



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

STANDING COMMITTEE

on

ECONOMIC DEVELOPMENT

33 Elizabeth II

Chairman
Mr. C. Santos
Constituency of Burrows



MG-8048

VOL. XXXII No. 2 - 10:00 a.m., TUESDAY, 8 MAY, 1984.

MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Second Legislature

Members, Constituencies and Political Affiliation

Name	Constituency	Party
ADAM, Hon. A.R. (Pete)	Ste. Rose	NDP
ANSTETT, Hon. 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, Q.C., Brian	Ellice	NDP
COWAN, Hon. Jay	Churchill	NDP
DESJARDINS, Hon. Laurent	St. Boniface	NDP
DODICK, Doreen	Riel	NDP
DOERN, Russell	Elmwood	IND
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	Virten	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, Hon. 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 ECONOMIC DEVELOPMENT

Tuesday, 8 May, 1984

TIME — 10:00 a.m.

LOCATION — Winnipeg, Manitoba.

CHAIRMAN — C. Santos (Burrows)

ATTENDANCE — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Schroeder and Storie, Hon. Mrs. Smith

Messrs. Ashton, Blake, Harapiak, Harper, Johnston, Ransom and Santos

APPEARING: Mr. Ray Kives, Chairman of the Board

Mr. Keith Guelpa, President

Mr. Ken Robinson, Controller

MATTERS UNDER DISCUSSION:

Auditor's Report and Consolidated Financial Statements for the year ended October 31, 1983 of A.E. McKenzie Co. Ltd.

* * * *

MR. CHAIRMAN: The committee please come to order. This is the Standing Committee on Economic Development and we are now trying to consider the Report of the Crown corporation, A.E. McKenzie Co. Ltd. We are going to start with an opening statement from the Minister responsible.

HON. V. SCHROEDER: Thank you, Mr. Chairman. I would just like to introduce the new Chairman of A.E. McKenzie Ltd., Raymond Kives, who is sitting at the head table along with Keith Guelpa, the Chief Executive Officer sitting next to him to his left; and Ken Robinson, the Comptroller of McKenzie Seeds. Mr. Kives has an opening statement he would like to make.

MR. CHAIRMAN: Mr. Kives.

MR. R. KIVES: Mr. Chairman, an audited report of the financial condition of A.E. McKenzie has been handed out for your review. The new Chief Executive Officer Keith Guelpa and myself were not with A.E. McKenzie prior to March 15, 1984, therefore, although we were not responsible for the previous financial history, both Keith and Ken Robinson, the new Financial Comptroller, will endeavour to answer any questions they can. If they are unable to answer any given questions, they will take note of the question and give a written answer in the near future.

I would like at this time to give reference to some of the new government appointees to the Board. Mr. Jim Clarke, previous President of the Chartered Accountants Association of Manitoba, and President

of Burrows Lumber, a lumber brokerage firm; Mr. Dave Baldner, Chairman of G.W. Manufacturing, an industrial packaging firm; Mr. Jack Chapman, senior partner of the law firm Simkin, Gallagher and Co. These three new members should add a wider perspective to the Board.

Further, at this time I would like to mention that I have spoken to our Legal Counsel for A.E. McKenzie, Mr. Ozzie Hirschfield, and he told me that the civil litigation re McKenzie is proceeding. We, however, cannot entertain any questions on these issues as they are currently before the court.

Now, I would like to explain some of our definite plans for the next 12 months which we feel will put McKenzie on the road to recovery and make it a profitable business. We will build confidence in the name of McKenzie by holding and reducing prices while increasing quantity. We will build morale at the plant by having regular meetings with the Board and the staff.

We will build up the mail order business by examining new ways of expanding its mailings. This has a tremendous potential for profits. We are looking to reduce overheads by looking at ways and means of increasing the profitability of our accounts. We will be moving the mail order operation to the main building and thereby saving approximately \$400,000 over five years.

We are examining the possibility of reducing purchases by re-using some of the packages from last year; we will be becoming more visible and acceptable in the marketplace; we will be reducing the number of varieties of seeds. We are looking at the rationale of trading under one trade name rather than utilizing the trade names of all the companies we have purchased in the previous years. We are looking to becoming a distributor for summer-related seed products.

Mr. Chairman, Keith and I are firm believers that McKenzie can be turned around. We need time and we need your support; no more fresh capital, just your willingness to give us your moral support.

Mr. Guelpa will now give a brief highlight of the statements before you.

MR. CHAIRMAN: Mr. Guelpa.

MR. K. GUELPA: Mr. Chairman, I would like to highlight the company's Profit and Loss Statement, as contained on Page 3.

Sales for the year ending October 31, 1983, amounted to approximately \$15.6 million, compared to \$12.8 million for October 31, 1982. This represents an increase of approximately \$2.7 million or 21 percent over 1982.

The \$2.7 million sales increase is attributable to approximately a \$1.3 million sales increase as a result of the purchase of Pike Seed and Robinson Seeds of Alberta. \$700,000 came from the McFayden's catalogue division and the balance from A.E. McKenzie assorted lines.

In the gross profit area, gross profit increased from \$6.2 million in 1982 to \$6.5 million in 1983. However, the gross profit percentage fell from 47.8 percent to 41.5 percent in 1983. The major reason for this negative change of approximately 6.3 percent can be attributed to the overall increase in the return factor in the package seed area, versus the previous year, as well as a change in the profit mix of the company's product lines.

Expenses increased from \$5.3 million in 1982 to \$6.6 million in 1983. This represents an increase of approximately \$1.3 million. The majority of the increase came from the selling area. I might add that selling, as defined here, includes all expenses related to such things as field sales forces, retail store staff, distribution costs, marketing costs and the catalogue division.

Of the approximate \$1 million increase in selling, about \$520,000 can be traced to the purchase of Pike and Robinson Seed Operations. Another \$125,000 can be attributed to postal rate increases and other increases associated with catalogue volume. The balance is spread through all other accounts. Administration increases were mainly the result of increased postage rates, legal cost and consulting services.

Interest costs to McKenzie decreased from \$1.9 million to \$1.1 million in 1983. Of that increase, \$629,000 is a result of the debt restructuring by the government.

The result of the above brought about a net loss for the year ending October 31, 1983 of approximately 1.2 million compared to a restated loss for 1982 of approximately \$1 million.

Mr. Chairman, in order to clarify a rather complex area regarding prior year adjustments, I will attempt to summarize the key points. Upon the recommendation of the Provincial Auditors and management, it was decided, prior to October 31, 1983, that a need existed to change policies related to inventory evaluation, development costs and other deferred costs. The result of this policy change had the effect of adjusting prior year losses by approximately \$2.3 million. \$1.6 million of this related to, prior to 1982, and \$700,000 approximately related to the year 1982. Of the \$2.3 million adjustment, approximately \$1.9 million can be traced to inventory related adjustments, the balance to deferred cost treatments.

Stated another way, the original 1982 loss of \$267,000 was adjusted by \$725,000 to reflect the approximate \$993,000 loss as per the consolidated statements on Page 3 and the opening deficit balance for the year beginning November 1, 1981 was adjusted from \$4.2 million approximately to \$5.8 million.

Mr. Chairman, I would request at this time that before we entertain questions, that I take a few moments to update the members present with the status of the company as I see it, albeit with less than two months in my current role.

I have undertaken a quick review of the problems surrounding the company and it is my opinion at this time that there appears to be no intrinsic reason why the company can not be made profitable in the future, basically, the problems at A.E. McKenzie can be fixed. The company and its employees are not going to accept a planned loss for this year of close to \$400,000.00. We are going to strive to achieve a break-even or better as our target. We have put plans in motion in the last six weeks to attempt to stop the internal bleeding with

the company. I look upon A.E. McKenzie as a patient in emergency with severe bleeding. We are not going to study the problem for two years before we attempt to save the patient by taking action. With the previous policy of the board on inventory and other matters, as well as actions such as a freeze on all non-essential spending, a freeze on all hiring, in attempting to stimulate this year's sales, as well as other plans, we will move closer to our goal of a break-even.

In addition, I am conducting a department-by-department review of all aspects of the company and expect that this will have a significant impact on this year and also on the next fiscal year.

I'm also pleased to report that I have found that the majority of employees at A.E. McKenzie are dedicated and responsible people who are eager to make their company a place to be proud to work at. I feel that my style of management will differ from previous managers and that all employees will be encouraged to participate in the new decision-making process within the company.

As a first step, I have set up a management committee, made up of the vice-presidents, which meet every Friday to discuss issues related to the running of the company. We hope to expand this process in the future to lower levels.

In summary, Mr. Chairman, we are not out of the woods yet nor are we predicting any easy solutions to our problems, but we have made progress on the long road back to recovery. I might add that the employees are asking the government, the opposition and the press to give us a decent interval to show that the employees of A.E. McKenzie can and will turn the company around.

Thank you, Mr. Chairman.

MR. CHAIRMAN: Thank you, Mr. Guelpa. Are there any comments or questions from the honourable members of the committee?

Mr. Ransom.

MR. B. RANSOM: Thank you, Mr. Chairman. First of all, let me offer my congratulations and best wishes to the new chairman and chief executive officers. They undertake what is obviously a great challenge in getting A.E. McKenzie back on its feet and making a profit.

Can I just ask, is that the bottom line that the chairman and the board are now pursuing? Is the bottom line to make a profit?

MR. R. KIVES: Mr. Chairman, we are looking, both Keith and myself, in making A.E. McKenzie a profitable business. We're really not looking at it as using it as a means of employing people, but as a means of selling a product to the Canadian public. We feel that it has every opportunity as a business to make a profit and we are going to do our best to succeed.

MR. B. RANSOM: There seemed to be some concern expressed in the Brandon area when you were appointed, Mr. Kives, that perhaps there would be too much emphasis put on making a profit. There seemed to be those people who believed that the company should have what might be called social goals rather than economic goals, but I take it that the board then is under no direction other than to get this company

on its feet and make a profit and thereby contribute to the well-being of the Brandon area and, of course, to the employees who will be helping to get the company on its feet.

MR. R. KIVES: It's our intention to pursue, as I mentioned before, a profit for the company. However, we are not going to do it strictly by overlooking all the social benefits to the employees, but it is my belief that I want all the people in Brandon and the employees of Brandon to be proud that they are working for a company that's making a profit. The worse thing is to wake up in the morning and to go to your business and you know you are losing money and basically you are really being handed a cheque from a company that isn't making any money. I want everybody to be proud to hang up their coat at McKenzie.

MR. B. RANSOM: Does that mean then, Mr. Kives, that you are approaching the management of McKenzie Seeds the same way that you would approach the management of your own company, that you are not under any kind of direction to treat this differently because it's a Crown corporation?

MR. R. KIVES: Mr. Chairman, Mr. Ransom, when I took on this position, my first intention was that I felt all Crown corporations that are businesses competing in the marketplace, that are not utilities such as Manitoba Hydro and Manitoba Telephone, they should be dealt with as if they were in a competitive market. We are not dealing with a utility such as a telephone company or a hydro that hasn't got any competition. We're out there among three or four other companies and we have to deal with A.E. McKenzie the same way as our competitors deal with their companies.

MR. CHAIRMAN: Mr. Doern.

MR. R. DOERN: Mr. Chairman, I wanted to ask Mr. Kives about a statement he made earlier, meaning some weeks and months ago, about some razzle-dazzle marketing techniques that he was considering, and I don't know whether he was in fact indicating these are possibilities or these were plans that he was working on and developing, and I recall he said at the time that he was considering selling seeds in packages of Smurfs and Popeye spinach packages, etc., which would lead one to consider that maybe cabbage seeds would be sold with pictures of Cabbage Patch Kids on them.

I have a couple of questions here. Was the gentleman throwing this out as an idea that he had, or is this a serious intention?

MR. R. KIVES: It is my feeling that we could add a little excitement to our present-day marketing. Yesterday we had a focus study done in Winnipeg and actually one of the products we brought up was putting out seeds with some of these characters, like I mentioned in my previous meeting. The focus study group was very positive on getting children involved in planting with their parents. However, we will not go on a mad rush to put out a Smurf carrot or a Popeye spinach, but it is definitely our intention to possibly test this concept in 1985.

As far as the razzle dazzle that you are mentioning, I feel that we are competitive in the marketplace. We have to not treat McKenzie Seed as an ordinary business, but one that's out there trying to get the consumer dollar. What we have to do is have the proper image. However, we can have as many new techniques in marketing as possible.

MR. R. DOERN: I have just a couple of questions. Again to Mr. Kives, and you just alluded to this. I would assume that most of the sales are purchases by adults, and I was just wondering if there were any figures or numbers that you had in terms of whether any percentage of the market, in fact, was as a result of purchases by children, or is this something you're thinking of attempting to crack.

MR. R. KIVES: I would agree with you that the majority of sales are to adults. Basically, all I feel is that it's an area that is not really focused upon by any other seed company. However, when I was in Australia on my last trip for my other company, I spoke to one of the major seed companies, Yates and Company, and they actually had a line of seeds that they sold to children. I spoke to the Chief Executive Officer there and he told me, although they do not see any extra sales, this does add to the overall image of the company in the sense that certain children say, "Why aren't we buying McKenzie's Smurf carrots?"

MR. R. DOERN: Do you have a figure that is presently being spent on advertising by McKenzie in terms of media and promotion? And secondly, would you be prepared, are you thinking of significantly increasing that dollar expenditure?

MR. R. KIVES: At this point in time, we haven't apportioned any direct advertising dollars to television or any other media. However, as I discussed this with our Chief Executive Officer, it is our intention to try some advertising in 1985, but that will be on a limited basis and it'll probably be at a per-inquiry TV rate. In other words, the advertising will be connected to the sales. Furthermore, we expect to probably give some advertising dollars to some of our accounts to use in trade ads.

MR. R. DOERN: Is McKenzie doing television advertising now?

MR. R. KIVES: At this point in time, we are not doing any advertising.

MR. R. DOERN: Are you considering using television now to promote McKenzie Seeds?

MR. R. KIVES: At this point in time, we are considering doing a test market in 1985, but we haven't made any definite plans.

MR. R. DOERN: My final question here, Mr. Chairman, is Mr. Kives, if you were to budget \$100,000 for a project like that or just to increase sales, how long do you think it would take to demonstrate to you one way or another whether that was going to be successful. Would

you expect an immediate answer? Would you expect to recover that extra expenditure within a year or several years?

MR. CHAIRMAN: Does the question ask for an opinion? The purpose of questioning is for information.

Mr. Doern.

MR. R. DOERN: Mr. Chairman, maybe I can reword my question. Mr. Kives has been speaking in committee and prior to committee about the possibility of expanding sales through a marketing program and I want to ask him, in the event that he follows through and budgets extra money for that purpose, how long would he anticipate it would be before he could either show a dollar return that would justify it, or how long would it take for him to assess whether to continue investing money in that area so it would be profitable to the company?

MR. R. KIVES: First of all, for next year, 1985, we would only do a test probably in one province. No. 2, we will know whether we will be making money probably within four weeks after we start the advertising. However, I want to make this statement.

It is not our intention to increase sales as far as the retail business is concerned. It is our intention to reduce returns. I feel we have a tremendous sales base. One of the problems A.E. McKenzie has had in the past is the return factor. I feel we could probably almost reduce sales and be profitable by reducing returns. The advertising is to create a better sell-through. Right now, our sell-through is in the area of 50 percent.

MR. CHAIRMAN: Mr. Minister.

HON. V. SCHROEDER: Maybe if the Chairman could explain what a sell-through is because I see some puzzled faces out there.

MR. CHAIRMAN: That's a technical term maybe that needs some clarification. Mr. Kives.

MR. R. KIVES: A.E. McKenzie is divided into three areas of business presently. We have the mail order, which is done by sending out a catalogue and we get cash or equivalent, such as credit card or cheque. There is no problem with wholesales. The second area we have, we sell to accounts with no right of return. So therefore there is no problem with that sale. However, the third and the largest part, which is approximately 50 percent of the volume of A.E. McKenzie, is we ship the merchandise on consignment to the stores. They are not responsible for paying for this merchandise until after the season.

The industry throughout North America works on this type of system. However, we find that for every point of reduction on returns is equivalent to approximately \$150,000 worth of profit. So, therefore, if you can reduce 50 percent returns to 49, 48, 47, it becomes very very significant. It is our intention next year not to concentrate on increasing sales, but to concentrate on reducing returns. Therefore, we are going to be looking at, when I referred to the term "sell-through," we're going to try to increase our sell-through rate from 50

percent to the area of 45 percent. Now this can be done by several means.

No. 1, by advertising to make a person more willing to buy A.E. McKenzie products; No. 2, by better displays; No. 3, by reducing the number of accounts. Up till now, we have been selling to the area of 15,000 accounts in Canada. Of the 15,000 accounts, probably approximately half of them would be, what we would refer to, Mama and Papa Stores, not the major chains such as Woolco, K Mart, Canadian Tire. We find that these stores have been giving us probably the largest number of returns, so we will be changing our technique in these stores by probably offering them a bigger margin of profit but not the right of return.

MR. R. DOERN: Thank you, Mr. Chairman.

MR. CHAIRMAN: Are there any other questions? That seems to be the end of the line of questioning from Mr. Doern.

MR. B. RANSOM: Do you have my name on your list?

MR. CHAIRMAN: I have no list, I just look at people, so you'd better indicate where you want to speak.

Mr. Ransom.

MR. B. RANSOM: Well, Mr. Chairman, I was speaking before with a line of questions when you switched to another member of the committee and I indicated to you subsequent to that, that I had more questions. Perhaps you would undertake to keep a list of people who wish to speak because then it makes the committee flow a little more smoothly.

Mr. Chairman, in listening to what Mr. Kives and - is it Mr. Guelpa? - in listening to what these gentlemen are saying it seems to me that what they're telling the committee is that really the only problem that has been facing McKenzie Seeds is management. There is nothing intrinsically within the system that's going to prevent the company from making a profit. Mr. Kives says we don't even need to have a greater percentage of the market. I understand, from statements made last year, that they already had about 80 percent of the market. So what it boils down to is management. What this company needed was good management; is that correct?

MR. R. KIVES: I would probably say that is correct, basically, and non-government interference. Basically the company should be looked upon as a business that should run on its own two feet and a government has an investment as a shareholder. I feel that the infrastructure of the present day management in the lower level is strong and can be built upon, but I feel under the direction of Mr. Keith Guelpa there is great potential to turn A.E. McKenzie around into a profitable business.

MR. A. RANSOM: That's nice to hear, of course, that that's your view of it Mr. Kives. I point out to you that last year when we sat around this table the Minister who was then responsible, Mr. Evans, in commenting on the company said, and I quote, "it's a rather refreshing contrast to what's going on in the economy

that, whereas you read of bankruptcies across the land, we have at least one company that's growing and adding jobs."

Then we had Mr. Scott, the Member for Inkster, saying that he had confidence in the management of the company which he thought was first class. Then we had Mr. Moore who was the Chief Executive Officer saying that the profit was going to be around 1.6 million in the coming year. That was, I believe, the 26th of May last year that we sat around this table and heard from the Minister and from the Chief Executive Officer that everything was fine, we were going to make 1.6 million.

So perhaps you'll forgive us if we congratulate you for the stance that you're taking and for some of the statements you're making, but I guess we're really going to have to gather here next year to know just how well things have really been going. But I'm interested in how we could have gathered here last May and have been assured that we were going to have \$1.6 million profit in the company, and then it turns around within a matter of a very few months and we've got a \$1.2 million loss. I mean, what was wrong? Was that not evident last May do you think to managers who were on top of things?

I'm sure you gentlemen must have gone back and looked at this situation and I'm not particularly interested in this from the point of view of trying to put blame on anybody's shoulders, I'm interested in it from a point of view of whether or not a committee of the Legislature, or indeed the government, maintains any control over a Crown Corporation, whether we can really know what's going on or whether we're entirely at the hands of the people who are managing the corporation?

Do you care to make any comment on what went wrong there?

MR. R. KIVES: One of the problems in this type of business is inventory. Up until now, as everybody realizes, there are certain civil litigation going up before the courts, but up until now, and it doesn't matter which government, whether it's been the NDP Government or the Conservative Government or the Liberal Government, up until now, I don't think governments to date use companies of this nature in the right fashion in regard to political appointees to the boards. The government has added a number of new appointees who are business-orientated individuals.

One of my first recommendations was possibly to change the year end. The main reason is I want the year end to be at the period of time when the inventory is at the lowest. If there's a place to play around with numbers in this type of business it is in inventory. We have to keep the inventory at the lowest level in order to really get a hard fast rule of profits. As far as a year ago, I feel that there was probably some personal motives of various individuals in giving the numbers. However, it wasn't last year's numbers, this has probably been going over for the last 10 years and the company has gone through a number of General Managers and Chief Executive Managers. The company's inventory has to be looked at the closest, the other parts are very hard and fast rules. If the inventory is given the correct evaluation there will be no problem as far as assessing profits and losses in the future. That's one

area where we have to examine very closely in the future.

MR. B. RANSOM: I recall that when we were in government there were some adjustments made at that time on inventories. Last year as we sat around this table the Member for La Verendrye raised questions about inventories. I don't know whether you read the proceedings of last year's committee or not, Mr. Kives, but if you did you would see that the Member for La Verendrye spent quite a bit of time questioning Mr. Moore about that very thing, of inventories. Of course, we received nothing but assurances and then it turns out that evidently there were problems with that. What concerns me is that we don't, as a committee, seem to have any kind of control, or the government didn't seem to have any kind of control over what was happening.

I'm wondering what kind of mechanism, what kind of new mechanisms are going to be in place now with the Board, for instance, to see that the same kind of thing can't occur again. Are there new safeguards being built into the system or are we still just reliant on the individual people who are involved?

MR. R. KIVES: In the business I'm in now, we treat inventory at the actual product cost of the actual plastic or the jacket. We do not build in any labour cost. It is my intention to look at the inventory, at the actual cost of the product with very little labour.

If one studies the previous year's history, labour content of the product was a variable in order to show higher profits or lower profits. By bringing in the cost of the product at the actual cost of the packet and the seed, and also keeping room for discontinuing lines and not amortizing costs of stands over a number of years and writing them off as an expense, the government will have a clear picture of the company.

Now I'm not saying we're going to make fortunes of money. However, again I'd like to reiterate that this business can be turned into a very profitable business, and all one has to do is take a hard and fast look of the inventory cost and really not treating the inventory as the area to make the profits. We're dealing basically with a cash business and the profits should be looked upon, rather than looking at inventory for your profits, look at your bank account for your profits.

MR. CHAIRMAN: Mr. Johnston.

MR. F. JOHNSTON: Thank you, Mr. Chairman. In the statement that we received last year in the committee meeting, there was a statement, "The company's direct marketing division continues to be the area of substantial continued growth. In '83 this division is expected to experience \$4.5 million in sales, an increase of 100 percent over '82."

Mr. Kives, I believe you mentioned earlier that the direct sales or the catalogue sales that you're speaking of had a very high potential. Did we reach that \$4.5 million in sales? Did we reach it and is there a potential of this? You say it's growing more. What do you feel it will reach in sales in 1984-85?

MR. R. KIVES: Before I go to the specifics and a number, I would like to give some indication of how the mail order business operates.

First of all, right now the mail order business at A.E. McKenzie is a very seasonal business. I think we do our volume in approximately four or five months. However, research has shown that the people that buy seeds and related products from mail order are generally homeowners, people that own their own homes or rent homes. They're generally not people who live in apartment blocks. We are looking possibly at coming up with a new fall catalogue to send to these people.

We have been in contact with several mail order companies in the United States and we find that products such as arts and crafts are purchased by the sametype of people that buy seeds. So, therefore, next year - and this will be Christmas'85 - we are looking to have a Christmas catalogue to further increase sales.

As far as the actual numbers, I will now turn that question over to Mr. Ken Robinson, who is the controller of A.E. McKenzie.

MR. CHAIRMAN: Mr. Robinson.

MR. K. ROBINSON: Thank you, Mr. Chairman. First of all, to comment on the \$4.4 million budgeted for the mail order or the retail business, the numbers that I have in front of me indicate a budget for that division of \$3.2 million. The actual 1983 sales for mail order, including the two retail stores, one in Brandon and one in Edmonton, amounted to \$3.7 million in 1983.

MR. F. JOHNSTON: Mr. Kives, I know we're all aware of your experience in this business. When you talk about the mail order catalogue, or the mail order catalogue that you have, McKenzie Seeds is not going to be in a position of having to carry a large inventory of these products. You receive the orders, they're forwarded to people who inventory and mail, or to the manufacturer, I'm not sure which, or do you carry a large inventory on that?

MR. R. KIVES: In the mail order business, we will get all our merchandise for the catalogue from known suppliers. Since we do not have a retail shop where a person walks in, we will more or less carry a very low inventory of the various products outside the seeds and order to requirement. If we see there's a certain item going up in sales, we will order, but generally we are going to make sure that all our suppliers keep an inventory of the product.

We do not want to become a store. All we want to do is make sure that all the suppliers we do purchase our products from will carry a certain back-up supply of product that they put in our catalogue. That will be one of the requirements for sourcing the product from a specific firm.

MR. F. JOHNSTON: Mr. Kives, you mentioned inventories before, and I go back to my own experience in stores where there was an inventory that was in on consignment. Was the McKenzie Seed sales staff expected to go into these mama and papa stores, pack it all up and send it back? Was that part of the cost of operation or did the stores have the responsibility?

I remember one occasion in the committee you mentioned display stands that, as you know, sometimes

are of absolutely no worth after a couple of years, were brought in as inventory, etc.; so will we be eliminating the work of the sales staff to do all this packing, the overhead, etc., with the advertising you are expecting?

MR. R. KIVES: What we will be doing is, for the smaller stores, is selling the merchandise on a one-way basis. So, therefore, once the merchandise is sold to the store, the sales staff will have no responsibility in the returns because it will be up to the store itself to dispose of the seeds in any way they wish.

Also, we are going to change our stands in such a way that they are disposable. In other words, we do not - I agree wholeheartedly with Mr. Johnston, that these stands will not be returned to the company for reuse because they're generally not reusable, whereas we do not want our sales people really going to the mama-and-papa stores; they will be concentrating on the major retailers such as the Woolcos, the K Marts, the Canadian Tire stores.

MR. F. JOHNSTON: As you know, some companies at the end of the year will send their little letter saying that we'll take 50 percent discount off the balance of the stock that is left, we don't want it, you have a discount of 50 percent, put it on sa'e. Are you allowed to do that in the seed business, or is there something about the seed business, the age of it, that doesn't allow that?

MR. R. KIVES: This is basically called a Christmas card technique where you send Christmas cards or wrap, and after Christmas you ask to discount the Christmas cards to half and people will keep them for a year.

Generally, seeds are good for a number of years. I mean, there are cases where they have found seeds in the Egyptian tombs that are 4,000 years old and they have planted these seeds and they have grown. As long as seeds do not get in contact with moisture, they are good forever.

I feel what we will do - in Australia, the company, Yates and Company, after examining their packets - they date their seed packets - in other words, they state on the back of the packet, "These seeds are good till August, 1988." We will probably be looking at possibly dating our seeds, and we are also going to be testing what is called the Christmas card technique, where we will tell a store that what they should do after the season is over, possibly put these seeds on for 50 percent discount.

However, this could be very dangerous in the sense that we do not know the effects, therefore, this test would have to take place over a two- or three-year period. If they do sell a large number of seeds after the season is over and people buy them for use the following year, they possibly will cut into sales for the next year so a test of this nature has to be done over a number of years. However, Mr. Keith Guelpa and his staff have decided to test this concept. Actually, I think this year they will do a number of stores using what is called the Christmas card technique.

MR. F. JOHNSTON: In the statement I referred to, it says, "In 1983 it has expanded its line of products to

include such items as rose bushes, potato seeds and shrubs." Rose bushes and shrubs concern me. We don't have any nursery or anything of that nature.

MR. R. KIVES: I will turn that question over to Mr. Keith Guelpa. I am not exactly sure how it's handled.

MR. K. GUELPA: Mr. Chairman, the catalogue division can sell many lines as long as it's handled properly, and what we do is we basically take orders at certain times of the year for shipment at certain times of the year. We go out to nurseries, either Ontario or Quebec or B.C., and bring the rose bushes or shrubs in. The roses come from Holland, I believe most of them, and we simply ship them to the consumer at a certain time of the year, therefore they arrive in good condition and fresh, ready to plant. So we don't have to own a nursery, if that was the question, in order to be able to offer it in our catalogue division.

MR. F. JOHNSTON: Well, to either of the gentlemen, I understand the lab that McKenzie Seeds is not operating now, is that causing any inconvenience to the people, or was it too costly to operate, or what's happening?

MR. K. GUELPA: We have done a study within the company concerning the accredited seed laboratory and, based on the findings, we concluded that there are no harmful effects to the company, that we are not contravening any laws. We have talked to the Department of Agriculture; in fact, we are using their laboratories in Winnipeg to do our testing. In addition, most of the seed companies in the U.S. are now allowed, as of July 1, and in fact the government was allowing this earlier, July 1 of this year, that the seed companies in the U.S. can give an accredited approval and that will be accepted in Canada.

We still do quality control. We are not giving up on quality control because quality control is very important. We send our seeds into Winnipeg to have them germinated, to see if they are germinated properly; we use them quite extensively. We are also reviewing the internal quality control procedures within the company to ensure that there is no long-term harmful effects to the decisions that we have taken.

MR. CHAIRMAN: Mr. Blake.

MR. D. BLAKE: My question was on the lab and has just been answered.

MR. B. RANSOM: A few specific questions, Mr. Chairman. What size of payroll does the company have either this year or the most recent figures that are available? How do the numbers of employees vary? What's the permanent complement, and seasonal that would be added? And has Mr. Guelpa had an opportunity to review the wage structures and make any sort of assessment as to whether or not they are competitive or whether they are not competitive?

MR. K. GUELPA: Mr. Chairman, as I stated earlier, we are undertaking a department-by-department review to see what is required within the company. We have

begun to conduct surveys in the Brandon area because it is our belief that the company must be fair and equitable to our employees. The results of all those surveys are not in, but I can assure the committee that we are going to look at A.E. McKenzie in relation to the community both in terms of our office staff and also our plant staff, and that we will treat them fairly and equitably, consistent with the company having to make a profit in the long run so that we can have the jobs around in order to pay the people their money.

In response to the number of people within the company, generally it varies from upwards of 250 in a busy time of our year prior to Christmas when we're packing displays, probably to a low of between 125 to 150. These numbers could be out. I haven't got the specifics in front of me. Does that answer your question fully?

MR. B. RANSOM: Well, that's close enough, Mr. Chairman, unless you find that those figures aren't really in the ball park and maybe you could just give us the correct figures after, the more accurate ones.

I found last summer and fall that I received a lot of phone calls and letters on an anonymous basis concerning the operation of the company. A great deal of the concern that people had was with morale. Their morale was bad because they felt that there were a lot of bad personnel management practices within the company. There were complaints about husband and wife teams, on favouritism allegedly being given, sons and daughters being hired, people being promoted on other than merit basis, this sort of thing.

Has your period as Chief Executive Officer, Mr. Guelpa, borne out any of those kinds of allegations?

MR. K. GUELPA: Mr. Chairman, I don't think I can answer that question specifically as I was not here, nor was I privy to the conversation that you had with whatever your sources are. However, on judgment, I would have to say that there appears to be areas of the company that we must strengthen. The areas that you have mentioned are areas that I am currently investigating and looking into to make sure that the company has a fair and equitable policy to all employees. I can assure you that in the future, under my operating style, it will be based on merit and fairness and not on any favouritism on my part, the board of directors, or anyone under my responsibility.

MR. B. RANSOM: I am pleased to hear that, of course, Mr. Chairman.

I would just like to stress again, for the benefit of Mr. Guelpa, that there were a great many complaints of that nature and also complaints from people who had been fired, had been let go from the company, saying that they had not been dealt with fairly, that they weren't part of the clique that controlled things. So it's an area that I am sure you are going to have to deal with to get staff to the point where everybody is proud and happy, as Mr. Kives says, to come in and hang their coat up at McKenzie Seeds in the morning and know that everybody is going to be treated the same.

MR. K. GUELPA: Mr. Chairman, I concur with the speaker's comments. At this point in time, speaking

for the employees, and I've been through this turnaround situation twice before. This is my third turnaround situation; it's not new to me. I know the problems in a turnaround. The employees are very nervous; they are looking over their shoulders probably; they are wondering what's going on. They're wondering whether the company is going to survive. All those things that I think you have stated are probably there.

When you're involved in a turnaround situation, it's very unique to an ongoing company, and sensitivities on the way you handle anything are very high. I think management must go out of their way in a turnaround situation to deal with situations differently because there is the heightened expectations of the employees every time you do something that you are either picking on them or singling them out for some particular judgment or punishment or whatever.

I think that we are going to get the employees involved in the company. We are setting up within the company, we call them tea groups, and you might have heard of them, as the Japanese car makers have them, quality control groups. Basically, what we are saying to the employees is we want you to turn the company around, not Keith Guelpa, not the board of directors. We want the employees of the company to turn this company around, because if you don't have the employees involved and you don't have them involved in the decision making, you can make all the great decisions in the world, but if you don't have them on board, they're going to fight you the whole way.

We want to go to them and say, look we've got some problems, the company is not in a good position, let's get out of the back pockets of the taxpayers of Manitoba and let's show that this company can operate on its own, now give us some ideas of what we're doing wrong. We have already started that and we are experiencing tremendous - I can't pick the right word - success from that.

I believe a lot of the solutions to the company's problems lie within the company and employees, long-term employees, and I'm happy to say most of our employees are long term, I think know some of the things that have to be done. If we can tap the board of directors' resource, senior management's resource and the employee's resource, I think that we will have a very great team. It's going to be a team effort that turns the company around.

MR. B. RANSOM: Another specific question relating to the statement, Mr. Chairman. On Page 4, under Source of Funds, there is an item listed - mortgage on residence, \$34,500.00. Can you give us some details about that?

MR. K. GUELPA: Mr. Chairman, that relates to a residence in Alberta that the company purchased from an employee that was moved from Alberta to Ontario. This house has now been sold and that will come off our books in the next year.

MR. B. RANSOM: Both these items, both the Source of Funds at \$34,500 and the investment in residence at \$120,000, those both relate to the same transaction?

MR. K. GUELPA: Yes, they do.

MR. B. RANSOM: Is this a practice that the company has followed in the past concerning mortgages on homes? Is there any evidence that the company had taken mortgages on homes of other employees?

MR. K. GUELPA: To the best of my knowledge, I cannot answer that question specifically as I wasn't with the company. From a review of this area, it is my opinion that the company tried to act in an equitable manner to an employee when they were making a move from one province to another. It is an area within the company that we must bring forth an evaluation in terms of a policy for the future.

MR. B. RANSOM: Is there any existing policy now whereby an employee in Brandon, for instance, might be offered a mortgage at the reduced rate through the company?

HON. V. SCHROEDER: Mr. Chairman, it's not my understanding that the employee received the mortgage, but that the company received funds from the proceeds of a mortgage which was taken out on the house. Maybe Mr. Guelpa could concur.

MR. K. GUELPA: Yes, it's my belief that the company actually purchased the house and, therefore, it's showing up as an asset on the company's books.

MR. B. RANSOM: In this case, I gather, they took a loss of \$29,000 or \$49,000-some, but my question was, not relating to this, but relating to existing policy of the company, whether or not, within Brandon or Edmonton or someplace else that, as a fringe benefit, the company would offer to any employee to pick up a mortgage for them at a reduced rate, or perhaps even just at a market rate.

MR. CHAIRMAN: Mr. Kives.

MR. R. KIVES: It is not our intention to offer any, we're not in the finance business or the mortgage business. But, just going on buying a home, I know it is a practice by many corporations when they transfer employees from one city to the next to help them in regard to selling their home and buying a new home. Sometimes when you move a person from a low-value area home to high value you will give the difference in money to live in a home of similar nature. However, we have no intention now and we have no intention in the future to become a mortgage company. All we may do, in certain instances, is assist employees. If we decide to move an employee from Toronto to Brandon and he has difficulty in selling his home we may pick up some of the loss if he has to reduce his home below the costs he paid for it. However, this has to be a managerial decision, not a board decision. I mean, this is a normal business decision that goes on in every major business in the world.

MR. B. RANSOM: Mr. Chairman, has McKenzie Seeds retained some management consultants, some efficiency experts, whatever the modern current jargon is for outside consultants to come in and help you evaluate the operations of the company?

MR. K. GUELPA: You may not like the answer that I'm going to give because it's my belief that consultants per se are not necessarily the answer to all company problems. I have a library in my office on consulting studies which have not been implemented within the company. In previous companies, I also had a library on consulting studies that were not implemented within the company. I was once a consultant and I know what a consultant can do and cannot do. I believe that there is a place for a consultant within a company if used properly. To answer your question, specifically, yes, we have retained some consultants in certain areas and one of those was as recent as last night where we conducted some research.

We will be evaluating other areas of the company, but we have decided that, rather than throwing consultants at the company and letting consultants solve the problems, perhaps we have the ability within the company, in conjunction with selective use of consultants, that we can come up with answers faster and perhaps better than just bringing in troupes of consultants to, again, tell us basically that we should have a one-storey building, and we have an eight-storey building or a seven-storey building. We can't really do very much about that at this point in time unless we want to come to the come to the government for another \$3 million to buy a one-storey building. I really don't want to pay a consultant \$30,000 to do that, and I'm not trying to be facetious there, I just have a particular opinion that consultants must be used judiciously, selectively, and that's the best use in the long run.

MR. B. RANSOM: I take it then that this decision to use consultants is one that you have made yourself or in conjunction with the board. But there is, perhaps you could call it a pattern presently of the government using consultants, whether it's in MPIC or whether it's for Flyer Industries. So, I'm just interested in knowing whether that is a decision that's been taken strictly by the management of the corporation, as opposed to some general thrust of the government.

MR. R. KIVES: Mr. Chairman, when Keith Guelpa and I came on board, there was in place some studies done to have some consulting work done at McKenzie and Company. It is my belief, and it is Mr. Keith Guelpa's belief, before we do any consulting work of any large nature, that we get our house in order, in other words, understand the nature of our business. There is definitely some selective use of consultants necessary in order to help us turn around McKenzie and Company, but I feel we have the personnel from within to do a lot of the work and we will use consultants on a selective basis. However, like Keith Guelpa, I am very much against using consultants to tell me how to run my business. Either we do it ourselves or we shouldn't be in business because, in order to have proper consultants, we would have to spend a great deal of money building a new library to put all these books on that will never be used because, like Keith Guelpa said, consultants will tell us that we're inefficient, we should have a one-storey building, that we should have new equipment. I mean it's very easy for them to spend money that isn't theirs.

It is our intention to get our business in order, use consultants on a selective basis and then possibly do

certain changes of a major nature, but right now we know we do not have any money for capital improvements, so therefore we have to review our business and change it accordingly.

MR. B. RANSOM: In the 1983 statement, under Administration Expenses, I believe someone, in addressing that rather substantial increase in administration expenses, mentioned consulting fees. Can you give us an indication of just how much was spent on consultants then in the year under review?

MR. K. GUELPA: Mr. Chairman, there was some consulting studies done within the company last year, as I understand, and the nature of the consulting was a salary survey conducted by an eastern company, and the approximate cost of that was under \$50,000.00.

MR. B. RANSOM: A salary survey. I asked Mr. Guelpa earlier about salaries, the competitiveness of them, and he said that he's still looking into that in various departments. What was this study then, dealing with salaries, intended to accomplish?

MR. K. GUELPA: Mr. Chairman, as I was not a party to the objectives of the study, I couldn't answer that question directly. However, I have seen the results of the study and it is a Hayes report. For those of you who are not familiar with Hayes, this is a large, international company that basically will come into a company and look at all levels of management and will try to develop a salary policy as it relates to that company; but usually it's more in a national basis as it relates to large centres such as what are you paying your executives in Toronto, Winnipeg, Vancouver.

I haven't had a chance to review that in detail, but I know that there was not unanimous agreement amongst the remaining executives as to the end result of that study and therefore I have to immediately evaluate the worth of that study. I believe what we have to deal with is, and the answer to your question specifically, was in the Brandon area and I believe that we don't need an international survey company to tell us that. Although on some occasions there is a need to go outside, I think we have to take it in relation to the other firms in Brandon, which we can conduct on our own.

MR. B. RANSOM: So in '83, the company had hired Hayes Associates to look at executive salaries. What was the conclusion of that study?

MR. K. GUELPA: Mr. Chairman, I would have to correct that interpretation. It is not my understanding that it was only to look at executive salaries. I think the objective of the study was to look at all salaries within the company.

The conclusion of that report I have not been able to obtain in my files at this point in time. I believe, to the best of my knowledge, that the recommendations of the Hayes report have never been implemented.

MR. B. RANSOM: What were the recommendations?

MR. K. GUELPA: Mr. Chairman, it is also my belief that this was handled by the two senior officers within

the company and my controller informs me that we can't appear to find any recommendations or conclusions on the study, but I can assure you that I will undertake to go through our files again and see if there is some conclusions and, if there isn't, to get in touch with the Hayes people because I believe, since we paid under \$50,000 for this study, that we owe it to the company to not put it on the shelf, that if there is something that we can get out of it, we should use it.

MR. B. RANSOM: Just a little aside, I guess. Mr. Guelpa says under \$50,000. I guess some people would say almost \$50,000.00. I think there is a difference. A lot of people still regard \$50,000 as quite a bit of money, especially when you're assessing executive salaries primarily and then the subsequent management can't even find the report from that kind of money that's been paid out; and I realize that you have no responsibility for any of that.

MR. CHAIRMAN: If the chairman may be permitted a remark, how you put a thing is as important as to what it is.

Mr. Guelpa.

MR. K. GUELPA: Mr. Chairman, as someone just said, this one wasn't in my library, so I couldn't find it.

To answer your question specifically, the cost was \$36,000.00. I just like to approximate.

MR. CHAIRMAN: Mr. Johnston.

MR. F. JOHNSTON: Mr. Chairman, just to follow up on studies, and possibly the Minister will answer this question, or the chairman of the board.

There is, in the government, a department called Crown Investments. Crown Investments have a habit of, once in a while, coming along and saying, well, we need a study. Quite frankly, I believe the same as Mr. Kives, that you turn to consultants when you don't know how to do it yourself and you should know how to do it yourself; but is the board responsible to the Minister of Finance, or does the board have any responsibility to the Minister in charge of Crown Investments, and the third part of it would probably follow along, does Crown Investments have any authority to walk in and overrule the Board of McKenzie Seeds to do studies or anything within that company?

MR. CHAIRMAN: Mr. Minister.

HON. V. SCHROEDER: Mr. Chairman, as is known, I am the Minister responsible for McKenzie Seeds. It happens that I'm Minister in charge of Crown Investments as well, so that we don't have the problem that some other Crown corporations might face in having two different Ministers.

We have, to this point in time, simply had proposals coming forward from Crown Investments which we have discussed with people from McKenzie Seeds, specifically Mr. Guelpa and Mr. Kives, and up until now, we've been able to mutually agree on steps to take.

One has to keep in mind, when you're looking at consulting studies, that there are, in a sense, two sets

of interests involved. It's not only management, not only the board, but also the shareholder; and sometimes you can, when you're looking at these kinds of consulting reports, if you don't have the input from the shareholder, have reports that sometimes may have less value than they could have had with that input.

Just for example, there was a report done for McKenzie Seeds before the refinancing and I believe there was some serious lack of information that was provided to the consultant. I believe the consultant ought to have probably asked more questions than were asked, but when we look at it from the Crown Investments perspective, we are looking at it independent of the company and not necessarily trying to make the company or management currently look better. We are trying to make sure that we get all the information we need because Crown corporations have had a habit of coming to government asking for money, sometimes for projects that didn't pan out in any way near what we were told we were going to get. When we look back at some of the consulting studies that were done, we think that maybe there is some advantage to having a little bit of independence in the consulting reports as well. So there are some tensions in that area.

MR. F. JOHNSTON: Thank you, Mr. Chairman. I would ask then, does Crown Investments have the employment study that seems to be missing?

HON. V. SCHROEDER: No, they do not. I checked with my Deputy Minister just a few minutes ago.

MR. F. JOHNSTON: Obviously, nobody has got the damn study.

MR. K. GUELPA: Mr. Chairman, a point in clarification, the study itself is not missing, I have that. What I don't have is the written recommendations coming out of the study on what we should do, based on the results of the study. I have the study in chapter and verse and a number of volumes, but what I am saying I can't find is what were the conclusions that the Hayes Company derived. That's not a problem because I'm sure in their files they have it somewhere and, as I stated, I can contact them and resurrect what their recommendations were.

MR. CHAIRMAN: Mr. Carroll.

MR. H. CARROLL: Mr. Chairman, I have a question arising out of some earlier questioning by Mr. Johnston. In answer to a question there was some mention of expanding the catalogue sales, and then there was some specifics; someone mentioned ceramics and other things that they perhaps were going to be putting in this catalogue and selling. That part of it is reasonably unimportant as far as I am concerned, what it did do was trigger for me a concern and I want to hear from the Chairman how he would react to this concern.

I have been involved and I have been aware of what's happening in McKenzie Seeds for a lot of years. I am aware that they had problems when they decided to buy a Mexican company years ago; I am aware that McKenzie flirted with the European companies and have

done a lot of empire type of building. As far as I am concerned, McKenzie Seeds is, was and should continue to be a package seed business.

Now, my question to you is, you are a merchandiser, Mr. Kives, do you intend to use your merchandise expertise to make McKenzie's a package seed business, or do you intend to use your expertise into broadening McKenzie's out and making it a different company?

MR. R. KIVES: Mr. Chairman, generally, we have no intention of expanding our business by purchasing other businesses. Any expansion of our business will be growth from within. Generally, I am a merchandiser.

We have a catalogue of names from our seed business which we use three or four months a year. In the mail order business, a solid list of names is very important. All we are looking to do is to recanvass those names in the off-season in order to remove the seasonal nature of our mail order business to a business that would possibly operate over a 10-month cycle. Therefore, we are looking possibly to employing more people. I am not looking to buy other businesses, we will do this on a very careful basis, and we are looking basically to recanvass the same purchasers that buy seeds, that would buy related types of arts and craft-type products. We are not going into ceramics; we are not going into any manufacturing process.

Basically, I have learned one thing from my business, stick to what you know. We know we are developing a very strong mail order business, and that is all I want. I want to stick to our business and we will study it carefully. We are going to be using mail order business; we are not looking to buy other businesses; we are not looking to go into manufacturing of any of these related products. Any products we put that are non-seeds we will basically source them from factories that will supply them as we need them. We are not looking to becoming an inventory company.

MR. H. CARROLL: I am glad to hear you saying that you are going to deal with what you know, but then I am a little concerned by your additions as saying, but we will expand into further catalogue sales to cover our weak seasons. Mr. Chairman, that's been done before. McKenzie Seeds has always had the problem of being a very reasonable business and boards since the early '50s have been concerned with what to do in the off-season; and, again, I am happy that you are saying you are limiting yourself to what you know, but I am concerned that, having said that, you say, but therefore, we shall expand into this, and I am concerned, Mr. Chairman.

MR. R. KIVES: Mr. Chairman, like yourself, I am also concerned. If I approached a government and said I want to buy a mail order company that sells arts and crafts and I want to pay tremendous good will or I want to pick up the inventory, I would completely agree with you. However, we are looking to develop this from within; we are looking to do it on a test basis, and before we get very serious on a 10-month-a-year business, I will review this very carefully. We are not, and I would like to issue this statement right now, going to take any wild chances and we are not looking to chase business. We are looking for an orderly growth of business.

MR. H. CARROLL: One other question just slightly off this topic. What is the future of McFayden? Is it going to be kept open as a retail business or is it going to be restricted to strictly a catalogue business?

MR. R. KIVES: The store in Brandon will always be kept open as a business because it really is a test for our products and we get a review, but McFayden will be the catalogue business of our operation. We have no intention of expanding our retail operation to have our own stores. That is not the nature of our business, we are going to divide our business into two - mail order and selling to mass merchandisers.

MR. B. RANSOM: One more specific question. I recall one of the my constituents being absolutely incensed when he went into the store and bought two packages of cucumbers, one of them was McKenzie Steele Briggs and the other was a competitor, and the price of McKenzie Steele Briggs was higher and it had about half the seeds. Are you going to be putting a competitive number of seeds in the packages?

MR. CHAIRMAN: Who wants to answer the question?

MR. R. KIVES: I'll answer it. Mr. Chairman, that is probably one of the first things we are going to really work at. We are looking, No. 1, not to increase our prices. I feel we have been using what is called in this business, the "umbrella" technique. You keep raising your prices and your competitors get stronger because they could always be within 20 cents below your price and all you're really doing is making your competitors get stronger.

We, this year, will not raise our prices. In fact, we possibly may reduce prices. As far as increasing the quantity, we are looking at it very closely. But I agree with you, I think this area has been neglected in the past. We still want to be the Cadillac of the business, but not the Rolls Royce. We will look to raise the quantity in each package.

MR. B. RANSOM: Well, I'm glad to hear Mr. Kives say that, Mr. Chairman, because it seems pretty fundamental to any person who is out there, to the layperson, that if you don't give value for the money that's being spent, then you're not going to do very well. It's astounding to people out there that the previous management of the company pursued that kind of a policy, of literally putting half of the seeds in a package and charging more. So, I can see that you gentlemen are going to start with the basics at least.

Mr. Chairman, I would like to move on to some questions that have to do with general area of control over Crown corporations. I'd like to ask Mr. Kives what sort of structure he now has on the board in terms of board committees and what the responsibilities of those committees are?

MR. R. KIVES: Mr. Chairman, my belief is that a board should be divided into committees. However, I also believe that when you hire a Chief Executive Officer, he is the boss. I do not want the board to be the operating entity; I want the board to be the consulting entity and advisory entity.

We have set up four committees. One of them will be the Accounting Committee that will also act as the Audit Committee. That's headed up by Mr. Jim Clark. We've set up a manufacturing and costing of all our rentals. That will be headed up by Dave Baldner. We've set up a Labour Committee that's headed up by Pat Britton and Jack Chapman. We are setting up a Marketing Committee, which I presently am going to be heading up, but there probably will be some new members on this committee in the future.

MR. B. RANSOM: How does that structure differ from what was there previously?

MR. R. KIVES: I feel, in the future, most of the decisions are going to be made by the committees. When these decisions are made, they will be brought to the board to pass, but I do not want to spend lengthy board decisions where I feel they can be done by two or three members. Mr. Keith Guelpa will be present at all these various committee meetings. However, it is my intention and my belief, decisions are much stronger when there are two or three people making them, rather than 12 or 15.

MR. B. RANSOM: The question was, how does this present structure of the board differ from what was there previously?

MR. R. KIVES: Mr. Chairman, I'm not sure exactly how the board was run before. There were committees before, but I understand, just by reading some previous meetings, that the board had a big say in the operation of the company. Now, it's up to the Chief Executive Officer to operate the company and the board will be the advisory, the consulting and we're going to ask the proper questions. I mean, although Keith Guelpa runs the company, the board could question some of his decisions.

MR. K. GUELPA: Maybe just to elaborate on that. I have been to my first board meeting and I can assure the members present that the Chief Executive Officer was given a full and thorough grilling on the financial statements of the company and as to the relevance of the numbers. I can just reinforce Mr. Kives' remarks that I think the line of questioning that was directed at me, may be more penetrating than in the past.

MR. B. RANSOM: Well, that's an interesting comment and I thought that some of the comments that Mr. Kives made earlier about appointments to the board were also interesting. That's why I'd asked the question to the Minister. I take it from his appointments at this time, his appointments to the board, and the statements that have been made by Mr. Kives in terms of the bottom line that they're pursuing and the sort of rigorous questioning that the board is going to give to the Chief Executive Officer, that appointments now then, under this Minister at least, to these boards, are going to be of the kind of people who can do that effectively because the previous board that was in place - I recall when the announcements were made, there were two specific people appointed to that board whose job was identified as being consumer advocate, on the board of directors

of the company as opposed to being there to help manage the company. So, is there really a change in the direction that this Minister is taking in terms of appointments?

HON. V. SCHROEDER: Mr. Chairman, I think the appointments made to date speak for themselves. We expect this company to pull its weight. We are bringing forward a combination of management and board and committees and so on, which we believe will make that possible. We want to strengthen that company in order that it will be an asset for Manitoba and for Brandon and will keep people working over the years and we think we can only do that with a board and management that is quite capable of operating that corporation.

That's not to say that we would, for instance, take people off who have something of a consumer orientation. We don't apologize for that. We think that we would want different points of view represented on the board. We also are, as the member probably is aware, inviting the employees to place two people on the board of directors and so far they haven't nominated their two employees yet but we think that will give some assistance to the suggestions made by the Chief Executive Officer, that we do want to work together to turn that company around.

I agree with Mr. Kives when he says that he thinks the company can be made profitable and that is the objective in order that we do provide that employment in Brandon and provide some revenue for the province.

MR. B. RANSOM: Mr. Chairman, the government is now involved in quite a number of Crown corporations, things like Manfor, this company and MDC and Tantalum and they're going to be involved; yes, they've got ManOil and in the future there's going to be perhaps some kind of arrangement with Alcoa. Now, it's always concerned me as to the degree that government, the elected representatives of the people, can actually maintain control over their corporations because none of us have that direct interest in the corporation than someone who has their own money in it has.

There are also other difficulties, other pressures that come on government, in terms of pressure to maintain employment, when all of the other indications are that they really shouldn't be doing that. There may be even political considerations connected with that as well. So I've been very interested in the time that I have been in the Legislature, over how we control corporations. It's one of the things that bothered me about some of these events that have taken place at McKenzie Seeds.

Therefore, Mr. Chairman, I would like to direct some questions to the Minister who was previously in charge of McKenzie Seeds because he is the only person who has had some connection with what happened in the past. If we're to learn something from that experience

MR. CHAIRMAN: A point of order is being raised.

HON. V. SCHROEDER: Mr. Chairman, I don't believe the rules of this committee permit that kind of questioning. If the member has some questions he wants to ask of me, I am quite prepared to do my best to answer those questions. There may be staff present

who can answer specific questions. I know of no precedent which would allow for members of this committee to come along and ask questions of other Members of the Legislature who are not in charge of a Crown corporation, that is being examined at the time.

MR. CHAIRMAN: In this regard there are two sets of rules. I'd like to read them for the guidance of everyone.

"Citation 357. "(1)(II) - An oral question must not seek from an ex-Minister information with regard to transactions during his term of office."

This should be read in conjunction with Citation 359.(6) which says: "A question must be within the administrative competence of the government. The Minister to whom the question is directed is responsible to the House for his present Ministry and not for any decisions taken in a previous portfolio."

Mr. Ransom.

MR. B. RANSOM: Yes, Mr. Chairman, I am quite aware of that. I am also quite aware of the fact that the Member for Brandon East answered questions for two years before this committee when he wasn't technically responsible for McKenzie Seeds.

Now we have a situation here where the present Chairman of the Board and Chief Executive Officer and Controller are obviously not in a position to answer any of those questions. I think they have done an extremely capable and forthright job this morning in answering the questions that relate to their involvement with this company. What I am interested in now is what we can learn about past events at McKenzie Seeds that bear on the control of Crown corporations. We can't get into discussing anything that has to do with the investigation that's under way or charges that might be laid or suits that have already been filed.

What we're talking about here is the political control of a Crown corporation and it's only the Minister and the former Chairman of the Board who could have answered those questions. The present Minister simply is not in a position to answer any of them. I know that it has not been the practice of committees to proceed in that way. I have raised the question with the First Minister in the House as to whether or not he would direct the Minister of Employment Services to be at the committee and to respond to questions so that we can learn something about the control or lack of control of Crown corporations.

MR. CHAIRMAN: There's another rule that I would like to add to this one that I read. It's Citation 357.(1)(I) and it says: "An Oral Question must not seek, for the purpose of argument, information on matters of past history."

Obviously enough if all these rules are enforced to the strictest limit, probably no question will ever be asked, so we have to stay within the realms of reasonableness . . .

A MEMBER: They'll be asked, they might not be answered.

MR. CHAIRMAN: If the Minister wants to answer, obviously enough the Chair will recognize.

The Minister of Employment Services and Economic Security.

HON. L. EVANS: Mr. Chairman, on a point of order, I would have no problem in attempting to answer any question that the honourable member wishes to pose. As he himself pointed out, many questions were asked of me over a period of years in the Legislature in this committee. Indeed, last summer between the month of June and through to August, on at least eight separate occasions, eight different days, a series of questions were asked of me by the Member for Turtle Mountain and the other Members of the Legislature and I answered them. Indeed, they had unlimited opportunities to ask on other occasions during that time and I did answer those questions. So, personally, I have no problem in answering questions of the honourable member because, as I have indicated in the House, I have some questions that I would like to pose to the honourable member. I don't know whether he can answer them and I don't know whether that's within the rules but, Mr. Chairman, I want . . .

MR. CHAIRMAN: There's a point of order being raised, sorry.

Mr. Minister.

HON. V. SCHROEDER: On a point of order, Mr. Chairman. This just demonstrates how ridiculous a situation we're going to get into. We're going to have two members, neither one of whom is responsible for the Crown corporation being examined, asking each other questions. Next, somebody is going to come along and say, we now want Mr. Craik, who was the Minister responsible when a number of corporations, which had been doing business in a conflict of interest fashion, was the Minister in charge. People will want to ask him questions and people will want to ask Mr. Banman questions because he was in charge. That becomes rather ridiculous.

What we are entitled to do, as we traditionally do as a committee, is put our views on the table, and the Member for Turtle Mountain can do that as well as anyone. If he has concerns about the past he can express those concerns, and the Member for Brandon East, as any other member of the Legislature, is entitled to make his comments and arguments. But, Mr. Chairman, I believe that any question asked by any member of this committee to another member, other than to the Minister responsible, is out of order and should not be allowed and I want your ruling on that.

MR. CHAIRMAN: My role as Chairman is to enforce the rules. I read you all the rules and I will stay within the rules. I think it's an insult to the Minister responsible to depart from the rules.

Mr. Ransom.

MR. B. RANSOM: Mr. Chairman, I suppose the role of the Chairman is to enforce the rules and not to lecture the committee.

MR. CHAIRMAN: No.

MR. B. RANSOM: If the rules are to be enforced in this case, Mr. Chairman, naturally we accept that and

that's why we raised the question earlier as to whether or not the First Minister would make an exception in this case because of what there is to be learned. I'm not interested in making a speech about the possible involvement of Mr. McDowell or Mr. Evans without knowing what actually took place.

But I can tell you, Mr. Chairman, that there is going to be an opportunity here that's going to be missed, to find out how a Crown corporation could get out of control, because that certainly seems to be what happened, is that we had a Crown corporation that got out of control. The assurances that we received before this committee a year ago about a \$1.6 million profit coming up, and the confidence the Minister expressed, and the confidence that others members expressed in the management ability of senior management of the company at the time. That was all for naught, it was window dressing as it turned out, it was far from being the truth.

Unless we know how something comes about, whether there was an opportunity for the board at the time to have taken steps to stop what allegedly develop, what did develop; whether there was an opportunity for the Minister to have stepped in and stopped it but, because of circumstances surrounding he and his association with the Chief Executive Officer that he didn't feel that he could do. Those are all, I believe, legitimate questions that, if they're answered, they would tell us something about how we go about controlling Crown corporations in the future so that they don't become entities unto themselves where anything goes, and we all know what comments have been made about the Federal Government and their Crown corporations, they don't even know how many there are. There are Crown corporations out there establishing subsidiaries and nobody knows anything about it. Fortunately, we haven't got to that stage at the provincial level yet, but if we don't learn something about controlling them then we can find ourselves being a shadow of what's going on.

So, Mr. Chairman, if we're not going to get answers to those questions then, I guess, we simply have to accept that the First Minister is obviously using the Rules of the House, as he's entitled to do, to prevent those questions being asked and answered by removing the Minister of Employment Services from his responsibility for McKenzie Seeds just immediately prior to the House opening last January, and having Mr. McDowell resign at the same time, so that he can't be here to answer questions. That would have been an interesting thing to be able to ask questions of Mr. McDowell, as well, because I judge from a letter that he wrote in the paper, that his biggest concern about the whole affair that arose at McKenzie Seeds was he said the biggest unanswered question was, who was Ransom's informant, as though there was kind of informant out there who had given me information about what was going on at McKenzie Seeds and that was the deep dark secret. If that's the kind of mentality that was involved in managing this corporation then it's no wonder that it was out of control. But if we're not going to get answers, Mr. Chairman, I guess we're not going to get answers.

MR. CHAIRMAN: There is a point of order being raised.

HON. L. EVANS: On a point of order. I agree with the Honourable Member for Turtle Mountain. I think the control of a Crown corporation, whatever that Crown corporation is, and whether it be federal or provincial is a very . . .

MR. CHAIRMAN: That's not the point of order, Mr. Minister.

HON. L. EVANS: Mr. Chairman, on a point of order raised by Mr. Ransom, he went on at some length - well, okay. Then I would like to make a comment.

MR. CHAIRMAN: The rules exist for the orderly proceedings in government and in committee and are precedent and consistent with the rules. Our precedent in the past is the Minister responsible answers the questions through the Chairman. The Minister responsible is right here at my side, he is ready and willing to answer all questions as regards the Crown corporation under his jurisdiction. But the Minister is entitled to make comments, but not be held responsible because this is the one responsible.

HON. L. EVANS: Mr. Chairman, I'd like to make a comment then because, as I said, I agree with Mr. Ransom, the question of control of Crown corporations is a vital one in our governmental structure. The fact that our government set up a Department of Crown Investments perhaps, to some degree, attests to that concern, in general. I welcome an opportunity to discuss this with the member because I would like to know how it was that the board appointed by the former Conservative Government, of which Mr. Ransom was a member, and which had on it the Special Assistant of the Minister of the Day, Mr. Craik, and I would imagine that was your effort to try to control a Crown corporation, where a Mr. J.L. Burns, the Special Assistant of the Minister of McKenzie Seeds, was present at various board meetings and indeed was present where one particular conflict of interest situation occurred and voted unanimously to permit that conflict of interest situation to occur. So I think it is a legitimate question to know how you control Crown corporations.

Obviously even though a Special Assistant of Mr. Craik, the former Minister was on that board, nevertheless all these areas of conflict, whether it be a building, a computer or packaging company were established and ongoing while you were in government and I would ask the question, where was the control by that previous government?

MR. CHAIRMAN: Order please. The Minister is violating the rule I just read. The oral question must not seek for the purpose of argument, information on matters of past history.

The purpose is to seek information. The purpose of questions is to give information, that's what we want in this committee.

Mr. Minister.

HON. V. SCHROEDER: Mr. Chairman, I just point out that the Minister was not asking a question. He's not seeking information, he's giving information.

MR. CHAIRMAN: That's the function of the Minister responsible. At any rate as long as we stay within the

rules, we don't want to gag anyone here, you can express opinion, make comments, but we stay within the rules, the framework of the rules.

Mr. Minister.

HON. L. EVANS: Well, Mr. Chairman, I just want to make a comment because Mr. Ransom keeps on referring to friends of mine who were in the company and so on. I just want to observe that friends of his and his party worked for that company as well and some very close friends of the honourable member. I would just make that in passing because he happens to make the reference of people I know.

I would like to put a question to our Minister, was it the case in terms of control, was it the case - Mr. Chairman, I would like to ask our Minister - whether it is true that Mr. Don Craik, the former Conservative Minister of McKenzie Seeds had his Special Assistant present at a board meeting of April 23, 1981, at which time that board agreed to lease a particular building; and whether that motion was passed unanimously in the presence of that Special Assistant of Mr. Craik's.

HON. V. SCHROEDER: Well, Mr. Chairman, I of course was not present at the meeting but I do have copies of the minutes of the meeting which indicate that Mr. Burns, who was Mr. Craik's Special Assistant, was indeed present; that the Scott National Building in which Mr. Moore had an interest was indeed leased; and I can tell Members of the Committee that we are no longer leasing that building. We don't require it. We've moved our office, our equipment, our people out of that building and into our own building, into the very same building which McKenzie Seeds had at that time, the McKenzie Seeds Building.

MR. CHAIRMAN: Mr. Ransom.

MR. B. RANSOM: You see, Mr. Chairman, what we have here now is we have the Minister of Employment Services hiding behind the rules, refusing to answer questions about his responsibility. He's using the rules

MR. CHAIRMAN: Point of order.

HON. L. EVANS: I am not hiding behind any rules. I'd like to ask the honourable member questions. I'd be pleased to receive his questions, as well.

MR. CHAIRMAN: Order please, order please. One of the rules is that an oral question - it is 357.(1)(q) - "An oral question must not contain or imply charges of a personal character."

Mr. Ransom.

MR. B. RANSOM: Mr. Chairman, I'll rephrase that. He's not hiding behind the rules; he's been hidden behind the rules. You can see from the questions that the Minister is asking, he's directing questions towards this Minister, the answers of which are available on the record and have been available for months.

Anyone who read the minutes knows who was on the board. They know what decisions were taken and I've said on many occasions, I thought it was a foolish

thing to do for the board to approve any kind of action where there was a conflict of interest involved. Any politician should have been able to recognize the conflict of interest very quickly. Those are all matters of record and the Minister is asking those questions to try and divert direction, divert attention from the period of time when he was the Minister responsible.

There are things that may or may not have taken place while he was Minister responsible and we can't ask those and we evidently are never going to get at them because he is being hidden behind the rules by the First Minister. The First Minister knew that by removing this Minister from responsibility he would not have to answer the questions, McDowell would not have to answer the questions, the present Minister can't answer them because he wasn't there and has no responsibility. So all we have is this effort to divert attention from the period of time when the critical decisions were made.

HON. V. SCHROEDER: Well, Mr. Chairman, the Member for Brandon East has on a number of occasions explained the history of it.

The Member for Turtle Mountain had ample opportunity back last year when he had Mr. Moore before this committee. He was asking questions then about Vantage but he didn't put it in the context in which he put it eight days later in the House. He has frequently received the answer from the Member for Brandon East that, yes, he had been made aware by Mr. Moore of Mr. Moore's past interest in Vantage, the computer company, on the Monday before the Friday that the Member for Turtle Mountain raised the question in the House. Yet the Member for Turtle Mountain has continuously referred to the Minister's prior knowledge because he had knowledge four days earlier, during which week he had his Estimates on and as everybody around this table knows, those Estimates go on in the afternoons and in the evenings and people have to prepare for them, and that is the focus.

You have to remember that it was done on a Monday before that Friday and it was given to the Minister's Special Assistant which has already been explained in public, that it was given to the Minister's Special Assistant to look into. Remember that Mr. Moore had told him at the time that there had been a short period during which he was an owner. He had made no profit, was not in it for the purpose of profit, did it only for the purpose of facilitating the acquisition of the computer by the company.

The Member for Turtle Mountain had had an opportunity the Thursday before that Monday to quiz Mr. Moore but didn't take that opportunity - he didn't take that opportunity - and the Member for Turtle Mountain certainly had that information long before that. He certainly had some of the information long before that. He didn't act on it.

The Member for Brandon East has said on a number of occasions that he had no information about Agassiz. He didn't have any information about Agassiz until June 3rd, till the Friday morning that the Member for Turtle Mountain raised it. Yet the Member for Turtle Mountain continuously tries to make it appear that, because the Member for Brandon East had that peripheral knowledge from the Monday to the Friday that somehow

he had prior knowledge - although it took the Provincial Auditor - what, from June 3rd? - when the Member for Brandon East wrote me a letter asking me to contact the Provincial Auditor to have a study done, and I wrote the auditor on that day, from June 3rd it took the Provincial Auditor until October 20, 1983, doing very little else, to produce his report on McKenzie Seeds.

He spent a lot of staff time, money, resources, in order to produce the report that was provided to members and, yet, somehow the Member for Turtle Mountain expects the Member for Brandon East to be a miracle man, in a four-day period to come up with all of the answers on companies he wasn't made aware of, on companies where he felt, from the questioning of the Member for Turtle Mountain, where the Member for Turtle Mountain did not make any allegations before that committee, not one single allegation of conflict of interest, he assumed from that there was supposed to be some leap by the Member for Brandon East into a position where he felt that there was some huge conflict of interest.

Mr. Chairman, nobody from the press - the press was at that meeting on May 26, I believe it was - nobody from the press picked up from the Member for Turtle Mountain's questioning that there was a conflict of interest. They didn't pick that up; they weren't wise enough to know, from those innocuous questions about the leasing and how much is the leasing, and what company and so on, that there was a conflict of interest being alleged. Neither did the Member for Brandon East. He was no wiser than the press, but somehow, when the press doesn't pick it up - that was on Thursday the 26th. The following Monday was when Mr. Moore casually mentioned this arrangement that had been brief, according to Mr. Moore, had not involved any profit by Mr. Moore, and had been done solely for the purpose of acquisition of the computer facilities which was desperately required by McKenzie Seeds. That was the information added on; that's the only information Mr. Evans had beyond that which was made available to the press on the previous Thursday and, somehow, from that the Member for Turtle Mountain has attempted to make this into a federal case, that somehow the Minister in charge had some prior knowledge. He has absolutely nothing to back him up, he has been miring in the muck for more than - well, it's close to a year now and he keeps on doing it and wants to do more of it this morning.

He had all of the opportunity last summer to ask questions about that. We'll find out what the RCMP say when they come down with their report within the next couple of months. Mr. Chairman, that is the kind of statement that causes — (Interjection) — We are the ones. When was Vantage formed? When was the first lease payment made? Who was the Minister in charge? Who was the Minister in charge when the first deals came out with Agassiz? Who was the Minister in charge when Scott National, a building that wasn't required, was leased by the corporation with the full knowledge of the government? You people were in charge and you did nothing.

When we became aware of what happened, we took action. Mr. Chairman, we did not defend the actions of the people who were involved, we took it to the auditor. As soon as we got an Interim Report in July from the Auditor indicating that there was a conflict

of interest, that people who were employees of ours had done business with that corporation, we fired them. We fired them without notice. The corporation has taken action, in terms of attempting to get its money back - and of course, that's before the courts. We did not wait and I resent the implications, and I resent the statements of Mr. Downey who suggests that, somehow, it started under us.

All of this started under the Tories and I don't think that even that is relevant, but if they want to say where it started, when was the lease agreement signed with Vantage? When was the lease agreement signed with Agassiz and so on? That was all done when you people were in power and I'm not criticizing you, but please don't criticize us. We didn't have any knowledge until Mr. Evans got a very tiny bit of information four days before Mr. Ransom raised it in the House, and he got not sufficient information, I believe, for him to say to himself that somehow there was a conflict of interest, and even then, he instructed his Special Assistant to start an investigation, and his Special Assistant did precisely that.

MR. CHAIRMAN: Mr. Ransom.

MR. B. RANSOM: Mr. Chairman, it's clear from some of the comments that the Minister is making that he doesn't understand the issue that we're dealing with here, and it disturbs me to hear comments made by him and by the Minister of Employment Services that somehow indicate that I should have made allegations before I had the facts, that I should somehow have accused Mr. Moore at this committee a year ago.

Mr. Chairman, I don't accuse anybody of anything until I have the facts, and I didn't have the facts then and I don't have the facts now of what the Minister of Employment Services knew about this in the period of time that he was — (Interjection) —

HON. V. SCHROEDER: He's told you that.

MR. B. RANSOM: Mr. Chairman, he may even believe that he's told us. Look at something like the Air Canada inquiry at Gimli, of all of the things that have been turned up as a consequence of an inquiry of that nature and the time that it takes to get to the bottom of it.

I'm not dealing with a situation of just four days, between the time that the committee met and Mr. Moore said something to him. I want to know if anybody went to the Minister; if any of the staff, the employees, talked to the Minister at any time; if they talked to anybody on the audit committee; if they talked to Mr. McDowell; if there were some signals there about what was happening, but I can't ask those questions, Mr. Chairman, so we're never going to have the answers to them.

MR. CHAIRMAN: I have two more rules to read. According to Citation 359 "(8) A question that has previously been answered ought not to be asked again." Mr. Anstett on a point of order.

HON. A. ANSTETT: Mr. Chairman, Mr. Ransom earlier suggested that he can't ask questions, or that Mr. Schroeder is not responsible for the period of time

during which Mr. Evans was responsible for A.E. McKenzie Co. Ltd.

Clearly, Mr. Schroeder is responsible and reports to this committee for all the activities of that corporation, including the period during which Mr. Craik was Minister responsible, and Mr. Schroeder's responsibility is to answer questions, with regard to that Crown corporation, for all predecessors in that office and, for the member to suggest . . . For Mr. Blake's benefit, in terms of the rules, clearly to provide accountability for persons who no longer have responsibility would be a violation of all the precedents, in terms of Ministerial responsibility, through a series of governments.

The suggestion by Mr. Ransom of imputing motives as to the reasons for changes of responsibility is just that, imputing motives, Mr. Chairman. The suggestion that Mr. Schroeder is not responsible and cannot answer

those questions is in direct contravention of the rules. He not only is responsible, but can be required to answer those questions and members have every right to demand those answers. But if Mr. Ransom and Mr. Evans want to have a personal debate between them about who knew what and when, and have questions for each other then, for the purposes of this committee and this Legislature, they're welcome to go out in the hall and ask each other those questions, but in terms of the business of this committee, the Minister who is responsible is Mr. Schroeder. Mr. Ransom knows those rules, and to suggest that he isn't responsible or to impute motives is a breach of the privileges and the practices of this committee and our House.

MR. CHAIRMAN: The report is passed—pass. Committee rise.