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Fifth Session - Thirty-Fifth Legislature
of the
Legislative Assembly of Manitoba

Standing Committee
on
Economic Development

Chairperson
Mr. Jack Reimer
Constituency of Niakwa



Vol. XLIII No. 1 - 10 a.m., Thursday, May 12, 1994

MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Fifth Legislature

Members, Constituencies and Political Affiliation

NAME	CONSTITUENCY	PARTY
ASHTON, Steve	Thompson	NDP
BARRETT, Becky	Wellington	NDP
CARSTAIRS, Sharon	River Heights	Liberal
CERILLI, Marianne	Radisson	NDP
CHOMIAK, Dave	Kildonan	NDP
CUMMINGS, Glen, Hon.	Ste. Rose	PC
DACQUAY, Louise	Seine River	PC
DERKACH, Leonard, Hon.	Roblin-Russell	PC
DEWAR, Gregory	Selkirk	NDP
DOER, Gary	Concordia	NDP
DOWNEY, James, Hon.	Arthur-Virden	PC
DRIEDGER, Albert, Hon.	Steinbach	PC
DUCHARME, Gerry, Hon.	Riel	PC
EDWARDS, Paul	St. James	Liberal
ENNS, Harry, Hon.	Lakeside	PC
ERNST, Jim, Hon.	Charleswood	PC
EVANS, Clif	Interlake	NDP
EVANS, Leonard S.	Brandon East	NDP
FILMON, Gary, Hon.	Tuxedo	PC
FINDLAY, Glen, Hon.	Springfield	PC
FRIESEN, Jean	Wolseley	NDP
GAUDRY, Neil	St. Boniface	Liberal
GILLESHAMMER, Harold, Hon.	Minnedosa	PC
GRAY, Avis	Crescentwood	Liberal
HELWER, Edward R.	Gimli	PC
HICKES, George	Point Douglas	NDP
KOWALSKI, Gary	The Maples	Liberal
LAMOUREUX, Kevin	Inkster	Liberal
LATHLIN, Oscar	The Pas	NDP
LAURENDEAU, Marcel	St. Norbert	PC
MACKINTOSH, Gord	St. Johns	NDP
MALOWAY, Jim	Elmwood	NDP
MANNES, Clayton, Hon.	Morris	PC
MARTINDALE, Doug	Burrows	NDP
McALPINE, Gerry	Sturgeon Creek	PC
McCORMICK, Norma	Osborne	Liberal
McCRAE, James, Hon.	Brandon West	PC
McINTOSH, Linda, Hon.	Assiniboia	PC
MITCHELSON, Bonnie, Hon.	River East	PC
ORCHARD, Donald, Hon.	Pembina	PC
PALLISTER, Brian	Portage la Prairie	PC
PENNER, Jack	Emerson	PC
PLOHMAN, John	Dauphin	NDP
PRAZNIK, Darren, Hon.	Lac du Bonnet	PC
REID, Daryl	Transcona	NDP
REIMER, Jack	Niakwa	PC
RENDER, Shirley	St. Vital	PC
ROBINSON, Eric	Rupertsland	NDP
ROCAN, Denis, Hon.	Gladstone	PC
ROSE, Bob	Turtle Mountain	PC
SANTOS, Conrad	Broadway	NDP
SHELLENBERG, Harry	Rossmere	NDP
STEFANSON, Eric, Hon.	Kirkfield Park	PC
STORIE, Jerry	Flin Flon	NDP
SVEINSON, Ben	La Verendrye	PC
VODREY, Rosemary, Hon.	Fort Garry	PC
WOWCHUK, Rosann	Swan River	NDP

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT

Thursday, May 12, 1994

TIME — 10 a.m.

LOCATION — Winnipeg, Manitoba

**CHAIRPERSON — Mr. Jack Reimer
(Niakwa)**

ATTENDANCE - 11 — QUORUM - 6

Members of the Committee present:

Hon. Mr. Gilleshammer

Mr. Ashton, Mrs. Carstairs, Messrs. Leonard Evans, Helwer, Laurendeau, McAlpine, Pallister, Reimer, Mrs. Render, Ms. Wowchuk

APPEARING:

Clif Evans, MLA for Interlake

Ken Robinson, Vice-President, Finance, A.E. McKenzie Co. Ltd.

Dale Smeltz, Chairperson of the Board, A.E. McKenzie Co. Ltd.

MATTER UNDER DISCUSSION:

Annual Report of A.E. McKenzie Co. Ltd. for the year ended October 31, 1993.

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Mr. Chairperson: Would the Committee on Economic Development please come to order. We have before us the following report to be considered: the Annual Report of the A.E. McKenzie Co. Ltd. for the year ending October 31, 1993.

For any member who does not have a copy of the report, there are copies on the table behind me.

I would invite the minister responsible, the Honourable Mr. Gilleshammer, to make his opening statement and to introduce the staff present this morning.

Hon. Harold Gilleshammer (Minister responsible for A.E. McKenzie Co. Ltd.): Thank

you very much, Mr. Chairperson. I would first of all like to introduce Dale Smeltz, who is the Chairperson of the Board of McKenzie Seeds and Ken Robinson, who is the Vice-President of Finance with McKenzie Seeds and would offer the regrets of the president, Ray West, who is unable to be with us this morning.

I would like to make a few opening comments prior to getting into discussion on the report. The A.E. McKenzie Co. Ltd. Annual Report shows that once again there have been excellent results that have been achieved by the company during the 1993 operating year. During 1993, the company once again achieved a profit of over \$1 million.

Growth initiatives during 1993 included the addition of a QSP Seed Offer Fund Raising Program, Zellers Victory Garden Packet Seed Program, Grass Seed Program for Costco, a new seed program for Aikenheads, plus the addition of a Flower Seed Program for McConnell's.

McKenzie Co. is comprised of dedicated, hard-working people who are committed to the profitable growth of the company. One only has to visit the company to see the vibrant and enthusiastic atmosphere that prevails. Employee spirit and morale is strong at McKenzie, which speaks well for the future. I am also extremely pleased to report that, once again, every McKenzie employee received a bonus during 1993 through the company's profit-sharing plan.

Overall, I am very pleased the company continues to make solid progress. I want to thank Chairperson Dale Smeltz and the members of his board for the excellent job that they have done. Also, I want to thank the McKenzie employees for their strong commitment to the profitable growth and development of McKenzie Co.

That is my opening statement, Mr. Chairperson, and if you wish, perhaps the chair of the board and our vice-president of finance, who is representing Mr. West here, could also make some comments.

Mr. Dale Smeltz (Chairperson of the Board, A.E. McKenzie Co. Ltd.): Thank you, Mr. Chairperson. McKenzie Co. experienced another year of successful operations during 1993. As the minister reported, the company continued to earn a profit of over \$1 million and also continued its share redemption program during 1993 by redeeming \$200,000 worth of Class A shares from the Manitoba Development Corporation.

In recent years, the company has been able to redeem \$915,000 worth of shares, as well as repaying \$1 million in long-term debt. During the same period, the company has also increased its retained earnings by \$6,223,000.

McKenzie Co. must continue to address additional growth opportunities during 1994 and onward. The board of directors is pleased with the progress of the company and its employees have achieved in recent years. We feel the company has strong management and dedicated employees, and because of this, we are certain that you can continue to look for good things from McKenzie in the years ahead.

Thank you.

Mr. Ken Robinson (Vice-President, Finance, A.E. McKenzie Co. Ltd.): Profits during 1993 for the third year in a row were over \$1 million. This is extremely gratifying to see for not only the company, but also the employees, who have worked very hard to make McKenzie Co. successful.

Net sales during 1993 increased to \$20,335,000, which was an increase of \$1,275,000 over the prior year. These sales increases are entirely attributable to packet seeds, lawn seeds, and spring and fall live goods for the Consumer Products Division. Both our Consumer Products Division as well as our Direct Marketing Division sell on a national basis, and it is important to note that approximately 90 percent of all company sales were made to areas outside the province of Manitoba. Also, it is important to know that the company sales are

almost equally divided between eastern and western Canada: 10.7 million in the East, and 9.6 million in the West, or 52 percent in the East, and 48 percent in the West.

McKenzie has an annual payroll of almost \$5.4 million and has the equivalent of approximately 165 full-time jobs. Our research shows that horticulture will be the growth industry in the next decade, and McKenzie Co. must position itself in order to take advantage of this.

Our continued growth and development will depend largely on the company's ability to compete competitively in a global market. This year alone, we have seen several major retailers such as Wal-Mart, Home Depot, and Eagle stores, to name just a few, that have entered the Canadian marketplace. We expect this trend to continue, and it is therefore very important that McKenzie Co. be competitive in all aspects in order for us to protect our current market position, but also to look for new growth opportunities as well.

Thank you.

Mr. Chairperson: I thank Mr. Smeltz and Mr. Robinson for the comments.

Does the critic of the official opposition, Mr. Evans, have opening statements?

Mr. Leonard Evans (Brandon East): First of all, I want to thank the minister and Mr. Smeltz and Mr. Robinson for their statements. I think I can agree with the minister's comments, and I am pleased to hear what the others have stated in terms of the income situation in the company and the growth that it has achieved.

There is no question that McKenzie is in a very competitive industry. I would be understating if I did not say that it was in a very competitive industry; it is a consumer products industry. Indeed, as Mr. Robinson has indicated, there are always new competitors on the horizon and the company just has to be very sharp and on its toes in order to succeed.

I want to commend the staff, the employees and the board for their efforts over the past year. I have done that in other meetings and I want to do it again, because I really do appreciate the efforts of

the employees. I think that there is no question in my mind that the employees are very dedicated from the top down, and there is a good spirit there. It is almost like a family business in a sense.

McKenzie goes way back in its association with the Province of Manitoba, I guess back to 1945, under the D.L. Campbell government when Dr. McKenzie arranged with the government to have a relationship which involved Brandon University. I do not want to take the time to go into this, and many members may know of it, but nevertheless this is how the Province of Manitoba originally got involved with the A.E. McKenzie Co.

I first heard of it when I was elected in 1969, June of '69, I got a call—I guess I should not say I first heard of it—I first heard of McKenzie's involvement with the Manitoba government back in 1969. I was elected in June. I think it was just around Christmastime when I had just been appointed Minister of Industry that a citizen of Brandon who was on the board at that time alerted me to the fact that there was a move to sell McKenzie to the Ferry Morse Co. of the United States for \$200,000, with no guarantee beyond two years to keep it in Brandon or in Manitoba.

At any rate, the company had been losing quite a bit of money. I can understand the Weir government, having passed the cabinet memo, would either sell or liquidate the company. At any rate, we reversed that position in 1970. The Schreyer cabinet, on my recommendation, said we should give the company a chance and keep it Brandon. I am very proud of the fact that I was able to persuade our cabinet—it was not me personally, but that our cabinet would do that. We realized it was a competitive business and that we would have to work very hard to keep it.

* (1010)

Also, I am very pleased with the fact that in 1972-73 thereabouts, I do not know, maybe Ken can correct me, I do not remember how long Ken has been with the company—but at any rate, back in '72-73, thereabouts, the government authorized the board to buy out the Steel Briggs Company, which at that time was the biggest package seed company in the country.

When we did that, we moved 65 job positions, believe it or not, from Toronto to Brandon, and then McKenzies became the No. 1 package seed company in Canada with 65 percent, 70 percent of the retail packet market, I believe.

So I had faith in it back then and I believed it could be viable in Brandon, and can carry on. And also in '82, '83, '84, thereabouts, when we were engaged in financing of the company because it had an accrued debt that was really killing it, this was stated by the former Conservative minister, Mr. Bob Banman in 1979 when he stated distinctly that the company had a \$750,000 loss. It is no secret, we have clippings here, and there it is in a big headline in the Brandon Sun.

But we made the decision to refinance it. I urged the government at that time to refinance it because it had to be put on a sounder footing, and indeed it was in the early '80s, and I think that is dramatized very much if you look back at the old financial reports and compare those reports with those today.

So I think my efforts over the past have demonstrated that I believe that McKenzie Seeds can be viable in Brandon, and I think we all share the view that we want to keep it as a viable company in Brandon.

I am concerned to see that the government is looking at privatization of some kind. I know it is rather preliminary, but this same issue, Mr. Chairperson, was raised in the community back in 1979, 1980, and newspaper files will attest to the fact that there were people who were very upset about this possibility. In fact, 8,000 people signed a petition against the sale of the company. There were demonstrations right in this building. Three busloads of people came from Brandon.

At any rate, Mr. Chairperson, the people at that time had the same view that I have at this time, and that is that in order to ensure McKenzie's for Brandon it should remain under the control and direction of the government of Manitoba.

They did not want to privatize it—this is what the petition said; this is the petition that they signed—because they believed that a private corporation might have a different agenda than a

corporation that was under the influence, under the ownership of the provincial government.

And I would not fault a private company, because private corporations, they are in the business of maximizing profits and they have their agenda, so I am not knocking the system that we have. I am just saying that is a fact, and a corporate agenda may not be the same agenda of a provincial government.

So we believe that it is in the best interests of the public, of Brandon, of Manitoba, for it to remain under government control. We believe the best insurance is to have it under the continued direction and control of the Manitoba government.

We had many questions, a lot of detailed questions about the operation, about the income statement, the debt repayment, about the move into the American market, and about many, many other aspects of the operations. So with those introductory remarks, Mr. Chairperson, I just indicate again that we are very pleased with the progress that the company has made, and I do commend the minister and the board and the staff for their efforts.

Mr. Chairperson: I would like to thank the honourable member. Does the critic of the second opposition, Mrs. Carstairs, have an opening statement?

Mrs. Sharon Carstairs (River Heights): Yes, I do.

First of all, let me congratulate the corporation for once again producing a budget and a result which is positive for the province of Manitoba, and more particularly, for the city of Brandon, where A.E. McKenzie Co. Ltd. is obviously a significant component of that community's industrial development.

Unlike the Leader of the other opposition or the member for the other opposition party, I am not, nor is my party, opposed to privatization in principle. I noted with interest the conditions which the minister laid out in the House—I think it was April 20—as to the conditions of any sale of McKenzie. Obviously those conditions are critical and I want to discuss those in some depth this morning.

In addition, I had trouble reading the consolidated balance sheet, particularly in light of the fact that I knew that there had been long-term debt, but there seems to be no notation of long-term debt, at least not under that heading, in the balance sheet.

The board chairman then went on to say they had paid off a million dollars of long-term debt, but, again, that does not show up in the balance statement as I have it.

Maybe I am missing a page from my book, but it does not appear to be there. That obviously provides me with some concern, and if it can be answered right off the top that might make the whole thing very easily dealt with. But I am used to reading balance sheets that in fact do have a line including long-term debt and I could not find one in this particular balance sheet.

And so with those few remarks I would like to get into the actual questions of the minister.

Mr. Chairperson: I would like just some guidance from the committee. Shall we pursue just a straight general discussion of the annual report? Okay. And I would also like to remind members that the business before the committee is the 1993 Annual Report of the A.E. McKenzie Co., and I would urge members to keep their questions relevant to the business pertaining to the report.

Mr. Leonard Evans: Thank you, Mr. Chairperson. I would just point out however that in past years the minister himself, I believe it was Mr. Downey, and members representing the company have discussed current matters, including the sale and entry into the United States.

So I think the main thing is as long as it is relevant to the operation of the company. So I would hope we are not prevented from discussing the proposed privatization, because it is relevant.

Mr. Chairperson: I will seek guidance from the committee as to their direction as to the questioning on the report, whether it is contained or opened up. What is the will of the committee?

Mr. Gilleshammer: We are prepared to discuss any matters to do with McKenzie Seeds quite openly.

Mr. Leonard Evans: I think everybody shares the concern. Everybody wants McKenzie Seeds to do well, there is no dispute on that. I guess the dispute is how do you do it, as usual.

Anyway, I would like to ask the minister, and if he does not wish to answer this, perhaps a representative of the company could. Does the minister appreciate the significance of the refinancing that occurred in the early 1980s for this company?

Mr. Gilleshammer: Well, I would answer that by saying that I have had an opportunity to discuss with many people the history of McKenzie Seeds, and the importance of the company to not only the city of Brandon, but the Wesman area in the province of Manitoba.

The member for Brandon East touched on the beginnings in the 1940s of McKenzie Seeds and the fact that A.E. McKenzie in an effort to assist Brandon College at that time, which was in difficult financial straits, gave the company to the province for the exchange of support for Brandon College. So I do have that background. One of the McKenzie family still sits on the board of McKenzie Seeds, so I am very appreciative of the history and background on the support that McKenzie Seeds has given to Brandon, a company that is almost 100 years old, and certainly has supplied very significant employment in Brandon.

* (1020)

Mr. Evans is aware, as well as myself and others, of some of the troubled times that the company went through with management that I guess it would be kind to say lacked some business expertise, management that I know Mr. Evans is familiar with that got into some legal difficulties over their handling of the corporation, corporate funds, and of course, we are very proud that the current board and the current management have set a direction for the company that is one that we can all be proud of.

The community of Brandon, the Chamber of Commerce has recognized Ray West as one of the leading businessmen in Brandon, and honoured him as Man of the Year recently. Ray, of course, is very modest and always gives so much of the

credit to the staff of McKenzie Seeds, who have been referred to as like family. I think there was a time when the staff probably did not feel very good about the company and very good about themselves given the unfortunate circumstances that occurred in the corporation at that time.

So, yes, I am aware of the history of the company and just very pleased with the direction it has taken in recent times, and one that seems to be shared unanimously around this table.

Mr. Leonard Evans: Specifically, my question to the minister, was he aware of the significance of the refinancing package that occurred in the early '80s? Perhaps if he cannot answer that, maybe Mr. Robinson could as the vice-president of finance, but that was my question.

Mr. Gilleshammer: Well, I am sorry that the member did not understand my answer. Certainly I am aware of all of the history of the company, and the fact that because of a very high debt that was in place at that time decisions were made to put significant amounts of government money into the company to keep it operating, and we of course are aware of that because we are paying that debt back, slowly but steadily, over the last number of years.

Mr. Leonard Evans: In 1984, from what I can glean from these back reports, what happened around that time the debt that had been incurred had been transferred to equity, so there is not necessarily any new money going into it. But what you did, you took the burden of debt, the interest on the debt off of the company's shoulders because they were faced with equity capitalization and, of course, you do not pay into equity unless you have profits as opposed to debt which you must pay the interest on.

In fact, in 1984, as I read, the loan was reduced from \$7 million to \$845,380, so what that did was immediately took a huge burden of debt interest off of the company's shoulders. The interesting thing is, if you look at the 1982 report, in 1982 this company made more profit than it did this last year, according to the report. The net income was \$1.6 million, that is more than is being reported today, but what you had to subtract from that is interest of \$1.9 million, so as a result, instead of

having a very nice bottom line you had a loss of \$267,967. That was a fact.

So here we are, back in 1993, we have less income, \$1.2 million, we are pleased with the income, but that is much less than was shown in the '82 report. But you did not have the burden, you had only \$90,000 or thereabouts, \$90,738 interest, and you had a small amount of income tax to the Province of Ontario, so your bottom line is \$1.1 million. I think that is the significance of refinancing.

Now, Mr. Robinson, as vice-president of finance, Mr. Chairperson, if I am wrong, I would like to be corrected, but that is my interpretation of what happened when you refinanced that package, turning the debt into equity.

Mr. Gilleshammer: Well, many companies would like to operate in a system where their debt can be eradicated by putting government money into it, and the fact of the matter is that there were considerable government dollars that went into McKenzie Seeds, and that is the debt that we are currently paying off. It is again a luxury that most private sector companies do not have in their operation, so I am not sure what the member is getting at, restructuring, refinancing, we acknowledge that government put considerable resources into the company.

Mr. Leonard Evans: Mr. Chairperson, the government had two options. The option of the Lyon administration was to sell it, because it was technically bankrupt. Those terms are the terms of Mr. Bob Banman, that was not my term. I think he was quoted in the paper the Brandon Sun at that time.

Our option was to refinance it, not to allow it to go bankrupt or to give it away or sell it. I do not know what you could get for it at that point, so we did refinance it and we kept it going, and it has been able to succeed, thank goodness, ever since.

But I would just like to go further and point out that in 1989, under the present administration, there was, and it is in the report, a considerable assistance given to the company, the Class B shares were reduced and transferred to contributed surplus valued at \$6.6 million.

So it was your government that wiped out \$6.6 million worth of shares, and it is in the report, \$6.6 million. At that point the Manitoba Development Corporation—I have the report here somewhere—shows that same amount as a loss in the Manitoba Development Corporation, so at that point your government wiped out that amount of money, \$6.6 million.

I am not faulting you. I am not criticizing you, but I am just giving you the history of that. If I am wrong, I would like to be corrected, because all I am trying to do is to get at the truth of the history of the financing of the company.

Mr. Smeltz: Yes, Mr. Evans. I think that you are wrong, because it was only in 1989 that through an investigation to determine how best to pay back those outstanding shares that were still owed to the government, that the board of directors and management went back through the Public Accounts of the Province of Manitoba to find out what the debt was. At that time, we found out that the debt had been written down by the previous administration throughout sometime in 1986 or 1987. So that was not a write-down under this present management or board. It was a write-down that had occurred prior to 1988.

Mr. Robinson: Further to that particular issue, one of the objectives of the company and the board was to commence repayment of the money back to the province simply because we had started to earn profits, and if you look at the corporations act, with the deficit that the company was carrying at that time of approximately \$6 million—and that is from memory—the only way that legally the company could return money back to the government was to take a share value and transfer that and wipe out the prior year's deficit that the company was carrying at that time, which had been acknowledged as a write-down on the government's books already, and that particular transaction allowed the company then to take money it had earned and start paying it back to the government.

Without doing that transaction, we were unable to repay any money to the government because of the liquidity of the company; and basically, if you

looked at the ratios at that time, it would not allow us to repay any money. So that was another issue that we have to talk about.

Mr. Leonard Evans: Mr. Chairperson, I am not dreaming this up. I just read some of the old reports. Here is the one for 1989-88—well, it is 1989 with reference to '88. There is a note here on page 5 under share capital, and the share capital drops from 12.268 million down to 5.62—1989. I appreciate Mr. Robinson's explanation. Certainly it took the burden off the company, but I am saying that was a significant move, to put the company on a good financial basis.

* (1030)

Mr. Robinson: Mr. Chairperson, I think from the government's perspective, if you look at the equity section of the balance sheet—there are two components of the equity section of the balance sheet—the net number on the equity is the value of the share capital less the deficit. So if you add up all of the share capital and deduct the deficit, you are going to end up with a number of \$6 million at that particular time.

Simply by doing the write-down of the shares and transferring that value from contributed surplus against the value of the shares, you still end up on the company's books with the same value. All you do, it is like having two bank accounts: one that has a positive number and one that has a negative. The net result is that you have a positive number. So if you reduce the positive by the same amount as the negative, you still end up with the same net equity number. So relatively, there was no major change in the government's value as a result of that transaction.

Mr. Leonard Evans: I note that in the reports there is a note regarding imputed interest, costs of imputed interest. I think this has been in there for some years now. In other words, the cost to the taxpayers of borrowing the money to put into the company, and that imputed interest was a considerable amount back in the mid-'80s. Then, after this transaction occurred, where you wrote down the shares, virtually halved them, then of course the imputed interest value dropped significantly as well. That is still referred to in this

current report, the costs of imputed interest, and that is on page 6 under item 11, borrowing costs \$445,869.

I believe it was Mr. Manness, the Minister of Finance—well, it says: put in here at the request of the Minister of Finance. That did not used to be in many years ago, but the fact is that when you did transfer those shares or you wrote down the shares that imputed interest was more than halved. The imputed interest costs back in the mid-'80s was \$1.3 million, thereabouts. Now it is going to drop significantly from 1.2 down to 584,000 between 1989 and 1990, and then of course it has come down partly because of some of the repayment that Mr. Smeltz talked about. I am just trying to put this into historical perspective. It was the government of Manitoba that put the company on a sound financial basis, and I am not being critical of the minister when I say this—about 1989 under his administration, because I believe that decision was made at that time. At least it was effected at that time. We were not in office in 1989.

Mr. Smeltz: Mr. Evans, I guess we could argue about this for a long while. The reason it was never in our financial records or our financial statement was because nobody ever told A.E. McKenzie Co. that that write-down had occurred. It was not until we did this investigation about the repayment of the share values that we found that the write-down had occurred, so therefore in 1989 we begin to reflect it in our financial statements.

To say that it occurred in 1989 is wrong. It occurred before 1989 but it is reflected for the first time in the 1989 statement.

Mr. Leonard Evans: Does Mr. Smeltz agree with this particular write-down or are you opposed to what happened?

Mr. Smeltz: I agree with the write-down simply because it was necessary for us, as Mr. Robinson has stated, to find a way to be able to repay the outstanding shares and to pass the liquidity test. Without that write-down we never would have probably been able to provide that method of payment.

Mr. Leonard Evans: Just carrying on, I have been reading some of the press releases issued by the

company. I wonder if the staff or the chairman or the minister could clarify the press release of February 21, 1994, referred to a repayment of \$2.2 million of long-term debt plus interest plus share redemption. I was just wondering, exactly when did this start? I see there was one repayment back in 1986, 1987, '88-89, but they do not add up to this particular number. I know there are share redemptions in 1991-93, but I cannot get the figures to jive. So I wondered if someone could clarify, when did this repayment start and what were the payments per year that added up to \$2.25 million?

Mr. Robinson: I do not have the specific numbers in front of me, but from memory I will give you some numbers that will get us into the ballpark. Going back to about 1984-85 the company had long-term debt that was sitting on its books, from the government of Manitoba, to the tune of \$1 million. That \$1 million was paid off, principal and interest, over a period of five years.

So in that respect we have \$1 million of principal plus an interest bill that added up to about \$300,000 over that five-year period. In 1988 or '89, when the preferred B shares were written down for the reasons that we have outlined, it left a value of approximately \$515,000 on the B shares. That was repaid in two installments, one at \$249,000, I think the other one was \$265,000.

If you add that number on you have \$1 million principal plus \$515,000 worth of preferred B shares, plus the interest on the million. In the last two years we have repaid I believe \$400,000 worth of preferred A shares.

So in principle we have \$1.9 million plus the interest bill of 300 and some thousand. So—I think the number is \$2.2?

Mr. Leonard Evans: Yes, \$2.25 million.

I thank Mr. Robinson for that. Would it be too much to ask that at some time, it does not have to be immediately, if he could prepare a little table just showing how these add up, just for background information?

Mr. Gilleshammer: We would be pleased to provide that for members.

Mr. Leonard Evans: Thanks, so I will not have to take any more time repeating some of these financial questions.

I have a number of other questions related to the operations. This goes back to previous minutes of this committee, dealing with the operations of the company. I wonder if—these are rather miscellaneous—the company could tell me the status of the new grass seed program for Woolco. In 1992 there was reference made to this as a major thrust, and specifically I wondered what had happened to that.

Mr. Robinson: Mr. Chairperson, the Woolco grass program is continuing. We still have the Woolco grass business and I believe—I do not have the numbers with me, but we have not lost any of that business so it is continuing on.

Mr. Leonard Evans: Mr. Chairperson, when Mr. Robinson says there has not been any loss of business, is there some inference to this new ownership by Wal-Mart of Woolco? Will that make any difference? Will the ownership by Wal-Mart of Woolco make any difference?

Mr. Gilleshammer: I guess you are asking us to speculate on the future. We have every indication our relationship will continue as it is.

Mr. Leonard Evans: That is good news. So you are happy with that new grass seed program then that was launched a couple of years ago.

What is the status of the catalogue division? Is that still expanding or is the expansion more on the retail product side?

Mr. Robinson: Mr. Chairperson, during specifically in 1993 the catalogue division was at best flat. All of the growth that occurred in 1993 was in our Consumer Products Division as we outlined in the opening remarks. Catalogue division right now, the last couple of years has shown a limited or no growth and we are working very hard to determine all the reasons why that particular aspect is happening.

Mr. Leonard Evans: Is there new and expanding competition in catalogues? Is that perhaps an explanation?

Mr. Robinson: Certainly that is one of the reasons why we are experiencing a flat market. There are very competitive catalogues in the marketplace and there is a catalogue operation in the province of Ontario that is showing significant growth. Obviously if the market is not expanding, then they have to be taking market share away from the other catalogue operators and we happen to have McFayden and McConnell's operations and we are experiencing the same thing in both of those operations.

Mr. Leonard Evans: So therefore the potential seems to be more on the retail package side at the present time rather than on the catalogue side.

Mr. Robinson: Yes, that is correct.

Mr. Leonard Evans: On previous minutes, I think it was 1992 or '93 of this committee, there were some figures given. The share of the Canadian market on the consumer products side was said to be between 60 and 65 percent, that is that McKenzie had 60 to 65 percent of the Canadian retail package seed market. It had between 25 and 30 percent of the mail order or catalogue market. Are those figures more or less true today, Mr. Chairperson?

* (1040)

Mr. Robinson: Mr. Chairperson, we believe that those numbers still are reasonable estimates of our market share. The Consumer Products Division, we peg the market share that we have in those lines that we participate in at 65 percent and when we add the McConnell and McFayden mail order division catalogues, approximately 30 percent of the Canadian market of those lines that we are marketing. Obviously that does not include the bedding plant industry. We are excluding the bedding plant industry from that simply because we are not in that market.

Mr. Leonard Evans: So you continue to hold your share of the market but there is more competition. You are not able to expand but you are maintaining your percentage.

Mr. Robinson: Yes.

Mr. Leonard Evans: We are talking about mail order and catalogues, Mr. Chairperson. Are there

any changes in the contents of the catalogue in this past year? I have not seen your current issue but is there any change in the nature of the products being offered in the catalogue?

Mr. Robinson: The major change that occurred in 1994, which is the year after the one that is under review today, was the addition of the flower and vegetable seed section in the McConnell's catalogue. Historically McConnell has not offered in the recent number of years vegetable and flower seeds to their customers so we introduced that this year and with limited success.

Mr. Leonard Evans: I understood that some years back there was an attempt to sell other than seed products, in other words, various kinds of gardening tools, miscellaneous gardening apparatus, et cetera, and that this was not found to be very successful. Am I correct in my assessment?

Mr. Robinson: Mr. Chairperson, that is a correct assessment. Certainly we have attempted over the last number of years to stay in the market with what we call hard goods—tools, accessories for garden. We have had some problems maintaining adequate margins in those particular lines given that a lot of them are bulky and there is a weight factor and there is a higher milling cost and there is more difficulty in projecting trends, et cetera. Margin has been a problem in those lines, but we have not given up. We have continued to offer some of those products where we can get adequate margins.

Mr. Leonard Evans: What about the breakdown of sales? We do not have very much detail here. In fact, it is very summary information on sales shown at \$20.3 million for this year. How do those sales break down between catalogue sales, retail sales and whatever other sales?

Mr. Robinson: Mr. Chairperson, for 1993 the breakdown for our product line-up between the Consumer Products Division and the mail order division, \$13.9 million in the Consumer Products Division and \$6.45 million in the Direct Marketing Division of which in the Direct Marketing Division the sales there are split pretty much

equally between the McFayden catalogue and the McConnell's catalogue.

Mr. Leonard Evans: So the 6.4 is the McFayden and McConnell's combined?

Mr. Robinson: Correct.

Mr. Leonard Evans: There is another reference, looking back at the '93 minutes of this committee, in fact, March 18 of this committee, minutes, page 18, there was some reference made, I believe it was by Mr. West. He referred to two major U.S. companies that were looking at Canada, as to entering Canada in a big way, but he also went on to say that they were not successful. I wondered if Mr. Smeltz or Mr. Robinson might remember who those companies were, because we never did ask at that time and I was just sort of curious as to which companies would be—

Mr. Smeltz: Mr. Chairperson, I think Mr. West was probably referring to Burpee Seed Company, which made an attempt to market in the southern part of British Columbia and were not very successful. I am not sure which other U.S. company he might have been referring to.

Mr. Leonard Evans: Northrup King is a big one I know. I also appreciate there is a great interrelationship between the seed companies. A lot of European companies own American companies, and so on and there are quite a conglomeration of these companies.

Just a general question then, what is the situation of competition from the larger U.S. or European companies? We talked about these two. They looked and they were not very successful. What about currently? Is there any major thrust being put on by American or European companies?

Mr. Gilleshammer: I would just say it is a competitive industry and I think a number of companies that are in the business are aggressively looking for new business and new opportunities, probably no different than any other line of business.

Mr. Leonard Evans: Well, has the Free Trade Agreement made any difference to the degree of competition here?

Mr. Smeltz: Mr. Chairperson, I guess the answer to the question is as referred to in the opening statement for the president when he referred to a number of companies from the U.S. that are buying into the Canadian market. I think the list included Wal-Mart, Home Depot, Eagle stores and some of the other ones that were moving into the Canadian marketplace. The danger that McKenzie has, of course, is that major corporations like Wal-Mart may bring their American brand of seeds into Canada with them. So we are taking steps to make sure that does not happen and continuing the relationship with the buying people we have in the Woolco head office in Toronto and hoping that relationship carries on in the future as they buy for the people like Wal-Mart. So there is a danger, and I do not think it is any more prevalent because of free trade than would be because of the globalization of the marketplace.

Mr. Leonard Evans: Well, I guess where the Free Trade Agreement comes into it is where it affects the tariffs. I do not think the tariffs were very high on package seeds anyway, and I do not think they were very significant. I could be corrected. At any rate, it may not be the tariffs but just the fact that they are interested in Canada and are now coming in in a big way. So what Mr. Smeltz is telling me, competition is not so much from a package seed company directly trying to enter, per se, but rather large retailers coming into Canada offering their own particular brands at favourable prices, let us say. Is that what Mr. Smeltz—

Mr. Smeltz: Mr. Chairperson, I suppose that would be the scenario today, but if they fall in on the coattails of the Wal-Marts or the other major stores then they get exposed to the marketplace that McKenzie is trying to protect. So we believe that it is in our own best interests, of course, to make sure that we do continue to have good relationships and hang on to that major retail marketplace.

Mr. Leonard Evans: What about European companies, as such? Is there any threat being posed by European companies getting into the Canadian market?

* (1050)

Mr. Robinson: Mr. Chairperson, at this point we have not seen any attempts by European companies to enter the Canadian market. Certainly, I think, as Mr. Smeltz has indicated, it is the risk of large retailers coming in and bringing their suppliers with them from the U.S. and providing them with the Canadian market entry. That is probably major, but we have not seen or heard of any.

Mr. Leonard Evans: Yes, I understand there are many European companies that own fairly large American companies. I believe Northrup King is owned by a European company, for example.

Just in passing, I was wondering, how long has Mr. Robinson been with the company?

Mr. Robinson: Mr. Chairperson, I joined McKenzie Seeds in 1983, in June, July of 1983.

Mr. Leonard Evans: As vice-president?

Mr. Robinson: Mr. Chairperson, I was hired in March or April by one of the fellows who was not there when I got there. I maintained the comptrollership position until about June, 1984, when I became the vice-president.

Mr. Leonard Evans: Maybe Mr. Smeltz can tell me. When did Mr. West become the top officer in the company?

Mr. Smeltz: Mr. Chairperson, I believe he was appointed acting president and chief executive officer in 1987 and he became permanent president and CEO in early 1989.

Mr. Leonard Evans: Mr. West was on an acting basis?

Mr. Smeltz: Yes.

Mr. Leonard Evans: In 1987 and he became permanent in 1989.

I would like to ask another line of question. I, in fact, have many questions but I will not attempt to carry on because I know Mrs. Carstairs has some, I know Mr. Ashton has some and I believe Mr. Clif Evans has some, as well. So I would just like to ask one more line of questioning, yield the floor to them but with the condition I can come back in because I have some other important questions to put.

I want to know what happened to the U.S. market effort. Here we have Mr. Downey making a statement: Seed firm eyes huge U.S. market. This is the Brandon Sun of August 25, 1989. That is almost five years ago: At a news conference in Brandon, Mr. Jim Downey, minister responsible, now said he will begin selling seeds in the midwestern U.S. farm belt in the spring of 1990. I see it as an opportunity to not only open new job opportunities in the Brandon area, but also give assurances to the people already employed at McKenzie's, and so forth and so on. He mentions the states that are targeted. There were eight states targeted.

Also in the committee minutes of Tuesday, October 24, 1989, I am quoting Mr. Downey, the minister responsible at that time. I am quoting: "I may say that I am quite enthusiastic as well with the recent announcement of McKenzie going into the eight United States states which in fact is projecting to add a considerable amount of revenue to the company without a large capital outlay, but an initiative that I think will enhance job opportunities and enhance the bottom line, and will, by the numbers which are shown by the management and by the board of McKenzie Seeds."

So I think that the future for McKenzie, particularly as it relates to expanded market opportunities in the United States, is something that will augur very well for McKenzie and the Wesman area. Subsequently, Mr. West is discussing it, and he says on page 98: "We have a good product, we have a good service, we have good people, and we think we can deal in that marketplace." Of course, referring to the American Midwest.

So there was a lot of enthusiasm, and I know the company tried, but I want to know and I guess the committee should know exactly, because it has since been announced that you have withdrawn from that effort. If I am wrong, please correct me, but my reading of the newspapers is that the company no longer is attempting to move into that market, which I believe was strictly with catalogues anyway; it was not with package retail.

I want to go on to say that I did not criticize it at that time. I was not being critical of it, and I appreciate that you have to try and, you know, nothing ventured, nothing gained. So I am not trying to be critical now, but I am simply asking just precisely what happened.

Mr. Gilleshammer: Before others respond, you asked the same question last year, and Mr. West responded that the U.S. market had not yet turned a profit, that it had been a difficult market to crack. The response rates are lower, the average orders are lower, but they were still looking at it. Your response was that you were not critical of the efforts of the company in that respect, nothing ventured, nothing gained, you cannot win them all.

If you want some more details, perhaps Mr. Smeltz or Mr. Robinson can add to that.

Mr. Leonard Evans: You cannot accuse me of inconsistency.

Mr. Gilleshammer: Not on this issue.

Mr. Smeltz: Mr. Chairperson, I guess the response is as much as Mr. West gave last year that we thought it was a worthwhile venture to get into with a low capital cost. We did not risk a lot of capital in the U.S. market. We simply went down and tried to market our goods through the McFayden catalogue and tried out some different avenues of advertising through the TV electronic media and found that, while it was a learning experience, it was not a very profitable experience for us.

We found that the competition in the U.S. was a lot deeper and a lot greater than we had originally thought. I mean, in Canada, where people get four or five catalogues, they get between 13 and 20 mail-order catalogues dealing with garden products in the States.

We gave it a very good try, we thought, but we also thought that we had a number of things that needed our attention in Canada and that for the best interests of the company that we would be better off to pull out of that U.S. market and devote our full time and attention to the Canadian market. So that was the basis of the decision.

Mr. Leonard Evans: Mr. Chairperson, how much money was lost in this particular venture?

Mr. Smeltz: Probably close—over the four years that we were in that market, \$350,000, in that range.

Mr. Leonard Evans: TV ads in some ways are unusual for seed catalogues, but of that \$350,000 I would imagine a great—what percentage of that \$350,000 went towards advertising, TV advertising especially?

Mr. Robinson: Mr. Chairperson, we did try some TV advertising of our product in the initial years when we went to the U.S., I believe it was the first year and a little bit in the second. We had more success with it there than we had in the history in Canada, however it certainly was not of a significant amount of dollars to—in the total picture it was probably less than 5 percent of the total cost of advertising in the U.S. It was not significant.

Mr. Leonard Evans: Well, we could go into a lot more detail, but basically you tried, you were not successful and decided to cut our losses—I guess that is the expression—and carry on, carrying on doing what you think you can do most efficiently and profitably.

As I said, I have a lot more questions, but I am prepared to yield the floor at this time to Mrs. Carstairs and others.

Mrs. Carstairs: I would like to go back to the consolidated financial statements. Can the minister tell the committee what is the long-term debt of this company, and if a million of it was paid, as I understand Mr. Smeltz said last year, where is that balance sheet?

Mr. Robinson: The million dollars debt that we paid off in the period of 1984 I believe to 1989 will not show on the balance sheet simply because it is a bill that we had that we no longer have, so it is gone and it will not show on the balance sheet. We paid the money back to the government. They gave us the money and it showed as a long-term liability or debt. When we gave the money back it no longer shows because it is not on our books anymore. That million dollars will be in the coffers of the government of Manitoba.

Mrs. Carstairs: We have a company that is owned by the Province of Manitoba, that is paying debt back to the Province of Manitoba and it does not show up on their financial statements?

Mr. Robinson: I was referring to the million dollars that you spoke about. If you will look at the balance sheet of the company you will see at the bottom, share capital to the tune of \$4.714 million. That particular item is made up of common shares of \$114,000, plus \$4.6 million in preferred A shares. That is part of the financing that was provided by the Province of Manitoba in the form of shares versus long-term debt. So that money is owed back to the Province of Manitoba, and that is the balance at this point in time.

* (1100)

Mrs. Carstairs: Well, on the consolidated statements, on page 6, it shows the borrowing cost of the shareholdings at \$445,869. That is the only place that number shows up. Why does that number not show up on the financial statement balance sheet?

Mr. Robinson: The \$445,000 is the cost of providing that financing to McKenzie Seeds, and that particular cost will be on the books of the Province of Manitoba, not on the McKenzie books simply because the outstanding liabilities are in the form of shares rather than interest-bearing debt.

Mrs. Carstairs: So if we are going to have a clear picture of A.E. McKenzie Co. Ltd. then, it could be said theoretically that the company made a million-one last year, and the government lost \$445,000. Is that clear?

Mr. Smeltz: Mr. Chairperson, that would be correct. This page 6 is in here, as Mr. Evans mentioned, at the request of the previous Minister of Finance, Mr. Manness, who thought it was only proper that the people of Manitoba knew what the borrowing cost of the money that was lent to McKenzie Seeds was. When you take the annual borrowing costs to the government, at their rates, it comes to \$445,869, which is not, per se, reflected in the financial statements that the McKenzie Co. uses, because at times our competition has access to some of these numbers and we do not like to give it out to everyone.

So we have our reasons for deleting this page for some people, but you could subtract that 445 from the \$1.1 million, yes.

Mrs. Carstairs: When the board chair made reference to the \$1 million in his opening remarks, was he—and subsequently from what the vice-president said—am I now to assume that that \$1 million was not for the fiscal year 1993, but was in fact an accumulative total?

Mr. Smeltz: I said in my opening statement that in recent years the company has been able to redeem \$915,000 worth of shares as well as repaying \$1 million in long-term debt. I meant that as in recent years, so the \$1 million long-term debt would be from 1984 to 1989, plus the interest as Mr. Robinson stated, coming close to the \$2.2 million that he had totalled up here a little while ago.

So it was not a 1993 \$1 million payment, no.

Mrs. Carstairs: I have a little difficulty with in recent years referring all the way back to 1984-1985. When I think of recent years I must say, in most corporate reports, they are referring to the previous two or three years. They are not referring back to something that was paid back almost a decade ago. So I think that for clarity, perhaps that should be removed from future statements.

Is it true that essentially, the amount then paid back to the Province of Manitoba, this year 1993—the report that we are looking at now—was the \$200,000 in the redeemable shares which went down from \$4.8 million to \$4.6 million?

Mr. Robinson: Mr. Chairperson, that is correct.

Mrs. Carstairs: Thank you.

I would just like to go back to something that was said earlier with regard to the Woolco contract. Has the company had any approach from Wal-Mart, who has been very public about wanting to buy Canadian. I cannot think of any more Canadian product than McKenzie Seeds. Has there been a direct approach by Wal-Mart to McKenzie Seeds about the continuation of the Woolco seed contract?

Mr. Robinson: We currently have our product in all of the Wal-Mart stores that are currently under

the name of Woolco. However we have our packet seed product, some of our live good product—I believe our onion sets are in the Woolco/Wal-Mart chain. We have also had some success and positive results with our fall program that were booked just recently. So it indicates to us that the Wal-Mart organization is following a pattern of what they have told us, that they are going to support Canadian suppliers. Certainly one of their conditions obviously has to be competitive situations, but we have had a strong indication that they are following that pattern.

Mrs. Carstairs: Well, I am pleased to hear that there has been some indication, but that does not quite answer my question. Has there been any direct communication between Wal-Mart Canada and McKenzie Seeds with respect to the continuation of these lines in Wal-Mart Canada stores?

Mr. Robinson: We have a purchase order, or an authorization from that organization to supply fall product to their stores across Canada. The packet seed line will not be confirmed by them for a number of months. Obviously we are going to be there. We have contact with the buyer. We know who they are and we obviously know the conditions which we have to meet in order to be suppliers of Wal-Mart.

Some of the conditions are EDI, electronic data interchange. Some technology and we are going to be there when we have to.

Mrs. Carstairs: In response to the question of the member for Brandon East on April 8—earlier I think I said April 20, but in fact the date was April 8—the minister laid out the conditions, six preconditions by which McKenzie Seeds would be listed for privatization. Can the minister tell the committee whether these six preconditions preceded any contact with any company that was interested in purchasing McKenzie Seeds, or whether the government in conjunction with the company came up with the six preconditions before they went into the marketplace seeking a buyer for McKenzie Seeds?

Mr. Gilleshammer: I just want to say that McKenzie Seeds did not go to the marketplace

seeking a buyer. As a result of the success that McKenzie Seeds has enjoyed over the last four or five years, it certainly has come to the attention of more and more people in this business around the world that McKenzie was doing well. I believe as a result of that, people were coming forward and making approaches. The thinking within the board and the company and certainly when it was brought to my attention is that rather than start these discussions we had to take a position. We felt we should make it a public position so that all Manitobans would know, and certainly most importantly the employees would know, that McKenzie's success was attracting some attention from other people who were interested in forming either a strategic alliance or a partnership or an outright purchase of McKenzie.

So as a result of the interest expressed, we felt that we had to have some preconditions before those discussions could really commence. As a result of that these preconditions were brought forward and certainly announced publicly before any discussions took place.

Mrs. Carstairs: I understand that there was a Dutch company interested in the purchase of McKenzie Seeds some two or three years ago. What changed the position of the government between then and now, because obviously at that point there were neither preconditions established nor any apparent genuine discussion between McKenzie Seeds and governments as to whether it would be sold. What has led to this present?

Mr. Gilleshammer: I am not aware of any Dutch company that the member speaks of approaching the company.

* (1110)

Mrs. Carstairs: The information that I received was that they had in fact approached the company and they were told that the government was not interested in selling McKenzie Seeds at that particular point in time.

Mr. Smeltz: There may have been some interest expressed to someone in government, but it was never communicated to the board or to management by any Dutch company.

Mrs. Carstairs: I do not want to conduct negotiations for the sale of McKenzie Seeds in this committee. It is totally inappropriate, but I think what is appropriate to be asked is a simple question: Have there been companies recently who have made approaches to McKenzie Seeds with respect to a potential sale?

Mr. Gilleshammer: Yes, there has been some interest expressed in some relationship with McKenzie Seeds.

Mr. Steve Ashton (Thompson): I have a number of questions related to the board and the particular formation of the board and also in terms of staff, et cetera. Just in reading through the report, I was trying to get some sense of the criteria used in terms of appointments to the board of directors' backgrounds—of individuals on the board. I will be upfront. I recognize there were some politics involved. There is the former president of the Conservative association, former Conservative MLA, and I am not raising it specifically in that context. I think that that is something that is fairly standard in terms of government boards and commissions no matter who is in government. So, when I raise this question, I am not raising it in that particular context, per se. I recognize that some or perhaps all of the appointments were based to some extent on political affiliations, as has been the case with previous governments. When I raise the question, I do not raise it in that context, per se.

I wonder if I could get some indication of the background of the individual board members, why they were appointed in terms of their specific expertise, et cetera, and the kind of balance that the government and minister were seeking in terms of the board?

Mr. Gilleshammer: Well, as the member is well aware, government, in the course of doing its job with the number of boards and Crown agencies, does have a process for appointing board members who are members of the general public, and it often is good to, I suppose, look at a blend of talents that people have and, most importantly, represent the public of Manitoba on boards and commissions. So, from time to time, there are appointments and reappointments and I would

think that the current board represents a cross section of Manitoba geographically as well as bringing talents to the board with some involvement in agriculture, some involvement in business, and as a result of these appointments you get a blend like you do with McKenzie Seeds.

We have been extremely pleased and proud of the contribution made by these people. They have, I think, given the policy direction to the president and his executive and to the staff and brought the company to a point where they are doing exceedingly well. As was mentioned, I think perhaps before you arrived, there is a tremendous family atmosphere at McKenzie's because of the relationship between board and senior management and staff.

I think that the board chair and members of the board can take their due share of credit for the atmosphere that they have created at McKenzie's to allow it to go forward in such a successful manner.

Mr. Ashton: I appreciate that fine comment from the minister but it did not answer my question, and I will be up front again. I am not going after accusations of political patronage, et cetera. I was not asking in terms of the political affiliations of members of the board. It is a given that governments tend to appoint people who are philosophically in tune with them, and that is something that previous governments have done. So if the minister was concerned about that, my question being sort of a veiled political attack on the board, it is not. I am trying to get some idea of the background of the individual members on the board just in a general sense.

In some cases there is a listing, for example, that the chair of the board, obviously in terms of occupational background and some of the other individuals, the two employee reps are indicated. I was wondering if we could get some further information, just to get some idea of the balance of expertise that is on the board and the balance of perspective, because I am one that believes that good boards, in the case of Crown entities, are boards that have a balance, that have individuals that may have specific expertise, but also have

people from the community. There is nothing wrong with that.

So that is what I was asking, was for some indication in terms of that.

Mr. Gilleshammer: Well, I certainly did not take it as a political attack on the board and I want to reassure the member that I recognize that his question was an honourable one and that he was simply seeking further information. Perhaps if he wants to be more specific, I have indicated that there are members of the board who have a variety of backgrounds, many of them in business, whether that business be farming or retail. There is a geographical balance to the board. I do not have their resumés in front of me or their grade point averages, but I think these are people who have been successful within their communities. If the member wants to be more specific, I know that at the front of the annual report the business addresses are given and their residences, so that you know that they are identified there. Perhaps if you have a more specific question, I could answer it.

* (1120)

Mr. Ashton: I am not asking for grade point averages or anything of that sort. I do not know why the minister threw that in. I just assumed that the minister would be aware of the individuals on the board, would have involved—and I realize there has been a change of ministers. Some of the appointments made may predate his particular tenure in this portfolio. I am sure if the minister is not aware, I am sure the Chair would be aware. It is a fairly standard question, I think. It is usually asked in pretty well all Crown corporations, et cetera, and gives committee members the opportunity just to get some idea of what the composition of the board is. The minister presumably or the Chair would have a better sense who the individuals are than those of us who are members of this committee.

So I am not asking for any detail, you know, resumés. I am not trying to embarrass the individuals who are on the board. I am just trying to get some sense—for example, I know Dave Blake. I know Dave, he is a former member of the

Legislature. I assume he is on because of his background as a former member of the Legislature and has experience in the banking industry. So, if I had been asked that question, that would be the kind of degree of response I would give. So I am not asking about Dave Blake. I know who Dave Blake is, and I know very well. I sat in the Legislature with him prior to your tenure as the member for Minnedosa. So I am just trying to get some idea from yourself or the Chair, if we could just have some sense of the balances on the board.

Mr. Gilleshammer: Well, I was aware that the member for Thompson knew that particular member of the board, who has a wonderful reputation right across Manitoba for the work he did on behalf of the province as a member of the Legislature and a fine career in banking and adds a dimension to the board that no one else does. Again, I am aware of the board. I have attended board meetings and attended functions such as the company's Christmas party, and I have met them both formally and informally. I am pleased to say that—

Mr. Ashton: Dave adds a dimension no matter which organization he is on.

Mr. Gilleshammer: Well—

Mr. Ashton: I do not mean that as a shot.

Mr. Gilleshammer: The member for Thompson has dimensions as well, and we do not need to get into them here. All of the board members play a valuable role in setting policy for this company, and I think, as I have indicated, the board can take their fair share of credit for the very positive image that the corporation has at this time.

Mr. Smeltz, who is here today, has been chairman of the board for some time, and as it indicates there, he is involved in business in Cromer, Manitoba. The vice-chair of the board is Ms. Sharon Taylor from Oak Lake, Manitoba, and she is reflected here as a homemaker and farmer and has been on the board for a number of years. You have already indicated that you are well aware of the qualities that Mr. Blake brings to the board. Mr. Denbow is a businessman in Souris, Manitoba. We have two employee reps, Janie Humeniuk and Allan Lauder who add a dimension to board

discussions on behalf of the staff. Ms. McGuckin is in business near Winnipeg in Headingley, Manitoba. Mrs. Roberts is a daughter of Mr. McKenzie, the founder of the company, and I think adds part of that family atmosphere that this company enjoys at the board level and also in the workplace. Mr. Townsend is from Cypress River and is a long-time Manitoban who has agreed to give of his time and talents to the board. Mrs. Tycholis is from Dauphin, Manitoba, brings strength to the board from another area of Manitoba. Mr. Williamson is a businessman farmer in the Brandon area, and he also has been on the board for some time.

The board members are listed there for the member for Thompson and, again, if he has more specific inquiries about their backgrounds, it is possible we could give him some more information.

Mr. Ashton: That does give me a good sense. By the way, when I was talking about Dave Blake, I am serious when I say he adds a dimension to any organization he is part of; he does. He is a very dynamic individual and was in this Legislature, and I can just imagine what his contribution would be like to the board. He is a person I have a lot of respect for. So it was not in any way, shape or form meant as any underhanded comment, quite the opposite.

Mr. Gilleshammer: I want to assure the member for Thompson that he speaks well of you.

Mr. Ashton: I cannot respond either way to that. Regardless of what he would say about me, I would say on public record that I have a lot of respect for him and his record of public service. Maybe I will just leave it at that.

Also, I want to indicate again that I for one—and I know there are some in the Legislature that might take a different approach in terms of the political and philosophical aspects to appointments to boards and commissions. I know the Liberal Party was quite critical in that sense. Quite frankly, Mr. Chairperson, I want to indicate again, there was some irony, given the record of the federal Liberal Party, in fact, given the fact that the number of people who were making the criticisms had been

appointed themselves to federal boards and commissions, that I find it absolutely above board when we are dealing here with boards, that that would be one element. I am not saying it is an entire element. I am not suggesting that all the board members would necessarily be either Conservatives or in tune with the Conservative philosophy, but if some or a significant number were, I am not surprised, and I do not think it is anything that anybody should criticize. That was the context I was raising it in and trying to get some sort of dimension in terms of the board.

I am just wondering just out of curiosity, too, because when it comes to boards, often there is a sense that people are making this huge amount of money, that it is some great perk to serve on a board. I know that is not the case, and I am wondering if the minister could indicate what the remuneration is for board members for the many duties that they undertake.

Mr. Smeltz: Mr. Chairperson, the board chair makes \$12,000 per annum. The vice-chair \$4,500 per annum, and the other board members \$3,000 per annum, with the exception of the two employee representatives who are not paid.

Mr. Ashton: I would assume that the board would meet on a fairly regular basis, monthly or?

Mr. Gilleshammer: The board meets regularly.

Mr. Ashton: The reason I raise it once again is because having served on a board myself as a government rep, on Hydro board, I was aware of what effort went in, the pressures, even potential liabilities too, because one cannot underestimate the liability of directors of the boards currently legally. So one can appreciate the information from the chair as to remuneration that is paid.

I would like to shift in terms of management as well, because in terms of senior positions, that information is available from other Crown corporations. I was wondering if there can be an indication of what remuneration is for senior management positions, the CEO and vice-presidents?

Mr. Gilleshammer: I do not have that detail with me. I would be pleased to share that with the member at a later date.

Mr. Ashton: I would appreciate that information. It is not to embarrass the individuals or whatever, but the normal policy with Civil Service—and we have the Public Accounts which is published every year that lists the salaries of anyone earning any more than \$25,000 a year, I believe it is. In the main Civil Service, the information is also generally publicly available in terms of Crown corporations, and it is in that sense that I am asking, as well.

* (1130)

As I said, not to embarrass or in any way put the individuals on the spot or make any comment either way, but I just think it is important for the public in the same way that people know what we make as MLAs, or they think they know what we make. Sometimes I wonder if they perhaps have a different set of information than is publicly available—

Mrs. Carstairs: Or our paycheques reflect.

Mr. Ashton: Yes, that is right. Sometimes I wish I could table my paycheque to indicate what we really make, but it is in the same spirit that I would appreciate that information whenever the minister can provide it.

Mr. Gilleshammer: Yes, I have indicated that I would provide the member with that information. I would just say for his general knowledge at this time that the pay structure is very modest in comparison to our other major Crowns and what senior officers in departments are remunerated.

Mr. Ashton: I just want to turn to the board for a moment. There is one question I neglected to ask in terms of the two employee reps. One of the initiatives that the previous NDP government was to bring in, board representatives who were employee reps, at that time it was done through election by the employees themselves. They chose their own employees.

What is the current situation with McKenzie Seeds? Were the individuals appointed by government through Order-in-Council, or were they nominated, chosen, elected by the employees themselves?

Mr. Gilleshammer: Yes, they are appointed by Order-in-Council.

Mr. Ashton: I am not reflecting on individuals again, but their appointment is a government appointment, as other board reps. It is not in any way, shape or form tied into an election or a nomination by the employees themselves.

Mr. Gilleshammer: It is an internal process and a recommendation to the minister, and then they are appointed by Order-in-Council.

Mr. Ashton: I am just curious about this internal process. I just want to be very clear on this. There are two different ways of viewing this. One is is an Order-in-Council as is the government's prerogative; the second is that it is the employees' choice as to who is there. There can be arguments made for both sides in terms of that.

We brought in the initiative based on the fact that it was valuable to have employee reps on the board, and it was particularly valuable to have people that could reflect the views of other employees and provide a communication link between the board and those employees, as well.

Are you saying in this particular case it was an internal selection process, or are you saying that the employees themselves indicate who they would want on the board? Are the employees asked to provide several names? Are names picked by the government, and then there is consultation with the board? What is the particular mechanism that is used here?

Mr. Gilleshammer: I want to assure the member that we view the contribution of the employee members as a very significant part of the board and board deliberations, and I know that I have attended a number of the staff meetings that are held regularly where the president of the company addresses the board, and I have indicated, and others have indicated, that there are quite good communications between board members, senior staff and the employees.

As a result of the internal process, names are submitted to the president, and he, in turn, submits them to government and an Order-in-Council is passed where members of the company,

employees, are named to the board as employee representatives.

Mr. Ashton: Which is not the previous situation, where the employees had direct nomination on the board. So the situation at McKenzie Seeds then is similar to other Crown entities where essentially the government makes the final decision, rather than the employees themselves.

Mr. Gilleshammer: All board members are appointed by Order-in-Council.

Mr. Ashton: Yes, I would like to indicate once again, I think that is unfortunate because I believe the previous system did work very well and provided a greater link than you have if you have two individuals who are on the board as, I mean it states "employee rep". In actual fact, it should state "employee" because the individuals, no matter how much they may be in tune with other employees, are not there as reps. They are there as Order-in-Council appointments. They are there in the same way that other members on the board are—I mean, you know, the chair of the board is not representing Cromer or not representing, you know, whatever. Mr. Blake is not there representing Minnedosa. They are there as individual board members.

So, in actual fact, to call the individuals who are there as employees, as employee reps is a bit of a misnomer in the sense that they are essentially Order-in-Council appointments. As I said, they may represent coincidentally the views of employees, but they are not selected by employees. I would just like to put on the record again that—and, by the way, I sat on the Hydro board and I saw the impact of having direct employee involvement. I can tell you there were concerns expressed at the time by Hydro management, as I am sure there were in other Crown entities, of potential for conflict of interest. That did not arise. What happened was, there was a really valuable bridge that was put in place, and the bridge comes from the fact that employees felt that they had a window on what was happening at the board level, the management level.

A number of European countries have done that for decades—Germany in the steel industry, et

cetera. They have had employee reps on boards in major corporations, not particularly in the steel industry, and it has made a big difference in the attitude that develops within the company. So I would like to go on record again as urging the government to move to the previous system more clearly in that sense because there are not the concerns developed in terms of conflict. I think that has been very clear in the close to a decade now we have had employee reps on board, or employees on board in this particular case.

I do not know what the government should really fear in terms of allowing employees to elect individuals themselves. When that process was in place we had some very fine individuals who contributed significantly. I am sure these individuals contribute significantly as well, but so long as an Order-in-Council appointment they cannot really be considered employee reps on the board. They could be considered employees who just happen to be on the board, and I would strongly urge the minister to look into that previous system because I think it worked fairly effectively.

Mr. Gilleshammer: I want to assure the member that I hear what he is saying and I know where he is coming from.

Mr. Ashton: That is a cryptic comment if there ever was one. Yes, I come from Thompson and I hope the minister did hear what I had to say.

I have a number of other questions, but would like to pass the floor over to either Mr. Evans or Mr. Evans.

Mr. Clif Evans (Interlake): I just have a few questions. It is my understanding that McKenzie Seeds is the largest packet seed company in Canada in that some of their customers are very large department stores, such as Canadian Tire, et cetera, and also to small establishments. Can we get a breakdown as to how much of the revenue is derived from large customers as opposed to the smaller accounts in either percentage or in totals?

Mr. Robinson: Mr. Chairperson, I specifically do not have a breakdown with me. I think, in order to answer that question, McKenzie Seeds enjoys exclusive positions in all major chains and major

garden centres across Canada in the packet seed lines, therefore has a significant position in all those stores. Breaking down the packets, you have to talk about individual product lines in order to answer that question, but in terms of packets, and I will address packets, chain stores and large garden centres would amount to approximately 75 percent of our total packet seed trade across Canada. The packet line business is \$9 million approximately.

Mr. Clif Evans: Then would we be able to also break down the profit per packet for the larger firms as compared to the small retail accounts? Would the profit margin per packet be lower or greater in the larger accounts as compared to the smaller accounts?

* (1140)

Mr. Robinson: Mr. Chairperson, we have that information available. I am not sure—we can send that kind of information to you if you require it. Obviously there are some competitive situations. We have competitors out there, and we try to protect that kind of information as much as possible. But certainly we would be willing to share that on an individual basis if you are interested.

Mr. Clif Evans: Yes, thank you, and it would be appreciated.

I guess there is some risk in placing seeds for sale in small stores. You know, you cannot always be sure of the sales ability in a small retail shop. Can you tell us if there is a worry about a loss situation, small or large, with little retail accounts, loss as far as product and sales returns?

Mr. Robinson: Mr. Chairperson, for the most part our packet seeds are sold on a guaranteed and consigned basis. We put into the stores the product, and we bill them on an individual quantity-times-price basis. If the product is not there when we come along and pick it up, then it is the responsibility of the store to pay for the product that disappears in whatever way it disappears.

So to answer your question, I do not think there is a large risk with that regard. I think our risks come more so from small locations, rural, going out of business and not being able to pay for the

product when we come along to pick it up at the end of the season.

Mr. Clif Evans: Mr. Chairperson, so you are saying that the percentage of losses is probably very small then.

Mr. Robinson: Very small.

Mr. Clif Evans: The advertising McKenzie Seeds does for their products, how much advertising do you do? How much of it is in print, and do you do any TV advertising?

Mr. Robinson: Mr. Chairperson, the majority of the advertising that is done with most of our line is point-of-sale advertising. If you go into any of the stores that are carrying our seeds, you will see a large header on top of the display. That is the kind of advertising we do. Historically they have tested advertising our product line on television, newspapers, and from our perspective it has not worked. Certainly we participate in co-op merchandising allowances with major retailers. If they advertise promotions on our product, we will participate in that particular promotion with them on a formula basis, based on what they purchase from us.

Mr. Clif Evans: Mr. Chairperson, was there any TV advertising done in the U.S. when you were trying to break into the market with your catalogue and other product?

Mr. Gilleshammer: If the member wants to check Hansard, the other Mr. Evans just asked that question a few minutes ago.

Mr. Clif Evans: Thank you for the information, Mr. Minister, but I was detained earlier and was not here to hear that.

Mr. Gilleshammer: You are making a wonderful contribution since you have arrived though.

Mr. Clif Evans: Well, thank you.

Can you tell me something about your sales force. I notice in the opening cover here that you have 83 people in the sales force. Where is the majority of the sales people located? How is the sales force paid—commission?

Mr. Robinson: Mr. Chairperson, the 83 number I am not specifically going to address. Our sales force, we have branches in all of the major

provinces across Canada. Each branch has a sales manager and maybe a supervisor. In total, we have in our sales force outside of Brandon 17 or 18 employees that are full time. The balance of the sales staff are temporary employees who service the accounts in the spring, the period from March to the end of May, and pick up seeds from July 1 to the end of September. So the majority of the employees in our sales force are temporary employees and a very large percentage of them come back year after year.

Mr. Clif Evans: These temporary, how are they paid?

Mr. Robinson: Mr. Chairperson, temporary employees are compensated on an hourly rate plus are given an allowance for mileage simply because they require a vehicle in order to pick up and service accounts.

Mr. Clif Evans: The 175 total of employees, that is excluding the 83 full- and part-time sales staff then. Is that correct?

Mr. Robinson: Mr. Chairperson, the 165 number is a full-time equivalent. If you looked at the number of employees that we have on our payroll at any particular time, the number could be 250; however, they are not full time and the same holds true for the Brandon location. We have a lot of temporary employees.

Mr. Clif Evans: These employees in the plant, the personnel, are there any specific qualifications that someone applying for a position within the plant—are there qualifications that they would need to be able to work within the plant?

Mr. Robinson: The majority of the positions within the plant are unskilled positions; however, there are positions within the plant that require certain skills, for example, maintenance. We have machine operators who operate packaging equipment. There is a mix then of skilled and unskilled.

Mr. Clif Evans: Is there any type of need or is there a training program at all for the unskilled to deal with the plant in certain positions, in certain jobs? Do they need the training when they are hired, and is there training available?

Mr. Robinson: Mr. Chairperson, for those employees who wish to bid in on positions that are posted and require training, we provide the training for those particular positions.

Mr. Clif Evans: Can you provide a comparison with the wages at McKenzie Seeds as compared to other manufacturing companies in Brandon?

Mr. Gilleshammer: I do not believe we have an ability to give a breakdown of salaries in other plants in Brandon.

Mr. Clif Evans: The average rate within McKenzie Seeds, what would that be?

Mr. Robinson: Mr. Chairperson, the average rate paid to a plant employee would be between \$10 and \$11, depending on the classification in which they were employed.

Mr. Clif Evans: Mr. Chairperson, can you indicate whether any future technical changes within McKenzie Seeds, if there are any future potential changes that might affect the number of people working within McKenzie Seeds? Are you planning at all any technology within the plant that might in effect affect the staffing at McKenzie Seeds?

Mr. Robinson: Mr. Chairperson, obviously there are a number of alternatives related to technology that would enhance McKenzie's position in the marketplace. From our perspective, we feel any technology that is introduced into McKenzie would enhance the job opportunities that are available for our employees, and it is our position that any changes resulting from technology may mean individuals will not necessarily be doing the same job but will be moved into situations where they are providing better value-added services to our customers, which again only enhances our position with major retailers in the Canadian marketplace.

Mr. Clif Evans: Thank you, that is all I have.

Mr. Leonard Evans: Mr. Chairperson, I believe I heard Mr. Robinson say earlier in his opening remarks that the market was 50-50. Fifty percent of the total market of McKenzie's output was in the West. I presume that includes Manitoba, and 50 percent was east of Manitoba. Am I correct in that?

Mr. Robinson: Mr. Chairperson, that is correct.

* (1150)

Mr. Leonard Evans: I would like to ask Mr. Robinson what has happened between '89 and '94, in the five years, in terms of market distribution because on October 24, 1989, the minutes of this meeting, page 99, Mr. Robinson is quoted as saying when we were asking a similar question that one-third of the market was in the West, which would include Manitoba, one-third was in the province of Ontario, and one-third was in Quebec plus the Atlantic Region. This more or less reflects the distribution of population of Canada, so I am surprised, if this has been the case, why there has been that rather sudden shift, given the fact that there has not been any big shift in the Canadian population distribution.

Mr. Robinson: Mr. Chairperson, since that period of time, we have purchased another operating division called McConnell's, which would change the distribution of sales across Canada. Obviously when you are talking east and west, it depends where you draw the line. Is it Thunder Bay or is it further east? I am not sure in 1989, those particular numbers—one-third, one-third and one-third—I do not know. Maybe that was simply a guess at that particular time. When we look at, since we purchased McConnell's, that division, our distribution is pretty much 50-50 east and west, and the dividing line would be close to Thunder Bay. So you are taking part of Ontario into the West.

Mr. Leonard Evans: I see. So when you say 50-50, you mean 50 percent west of the city of Thunder Bay. Which is east of Brandon.

Mr. Robinson: Mr. Chairperson, our salesman that services and has accounts out of Winnipeg goes as far east as Thunder Bay. So that is where, accounting-wise, et cetera, we track sales by salesmen and obviously that has to be an easy dividing line.

Mr. Leonard Evans: It would seem to me that the company is underselling in eastern Canada. If your distribution of your total output as a national company is roughly 50-50, even though we are using Thunder Bay as the line, and the fact is that

70 percent—I have the latest information from Statistics Canada on population distribution in this country. The facts are that 70.5 percent of Canadian people, therefore Canadian consumers, live east of the province of Manitoba. Twenty-five percent are west of the province of Manitoba and Manitoba has under 5 percent, between 4 and 5 percent.

Mr. Gilleshammer: Well, I appreciate the member for Brandon East doing his population statistics. There are other market forces at work, as I am sure the member will recall from his days as an economist. The figures that are presented by the company indicate, based on the sales people, that there is basically a 50-50 split of the business between east and west. What the member for Brandon East is saying is there are more people living in eastern Canada and that is not a surprise to us. The member says that he knew in 1989 that there was a split in the business then, and it surprises me that he was quoted in Hansard as saying that 80 percent of the business is in central Canada when he now admits that he knew from previous committee meetings that that was not true.

We are saying that the figures that the accounting department of McKenzie Seeds has brought forward are basically a 50-50 split east and west. If the member wants to dispute that, we are just going to have to agree to differ.

Mr. Leonard Evans: I do not know where I said 80 percent, but if I said it—what date did I say that, and in what context?

Mr. Gilleshammer: Well, on April 11, 1994, page 105, the member says, well, just listen: "Eighty percent of the market is in central Canada . . ." I can maybe give him another occasion where he said that, if I can find it here. A story in the Winnipeg Free Press from just a few weeks ago, in quotation marks: The fact is economics of location would dictate to any private enterprise a central Canadian site because 80 percent of the market is in central Canada and all the materials are brought into McKenzie Seeds from the East. End of quote. Evans said. These quotations, both in Hansard and in the Winnipeg Free Press, are factually incorrect.

Mr. Leonard Evans: Mr. Chairperson, the minister speaks like a schoolteacher, which he has been for many years, I am sure.

If I had said 80 percent, and I do not dispute it if that is what I am quoted at, I am not going to dispute that. Obviously, I was trying to make a point. The point is that the bulk of the Canadian population lives east of Manitoba. And I have given you those numbers. The fact is that the greatest market potential would seem to me to be in central Canada because that is where the population is. That is where the bulk of the consumers are.

Therefore, I go back—I am surprised that the company is underselling in eastern Canada. It seems to me that if 70.5 percent of the people live east of Manitoba and only 25 percent live west of Manitoba, and yet we are selling 50-50, it would seem to me that your greatest potential is in central Canada perhaps, and maybe east of that.

The fact is that, whether we like it or not, that is where the distribution, that is where the concentration of people is. I do not understand why the company could not do and would not do better today or in future in central Canada.

Mr. Chairperson: Before Mr. Robinson begins his comments I would appreciate members, if they are in conversation, to have quieter tones as it is harder to hear the members' responses here.

Mr. Robinson: Mr. Chairperson, it is true that more of the people live in the East; however, we also have to look at the kind of product that we are marketing and where those people live in the East. Obviously apartment dwellers are not target markets for our product and I think, if you take a closer look at the statistics of where those individuals live in relationship to the products that we are marketing, you will find some distribution differences between total population and those that are in the gardening business.

That is the information that we have, and obviously there is opportunity in the East. However, you cannot strictly quote total population.

Mr. Gilleshammer: I would just say, if the member for Brandon East had been quoted in

Hansard and the Free Press on the numbers of people living in eastern Canada, I certainly would have agreed with him.

Mr. Leonard Evans: Just getting back to what Mr. Robinson has just said, I appreciate his clarification where he points out that in some of the major cities—I presume he is talking about the major cities—that there is a great percentage of apartment dwellers. But your market research data—I presume you have data on potential markets—would it still not show the greatest potential in central Canada even given the fact that there is a great deal of apartment living in those larger cities? You must have some research material that would indicate where potentials are, province by province, region by region.

Mr. Robinson: I am sure that our marketing department has a lot more of the detailed information than I have at my fingertips and certainly if it is an interest to the member, we can provide that information.

Mr. Leonard Evans: I just want to say, when I referred to 80 percent, perhaps I was getting carried away trying to make a point, the point being that my understanding always has been that—and I may not like this distribution of Canadian population, but that we tend to be very much lopsided in our distribution of population, with a large amount of people living in central Canada.

* (1200)

Mr. Gilleshammer: I am pleased to hear the member for Brandon East say that in his rhetoric he was getting carried away, and certainly that is consistent with what the Brandon Sun indicated in their editorial when they said there was a need for prudence, but there was no need for hysteria.

Mr. Leonard Evans: I would never want anyone to be hysteric—myself or the minister or anyone. Let us be rational, calm, and let us work for the best interest of this company, keep it in the city of Brandon, Manitoba.

Mr. Chairperson, I have other questions that I would like to get into. Mr. Robinson has kindly indicated he would send me a breakdown of any market potential data which I would use, and I

would not make it public. I do not think it is in the company's interest to do that. But as a representative of taxpayers, as we all are in the Legislature here, I would be interested in getting that information.

On the question of inputs into the company, first of all, I wonder if Mr. Robinson or whoever could indicate what are the major inputs into the company? There are some lines here, cost of sales, but that does not give me any indication by any means of the costs inputs, per se, as opposed to selling cost and so on. There is some reference to selling, marketing, distribution subsequently, just looking at the latest report.

I wonder if we could get some kind of a breakdown of sales and I am wondering in that process if he could indicate the major inputs into the products. I mean, you have to buy seeds, obviously. You buy packages, obviously. You buy stands, display material, et cetera, whatever else.

Mr. Robinson: Mr. Chairperson, any numbers that I would be providing would simply be estimates. We can again provide that information going back into our files. If at this point you would simply like me to estimate the major components of cost of sales, I can do that.

Mr. Leonard Evans: That would be fine.

Mr. Robinson: Mr. Chairperson, I believe the cost of sales numbers \$10.9 million in 1993; labour and benefits approximately \$1.5 million; seed \$1.5 million; packaging \$0.75 million; live goods, all divisions, \$3.5 million; balance of product—

Mr. Leonard Evans: Mr. Chairperson, I wonder, I do not like to interrupt Mr. Robinson, did he say live goods?

Mr. Robinson: Yes.

Mr. Leonard Evans: I wonder if you can elaborate on what you mean by live goods.

Mr. Robinson: Mr. Chairperson, definition of live goods product would be onion sets and multipliers, rose bushes, shrubs, trees, bulbs, dafodils, tulips, gladioluses, perennial plants that are sold in our catalogue divisions, those sorts of things.

Mr. Chairperson: It has been brought to my attention the time. What is the will of the committee? Is it the will of the committee to proceed to 12:30 in order to pass this report? I seek some guidance from the members.

Mr. Leonard Evans: Mr. Chairperson, I cannot guarantee that we will be finished by 12:30. I have some important questions that I want to pursue.

Mr. Chairperson: Do you want to finish today.

Mr. Leonard Evans: We could finish today, but I am not sure whether I could finish by 12:30, unless you want to come back tonight.

Mr. Ashton: I suggest the committee rise and what we can do is perhaps schedule another hearing of the committee, perhaps in conjunction with some of the other reports that have to be dealt with, because if it runs another hour or so, that way we could add a further report afterwards from another Crown entity.

Mr. Leonard Evans: Perhaps some other Crowns as well.

Mr. Ashton: Some of the Crowns do not take that long. They will take an hour, an hour and a half.

Mr. Chairperson: It has been brought to my attention that it is not up to this committee to reschedule itself. It is to be brought forth through the House by the House leaders at that time for a rescheduling of the meeting.

With that in mind, I assume then that we are not going to be proceeding with the idea of passing this report today. Correct? But with that in mind, would the committee rise.

COMMITTEE ROSE AT: 12:05 p.m.