

**LEGISLATIVE ASSEMBLY OF MANITOBA**  
**THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT**

**Thursday, 26 June, 1986**

**TIME — 10:00 a.m.**

**LOCATION — Winnipeg, Manitoba**

**CHAIRMAN — Mr. J. Maloway (Elmwood)**

**ATTENDANCE — QUORUM - 6**

*Members of the Committee present:*

Hon. Messrs. Doer, Harapiak (The Pas), Kostyra

Messrs. Dolin, Enns, Maloway, Manness, McCrae, Orchard, Parasiuk and Scott

**APPEARING:** Mr. Hugh Jones, Chairman of the Board

Mr. Greg Goodwin, Corporate Secretary, Flyer Industries Ltd.

**MATTERS UNDER DISCUSSION:**

Annual Report of Flyer Industries Limited

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**MR. CHAIRMAN:** I call the meeting to order. Are there any statements or do we just get into questions?

The Chair will now entertain questions from members of the committee.

Mr. Orchard.

**MR. D. ORCHARD:** Kind of you, Mr. Chairman.

I apologize ahead of time to the committee for not being here yesterday, and if these questions have been answered — I didn't have a chance to completely peruse the preliminary on Hansard — fine, I'll look it up in Hansard. I'd just like to go through about five questions on some of them.

I believe this is the Minister's April 22 press release in which he has about a 23 point breakdown of the agreement. Point No. 15 indicates that MDC will provide an interest-free loan to Flyer of \$3,065,000 (plus withholding tax, if any). Is a number placed on that?

**MR. CHAIRMAN:** Mr. Goodwin.

**MR. G. GOODWIN:** Yes, it's \$540,822, although we're not positive at this point that it's to be payable.

**MR. D. ORCHARD:** What determines whether it's payable or not?

**MR. G. GOODWIN:** The determination will be made by the Federal Government in terms of the technology transfer from Den Oudsten to New Flyer and whether or not that is deemed to be the payment of that by Flyer to Den Oudsten is a royalty payment. If it's a royalty payment, then withholding tax will have to be paid on that \$3,065,000.00.

**MR. D. ORCHARD:** Okay, so then theoretically if at least a portion of that, if I understand the agreement, could well be called a transfer of technology, hence royalty applicable. So, maybe your exposure might be a portion of the 540?

**MR. G. GOODWIN:** That's possible. It could be anywhere from zero to 540,000, yes.

**MR. D. ORCHARD:** Okay, I don't think there's any point in pursuing that further because you just simply don't know at this stage of the game.

**MR. G. GOODWIN:** At this point, no, we don't know.

**MR. D. ORCHARD:** Point No. 16, "MDC will establish a training allowance fund in the amount of \$1 million." How many employees are estimated to be involved in this retraining schedule?

**MR. CHAIRMAN:** Mr. Jones.

**MR. H. JONES:** Mr. Orchard, that's intended to deal with the employees going to Holland and it's anywhere from 65 to 70 people.

**MR. D. ORCHARD:** 65 to 70.

Mr. Chairman, assuming the 70 is at the maximum figure, that's a \$14,000 per employee retraining. Is that a reasonable figure for this new training technology?

**MR. H. JONES:** Mr. Orchard, that fund is going to cover a number of areas other than specific training. The intention would be that they would be in Holland for up to five months and it covers accommodation costs, transportation costs and a number of other areas.

**MR. D. ORCHARD:** So that really what a portion at least of this \$1 million will do is pay for employee costs in Holland, up to 70 employees, for living accommodations, transportation there. Presumably while they're on training, will they be on any salary from Den Oudsten in Holland to offset some of that retraining cost?

**MR. H. JONES:** No, Mr. Orchard, they'll continue to be paid by Flyer.

**MR. D. ORCHARD:** Okay, so then the new Flyer, after July 15, theoretically will be paying the salaries with no cost to the provincial taxpayer. The additional cost of, say, getting them to Holland and accommodating them there will come out of this \$1 million.

**MR. H. JONES:** That's correct.

**MR. D. ORCHARD:** Now I understand that the cost of the expansion on Pandora Avenue is estimated at 2.5 million.

**MR. H. JONES:** It's 3.5 million, Mr. Orchard, and we covered that area yesterday in some detail, the day before yesterday, sorry.

**MR. D. ORCHARD:** Right, okay, 3.5 million.

Is there any guesstimate on Item No. 18, "New Flyer will complete the existing contracts; MDC will discharge or fund existing liabilities and obligations." Any cost estimates on the retrofits, warranty claims, etc., etc.?

**HON. E. KOSTYRA:** If you have the transcript, I think it shows . . .

**MR. D. ORCHARD:** Okay, if it's in there, that's fine. I'll check it.

**HON. E. KOSTYRA:** All of the costs associated with — I just want to find the page to make sure. If it's not clear in there, we can certainly make it clear, but Mr. Goodwin went through all of the costs that make up the figure that we've used of the cost to the province, overall, of Flyer to date, including the divestiture, of \$96 million — I'm just trying to find that figure — 13.2 million is the specific figure relating to the areas that you're asking about on the retrofit and that.

**MR. D. ORCHARD:** Then that 13.2 million figure is inclusive in the 96 million estimated divestiture cost?

**HON. E. KOSTYRA:** Yes.

**MR. D. ORCHARD:** Now this item may have been dealt with, as well, because I didn't have a chance to go completely through the transcript. But Point No. 19, "MDC will fund severance payments of employees terminated over the next year." Any estimate on cost on that?

**HON. E. KOSTYRA:** Again, yes, that's on Page 6 of the transcript, a maximum cost of \$2 million.

**MR. D. ORCHARD:** Thank you.

Now, Mr. Chairman, there seems to have been a few things happen since Tuesday, and the chairman's remarks on Tuesday, the chairman has indicated that — and I'm on Page 13 I believe it is — yes, Page 13 of the Chairman's speaking notes. A statement is made by the chairman that transitionally, the intention would be to continue producing the existing upgraded Flyer model for 1986 Order Book, and gradually, during that year, undertake an intensive plant reorganization along the lines of the Dutch facility.

Now I understand that a portion of that reorganization was to move from the existing multi-building facility over to the one facility at Pandora, which is price-tagged at 3.5 million for the new facility. Within that reorganization, was it the understanding of the chairman and MDC and the government, that part of that reorganization may well involve a substantially different labour structure within the reorganized plant?

**MR. H. JONES:** To the extent, Mr. Orchard, No. 1, there were certainly — to use this expression — the downsizing to 181 bargaining unit employees and something like 65 staff people, approximately. We're

talking an overall employment factor of 250 compared with the previous, anywhere from 450 to 550 of the old or the existing Flyer.

In addition to that, in Holland, the classification system is certainly not as it is here. They're all production workers, they can move from one task to another, very, very easily and very quickly and that's the general intention of Den Oudsten as they go along in here as well.

**MR. D. ORCHARD:** Okay, now in the two figures that you mentioned, the 181 and the 60, presumably the 181 under the reorganized plant would be the unionized staff, and the 60 would be — if I'm using the right terminology — management which would be non-union, would that be a correct assumption?

**HON. E. KOSTYRA:** I think the correct term would be "out of scope." They're not necessarily all management. The clerical work force and the engineering work force draft people, etc., are not unionized, so it wouldn't be correct to say that they're all management people. Those are out of scope of the production and inspection workers which are unionized in the plant. Clerical and engineering and drafting people are not unionized, so they are out of scope and would be within that 61 figure.

**MR. D. ORCHARD:** Okay, so then basically that's where I wanted to determine; 181 would be a potential unionized staff figure; the 61 would be a potential non-unionized staff figure?

**HON. E. KOSTYRA:** Yes.

**MR. D. ORCHARD:** Now given that the chairman has just indicated that under the intensive plant reorganization, that part of the understanding that MDC had in undertaking the negotiations with Den Oudsten was that they would be attempting to model the — and if I'm not interpreting the words correctly, I assume that the Chairman will correct me — that the understanding was that Den Oudsten was desirous of arranging their unionized workforce along the lines of the unionized workforce in Holland whereby, presumably, a member could do several different categories of work within the plant.

**MR. H. JONES:** Well, occurring over time, Mr. Orchard, yes, that will be the intention. But I do want to emphasize from Day One, it was clearly understood, certainly expressed by us and understood by them, that the collective agreement that we have is in existence and the purchase of the shares would mean the transfer, the successor rights would continue.

We knew in those early negotiations there would have to be some changes, and we can go into details later if you wish.

**MR. D. ORCHARD:** I guess that's where we want to end up discussing this morning. Realizing that they had a — I don't know what kind of a time frame — but presumably a several months of time frame, or maybe even a year time frame to establish that basically, I think it would be fair to say, a renegotiation of the existing union contract.

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Certainly it was understood that was an objective Den Oudsten would be pursuing. Would that be a correct assumption?

**HON. E. KOSTYRA:** I would ask the member . . . I know one of his colleagues does have a copy of the Share Purchase Agreement. I don't know if he has it before him. I'd like to just direct his attention to Section 723 of that agreement. It's on Page 31. If he has his eyes on it, then I can, in referring to that, respond to the question.

This is the clause in the Share Purchase Agreement which relates to the issue of the collective bargaining agreement and makes reference to the area that the company in the agreement indicated that it wanted to have discussions with respect to changes to the collective agreement, prior to the concluding of the agreement or the closing of the agreement on July 15. You will note the words there relate to the implementation, application, administration of the training program contemplated, etc.

This issue was discussed, I guess earlier on, informally with Den Oudsten and representatives of the union prior to the final closing in April of the final agreement. Since that time there have been discussions between the parties with the involvement of the Development Corporation on this and other related issues.

As has been indicated, there is a problem between the collective bargaining agent and the purchaser with respect to any changes. The Minister of Labour has appointed a mediator, Mr. Wally Fox-Decent, and there will be meetings commencing through the mediator starting tomorrow, and I understand going into the weekend.

**MR. D. ORCHARD:** Let me move to another area and then I'll maybe return to that one.

Further, in the chairman's remarks, on Page 13, you talk about improved technical management, technology, strategic moves to product diversification, which presumably is the importation of the 12 or 13 new bus types, or new transportation vehicles types from Holland, and a well-conceived equitable reduction in overheads.

Now, I guess that's one that I would like to have the chairman explain, or indicate to the committee, what the understanding was by MDC and the government of Den Oudsten's plans for a well-conceived equitable reduction in overheads.

**MR. H. JONES:** In response to this, you start off, obviously, in looking closely at the very significant reduction in the overall employment. The total employment would be a maximum of 250, estimated, and I think estimated reasonably for the first two or three years. You compare that with Flyer's history and we were up, at one time, as high as almost 600, down to 500. Last year it was 436, 437. So you begin there and you can see immediately a significant reduction.

The rest of the comments, Mr. Orchard, related to the very principle of diversification, the lack of which has been one of the main problems in Flyer, historically. They have been stuck with the one product all the way through.

**MR. D. ORCHARD:** Then, basically, there was no doubt in MDC's mind, and the government's mind, that with

Den Oudsten coming in, part of the reduction, or the well-conceived equitable reduction in overheads would include a considerable sizing down of the staff complement. That was never left out of any of the discussions?

**MR. H. JONES:** No, never at any time. Let me just add a further comment, Mr. Orchard, that Den Oudsten's involvement, No. 1, also would involve significant reduced management costs. They're far thinner in management than Flyer has ever been, and you can add that comment, too, in relation to the engineering.

There has never been any misunderstanding as to that downsizing principle, right from the beginning.

**MR. D. ORCHARD:** Then, presumably, it would appear as if from Tuesday to now, we may well have ourselves in a circumstance where one of two options could happen, either a July 15th extension on the deadline for closing this deal may have to be negotiated because of what appears to be some very serious disagreements in position between the new owners, the new purchasers, and the current union. If an extension isn't granted, then presumably this agreement would fall through.

**HON. E. KOSTYRA:** There's one other option, that they can satisfactorily resolve whatever differences there might be.

**MR. D. ORCHARD:** Oh but that would presume . . .

**HON. E. KOSTYRA:** But you only mentioned two. — (Interjection) — You said that there's really one or two things that could happen. There's one of three things that could conceivably happen.

**MR. D. ORCHARD:** Yes. I'm presuming that if they don't resolve the differences between Den Oudsten's demand presumably and the union's position by July 15; and presumably they will; you've got a mediator in place, but if they don't, the one of two options that I mentioned come in. I was talking after July 15 assuming nothing was achieved then.

I guess the question that is pertinent now since Tuesday — and I guess as long as the Minister is quoted; and I'm very hesitant to quote from the Free Press given the current disputes we've had between the Government and the Free Press but the Minister is quoted as saying that "It was unfortunate they came out with a list (of contract changes) that was far beyond what anyone had contemplated". That really, from an outsider's perspective, is a serious situation to be in. That was the stimulation of my questions earlier on as to what the government's understanding of Den Oudsten's new reorganization and their equitable reductions and overheads, what the government's conception of that was when they signed the agreement in April. It would appear as if, from the Minister's comments that the purchaser has now presumably changed the ground rules of some of the union contract negotiations. Is the Minister fairly quoted on that?

**HON. E. KOSTYRA:** The context of that particular quote is the context of comments that were publicized

yesterday with respect to a number of issues. Without getting into all the detail of the issues and relative positions because I believe that progress can be made between the parties and they will successfully conclude that, I don't want to do anything to jeopardize that because as with any relationship, the parties themselves have to get together and come to some common understanding. As there is with any relationship there may be difficulties on either side of the relationship.

The context of those comments is in relation to the earlier position that was taken with respect to contract changes. Many of those are no longer current even though some of them have been quoted in the media yesterday by a spokesperson for the union but a lot of those issues are no longer on the table from the company standpoint although there still are a number of difficult issues that have to be resolved between the parties.

Some of the issues that were on the list that was submitted previously are no longer on the table from the company standpoint.

**MR. D. ORCHARD:** Presumably because the union and the purchaser have agreed to a resolution of some of those issues. Is that what the Minister's saying?

**HON. E. KOSTYRA:** Well, I mean that's one way of saying why they're not there. Another is that the company may have decided to remove some of those without concurrence.

**MR. D. ORCHARD:** Either way, they have been resolved by either removal by the union, removal by the purchaser or an agreement to a modified position?

**HON. E. KOSTYRA:** Yes.

**MR. D. ORCHARD:** Okay.

Now in terms of the unresolved issues, I guess we would get into a circumstance — and I know the Minister will correct me if my analysis is wrong — but basically, under current provincial legislation which requires the new purchasers to honour the existing contract, if we were to talk in terms of advantage of one side versus the other, currently with current legislation in the province, clearly the union could stick to its demands and would be within the law of the Province of Manitoba, would be complying with the labour laws of the Province of Manitoba. Den Oudsten would have virtually no opportunity to successfully renegotiate those items that are still outstanding, if the union so desired that they weren't negotiable. Is that a fair assessment?

**HON. E. KOSTYRA:** Well, I can't, you know, comment on all the provisions of The Labour Relations Act and how they may impact. But under the terms of the Share Purchase Agreement, the purchaser has indicated, as I showed the member through Section 7(23), that the condition precedent to the share purchase had to be an understanding with respect to the training program, an understanding between the purchaser, the Manitoba Development Corporation and the certified bargaining agent. So the purchaser has made that condition precedent of the Share Purchase Agreement so that,

if it isn't concluded successfully, then there is no purchase of Flyer Industries.

In terms of what rights the union has, there is a collective agreement in force between the corporation, being the present Flyer, and that union, which terminates September of this current year.

**MR. D. ORCHARD:** The Minister has, as a matter of fact, probably completely answered the question. The term 7(23) in the agreement refers to an amendment to the collective agreement which focusses specifically on the retraining and the seniority aspects only of the contract. That term amendment of the collective agreement then couldn't, of necessity, be necessarily extended to other areas which are currently being disputed or not resolved between the purchaser and the union.

**HON. E. KOSTYRA:** Not necessarily. If you look again at 7(23), there is the usual legal statement "without limitation." But then it goes on, "shall generally relate to." So I guess one could argue that provides the opportunity to deal with other areas.

**MR. D. ORCHARD:** Good, well that's what I wanted to know, whether that amendment to the collective agreement could go beyond what is generally specified in here.

That being the case, then presumably Den Oudsten would be within the agreement to have these other items on the table for negotiation with the union under the current collective agreement. That stimulates the reposing of the question that I posed a few minutes ago. The current labour legislation in the province is such that there is no obligation on the union to necessarily bend any of their — they don't have to renegotiate or seek amendments to their collective agreement.

**HON. E. KOSTYRA:** Again, I can't speak for an act, and I'm not responsible, but I think that statement is generally correct.

**MR. D. ORCHARD:** Okay, now that brings us to the delicate situation of the government being desirous of divesting the province of Flyer Industries. The Minister has indicated that this agreement, I believe he's indicated was some \$3 million cheaper doing it this way with Den Oudsten than simply winding down and closing the company. We'll probably debate with the Minister that at a later date, that figure of \$3 million.

But presumably, the New Democratic Government is very interested in seeing this deal proceed, or else they wouldn't have taken it this far. That begs the question as to whether the province, the government, would take an active interest in discussions with the union, because legislation being on the union side, they have quite frankly the ability to scuttle this deal if they so desire. I don't think there's any question that could happen under the current structure of labour legislation in the province.

Does the Minister consider this sale, this agreement important enough to attempt some direct negotiations with Mr. McEvoy and the union above and beyond the appointment of a mediator, Mr. Wally Fox-Decent, to

attempt to salvage this agreement if the arbitration by Mr. Fox-Decent doesn't bear fruit?

**HON. E. KOSTYRA:** Just a couple of corrections first, at no time did I ever say that this agreement was cheaper than closing by \$3 million. What I indicated, and it's in my statements, was that this would cost \$3 million more than if we were to close the plant.

**MR. D. ORCHARD:** I stand corrected. That's right.

**HON. E. KOSTYRA:** Again just terms, Mr. Fox-Decent is in a mediation role, not an arbitration role. The member used the phrase "arbitration," and he is not an arbitrator.

There have been discussions over the past period of time by the Manitoba Development Corporation, by myself with both of the other two parties. Those meetings have been as recent as within the last 24 hours. So the direct answer to the question is yes, there has been and there will be continued involvement. Now that there is an outside party through the mediator involved, I think it would be appropriate to allow that individual to do the job of trying to bring a resolve to this between the two parties.

**MR. D. ORCHARD:** Okay, maybe some of my colleagues might have some follow-up questions on that aspect of it. I'll pass for the moment.

**MR. CHAIRMAN:** Mr. Manness.

**MR. C. MANNES:** Could I ask Mr. Jones, I guess, for some subjective opinion right now? Can new Flyer be profitable within the present collective agreement, within the present realities of the North American marketplace for buses?

**MR. H. JONES:** If the new Flyer, Mr. Manness, is to undertake its intentions and to fulfil its business plan that it simply has to be a minimum change, the very minimum change in the current agreement would have to accommodate that training program. It's a very significant program in Holland for five months, so there would have to be a change in that respect. They could not fulfil their business plan if that activity doesn't take place, and they can't do it if — the normal seniority provisions would have to prevail — if that were to be the case, then there'd be a major stumbling block. So to that extent they couldn't succeed.

**MR. C. MANNES:** I can accept that, Mr. Chairman. However, I'm curious also to know, and it wasn't spelled out in the Annual Report, what percent of the total costs of Flyer, outside of the interest component — let's factor that out — what percent then of the direct expenses is represented by the labour cost?

**MR. H. JONES:** If you could just give me a couple of minutes, I'll get that specific answer for you.

**MR. C. MANNES:** I'll just wait for that answer.

**MR. CHAIRMAN:** Mr. Enns, would you like to ask a question while we're waiting?

**MR. H. ENNS:** Well, Mr. Chairman, I'd like to take the discussion on a different vein and I would defer to my colleague at this point.

**MR. H. JONES:** I'm sorry, Mr. Chairman. Eight million dollars would be the cost, very approximately, labour costs.

**MR. C. MANNES:** Mr. Chairman, I do sincerely hope that the delay in giving me that approximate number was because of the belief that Mr. Jones had that I wanted it in some specific detail because I find it hard to believe that the approximate figure couldn't have been almost given off one's head.

Mr. Chairman, I would ask Mr. Jones to explain to me how it would be that \$1 million directed towards training in a new training program would carry the same consequence or importance as any degree or any variation in any of the terms of the collective agreement dealing with approximately an \$8 million wage bill?

**MR. H. JONES:** I'm sorry, Mr. Chairman, I didn't quite hear the last part of that question.

**MR. C. MANNES:** Mr. Jones, what I'm trying to determine is whether or not, in spite of the major business concessions offered by the government to Den Oudsten, that that company would be interested to come to Manitoba only if they could see some opportunity to make profit.

I therefore wonder how an input of \$1 million towards a training program would be more important in that company now taking over new Flyer would be successful in achieving a profit than any major concession with respect to a term of the collective agreement might be towards achieving a profit.

**MR. H. JONES:** Well, Mr. Manness, I can only repeat again that the objective of that five-month training program in Holland is to get that number of current Flyer workers fully acquainted with the Den Oudsten production methods. They, for example, as we discussed on Tuesday, are far advanced in the use of fibreglass. The production process, the system is quite different. It's much more streamlined, it's much thinner on the line than it is in Flyer, and to get those people trained, in Den Oudsten's view, is an absolute essential if this new Flyer is to work effectively. Right from the beginning, that's part of the conditions.

**MR. C. MANNES:** Mr. Chairman, what troubles me in this whole issue, particularly with respect to the revelations that have come into being over the last two days, is that I've watched some of this same type of action take place over the last two or three years within my own community, within the community of Morris, where an outside purchaser came in to takeover a bus company. They attempted to win from the union, CAIMAW, some concessions both with respect to basic wage and seniority provisions. That union bought new Superior Bus at the time and attempted to use the argument that because they had purchased assets and not the business, that they were not subject to the existing collective agreement and should be free to negotiate a new collective agreement on their own.

The Labour Board, of course it's well-known, ruled against that proposal and the rest is history. Superior Bus is closed today in Morris, in part, certainly not totally but in part, in spite of attempts by this Minister and, indeed, by his predecessor, Minister Smith, to do what they could to ensure that that business in the town of Morris would continue.

Today I see some of the same events occurring, and although Den Oudsten have been given, in my view, some very major contractual concessions on a purely business sense, I think they are pushing for major labour concessions because they feel that there is a greater certainty working toward a profitability if that comes into place.

So again I ask the Minister: is the government prepared to sit back and let the union have the final veto on this matter, or is it prepared to use some moral suasion with the union in this matter?

**HON. E. KOSTYRA:** The government is not sitting back. I believe that I answered that in part with respect to the question that was asked by Mr. Orchard.

The government has involved the workers and their collective bargaining representatives in the operations of Flyer over the last 18 months. Two worker directors were appointed to the board of directors just over a year ago so that there could be greater communication and understanding of the problems at the corporation.

There has been a dialogue not with respect to details of any divestiture candidates but in terms of general areas with the union throughout the process; there has been a discussion between Den Oudsten and the union through the Manitoba Development Corporation throughout this process. Those discussions are continuing now through the assistance of a mediator, and I would expect that through those discussions that there can be a resolve to the areas of concern.

I would just add that the member is attempting to make the example that this is a parallel situation to the one that he described in part that took place with respect to the former Superior Bus manufacturing plant in Morris. I believe they are different for a whole number of reasons; one of which that there is dialogue and has been dialogue between the parties, which I don't believe was the case in Morris.

The other substantial difference, and I believe the member was attempting to make some suggestions in regard to this area, and that is that the position of the purchaser is asking for changes with respect to training as was indicated in the Share Purchase Agreement. There are no figures in their business plan to indicate that they are looking for a reduction in the wage cost per worker other than the fact that they are going to run a leaner operation in terms of total number of workers and a significantly leaner operation in terms of engineering and management personnel.

**MR. C. MANNES:** Well, Mr. Chairman, the Minister is partly right. Yes, certainly, it isn't a complete parallel between the two cases but there are parallels. Certainly, one of the major ones is that the same union was involved under the same direction of Mr. McEvoy.

My only request is now, when I talk in my constituency to a number of people who were employed there, who didn't realize the seriousness of the situation and

thought that they were being well represented by Mr. McEvoy with whom now they have no contact because they are no longer employed, I would ask how the present labourer, how he or she will have direct opportunity to put input into these very major concession items that are being discussed so that they won't find themselves, in a period of two or three months, out of work because of a very intransigent position that may have been taken by their union leader.

**HON. E. KOSTYRA:** I can't speak on behalf of the collective bargaining agent in terms of what processes are in place, but we are aware that there was a membership meeting that reviewed the areas that are under discussion. The bargaining committee indicated that they received direction from their membership to come back into the discussions which are the ones I referred to earlier that are going to be taking place this weekend.

**MR. D. ORCHARD:** The chairman indicated that in the business plan Den Oudsten had developed, an absolutely essential portion of that to the company's success and profitability in Manitoba and in North America is the five-month retraining program in Holland to get the labour force familiar with presumably the fibreglass technology.

The chairman indicated that they operate on a much thinner line in the Holland bus plant. Presumably, that means fewer employees on the line, if I can read between the lines — and if I'm incorrect, I'll certainly be corrected — but presumably that might also mean a multi-job role on the assembly line for the retrained workers in utilizing the new fibreglass technology.

I guess my question to the Chairman is: is this kind of streamlining that the workers are being retrained for at a cost of \$1 million to MDC and the Manitoba taxpayers, is this streamlining possible within the current collective agreement?

**MR. H. JONES:** Well, in that respect, Mr. Orchard, I would have to say no, and let me try to explain how this is intended to be done in terms of selectivity.

When the Dutch principals were here earlier this year — I believe it was mid-February — they sat down with myself and others, with representatives of the union, so that the Dutch could give the union committee a general understanding of how they function in Holland. They specifically addressed the kind of training program that they wanted to undertake. They made it very clear at that time that they wanted to be able to select 62-65 people that they would have the right to select, but they did agree that they would sit down with a committee of the union so that there would be consultation and a mutual acceptance of the list of people to go to Holland. There would have to be; that was understood.

If I could just go on, Mr. Orchard, the intention is to select carefully 20 welders, 10 foremen, 32 assembly-line workers and about 8 draftsmen. Spread over one year, those people will spend five months in Holland, and the welders, in addition, would follow a special welder's course at the Phillips Welding Institution in Utrecht. That's the kind of thing that was communicated to representatives of the union in February.

I certainly wouldn't want to make a statement to the effect there was a clear agreement — there wasn't —

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but there was a general understanding of that concept and a general acceptance by the union then, subject to detailed agreements being worked out, that that concept was understood and accepted.

**MR. D. ORCHARD:** Okay, that's interesting that back in February the union accepted the concept of working towards and retraining towards the Holland plant assembly-line technique. I just want to make absolutely sure whether the current collective agreement that's in force would accommodate that kind of assembly-line process; because it would seem to me that if the acceptance was made of the concept of the training and the modeling in the Winnipeg plant of the Holland plant assembly-line technique, if that was accepted, that's a mutually agreeable goal between the union and the new purchaser, I think it becomes extremely important to know whether that new assembly-line process would fit within the current collective agreement where there may well be difficulties in implementing the streamlining from the Holland plant to the Winnipeg plant.

**MR. H. JONES:** Mr. Orchard, maybe let me go back a couple of steps here because I'm not making myself very clear on this issue.

Firstly, in February the company, the Den Oudsten principals requested a meeting with representatives of the union. They took the initiative and, of course, with the agreement of the union to meet and discuss this concept. The current collective agreement, as you will understand, is very clear on seniority. The Dutch in February and subsequently and all the way through have said, that in that respect in terms of selecting the people to be trained, they wanted to arrive at a position where they would not be bound by the seniority provisions in the current collective agreement.

As late as yesterday I believe, Mr. Orchard, the union has said in regard to that aspect they are still — they said the same thing yesterday they've said all the way through in regard to that aspect. Let's carry on discussion.

**MR. D. ORCHARD:** Are you saying then that the goal of the Holland assembly-line technique, which is essential to their success in Winnipeg and in Manitoba, can be worked within the collective agreement? Or is significant modification to the collective agreement necessary to accommodate the new assembly-line process?

**MR. H. JONES:** There is modification required to the current collective agreement in regard to the seniority clause, so that the people being selected can be selected and sent to Holland on the basis of skill, ability and bluntly, the willingness to go; and being bound by the seniority provision will prevent that exercise being completed.

**MR. D. ORCHARD:** Then let me be absolutely clear that, from as early as February, the new purchaser had indicated that they wished not to be bound by the seniority provision, and the union had indicated they wanted to adhere to the seniority provision.

**MR. H. JONES:** No, no. In February again, Mr. Orchard, during the course of that meeting when the Dutch

explained this process and their intention to train, the union said, all right, we accept that notion. We understand why you would want to do it that way, when you put that concept down into a specific document. The kind of comments that were coming forth from the union were, "All right, we understand that. We will cooperate in that respect, and we understand that you will undoubtedly want to see an amendment in the current agreement. Now you know, their union didn't say categorically in February, yes, that's what it is, because it wasn't spelled out in detail at that time.

**MR. D. ORCHARD:** Then the concept, was it spelled out in terms of the business plan that Den Oudsten had placed before the negotiations on the sale?

**MR. H. JONES:** Well, when the business plan was finalized, Mr. Orchard, certainly that concept was built into it. There's a section in there which deals with training. There's a description of the training and so on. The business plan is based upon the assumption that, in regard to that aspect, the current collective agreement would be changed.

**MR. D. ORCHARD:** So then basically — once again if I'm being unfair in my analysis here, I know you'll correct me — but then basically is not Mr. McEvoy then in part, at least, complaining about changes which weren't on the table at the time the sale was negotiated when, in fact, they were if the business plan included that, if there was clear understanding.

**MR. H. JONES:** There were a number of other issues, Mr. Orchard. I want to be very clear here. It was not until — I can't remember the specific day — but it was in May when one of the Dutch principals returned to Manitoba to meet with the union committee. It was at that time and at that time only did either MDC or Flyer see the extent to which the Dutch were then looking for changes. We had not contemplated or conceived of a situation where so many aspects had been reviewed by the Dutch with their consul. As I say, it is a very recent occurrence that the magnitude of the changes requested came to light.

**MR. D. ORCHARD:** I guess then that brings us down to the negotiation of the deal that the Minister took us through and, in his announcement indicated — and I believe he's even talked in quite complimentary terms as to the Den Oudsten's labour-management relationships in Holland. What seems to be indicated now is that we signed a deal with Den Oudsten wherein Section 7(23) could clearly allow those kinds of negotiations. A business plan was tabled, and I'm not certain as to when the business plan was available to the Minister — whether it was before he signed or after he signed — if it was after he signed that has to question the detail with which the Minister pursued the new operation and the way it would be shaped in Manitoba.

It's not necessarily Den Oudsten who should be picked out or singled out as the reason for the problem in terms of changing demand. It would seem that their game plan was relatively clear from Square One, in that indeed it would appear as if the seller, the Province of Manitoba, may not have fully understood or may

not have fully investigated what the business plan would involve and what the reorganization of the plant would involve insofar as complying with current labour legislation in Manitoba, where we are now hung up into mediation.

I simply pose the question to the Minister, am I correct in assuming that you were unaware of the business plan and the net result of Den Oudsten's position because, it seems to me from what the chairman has indicated, their business path was relatively clear since February?

**HON. E. KOSTYRA:** The business plan was reviewed by the government some time prior to the agreement being entered into. There was an evaluation of that in terms of the agreement, because obviously we would want to know that they had a business plan that was realistic in terms of the future of Flyer; otherwise we would not have entered into the agreement.

As the chairman has pointed out, our understanding of the changes needed to implement that business plan with respect to the operations related to the areas of training and how it may impact on seniority and layoff provisions under the current collective agreement, our understanding was not that it related to a whole series of other areas.

I would point out that there is, I think, a willingness on the parties to deal with those issues, and we know that there will be resumption of those discussions within the next 24 hours. I think, with the recognition by both parties of the need to come to a speedy resolution, with good will, that will take place.

**MR. D. ORCHARD:** Well, Mr. Chairman, the Minister has in part concurred that seniority was on the line in February in terms of selection for the retraining process which was fundamental to the success of the new buyer in Manitoba. The layoff provisions were covered under the agreement whereby we pick up the costs of layoff provisions. That aspect was covered. It seemed to me that the Minister may not have been able to express the kind of shock that he's expressed in today's paper about changes demanded by the purchaser of the collective agreement, when in fact it would appear to me further information, of course, qualifying that, it would seem to me that the buyer, the purchaser, has been relatively clear from February as to what his intentions were and the issues that we're hung up on now were on the table with the business plan with the purchaser since February — seniority being one for certain.

**HON. E. KOSTYRA:** I don't believe the member either understood what I set out for him, or maybe he doesn't want to hear what I said. It goes back to one of his very first questions this morning and that related to those comments in the paper.

I indicated that related to a significant number of changes which were proposed, some of which have been commented on publicly; many of which are no longer being put forward by the company. None of those, that I indicated surprise at, related to the question of seniority, training or the layoff. Those were clearly understood as being a critical area for change. It was understood in a general way by the collective bargaining

agent and it wasn't until after the closing of the agreement that the company came forward with the specific changes in that area and a number of others. I repeat my expression of surprise related to those other areas, not to the area of seniority as it relates to the training program.

**MR. D. ORCHARD:** Well, then, I guess that begs the question what are the other areas?

**HON. E. KOSTYRA:** Well, I don't believe it would be beneficial given the bargain that's taken place to go into those. But the member, as well as myself and others, have probably heard some comments in respect to some of those areas in the media; one related to compulsory overtime, which I understand is no longer part of the areas of concern or being put forward by the company, and there are other areas, but because I got to believe that the parties have indicated a willingness to get down and resume discussions through the media on those areas that have not been agreed to date, and I think that process needs the opportunity to continue.

**MR. D. ORCHARD:** Well, Mr. Chairman, I certainly agree with the Minister that we would like those mediations to continue and, hopefully, with a successful result.

I guess that brings us to the stage where we may not be able to finish with this agreement today. We may have to carry it forward to next week so that we can monitor the progress and discuss the developments, say Thursday of next week, if we so desire to schedule a committee then.

One of the issues that is mentioned in today's Free Press, of course, is a two-tiered wage system. Although I don't understand completely the request for that, or how it would be intended to be implemented by the new purchaser; but clearly that's an area that presents some difficulty presumably to the union. It would seem to me that is almost a compromise position being put forward by the purchaser in face of being possibly unable to resolve the seniority aspect.

Once again, of course, we get right back to the bottom line where, in this particular negotiation, the current provincial law really has the negotiations loaded in favour of the union. There cannot be a transaction without the union agreement being honoured, because that's part and parcel of Manitoba labour legislation.

I simply expressed the concern that we may end up with, in terms of the union management's perspective, we may have a province with the most perfect labour laws, but they may well contribute to no labour because the example that has been before us is the bus plant Superior in Morris. That, of course, causes members on this side of the House to express a great deal of concern, and we want to make sure that the government knows our concerns that labour legislation being perfect for the union boss may well harm the worker in the long run.

We've made that position before, and we want to make sure the Minister knows our concern so that if he can do anything in his influential position as a former labour union leader himself, to make sure that the strict compliance with perfect labour laws for the labour union bosses don't end up with this province without another industry.



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**HON. E. KOSTYRA:** Well, quite frankly, I'm reluctant to get into areas of debate at this committee, in fact, a much broader debate than the area under agreement, but the member is suggesting that we get into that and I would just comment very briefly on the general areas that he has addressed.

I believe that this province has good labour relations legislation. I believe it has created an environment where Manitoba has one of the best unemployment levels in this country.

If one was to accept the argument of the member opposite, then we should have one of the worst; one would also have to suggest that we should have one of the worst labour relations climates in the country, if what the member suggests is true. The fact that we also happen to have the second best labour relations climate, if one measures it by the amount of strikes and lockouts, second best to the Province of P.E.I. and much better than the other so-called more industrialized areas of this country, then I think the labour laws in our province have served working people and employers relatively well.

**MR. CHAIRMAN:** Mr. McCrae.

**MR. J. McCRAE:** I listened to the Minister's comments about our labour relations record with some interest, but I would make the observation I believe it's fortunate in Manitoba that we have better labour relations perhaps than in other places, but we certainly don't have better labour legislation; and if we do have better labour relations, it cannot be laid at the doorstep of our successor rights, provisions in our Manitoba Labour Relations Act and it cannot be laid at the doorstep of our decertification provisions.

Let us look, for example, Mr. Chairman, at the decertification provisions of The Manitoba Labour Relations Act. As I understand those provisions, in the last three months of a collective agreement, workers in a plant are not able to apply for the decertification of their union. Now in the case of the situation before us, as I understand it, the collective agreement ends at the end of September. That means the workers have four days now within which, if they wanted to protect their job, if they felt that their union leaders were unable to protect their jobs or that the MDC or this government were unable to protect their jobs, they can't move to protect their own jobs in the last three months of a collective agreement.

So, Mr. Chairman, in this case, in addition to the successor rights provisions being a potential roadblock to the successful completion of this deal, we also have a situation where the workers at the plant have four days left in terms of protection, in terms of decertification, if they felt they weren't being properly served by their union leaders.

Now the Minister may not like to get into a discussion of Manitoba labour laws, but we do have a potentially serious situation here and this party, our party, has been telling the government for a long time. The council of the City of Brandon sent a resolution to the Minister some time ago as a result of the Eaton's scare in Brandon, asking the government at least to review its labour legislation. I read a copy of the letter written by the Minister of Labour to the Mayor of the City of

Brandon in response to that resolution. Nowhere in his letter did he refer to the Eaton's fiasco in Brandon. He just referred to the same kinds of rhetoric that the Minister gave us a few minutes ago.

I suggest that if nothing else comes out of this discussion, the Minister might do well to have a very serious or long talk with the Minister of Labour and I would hope the Minister of Urban Affairs would get involved in that. A little while ago he was shaking his head, but as my colleague from Pembina has pointed out, perhaps it is a very good piece of labour legislation from the point of view of the leadership of our labour unions in this province. But the workers of this province, Mr. Chairman, are not impressed and the workers at Flyer will not be impressed if this deal does not come to a satisfactory conclusion.

So I just put those matters on the record, Mr. Chairman, to show you and this committee that this is just another example of the kind of problems we can get into in a province where we have labour legislation which is supposed to be at the forefront of all labour legislation in this country.

I dare say that the reason, if we have good labour relations in this province, it's because some union leaders like to see their workers holding down jobs and any workers in this province who lose their jobs because of so-called labour legislation, which is at the forefront, are not well served by this government or by their union leaders.

**MR. CHAIRMAN:** Mr. Enns.

**MR. H. ENNS:** Thank you, Mr. Chairman.

Mr. Chairman, I'd like to discuss or explore with the Minister, or indeed any of his officials, a different aspect entirely and, that is, really what efforts were made by the government to divest or to sell Flyer to somebody other than the Share Purchase Agreement with the Den Oudsten people that's currently before us?

I raise this at this time for several obvious reasons. First of all, we would like as committee members to have some comparison of perhaps some of the other potential arrangements that you might have considered in order to have a better appreciation of the deal now before us; and, of course, none of us can escape the distinct uneasiness that we have yet to conclude the deal. That's been under some discussion last Tuesday and again this morning before this committee, and that we might well be in a position, in a fall-back position to have to accept some alternative proposal that we of the committee have not been aware of, if indeed any serious alternate proposals exist.

I'd like to be specific. I'm aware, Mr. Chairman, through you to the Minister, that obviously the government, Flyer people have discussed with numerous people over a period of time, potential interested parties that might be of assistance in the divestiture of Flyer. But if you'll forgive me, I'll inject a little bit of personal history involved.

Long before I became involved in politics and cattle ranching, I was associated with a firm, I notice is still operating in Monarch Industries, which is a neighbouring firm to Motor Coach Industries on Erin Street. I spent 10 or 11 years with that firm, and during that period of time, I had established some understanding and

knowledge of Motor Coach Industries and appreciation of that firm who have a long track record in the business of bus building in the Province of Manitoba. I've always thought — and I must acknowledge it has not been my area of immediate concern or critic's role — but partly because of my past association working with a neighbouring firm to Motor Coach Industries, I've always had great difficulty in understanding why Motor Coach Industries was not the kind of natural first stop for this government to go to in their efforts to divest themselves of Flyer.

I say that, notwithstanding this present government's sudden and great affection for giant U.S. multinationals, which has come about just in the last few weeks, whereby we have the Premier writing to presidents of giant U.S. multinationals, telling them what a great contribution U.S. multinationals could be to the Province of Manitoba. That might have caused some ripples at some previous NDP conventions, but then these things all change, don't they, Mr. Chairman, over a period of time?

But I say, notwithstanding that, it seems to me that a firm like Motor Coach that has a long successful track record, has I understand assembly facilities just across the line in order to better position them to put themselves in a better position to the large American market. I ask specifically, what efforts were made to interest Motor Coach Industries in Flyer?

**HON. E. KOSTYRA:** I just would like, before dealing with the question that flowed at the end of the member's speech, a comment with respect to the comments that were made by Mr. McCrae.

I would just point out to Mr. McCrae that if one reviews the labour legislation that exists in the country of Netherlands with the labour legislation that exists in the Province of Manitoba, you will find that from a management perspective, that their labour legislation is much more restrictive than anything that exists in the Province of Manitoba.

In regard to the question from Mr. Enns, again we discussed this issue briefly at our last committee hearing and he may not have heard any of the response. But over the period in excess of one year, the government attempted to interest a number of private sector firms; in fact I know the member will be aware that when he was in government they spent close to \$1 million on consulting companies to attempt to find a purchaser for Flyer, for whatever reason did not conclude after spending that money on consultants, did not find a purchaser for Flyer at that time.

But we, through the Manitoba Development Corporation, did look for purchase of Flyer throughout North America and throughout the world and did approach all of the major bus builders, or even those that were not directly in the bus-building industry, both here on this continent and beyond. There was, as a result of that, a number of discussions that took place, some which turned into actual negotiations. But at the present time there is no other offer and there hasn't been any other offer available to the Development Corporation with respect to divestiture, nor are there any active discussions.

With respect to the Motor Coach Industries, to answer the question directly, the government did approach

Motor Coach Industries. In fact I went and met with the president of the company in the United States to see if they would be interested in looking at Flyer. As a result of that, there were discussions over a period of time that did not conclude with a divestiture agreement and Motor Coach indicated they were not prepared to continue negotiations past a date that expired last year.

So unfortunately we did not conclude negotiations with Motor Coach, but there was an interest there, one that we had pursued and made the request, as there was the case with a small number of others that were in a very active state of discussion over the last year.

**MR. H. ENNS:** Mr. Chairman, it's not my intent to lecture the Minister, I think that would be presumptuous on my part, but he should be aware that it is only an NDP Government that can sell a money-losing public enterprise. A Conservative Government cannot do that. I'm only raising this because you made reference to the million dollars spent on consultants in our efforts to do that.

You will recall a Conservative predecessor, Mr. Bob Banman, was reasonably successful in divesting themselves of some government-run operations, but only at the great howl of protest and organized demonstrations in front of this building, organized by the NDP party and by anybody else involved, so it's a genetic fact of life. Only an NDP administration can rid itself of a blood-sucking public corporation that has hemorrhaged a tremendous amount of public money, and you can do that because you have the responsible opposition.

We agree and concur with you, Mr. Minister, that it ought to be done and we said so last year in this committee. You are indeed in an unfortunate position. We are not impeding your efforts to help take this burden off the taxpayers' back of Manitoba. That courtesy was never extended to a Conservative administration and never will be. Listen to your federal counterparts howling at any attempts to divest money-losing corporations like you have been, which are now proving out to provide jobs here in Manitoba, and indeed throughout Canada, but not if you listen to Mr. Ed Broadbent and company. So it's a simple fact of political life that only an NDP administration can do what we're attempting to do right now, and get away with it reasonably unscathed politically.

My specific question is, were the same generous support conditions made available to Flyer? I say that partly because of the preamble that I just made. Had we given those kind of generous support conditions to a private firm, we would have been giving away a public asset to our business friends and would have been crucified by you and picked up and crucified by the media.

Now we are paying this Dutch company millions of dollars to take this failing industry off our hands. Were those same generous terms made available to Motor Coach Industries, which is a Manitoba plant, located in Manitoba, I realize with corporate interests in the United States as well?

**HON. E. KOSTRYA:** The negotiations and discussions with Motor Coach took place some time ago and were

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terminated by Motor Coach. There was a number of areas under consideration. They were not directly related to the same areas of concern because their approach to the divestiture may have been somewhat different in terms of their own corporate strategy. But there was significant opportunities being reviewed. In the case of that negotiation, it did not conclude. They were terminated by Motor Coach.

**MR. H. ENNS:** Mr. Chairman, I appreciate that and I don't want go over ground that the committee has gone over before. I'm aware and I read the transcript of Hansard of last Tuesday's meeting. What I'm asking the Minister to be specific about, can he tell me that the bottom line, the overall package of financial support that is being offered to the Den Oudsten people, in terms of training, in terms of liability for laid-off employees, in terms of transition, operating capital, was the same millions of dollars that are involved in the proposed agreement with the Den Oudsten people was an equivalent amount — I appreciate in different form — but was the equivalent amount expressly made available to the Motor Coach Industries?

**HON. E. KOSTYRA:** Again, the areas of discussion and negotiation were significantly different because of the different types of operations, that one couldn't make a comparison.

The major undertakings with respect to the guarantees and the ongoing warranty provisions, those kinds of things were comparable but some of the other conditions that are attached to this agreement were not the same to that. I can't get into them because some of them relate to the strategy that that particular company had with respect to the overall bus-building industry.

But the costs would have been significant in that, if they would have been concluded on the basis that they were — but unfortunately were not — because they weren't able to continue negotiations.

**MR. H. ENNS:** Mr. Chairman, I'm having trouble following the Minister's responses. Let me try it this way. Is it accurate for me to say that Motor Coach Industries were not offered the same generous terms of assistance — of any kind and description — in terms of guarantees, in terms of actual cash, in terms of responsibility for laid-off employees, etc., in terms of training costs? Were Motor Coach Industries not made those similar offers?

**HON. E. KOSTYRA:** As I indicated, there were different considerations that were being put forward in those discussions, different than these, so I cannot make that same comparison.

Some of the common areas, they were the same but other areas were not common, so there weren't the same considerations being made in terms of their approach and in terms of the approach of this company. It was different time frames involved, which impacted on that also.

**MR. H. ENNS:** Surely, Mr. Chairman, through you to the Minister, one can quantify these costs. I appreciate that every deal is unique and is approached in a different

way. I'm not asking the Minister for the specifics of that. I want the assurance that a Manitoba-based firm, with a long and reasonably successful track record — when I say reasonable, it certainly has suffered the ups and downs of the business; that's sometimes inherent in the transportation business of supplying, manufacturing buses.

I'm not suggesting that Motor Coach, like any other company, has not had its labour difficulties, or layoffs from time to time; but nonetheless, a firm that has been located here in Winnipeg ever since the mid-Thirties, with good connections, plant facilities in the United States, to position itself in that substantial market.

I just want to be absolutely assured that Motor Coach, that firm, received the same opportunities, or the same generous offers to become involved in Flyer, that we are now contemplating in concluding with the Den Oudsten people from Holland.

**HON. E. KOSTYRA:** As I indicated, the discussions with that particular company were terminated last year. They were terminated by the company. The government indicated that they were prepared to continue discussions or negotiations; but the company, for its own reasons, decided that they were not going to pursue that particular option.

The government was prepared to continue negotiations and there were areas that were reviewed with them, relating to financial matters. As I said, we cannot make a direct comparison. One is that there are different time frames. They are not active at the present time in terms of the divestiture of Flyer, although there are other discussions with the Industry Department with respect to Motor Coach Industries. They terminated. We weren't at the state, as we are with this one, where there was an actual Share Purchase Agreement subject to closing.

**MR. H. ENNS:** Can the Minister enlighten the Committee at all as to, again, not in any great detail, but what in general was the major difficulty, or what prevented the Motor Coach Industries who, according to the Minister, did enter into discussions with the government? Some discussions, I presume, were carried on for a period of time. What was the major obstacle or the stumbling block that finally convinced them to withdraw from the discussions and not pursue any interest in Flyer further?

**HON. E. KOSTYRA:** I can't comment for the company because they made the decision, but there were a number of areas that were outstanding, if you will, in the discussions. They indicated they were not prepared to continue beyond a certain date in terms of making any further proposals or counter-proposals, if you will. There were a number of areas and I believe that they indicated to us that some of them related to their corporate strategy, which I don't think I can get into here at the committee.

**MR. H. ENNS:** Mr. Chairman, as a former member of the United Steel Workers of America, in good order, by the way, I would like the assurance from the Minister that union rivalry was not involved. I'm well aware that union rivalry and competition for their position and their

place in life, is just as keen sometimes as it is in the big world of business.

I'm aware that Motor Coach is a unionized shop, but not of the same union that Mr. McEvoy represents, is president of. Was there any consideration or was there any influence placed on this government, on this Minister, by the present union management at Flyer to not consider Motor Coach's offer or interest in Flyer, because of a potential down-the-way melding of the two unions in which, of course, one would succeed to take over the membership of the newly-formed company and that could be the loss of a union boss' position and/or indeed membership of a particular union?

**HON. E. KOSTYRA:** I will say the same thing that I said publicly, which the member is aware of, at the time when this issue was reported many months ago publicly: No.

**MR. H. ENNS:** One final question. As I said earlier, we have supported this Minister and this government's attempt to divest ourselves from the ongoing responsibilities which, with the amount of debt that seems to be accruing over the years to ever greater amounts with this company, we support this government's and this Minister's attempt to successfully divest ourselves of Flyer Industries.

Any of my comments, I surely don't want to have in any way misconstrued as lack of confidence or in any way reflect on the people currently interested in Flyer, that is, the Den Oudsten people from Holland. I hope a deal can be concluded, but it would now appear, as regrettably as it may be, that it is not concluded, and may not be concluded.

Is the Minister keeping contingency plans and options open to him and will he assure me that Motor Coach Industries will be among the first to be contacted once again, if need be, to help us out of this situation?

**HON. E. KOSTYRA:** There is a Share Purchase Agreement which is subject to a number of conditions to be finalized before July 15. It's my feeling that we can successfully conclude that agreement, based on the conditions that are in there.

**MR. CHAIRMAN:** Any further questions from the members?

Mr. Orchard.

**MR. D. ORCHARD:** Mr. Chairman, is the Minister interested in carrying this committee over until next Thursday?

**HON. E. KOSTYRA:** Well, if there's a need, if we cannot conclude all of the areas of questioning with respect to the agreement, then obviously the committee will not conclude its business within another hour and there may have to be another sitting. I don't know if that will be next Thursday or not.

**MR. D. ORCHARD:** It doesn't have to be next Thursday, but just another sitting.

**HON. E. KOSTYRA:** If we don't conclude, obviously that's something that will have to be considered, if we don't pass the report.

**MR. D. ORCHARD:** The reason I suggest another sitting, Mr. Chairman, is that we are currently in the process of dealing with an agreement which may or may not be concluded and we won't know that until July 15. We may know it sooner but we may not know until July 15. I think it would be inappropriate for us to pass this agreement if it's not yet concluded.

That's why I would suggest — I've got a few other questions but I certainly haven't got questions to last another hour and it would be a waste of everybody's time to sit here and simply drag out the committee for the purpose of having one set at a later date when we can discuss fully the concluded agreement, or lack thereof, depending on which way negotiations go.

That's why I make the request of the Minister, that if we were to pose committee rise before 12:30 p.m., then we could sit another day at a later time.

**HON. E. KOSTYRA:** Well, obviously, if we do not conclude today, then there will have to be another sitting of the committee in order to finally approve the Flyer report.

I would just point out a couple of things to think about or to consider is that this is now the second meeting. We've been principally dealing with questions related to the agreement, and I don't know if it's possible to meet next week. It may be after that. As the member's aware, we've got limited time next week. If members are interested in issues related to this agreement, I just point out the obvious with the calendar that the agreement may be or has a closing date of July 15. Whether or not we meet just before then or around there or after may be in question.

So if they have specific questions relating to the agreement, and bearing in mind that this is the second meeting, bearing in mind that a copy of the full agreement was given to them prior to the public announcement so that they could have maximum opportunity to review it and to raise questions here, or even prior to these committee hearings if they had areas that they wished to question.

I just point that out so that there's no suggestion that if we don't meet in the next week, somehow we are not allowing the full process of review of this agreement because we've certainly allowed for that opportunity and provided that agreement some two months ago.

**MR. D. ORCHARD:** Given the Minister's indicated that the agreement, theoretically, we're going to have a pretty clear idea by the 15th of July; we would have no objection to targetting a meeting somewhere between the 15th and 20th of July.

**MR. C. MANNES:** I would concur with that. I think we've given the contract, as it now stands, a pretty thorough airing and I don't anticipate that we would have a major requirement for staff time needed to support or prepare answers for any questions we might pose with respect to the contract as it now exists.

**HON. E. KOSTYRA:** Well, I think we can proceed as you wish. If you have any further questions today, we can deal with them or we can adjourn early and leave it to the House Leaders to schedule another mutually

agreeable time for the committee. I don't feel any need that it has to necessarily be passed today. But I just point out the obvious, that there may not be time to schedule within the next . . .

**MR. D. ORCHARD:** The Minister's understanding is quite all right with us.

Just a couple of questions, Mr. Chairman; these are historical questions.

Was it 1969 that the Manitoba Development Corporation first became involved with Flyer Industries? Mr. Jones was probably there then.

**MR. H. JONES:** The first approach was made to MDC in 1969, but any commitment by MDC was subsequent to that. I'll get the exact date in a minute, Mr. Orchard.

**MR. CHAIRMAN:** Mr. Goodwin.

**MR. G. GOODWIN:** The Manitoba Development Fund was initially approached to assist Flyer, which was then called Western Flyer Coach (1964) Ltd., in 1964 when the company was owned privately. The Fund at that time declined assistance. However, throughout the remainder of the late Sixties, applications continued to be made to the Fund and declined or conditional approvals withdrawn. In 1970, finally the Manitoba Development Fund approved and disbursed its initial assistance to Flyer.

**MR. D. ORCHARD:** Now back in 1970, was that assistance in the form of loan guarantees on behalf of the private sector owner?

**MR. G. GOODWIN:** That was in the form of a loan.

**MR. D. ORCHARD:** It was a direct loan at that time?

**MR. G. GOODWIN:** Yes.

**MR. D. ORCHARD:** What was the value of that direct loan? Do you have that handy?

**MR. G. GOODWIN:** It was in the amount of \$2 million.

**MR. D. ORCHARD:** Subsequent to that, presumably, we offered further assistance as the Seventies matured and we got into loan guarantees backed by MDC. Well, the MDF didn't exist forever, that changed to MDC at one point in time and MDC then took over the role and provided loan guarantees and other financial support to the Flyer company?

**MR. G. GOODWIN:** Yes, that's correct. In 1975, actually, the debt at the time was viewed as being not serviceable and was converted to equity. That was just approximately \$20 million at that time.

**MR. D. ORCHARD:** In broad parameters, we're almost seeing history revisited because we are now in the process of divesting Flyer. We are getting \$1 million for our share values. The purchasers agreed to put up an operating loan of 2.065 million, and in return, we're providing a 3.065 million interest-free loan with a further potential liability to the province of \$540,822 on tax

liability if the technology change is deemed to be a purchase of technology. We're putting up \$1 million training and we're putting up an \$8 million loan guarantee.

I fully admit I don't understand the exposure to the government and presumably it's in last Tuesday's proceedings, the exposure in 1988 and 1989 of up to \$15 million on providing indemnity for bonding purposes. We, in addition to that, have potential exposure for \$2 million on severance and layoffs, \$3.5 million on the upgrading of the Pandora Avenue plant, and we're still responsible as I would certainly say no new company would buy any company and undertake warranty claims, so we're responsible for that as well to a tune of approximately \$13.2 million.

It just occurs to me that when we are looking at this divestiture of Flyer to Den Oudsten, we almost have 1969 revisited with the difference that instead of a direct loan of \$2 million, we've now got direct monies going in of \$11.5 million in return for a slightly over \$3 million investment by the purchaser. As well, we are assuming a number of different exposures in terms of loan guarantee and indemnity for bonding purposes.

That, of course, is why my colleague, the MLA for Lakeside, wished to explore for instance Motor Coach Industry and their potential offer and what their business plan would have meant to the people of Manitoba and to the taxpayers in terms of their desire to take over Flyer because from this agreement, should it go through, we still have a considerable exposure to the taxpayer of Manitoba. A lot of it is committed, a net of over 7 million outside of warranty claims, if my additions are correct, and an indeterminate exposure of up to \$38 million on the loan guarantees and the indemnity for bonding purposes. There's an old saying that history often repeats itself, and I hope it doesn't, although the Minister is going to correct me on my \$30 million addition in there.

**HON. E. KOSTYRA:** I just want to make a couple of corrections.

A number of those costs that the member referred to are costs that would be incurred whether or not Flyer was divested or if Flyer closed its doors in the very near future, that costs related to the warranty settlements would have to be paid under any circumstance.

The severance costs was also a commitment that the Development Corporation, through Flyer, made to the workers there and would have to be paid out under any scenario. The cost would obviously be higher if there was closure rather than the partial reduction in the work force.

In terms of the ongoing liabilities, they are related other than those that would be paid out in any case which relate to warranty, which relate to severance and the retrofitting.

They relate to two areas: firstly, the guarantee of the bank loan if necessary, which is on a reducing scale to be totally terminated by 1991. Secondly, the bonding which, if needed in '88-'89 which is fully insurable so it is not an exposure to the government insofar as we will be ensuring against that \$30 million bonding. So it's expressed somewhat differently than the member, but the same figures.

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**MR. D. ORCHARD:** Mr. Chairman, the only one that I included which the Minister has corrected me on, was the severance for layoffs which, as the Minister correctly indicates, would be there with a straight closure of the plant. But the expansion of the Pandora Avenue plant, the training and the interest-free loan are additional. Whatever the cost of providing the bonding, is it going to be a direct cost if the bonding is taken up? And the exposure to the taxpayer of Manitoba is there for the \$8 million operating loan for the 5-year period. At least a portion of it will be . . .

**HON. E. KOSTYRA:** The guarantee of the operating loan. It's not the loan itself.

**MR. D. ORCHARD:** Yes, I realize that, but it's the operating loan. As I say history had us in this place in 1969 and we gradually got worked into direct loans taking over equity for debt that was not able to be repaid.

Our exposure is to guarantee that loan and if the new organization is not successful, that could be a potential cost to the taxpayers of Manitoba and we could be back into the same kind of decision-making through the mid-Seventies, of market conditions not allowing the private sector company to operate at a

profit and in an attempt to protect the jobs we're back into the glue again.

This isn't a complete and clean divestiture by any means and I just hope that history does not repeat itself as it so often does. In this case, I wish the new purchasers, first of all, successful conclusion of their agreement and successful operation in the Province of Manitoba so that we don't see 1969 revisited.

**MR. C. MANNES:** A final question to the Minister. Hopefully this sale will be completed. If by chance it isn't and the government cannot find another firm to stand in the place, would the Minister indicate whether the government will allow Flyer, as it's now constituted, to fold? Or could the government see themselves again directing large sums of money towards the continuance of that corporation?

**HON. E. KOSTYRA:** I could not see a situation where, if there was not a successful divestiture, that the government would allow for any further significant movement of funds into Flyer to continue operation.

**MR. CHAIRMAN:** Committee rise.

**COMMITTEE ROSE AT:** 11:50 a.m.