MR. B. RANSOM: Then it's hardly correct to say that you're unable to get sufficient detailed information. What it means is that there wasn't sufficient effort made to get detailed information to make the comparison. If that's the case, fine, but the statement now, as it reads, simply doesn't portray the facts.

It is possible to get information to make the comparison, and it is possible to make a cost comparison, because this is a tender which has been called for and could be awarded on the basis of that tender price and that is a set price, which the contractor would have to complete the job for, and Shoal Lake would not only get a skating rink, but they would get a curling rink, as well.

Mr. Cherniack says that because that firm's tender is twice as much for Cross Lake as it is for Shoal Lake, indicates a difference. Indeed it does. That's what raises the question in my mind of the appropriateness of the

arena that's being constructed in Cross Lake, as compared to one that is being constructed in the community of Shoal Lake.

So, Mr. Chairman, there's every indication here that there is a lot more money being spent on this arena in Cross Lake than is necessary to provide what the arbitrator has rightfully asked for, and I would like to have some indication then, of what it would cost, if they ever sought out what it would cost, to simply build an arena in Cross Lake the way that construction would normally be done in an area like Shoal Lake? What would the cost of that be? Mr. Eshmade seems to think, and he has had experience - the committee has been advised that he had a hand in building a couple of arenas in Northern Manitoba - and he estimated that that cost might be a \$1.5 million.

Now I'd like to know - I'm sure a lot of people would like to know - how much additional money we're paying for the other requirements then, or the method of delivery that's involved in putting the arena into Cross Lake? How much are we paying for the fact that it's being run by a committee, or how much are we paying in order to be able to use local labour or local contractors, that sort of thing? Can Mr. Arnason give us any information as to that line?

MR. CHAIRMAN: Mr. Duncan.

MR. D. DUNCAN: In the first place, I think Mr. Ransom is correct in that our statement in the first paragraph of our response should have read that we were unable to get sufficient detailed information in time for this meeting.

I, personally, don't think that a comparison is viable between the two situations in that we have two different structures and we have two very different conditions between the infrastructure that is available in Shoal Lake and the infrastructure that is available in Cross Lake.

I might point out that in our call for tenders we requested that any tenderer who wished to, could provide an alternate design and scheme for the construction of the arena. We did not receive any alternate proposals from any of the proposers. We have not costed the Cross Lake Arena on the basis of, say, putting it up in Shoal Lake under the construction conditions that would be applicable in that area.

MR. B. RANSOM: Why would anyone have put forward alternate proposals if the arbitrator had already said that there would be local labour used, for instance? I think once the specification had gone out with the arbitrator's award, the contractors would have found it highly unlikely that there would be any advantage in putting forward an alternative proposal.

What I am interested in is what effort Hydro or other members of the Committee had made to determine some of the basic costs? Because I come back again to the two indications - the Shoal Lake one, which in my estimate, is concrete in terms of the design and shows what an arena could be built for under different circumstances, of course. But then perhaps the difference we're paying is the difference of the circumstances. Mr. Eshmade, with his experience, was also indicating \$1.5 million. What happened? Why did

Mr. Eshmade's estimates start to go up after a few months?

MR. D. DUNCAN: Of course, it was a condition of the Order that we comply with the training programs, etc., that were stipulated. With regard to Mr. Eshmade's estimate, basically his estimate increased from \$1.5 million to \$2.5 million, from a guesstimate to a firmer estimate once the conditions were known. The official cost estimate, which was submitted in August, showed an increase from 1.5 to 2.5 million which was the first official cost estimate we received.

We also have to take into consideration that although the tenderers provided estimated costs, not costs that they had to stand by, but all of their numbers were within the \$2 million range.

MR. B. RANSOM: Mr. Duncan has mentioned the training programs and others have mentioned it. To what extent are the training programs responsible for that escalation from the first estimate of 1.5 million to the 2.5 million estimate?

MR. D. DUNCAN: We don't have an evaluation of that, Mr. Ransom.

MR. B. RANSOM: Well, somebody must have asked the question, what's happened that this estimate by a professional has gone from 1.5 million to 2.5 million. Surely, somebody must have asked that question. What sort of answers did you get?

MR. D. DUNCAN: First of all, the original price was a guesstimate. It was early and again 1.5 million, and as the arena was being designed, in concert with the other three parties to the agreement, the things that were necessary were being done, including and determining the foundation conditions, etc., etc., and by the time these things were defined and a formal cost estimate was made by Eshmade, it was in the \$2.5 million range.

MR. B. RANSOM: And it's now 3.5 million?

MR. D. DUNCAN: The original cost of 1.5 or 2.5, whichever you choose, did not include sight preparation and the costs that Hydro had to expend in administering the contract and complying with our obligations under both the Northern Flood Agreement and the Interim Order.

MR. B. RANSOM: What is it estimated that the training component is going to add to the cost?

MR. D. DUNCAN: I think I answered that a moment ago. We don't have an evaluation of that at the moment, Mr. Ransom.

MR. B. RANSOM: How was it possible to evaluate the tender then that dealt with the training aspect? Was there not a figure attached to that?

MR. D. DUNCAN: I'd like to check that with staff, but the training program, when it was evaluated, was evaluated on the basis of its effectiveness. We have a obligation under the Northern Flood Agreement and

also under the Interim Order to do as much training as possible in the community. That is a specific of the Interim Order and when we evaluated the tenders we looked at the submissions and judged how the tenders had addressed the problem of training.

MR. B. RANSOM: Was there no cost figure attached to the training component of the tenders?

MR. D. DUNCAN: It was included in the general labour cost. It was not separated from that cost.

MR. B. RANSOM: Is there going to be any way when it's done to know what the training component has cost?

MR. D. DUNCAN: Yes, we will have that separated when the arena is complete, Mr. Ransom. We expect to have, there are certain federal contributions to this training program too.

MR. B. RANSOM: Are the federal and provincial contributions to the training program included in the \$3.5 million figure?

MR. D. DUNCAN: Could I just consult with staff here for a moment please.

The costs of the labour are included. The credits have not been included as yet. They will be a credit to the cost of the arena.

MR. B. RANSOM: Would you just explain that for me, what you mean by credits? Does that mean there will be a federal charge?

MR. D. DUNCAN: There will be a reimbursement of some of the labour costs involved in the training. For example, I think our trainers, 100 percent of their cost is reimbursed. With the co-ordinator and the trainers, I think, about 85 percent of the cost.

MR. B. RANSOM: 100 percent of the costs will be reimbursed. Does that mean by the Federal Government for instance, and those total costs are at the moment, though, included in the 3.5 million estimate?

MR. D. DUNCAN: Could I have the question repeated please, Mr. Ransom?

MR. B. RANSOM: I just want to know whether those costs, the training costs are going to be reimbursed by the Federal Government, and whether at the moment all those costs are included in the estimate of 3.5 million?

MR. D. DUNCAN: Yes. The costs are included as costs now and the training costs will be reimbursed and will be a reduction from that cost.

MR. B. RANSOM: I just want to be absolutely clear then that any federal people who are in Cross Lake participating in the training program, is there any charge for their time against the cost of the arena?

MR. D. DUNCAN: No, there is not.

MR. B. RANSOM: So there are people involved then in the training program for which no cost is being shown, as opposed to say the time of the engineers with Hydro, which is being charged?

MR. D. DUNCAN: I think there are two or three areas here, Mr. Ransom.

First, the federal people that are involved, there is no cost involved. Under the terms of the contract, the contractor is to provide trainers and that cost is currently in our total cost of \$3.5 million. Any credits we receive from the Federal Government for that training will be credited to the cost of the arena.

MR. B. RANSOM: It may be more appropriate to say with respect to the federal people involved that there's no cost charged. I usually find that when there are federal people involved, there certainly is a cost involved.

Now can you give us some indication of what benefits are flowing to the local people at the moment? How many people are working, how many people are going to be trained as a consequence of this project?

MR. D. DUNCAN: Well, following the award of the contract to Ed Penner Construction, a series of meetings were held with Manitoba Hydro, Canada Employment and Immigration, the Department of Education, etc., to develop an employer training program.

It is expected that in the concrete operations, there will be six trainees; in painting, there will be two; masonry, five; mechanical, two; carpentry, two; and electrical, one.

Penner Construction will maintain a small nucleus of skilled tradesmen from outside of the community with such nucleus spending about 30 percent of their time with teaching skills and 70 percent of the time on the work. They will be training the people at Cross Lake. There will be 10 people from Cross Lake who are already trained and will be working at the site.

Right now, we have four skilled people who are working on site. We have five trainees, and we have four people that are not from the community.

MR. B. RANSOM: What level of training or competence are these people going to have when they've done this training program, the electrical, for instance? There's one person involved.

MR. D. DUNCAN: We estimate there'll be 200 to 800 hours for individual training. It is a start along the road to training. We don't expect that anybody will receive complete training in any particular craft on this project; it will be a start along the way.

MR. B. RANSOM: Is there to be an evaluation done then of how well this training program has worked? It doesn't strike me that there are very many people involved here in this training aspect, and the training program has been mentioned frequently as contributing substantially to the additional cost, although that sort of figure is not available at this time, which surprises me. But nevertheless, there doesn't seem to be a lot of advantage flowing to the local community as a consequence of this.

MR. D. DUNCAN: In answer to your first question, it is really the responsibility of the two levels of government to determine the effectiveness of the program. I think that if we talk about the benefits flowing to the community that the training of 18 trainees, at least the start of training for 18 people, that's very significant.

I think that because of this project the Federal Government have caused a batch plant to be erected in Cross Lake with the appropriate number of trucks. From Hydro's point of view, we have had a person up there to help them erect the batch plant. This is separate from the contract in the sense that it is being charged, but it is an ancillary to the contract. We have had people up there to help them erect the batch plant. We have had people there to train the people how to use the batch plant. We have designed their concrete mixes for them and done everything we can to help them along the way.

They will have the contract for the ready-mix supply from the contractor. We have also assisted them by giving them a good deal of the site preparation work. They have produced the concrete aggregates. Again, we had an inspector there during that period. They are doing the site preparation work and they did the clearing work through their construction company. The name escapes me for the moment, Mid-North Developments.

MR. B. RANSOM: How is the committee organized? Who is really responsible here? Who accepts the responsibility for making a decision for finally awarding a contract, for instance?

MR. CHAIRMAN: Mr. Goodwin.

MR. C. GOODWIN: Mr. Chairman, the four parties which signed this Interim Order agreed that Manitoba Hydro should undertake the engineering and have the responsibility for getting the arena built. Manitoba Hydro has also to consult, particularly with the community and generally with the other parties.

The best way of undertaking that appeared to be to formalize a steering committee of officials from both levels of government, representatives of the Band and of Hydro. This committee was formalized in May of last year, and has acted as the communicating medium for bringing out the issues, such as training, such as the design of the arena, so that these issues could be consulted on in a genuine fashion and resolved.

MR. B. RANSOM: Well, it doesn't answer the question of where the buck stops. Who's responsible? Somewhere, somebody has to be responsible. Maybe the Minister can answer whether he and his colleague, the Minister of Northern Affairs, share the responsibility?

MR. CHAIRMAN: Mr. Parasiuk.

HON. W. PARASIUK: You've got a committee with four parties having a say, in a sense, equal votes. You've got the Northern Flood Committee; you've got the Federal Government; you've got the Province of Manitoba; and you've got Manitoba Hydro, so you then have a responsibility that is split four ways. This was established by an agreement that we inherited.

It's called the Northern Flood Agreement, and I guess we could take some time but I don't know if this is the forum to really get into the Northern Flood Agreement, but we could go into the Northern Flood Agreement and how it has a lot of very difficult aspects to it in terms of trying to implement it, things that I'm not sure were looked at all that well when it was being negotiated. It was negotiated by a New Democratic Party administration; there were concerns about it. It was not finally signed by the New Democratic Party administration, but it was signed by the previous administration.

There are a lot of difficulties in implementing that type of an agreement where that type of responsibility that the member now raises is not clearly spelt out and is, in fact, divided. When you then have things being run by committee, it makes it very difficult to try and focus the decision-making in one entity and have the others just act as advisers. They're not acting as advisers.

There is an arbitrator who reviews all of this to see that is being done fairly and that the intent of the agreement is being met. Again, that arbitrator was agreed to by all parties; it was not an arbitrator appointed by one person. It was an arbitrator agreed to by all parties and that arbitrator is performing his function.

MR. B. RANSOM: Mr. Chairman, that's all we're trying to get is what some of these costs are. We are not really able to get very many answers, and the Minister and others keep going back to the arbitrator and the Northern Flood Agreement. I keep saying, as I look at the award of the arbitrator, I see nothing unusual about that.

There's nothing in there that indicates that there should have been anything excessive by way of design involved, so we have to assume that there should not be. There is a component with respect to training, but we can't get any answers in terms of the additional cost involved with training. We are assured that will be available at the end, but there apparently is no estimate available at this time.

I don't believe that there is any indication that anyone has gone back to the arbitrator. I gather that every decision that has been made has been made by the committee then, and that the members of the committee must have agreed to all those decisions, or they have decided that if they don't agree with it that they think they would get a worse decision if they went back to the arbitrator, but they don't seem to have done that.

So it's a question of trying to find out just then how much is being delivered in real benefits to the people and how much is being burned up by the consequence of the committee structure that's in place. It's not a question of saying who negotiated the Northern Flood Agreement or who signed it or whatever, it's a question of trying to find out where the taxpayers' dollars are going and what is being delivered to the people of Cross Lake. Because what's going to happen, of course, is that the impression is left that the people of Cross Lake are getting all this amount of money, that somehow it's their fault that \$3.5 million is being spent on this arena, and that certainly doesn't appear to be the case from the information that's being provided. When we

see some of the engineering costs that are going into this, they're absolutely astronomical compared to what would go into any other arena that was constructed in a community of similar size and so forth as described in the arbitrator's award. Mr. Chairman . . .

HON. W. PARASIUK: I think Mr. Goodwin has an answer on part of it.

MR. CHAIRMAN: Mr. Goodwin.

MR. C. GOODWIN: Mr. Chairman, with regard to the arbitrator, the threat of the matter being taken back to the arbitrator is real. We were taken back there in September of 1982 when we had discovered that the arena costs were out of hand, and we were going back to redesign and to prune costs and prune the design down.

I think, September 14, 1982, we appeared before the arbitrator at the request of the Northern Flood Committee, and he ruled at that time that we should get back and get on with it. I beg your pardon, he did not rule, he suggested at that time that we get on with the job and he did not call any formal hearing at that time pending resolution of our difficulties among the four parties.

MR. B. RANSOM: Well, we go back then to the answer that was given about Mr. Eshmade and his original \$1.5 million. It says, "Although he confirmed such estimate in April, immediately prior to hire the official cost estimate submitted in August showed an increase to approximately \$2.5 million. All activities were halted pending review by the Manitoba Hydro-Electric Board. The Electric Board decided to stop the design work and to instead issue a new specification calling for the design and construction of an arena."

Now, then, what was it that caused Hydro to halt all activities at that time for a review by the Hydro-Electric Board, and what did the Board expect to achieve then by issuing a new specification calling for the design and construction of an arena?

MR. CHAIRMAN: Mr. Cherniack.

MR. S. CHERNIACK: Mr. Chairman, I've already explained that when the Board saw the comparison between Eshmade's guesstimates and the next calculation that was so much greater than the original \$1.5 million, the Board called a halt and said we had to go back and look again at the plans and specifications and to see how they accord with the Northern Flood Agreement and the Interim Order. That was necessary because that was an integral part of what we were doing. The Board then required the plans to be brought forward to be looked at from the standpoint of compliance with the order and yet cutting down on costs. There were various proposals made that actually, as I recall it, shifted some of the ancillary features of the building, such as the dressing rooms, washrooms, and viewing areas. The whole structure was reviewed again with the objective of reducing the cost of the construction.

That's when, in spite of the order stipulating that the building had to be completed by November, 1982, the

Board just was not prepared to comply with that feature at any cost. The Board then said to the administration that it wished a review to be done.

The result was that the Northern Flood Committee, that is, the one consisting of the five Bands, brought Hydro to the arbitrator with a complaint that Hydro was not going along with the agreement made by the Steering Committee, and that was true, and that there was too much delay. Now, our counsel appeared with other counsel before the arbitrator and the arbitrator appeared, and we were told by our solicitor, Knox Foster, that the arbitrator was satisfied that the Board should and did have good reason to call for a review, and as a result he suggested that we go back to the discussion table.

There was one meeting in particular that the Board held with representatives of the Band and of the Province of Manitoba where we explained why we felt it necessary to have a further look made on the plans and specifications. Although it may not have been accepted by all members of the Steering Committee, the Hydro Board's decision prevailed and there was a review made to reduce the extent of the specifications in order to reduce costs. That's why the specifications were developed with a broad invitation that any proposal could include any variation in the plan's specifications provided they were within the confines of the description in the order, any variation which would reduce the costs. That is the reason for that, and that is the reason for the open proposal rather than a fixed tender.

The result was, as Mr. Duncan indicated, that no one came along with an improved - which means a lesser cost description or plan or specification, and the proposals were reviewed and the contract awarded in due course.

MR. B. RANSOM: The tendered price then that Mr. Penner has, I think, of \$2.363 million is not that far under the \$2.5 million that Eshmade was estimating in August of 1982. Was that just a coincidence or were the specifications actually changed significantly from what Eshmade was recommending?

MR. S. CHERNIACK: Mr. Chairman, the specifications were changed; the design was reduced. The award to Penner was not a tender that was accepted, but rather a proposal that was accepted with expected costs and with controls over the construction and the costs in the future. I think it's been clear, as the specifications which have been filed indicate, there was a proposal to be made and there was control to be kept on all costs henceforth. As I recall, there was substantial reduction in the specifications and plans from the original proposal; for example, the building is some 3,000 square feet smaller than the original design. There were other reductions.

MR. B. RANSOM: Well, Mr. Chairman, the organizational aspects of this thing have, in my view, clearly contributed substantially to the costs. I don't believe that there has been adequate control in place, but that's clearly a subject that is open to debate. But I have some further questions about how the tenders were handled, because it strikes me that there has been an excessive cost on the part of Hydro in handling

the tendering process and indeed certainly raises questions in my mind as to the process of selecting a contractor to do the work. The answer that was given on the tender requirements and evaluation - I find it unusual, even though I readily admit I am a layman with no experience in this area, I find it unusual that Hydro would be calling for tenders on an item such as this and receiving tenders from experienced contractors and should then be examining the tenders from the point of view of raising such questions as - is his tendered fee for small tools consistent with our experience?

Surely when you're dealing with contractors of the experience that these people are, you don't have to have other people sitting around, making a judgment of whether the contractor has tendered enough small tools consistent with our experience, especially when we haven't built any arenas of this type before.

I raised questions the other day about the individual items in the tenders and asked for information as to why they were rejected. That information is not provided here. I take it there's some reason why that's not the case. Perhaps Mr. Arnason or Mr. Cherniack would like to indicate why it wasn't possible to provide that.

MR. CHAIRMAN: Mr. Parasiuk.

HON. W. PARASIUK: There are two things involved. First, the specifications or the proposals put forward by the various companies weren't made available. Business practice is that these are submitted in confidence to the company. They are not released, because you have within it sub-prices and breakdowns that are competitive. That's why they are not released.

A number of the companies were asked whether they would want it released, in that they provided them with confidence. Some said, no; one said, yes; and one couldn't be contacted.

A MEMBER: Nobody said, yes. One said, he didn't care.

HON. W. PARASIUK: Okay, one said, he didn't care.

With respect to the internal analysis and recommendation, again those were done on these proposals, which again were submitted in confidence. The internal analysis and recommendations were made in confidence to the Board. They are confidential in that sense. At the same time, the staff are here to answer questions that one might want to raise with respect to the proposals that were received.

MR. B. RANSOM: Well, then I'll ask a specific question following upon Mr. Arnason's answer the last time, where we were speaking about Central Canadian Structures Limited tender on Item 1. Mr. Arnason said, speaking generally about the tender, "We did not consider this tender worthy of further consideration after the initial examination. There was a lack of requirement for field supervision." Does the field supervision item fall within the fixed cost, Item 1?

MR. CHAIRMAN: Mr. Duncan.

MR. D. DUNCAN: No, the field supervision does not fall within Item 1. It is basically a management fee.

MR. B. RANSOM: What items were included then in Item 1? What would fall within Item 1?

MR. D. DUNCAN: It is the fixed fee for the supply of engineering and design and management services.

MR. B. RANSOM: It was stated then also that the list of construction equipment was inappropriate and incomplete. How would that be that you have a contractor who has built literally dozens of arenas of this nature and Hydro judges that their list of equipment is inappropriate and incomplete? It strikes me as being unusual to find a company with experience of that type not being able to submit a complete list of the equipment that would be required.

MR. D. DUNCAN: With regard to the equipment, that particular tender basically provided the equipment for the erection of the structural steel building, which he had already been awarded under a separate contract on a firm price. There was really no need for that type of equipment on this project, and his tender on equipment did not contain the equipment necessary to do many other aspects of the construction work.

MR. B. RANSOM: So that this company, despite their experience on dozens of these projects, wasn't able to adequately list the equipment that would be required?

MR. D. DUNCAN: The tender documents didn't indicate that they did.

MR. B. RANSOM: Did Hydro judge that the fixed item cost then in this case, the \$154,000, was an acceptable bid on that item?

MR. D. DUNCAN: We didn't feel that was sufficient to cover the management of the project if the managing was done to the extent we felt necessary on the project. It also included the responsibility for the design of this arena, and we didn't feel that the \$154,000 quoted was sufficient to cover both of these aspects.

MR. B. RANSOM: That was a fixed cost item. Is that not correct?

MR. D. DUNCAN: This is correct.

MR. B. RANSOM: And having bid at a \$154,000, would the contractor not be obligated to deliver that service?

MR. D. DUNCAN: Yes, this is correct. However, we find that in the administration of our contracts - and I might say that we have been administering contracts of this nature for a long time and particular with this format, a fixed fee and equipment rental - if the contractor does get in difficulty and if he has insufficient funds, we have difficulty in completing the project in a timely manner.

MR. B. RANSOM: Mr. Chairman, it's my understanding that there was sufficient bonding involved in this case. Is that not correct?

MR. D. DUNCAN: They provided the same bond that the other contractors provided.

MR. B. RANSOM: Mr. Chairman, is Mr. Duncan saying that this company which has constructed dozens of arenas, that he seriously feared that when they bid a fixed price of \$154,000 on Item 1 that they would not be able to deliver on that tender.

MR. CHAIRMAN: Mr. Duncan.

MR. D. DUNCAN: The thing that concerns us here - not only will they deliver, but will they deliver in a timely manner? I don't think you can really isolate the fixed fee. You must take into consideration all the other issues that are involved, including the training; their local experience; how they were going to administer their subcontracts; how they were going to deal with the supplies that the people of Cross Lake expect to supply, etc. I don't think that you can take the \$154,000 in isolation. It is one of the factors that we evaluated.

MR. B. RANSOM: Well, Mr. Chairman, my questions related to Item 1 because that dealt with management and design, and apparently didn't deal with field supervision. It was an item that was apparently judged reasonable to separate it out in the tender. What I fear that we have in this situation, and I think Mr. Duncan has confirmed that by his answers, is that we have people making a judgment in this case, that someone in the private sector is going to be unable to deliver on something, because the Hydro people judge that they haven't put enough costs in, even though they were bidding \$154,000 on this item, which happened to be the lowest.

The company happens to have extensive experience. This item includes design, for instance, and this same company designed the Shoal Lake complex and brought it to the point of issuing specification for \$5,950.00. They happen to have architects and engineers on their staff, of course, but yet Hydro makes the decision that they can't deliver on this item. If they feel they can't deliver on some other item, that's perhaps understandable, and it's perhaps an area that judgment can be made, but I find it astounding when Hydro officials will make a judgment of that nature that an experienced company bidding on a fixed cost item and being properly bonded, that the officials make the judgment that that company can't deliver on that item.

That certainly raises further questions in my mind, or perhaps provides an explanation, as to why this overall project seems to be ending up costing far, far more money than would otherwise be the case, aside from the considerations that there are about delivering it through the committee and getting the local involvement.

Mr. Chairman, there also are requirements for minimizing maintenance. What is the expectation that the ongoing maintenance costs will be on this arena?

MR. D. DUNCAN: It's expected that the maintenance costs will be in excess of \$100,000 a year, including operation, of course.

MR. B. RANSOM: How many people is it expected will be required to do the operational work?

MR. D. DUNCAN: It is the responsibility of the province to do this maintenance work. We haven't evaluated it.

In the future, we have attempted to minimize this cost by including features that will reduce the maintenance costs.

MR. B. RANSOM: That money is all to be paid by the province then? There's no local input into that at all?

MR. D. DUNCAN: The division of this cost has not been determined as yet, and how it will be divided between the parties to the agreement. That should clarify that previous statement.

MR. B. RANSOM: Who will provide an ice scraper, for instance?

MR. D. DUNCAN: Are we talking about the equipment that will be used for the resurfacing of the ice, Mr. Ransom?

MR. B. RANSOM: Yes.

MR. D. DUNCAN: That is part of the contract.

MR. B. RANSOM: What sort of a machine is being provided?

MR. D. DUNCAN: It is a standard, I think it's a tractor arrangement - it's not Zamboni-type arrangement - the standard that is used in most of the rural arenas.

MR. B. RANSOM: So it's something that's put together in somebody's machine shop?

MR. D. DUNCAN: They can be purchased ready-made.

MR. B. RANSOM: Any idea of what the cost of that is offhand?

MR. D. DUNCAN: \$7,000.00.

MR. B. RANSOM: There's also a requirement in the Order to have an environmental impact statement done. If I read that correctly, Item 14, "And it is further ordered that an environmental impact statement be conducted and an environmental impact statement be prepared at the expense of the respondents in accordance with accepted principles and methodology for the conduct of such studies and preparation of such a statement as distinct from a mere environmental assessment, in which shall include an identification of all quantifiable costs and benefits to any party or person and a description of all non-quantifiable adverse or beneficial effects on any party or person and the estimated uncertainty thereof, which shall consider all distinct or appropriate alternatives, including without limitation all alternatives which have been identified by Manitoba Hydro as potentially being capable of implementing article 10(2) of the Agreement or otherwise beneficially remodifying the water regime of Cross Lake."

Could I have an explanation of what's actually called for in that item?

MR. CHAIRMAN: Mr. Goodwin, please.

MR. C. GOODWIN: Mr. Chairman, the damage to Cross Lake essentially is by the operation of the Jenpeg Dam,

whereby in summer the water levels on Cross Lake are very low, in winter they tend to be higher than average, higher than historic average.

The low summer levels can be dealt with in three ways. There is a future potential generating station down stream from Cross Lake. Ancillary facilities for that generating station could be put in service, which could then be used to control the water levels on Cross Lake. It's also possible to build at the outlet of Cross Lake the combination of weir and channel excavations, which would ensure higher minimum levels during the summertime but which would not cause flooding during high water levels on the Nelson River.

The third alternative is to do nothing and pay compensation. That is the subject of the environmental impact study.

MR. B. RANSOM: But has nothing to do with the arena at all, it just happens to be included in this order?

MR. C. GOODWIN: Yes, that's correct.

MR. B. RANSOM: Mr. Chairman, I note in one of the pages dealing with the Cross Lake Arena that says, "Specification is presently being prepared by us for the balance of wall cladding requirement on the supply and erection basis, which we estimate will cost approximately \$85,000.00." Does that indicate some kind of a modification of the plan at this point?

MR. CHAIRMAN: Mr. Goodwin.

MR. C. GOODWIN: The original intention, in order to have the maximum of local labour, was to use either concrete walls or concrete blocks walls as a modification of that to reduce costs. The amount of concrete block wall was reduced and the amount of steel cladding was increased, and it is this additional steel cladding that's now being tendered.

MR. B. RANSOM: Who is actually going to pay the costs of the arena? Has there been an apportionment at this point of where the costs are going to fall?

MR. C. GOODWIN: As Mr. Ransom will know from the Interim Order, the costs are to be apportioned later. Until the costs are known, we are only using estimates to begin negotiation between Hydro and two levels of government as to the final disposition of those costs. That will have to take into account all the facilities necessary, the infrastructure facilities necessary for the arena, and the longer-term operating costs, and it will include consideration of the Federal Government's obligations to provide recreation for the Indian Band.

MR. B. RANSOM: Who selected the actual site for this arena, and were they fully aware when the site was selected of the cost that would be involved in rendering the site suitable for the arena?

MR. C. GOODWIN: In accordance with the terms of the order, the Province of Manitoba must provide a site. It was realized, I believe, that site, in part, had been used as a garbage dump of some sort. It was not anticipated that there would be significant amounts

of methane in it, nor that the garbage tip extended significantly under one corner of where the arena was to be set.

MR. B. RANSOM: Well, who actually selected the site? Was it Northern Affairs that selected the site, and how much did the cost increase as a consequence of having to take some special action to remove the garbage from the site?

MR. C. GOODWIN: It's my understanding that the Department of Northern Affairs, through the Local Community Committee, would have selected that particular site which was acceptable as a site location to the four parties. There may have been other government departments involved, I don't know. The cost of removing that waste, I believe, is \$149,500 of direct cost.

MR. B. RANSOM: So that cost wasn't anticipated then at the time that the site was selected?

MR. CHAIRMAN: You may have to repeat your question, Mr. Ransom. The staff are in consultation. Did you hear the question, Mr. Goodwin?

MR. C. GOODWIN: Excuse me, I did not hear the question.

MR. B. RANSOM: I would just say that cost then of \$140-some thousand dollars was not anticipated at the time that the site was selected?

MR. C. GOODWIN: Yes, that is correct. The figure I quoted is incorrect, I think. It has cost \$100,000 to date, that has been spent. There was additional work to do resulting from the methane problem which may cost in the order of \$100,000 additional, which is within the total estimated cost of \$3.5 million.

MR. B. RANSOM: Well, there's one other item listed there on another page, Contract Awards to Locals, an estimate of final grading and landscaping, \$90,000, to do the final grading and landscaping for an arena. What is it about this item that would lead to a cost of \$90,000.00?

MR. CHARIMAN: Mr. Duncan.

MR. D. DUNCAN: That is not a final cost. It is estimated that it will cost that sum; it is to include the final grading of the area and planting of trees, etc. That is not finalized at this point in time.

MR. B. RANSOM: I hope we can be assured that it won't be more than \$90,000.00.

MR. D. DUNCAN: I think you may be assured it might be something less, sir.

MR. B. RANSOM: It still is, in my view, has to be, an excessive cost. What is it about the landscaping there that would cost \$90,000.00? Where are the trees coming from that are going to be planted there?

MR. D. DUNCAN: This involves the installation of a parking lot, sodding the area that we have disturbed, some landscaping around the area, some ditching.

MR. B. RANSOM: What kind of a parking lot are we talking about here?

MR. D. DUNCAN: Suitable for an arena of this size.

MR. B. RANSOM: Does that mean that it's a paved parking lot?

MR. D. DUNCAN: No, it is a gravel parking lot, where it's made from the local gravel.

MR. B. RANSOM: So a parking lot, a gravel parking lot, constructed with local materials, some sodding and planting of trees, is estimated to cost \$90,000.00?

MR. D. DUNCAN: That was our estimate of costs.

MR. B. RANSOM: Well, Mr. Chairman, I begin to understand why this arena is going to cost \$3.5 million to build before it's done, I'm afraid, because I don't think anybody would judge that \$90,000 to do some landscaping around an arena would be appropriate for any community in Manitoba.

Mr. Chairman, just by way of some brief summary of this issue, which we've been discussing for an extensive period of time, just by way of recap, I would like to make the point that as far as I'm concerned the award that the arbitrator has made has been very reasonable, that the stipulations that the arbitrator set down were reasonable. What he has said is that the people of Cross Lake should have an arena that is appropriate to a community of that size, that it should be done in consultation with the local people, and that there should be a training component to take advantage of programs that are in place by both the Federal and Provincial Government and to be involved in the actual construction of the arena.

Now, it's from that point on where we start to get in trouble, and it may be substantially because of the organization, of the fact that it is a committee structure that is involved, but I certainly have the impression from the line of questioning that we pursued earlier on in the committee and which we pursued with the Minister of Northern Affairs that some of the responsibilities seemed to be put off on the committee that was involved rather than any individual Minister or Hydro Chairman for that matter taking responsibility for what was happening.

It seems that right from the start there simply was not adequate attention paid to controlling the costs, that because it was something that was awarded by the arbitrator, that's seems to have been a licence to the people involved not to pay attention to the costs, which would certainly have been prudent for a community undertaking this kind of thing on their own.

For instance, one of the answers provided by Hydro that's headed Cross Lake Arena Design Consultant, A. F. Eshmade, second paragraph says, "that the parties quickly established that they required professional recreational advisors to help set the parameters for the arena and they go on then to issue a purchase

order in favour of Eshmade at an estimated cost of \$100,000.00. No competitive quotations were solicited from other consultants."

So, right there at that point, in my view, things were out of hand. Immediately, when one has to engage a professional recreational consultant for \$100,000, then that was the first step where responsibility for this thing was really beginning to get out of hand.

It seems that the site selection was a further case of where there evidently was not adequate attention paid to the factors that subsequently proved to be rather important, that an unexpected cost of - there have been a couple of different figures used here now - but there is one here listed in writing, "Contracts awarded to locals, approximately 10,000 cubic yards of undesirable garbage material that must be excavated near the arena site of \$135,000.00."

So, there seems to be a further cost there of \$135,000.00 involved because there wasn't sufficient attention paid to all the relevant factors in originally selecting the site for the arena.

Then, of course, they get to the point where Mr. Eshmade's recommendations appeared to be getting too expensive for the Board, at least, and they apparently convinced the committee of that, so Mr. Eshmade is paid out and there is a cost of \$92,300 involved there alone. Well, it's a fair assumption that beyond that then there was substantially more costs expended on the design of this arena.

When we know that in a case like specifically the Shoal Lake Arena, that that whole complex of a curling rink and a skating rink could be designed and brought to the point where tender specifications were issued for \$5,950, and furthermore, in that case, the contractor and the company who did that work were prepared to write off the \$5,950 and simply include it in the tender price, which was a cost, of course, that the other contractors didn't have to bear. But yet, in the case of Cross Lake, we seem to have literally hundreds of thousands of dollars involved in the design aspects of getting this arena in place in Cross Lake.

Then we have the situation where the selection of the contractor, on the basis of the tenders, submitted certainly hasn't been answered to my satisfaction, and there may be reasons why it can't be fully answered, but all we have from the Hydro is the assurance that there were value judgments made as to whether or not certain items were satisfactory, judgments were made whether contractors could deliver, even though the contractors involved, certainly the one that bid the lowest on Item 1, that contractor has infinitely more experience in building arenas than Manitoba Hydro has by a long shot, so they may not, in fact, have selected the contractor that could deliver the arena at the lowest cost. Perhaps they did, but in any case the explanations have largely been ones on the basis of subjective judgment of Hydro officials involved.

We haven't been able to determine exactly how much extra cost there is involved here, but I will say that in my estimation there could be \$2 million of extra cost involved here, based upon what we know that it would cost to build a complex of a curling rink and a skating rink in Shoal Lake, which could be done for under 1 billion, and based on Mr. Eshmade's original cost estimate of perhaps 1.5 million to put an arena into Cross Lake, given the fact that Mr. Eshmade had had

experience in putting arenas into northern communities as well.

So, it could well be that because of all the factors involved here, that we may be seeing expenditures of up to an additional \$2 million involved, and unfortunately no one has been able to identify the additional costs of the training component, which I regard as a legitimate requirement and something that the local people have every right to expect, that they would be able to have maximum participation in this. But I think it's important that the cost of that kind of thing be identified and it hasn't to this point been identified. I hope it will be, as we have assurance that it will be when the project is over, so that we'll be able to say that the training component cost so much money and that the additional cost, the excess cost, was for some other reason.

Mr. Chairman, I seriously question whether the Board of Manitoba Hydro has exercised the kind of rigorous questioning that they should be exercising in this situation, because they are the agency that has to deliver it. They obviously have to accept a substantial amount of responsibility and at this point, it's not known how much cost they are going to have to bear, but it could be a very substantial cost.

So, Mr. Chairman, I am led to the conclusion that there is some very poor management involved here on the part of Manitoba Hydro. Unfortunately, I believe it's the people of Cross Lake who are going to get the blame if there's blame to be attributed, rather than having it fall where it should be falling on the Board of Manitoba Hydro for not exercising much more stringent control.

MR. CHAIRMAN: Mr. Parasiuk.

HON. W. PARASIUK: Mr. Chairman, by leave, maybe we could try and conclude today if we extended it for about five or ten minutes.

MR. CHAIRMAN: What is your will and pleasure?

MR. B. RANSOM: I understand that there are still other items that have to be dealt with, Mr. Chairman.

MR. CHAIRMAN: Committee rise. The Committee is adjourned.