



Third Session - Thirty-Sixth Legislature

of the

Legislative Assembly of Manitoba

Standing Committee

on

Public Utilities

and

Natural Resources

Chairperson
Mr. Jack Penner
Constituency of Emerson



MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Sixth Legislature

Member	Constituency	Political Affiliation
ASHTON, Steve	Thompson	N.D.P.
BARRETT, Becky	Wellington	N.D.P.
CERILLI, Marianne	Radisson	N.D.P.
CHOMIAK, Dave	Kildonan	N.D.P.
CUMMINGS, Glen, Hon.	Ste. Rose	P.C.
DACQUAY, Louise, Hon.	Seine River	P.C.
DERKACH, Leonard, Hon.	Roblin-Russell	P.C.
DEWAR, Gregory	Selkirk	N.D.P.
DOER, Gary	Concordia	N.D.P.
DOWNEY, James, Hon.	Arthur-Virden	P.C.
DRIEDGER, Albert	Steinbach	P.C.
DYCK, Peter	Pembina	P.C.
ENNS, Harry, Hon.	Lakeside	P.C.
ERNST, Jim	Charleswood	P.C.
EVANS, Clif	Interlake	N.D.P.
EVANS, Leonard S.	Brandon East	N.D.P.
FILMON, Gary, Hon.	Tuxedo	P.C.
FINDLAY, Glen, Hon.	Springfield	P.C.
FRIESEN, Jean	Wolseley	N.D.P.
GAUDRY, Neil	St. Boniface	Lib.
GILLESHAMMER, Harold, Hon.	Minnedosa	P.C.
HELWER, Edward	Gimli	P.C.
HICKES, George	Point Douglas	N.D.P.
JENNISSEN, Gerard	Flin Flon	N.D.P.
KOWALSKI, Gary	The Maples	Lib.
LAMOUREUX, Kevin	Inkster	Lib.
LATHLIN, Oscar	The Pas	N.D.P.
LAURENDEAU, Marcel	St. Norbert	P.C.
MACKINTOSH, Gord	St. Johns	N.D.P.
MALOWAY, Jim	Elmwood	N.D.P.
MARTINDALE, Doug	Burrows	N.D.P.
McALPINE, Gerry	Sturgeon Creek	P.C.
McCRAE, James, Hon.	Brandon West	P.C.
McGIFFORD, Diane	Osborne	N.D.P.
McINTOSH, Linda, Hon.	Assiniboia	P.C.
MIHYCHUK, MaryAnn	St. James	N.D.P.
MITCHELSON, Bonnie, Hon.	River East	P.C.
NEWMAN, David, Hon.	Riel	P.C.
PALLISTER, Brian	Portage la Prairie	P.C.
PENNER, Jack	Emerson	P.C.
PITURA, Frank, Hon.	Morris	P.C.
PRAZNIK, Darren, Hon.	Lac du Bonnet	P.C.
RADCLIFFE, Mike, Hon.	River Heights	P.C.
REID, Daryl	Transcona	N.D.P.
REIMER, Jack, Hon.	Niakwa	P.C.
RENDER, Shirley	St. Vital	P.C.
ROBINSON, Eric	Rupertsland	N.D.P.
ROCAN, Denis	Gladstone	P.C.
SALE, Tim	Crescentwood	N.D.P.
SANTOS, Conrad	Broadway	N.D.P.
STEFANSON, Eric, Hon.	Kirkfield Park	P.C.
STRUTHERS, Stan	Dauphin	N.D.P.
SVEINSON, Ben	La Verendrye	P.C.
TOEWS, Vic, Hon.	Rossmere	P.C.
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LEGISLATIVE ASSEMBLY OF MANITOBA

THE STANDING COMMITTEE ON PUBLIC UTILITIES AND NATURAL RESOURCES

Tuesday, March 18, 1997

TIME – 10 a.m.

for the years ending March 31, 1995, and March 31, 1996. These reports had previously been considered in committee on October 25, 1996.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Jack Penner (Emerson)

Did the minister responsible have an opening statement, and did he wish to introduce the officials in attendance from the Manitoba Hydro-Electric Board?

VICE-CHAIRPERSON – Mr. Ben Sveinson (La Verendrye)

ATTENDANCE - 10 – QUORUM - 6

Members of the Committee present:

Hon. Mr. Newman

Messrs. Ashton, Kowalski, Laurendeau, McAlpine,
Ms. Mihychuk, Mr. Penner, Mrs. Render, Messrs.
Rocan, Sveinson

Hon. David Newman (Minister charged with the administration of The Manitoba Hydro Act): This being my first chance to sit in this chair beside the Chairperson, I am delighted to be here as the Minister responsible for Manitoba Hydro and very pleased to introduce the Chair of the Board, Mr. John McCallum, and the President and Chief Executive Officer Bob Brennan.

Glen Schneider of Hydro, responsible for Public Affairs, will be joining us later and will probably be sitting at the back of the room, so you can anticipate his attendance as well.

I am also pleased to welcome the members of the committee back at the continuation of the meeting which ended Friday, October 25, 1996. I will not make an opening statement because an opening statement had been made at that time, and this is really a continuation of what already addressed substantially the annual reports for the years March 31, 1995, and March 31, 1996.

I hope that we can continue with what was a fairly freewheeling discussion and I support that. This is a time to come to grips with the realities of the situation, and the concerns that have been raised through Question Period and through the process of discussion at this committee last time are the kinds of matters which, of course, can and should be entertained here.

So with those opening remarks, I look forward to hopefully getting these reports passed before we complete our session today. Thank you.

APPEARING:

Mr. Robert Brennan, President and Chief Executive Officer, Manitoba Hydro
Mr. John McCallum, Chairperson, Manitoba Hydro-Electric Board
Mr. Gerard Jennissen, MLA for Flin Flon
Mr. Eric Robinson, MLA for Rupertsland

MATTERS UNDER DISCUSSION:

March 31, 1995, Annual Report of the Manitoba Hydro-Electric Board
March 31, 1996, Annual Report of the Manitoba Hydro-Electric Board

Mr. Vice-Chairperson: Will the Standing Committee on Public Utilities and Natural Resources please come to order.

This morning, the committee will be considering the Annual Report of the Manitoba Hydro-Electric Board

Mr. Vice-Chairperson: We thank the minister. Did the critic from the official opposition wish to make an opening statement?

Ms. MaryAnn Mihychuk (St. James): I will suggest to the committee that perhaps it may be expedient to pass the '95 report but on the assurance that we have two days to continue with the process.

It has been a considerable time since we have had Hydro at the table, and it is a very broad encompassing subject that we would like to delve into, and the feeling is that one day would not be sufficient, and since we do have it scheduled for Tuesday and Thursday—[interjection] We do not have it scheduled?

Well, I would like to suggest that we schedule another meeting for Thursday, and I would be prepared to pass the '95 report, given the two days.

Mr. Vice-Chairperson: I think that we would be dealing with the reports in a minute. If you would wish, Ms. Mihychuk, to make your opening statement, we will deal with what report you would like to pass in a minute, as soon as you have finished.

Ms. Mihychuk: Well, that is very unfortunate because I do believe that the public wants an opportunity to hear what Hydro has envisioned for the future and to question the government as to what its intentions are as well.

The previous minister had actually a history of basically withholding committees, and Manitoba Hydro was one of those, including Manitoba Mineral Resources. That is why we have Manitoba Hydro here before us for the '95 and the '96 report.

We are pleased to see Bob Brennan and John McCallum here. We are looking forward to discussing Manitoba Hydro, which is a strong and vibrant Crown corporation that I think all Manitobans can take great pride in. Manitoba Hydro has a history of commitment by the people who risked significant investments and understood that significant debt was required for some of the megaprojects that we underwent. That support is still there for Manitoba Hydro. In reciprocating, Manitoba Hydro has been sensitive to the people of

Manitoba by providing a steady, reasonable service to Manitobans, and that is something that they appreciate.

Not only does Manitoba Hydro provide service to our domestic users but also was used by governments in the past to fuel economic activity, to generate revenues—and we see considerable revenues coming from outside of Manitoba—to provide service and low rates. I think that it illustrates why the argument, primarily by the government and other right-wing think-tanks, suggesting that Crown corporations are inefficient and are not the service vehicles that are any longer relevant, is, in fact, a fallacy.

This Crown corporation is, indeed, a strong, vibrant, efficient Crown corporation, and that is why the opposition, the New Democratic Party, are strong supporters of a Crown corporation. We will be delving into the issues of deregulation, privatization and the suggestions from the Premier (Mr. Filmon), who ultimately decides, we know, with a small cadre of comrades, on the future of Crown corporations, as they did with MTS. Ultimately, they are the ones who are going to decide on the future of Manitoba Hydro.

In conclusion, I think we are here for an interesting debate on the future of Manitoba Hydro and look forward to posing some questions, both local and more global, to yourself as the new minister and to representatives.

Mr. Vice-Chairperson: We thank the member.

Did the representatives in attendance from the Manitoba Hydro-Electric Board wish to make a statement to the committee?

Mr. John McCallum (Chairperson, Manitoba Hydro-Electric Board): We made a long presentation last time, and I think we would just leave it. Last time Mr. Brennan took the committee through a very detailed slide presentation, and I think we would just leave it at that and respond to questions. I would say that Mr. Brennan has copies of our slides that we presented; I think it was in October.

So we would leave it at that and look forward to the discussion.

* (1010)

Mr. Vice-Chairperson: Thank you, Mr. McCallum.

How did the committee wish to proceed this morning? Shall the reports be considered together or considered separately? I think we heard something a little bit earlier. We will consider them separately—pardon me, we will consider them together, and at the end of this session, you would wish to pass the 1995 report.

Did the committee wish to indicate how late it wishes to sit this morning? I would as the Chairman ask the committee if it would be okay to stop at 12. I have another meeting that I wish to attend. It would be nice of the committee if they would look at that request.

Ms. Mihychuk: I would like to leave it perhaps open, if possible. The extra half an hour will be significant given that we do not have another date scheduled. I am sure that the Chair has a confident replacement that would be able to take over the committee if that was necessary.

Mr. Vice-Chairperson: Okay, so we will leave that open. I will open the floor for questioning.

Ms. Mihychuk: I am going to come forward with the question that is on the mind of all Manitobans. Can the minister tell us whether the government, as far as he is aware, has plans to privatize Manitoba Hydro?

Mr. Newman: The answer is no.

Ms. Mihychuk: Is the minister aware of the Premier's (Mr. Filmon) comments that indeed the government would reassess Manitoba Hydro's position once Manitoba Hydro was not in a totally regulated market?

Mr. Newman: This minister and this government will not close their minds to anything under circumstances which are unknown or uncertain at this time. I could easily pose a question back to you. I mean, if theoretically you had a totally unregulated market with no natural or other kind of monopoly, would it make any sense then to have a situation like now exists in

Manitoba without any changes? Your answer to that would be no, of course, you have to make adjustments to different and changing circumstances.

So it would be inappropriate to tie the hands of future decision makers by making some sort of commitment about exactly the nature of the organization and positioning of Manitoba Hydro. At this time, my answer, unequivocally, is there are no plans to change the ownership of Manitoba Hydro.

Ms. Mihychuk: I guess equally as unequivocally we can assure the committee that this side of the House would make the commitment to keep Manitoba Hydro a Crown corporation. There is a significant difference between moving it into private hands and keeping it in public hands, and that is the ultimate bottom line where the private strives for profitability. I believe that Crown corporations strive to serve the people of Manitoba, not necessarily the same overall vision.

My question to the minister: Following up on the Premier's statement that deregulation was a long-term project and somewhere in the future, will the minister now tell the committee whether it is not true that some parts of Manitoba Hydro already operate in a deregulated market?

Mr. Newman: What I am going to do in any questions that relate to the current way of Manitoba Hydro's operating, I will have those questions answered by Mr. Brennan or Mr. McCallum.

I am prepared to deal with ownership issues because that is something which is in the peculiar power of government and, I might say, a duly elected majority government chosen to make decisions on behalf of the people. There are 31 people who are in that government, and 30 of them participate regularly in caucus meetings, and decisions are always approved by caucus of any material importance to Manitobans, and in the case of any issue concerning Manitoba Hydro's ownership, no small cadre makes a decision. It would be 30 people in caucus making a decision.

So I just wanted to clarify that in case there are people that might have been misled by your, I think, inaccurate description of the way democracy operates in Manitoba and the way our government operates in

Manitoba. So I am inviting Mr. McCallum and Mr. Brennan to answer that question.

Mr. McCallum: Maybe you could clarify it in the sense that you suggested that Manitoba Hydro already operates in competitive or deregulated markets.

Ms. Mihychuk: Yes, and I believe that the president has indicated in some Hydrograms or other literature that I go through—I wish I could cite it exactly—that, in fact, Manitoba Hydro is in a competitive market. We can see, for instance, in the new hot water tank business that you are in direct competition with Centra Gas, and there may be other avenues where there is competition.

So I am asking whether indeed there are certain portions of Manitoba Hydro that are in a deregulated environment.

Mr. Robert Brennan (President and Chief Executive Officer, Manitoba Hydro): We have some of our operations—we market various activities in a competitive mode. All our activities, though, are regulated through the Public Utilities Board.

But export sales, as an example, is a competitive market. We sell based on how we market our product, what the prices are like. We make decisions as to whether we want to sell or hold it in reservoirs, that sort of situation.

We try to sell to the highest bidder, and there are some activities, as you suggest, such as the water heater rental program, that is a competitive market as well.

Ms. Mihychuk: Can the representatives from Manitoba Hydro explain to us what it means when the term “deregulated environment” is used? Is that an open competitive market, or is it determined by the PUB, because we know that in other sectors the PUB still regulates, in a sense, rate hikes through the PUB, but in all other senses they are working in a fully open competitive market.

Can we get a definition as to what is meant by deregulated?

Mr. Brennan: Yes, I can. In 1992, through an energy act in the United States, this whole deregulation within

the industry and the talk about it started. It came about by this particular act deregulating the generation component, so, in effect, people could buy on a wholesale basis from the supplier that they wanted to. Other utilities were forced to transmit that power through their transmission facilities and charge a fee for that. That is in place. It is in place throughout the United States. It does not provide for retail competition—that is a state situation—but federally there is wholesale competition.

By Manitoba Hydro joining a regional transmission group within the MAPP area, we have, in effect, committed ourselves to wholesale competition, appreciating the fact that our power was being sold on a competitive market in any event.

* (1020)

Ms. Mihychuk: Can you perhaps indicate to the committee, given that the process is already, in effect, started and probably inevitable if we wanted to continue being successful—and this is indeed a North American trend. We have seen it in Quebec, and we have seen it in B.C., and it seems to be inevitable. When would we look at opening our lines to receiving? We would receive power; we would just have to sell the lines. Is that how it works?

Perhaps you could go into a little bit more explanation about, we would be receiving power as well as exporting it—a clarification on deregulation.

Mr. Brennan: There are various forms of deregulation. In the deregulation that is occurring associated with Manitoba Hydro markets is a wholesale type of deregulation and that basically means that utilities can sell to each other but there is no retail competition. Retail competition for the most part has been started in areas where the cost of power is extremely high, the northeast part of the United States and California.

For the most part there is no retail competition in the area that we serve, and we think that because of our rate structures it is not in our customers' interest to have retail competition at this point. We serve an awful lot of customers in the rural part of the province. Residential customers are subsidized to some degree now and retail competition from our perspective at this

point in time would not be in our consumers' best interest.

Ms. Mihychuk: My understanding is that retail competition would allow other hydro producers, through gas turbines which I understand is a fairly new technology, to compete directly with Manitoba Hydro, and Mr. Brennan has indicated that would not be to the benefit of consumers.

Is that a decision of Manitoba Hydro, or, in fact, is that a political decision through the government?

Mr. Newman: I will respond initially to that question.

That is not a decision at all, at the moment, of government. We anticipate that the views expressed by Mr. Brennan about retail competition will be advanced in the proposed amendments. Also, we do know that by them becoming involved in the MAPP regional grouping in its new form, that their commitment is to optional wholesale competition. I am well aware that is the management strategy, and that is the direction in which they have gone which we are certainly inclined to approve of if that will lead to the protection and enhancement of Manitoba Hydro's ability to access other marketplaces, which result now, in the case of American export of services, in 25 percent of the revenue of Manitoba Hydro approximately.

So having said that, I would invite Mr. Brennan to speak for Manitoba Hydro, and I will listen with as much interest as you, Ms. Mihychuk.

Mr. Brennan: I would like to come back to one of my earlier questions, too, and just help it.

Right now, Manitoba Hydro, by us joining the regional transmission group, has the ability to sell to any utilities within the MAPP area and use the transmission facilities available to us. By the same token, those American utilities can use our facilities to sell to another MAPP member, and, of course, in our case, they do not have the selection to sell to wholesale customers that we do. You know, there is just not the availability for them.

I would also like to talk about your situation regarding an independent power-producing power

within Manitoba. They can sell direct to a customer themselves, should they make out some kind of arrangement, and supply an individual customer's requirements. A customer can do it on his own, anything like that, and try to sell the surpluses to Manitoba Hydro in some form of negotiated basis.

That is certainly a possibility, and Manitoba Hydro would look at that if it is in our interest to do so. I think you will find right now that because of Manitoba Hydro's cost structure, that nobody—even with the very efficient gas turbines that they produce today, but based on the price of natural gas today, they are not competitive.

Ms. Mihychuk: Can the minister explain what he meant when he said it is obvious to me that the big players like Inco and Hudson Bay Mining and Smelting are being marketed by other sellers of energy. Could the minister explain that statement as to what he meant by that and who those sellers would be?

Mr. Newman: In conversations with those kinds of major customers of Hydro and in conversations with people who are engaged in the process of selling Manitoba Hydro's power, there is an increasing interest in those companies, those kinds of customers, in examining optional sources of power that would provide potentially cheaper power for them.

The people who are engaged in the selling of Manitoba Hydro's power are always looking at—particularly with their new, I would say, enhanced role under the new structure, focused on customer service, for example, they are looking at creative ways to maintain a long-term positive customer relationship. Some of the things that now come up for discussion in blue-skying sorts of ways by these major customers is could we more cheaply do our own power generation by utilizing means totally within our control and, in effect, being the only customer of a power-generating system which was their own, and this could be in whole or in part. So this kind of blue skying is now going on.

Also, there are people who market energy of all kinds in a brokerage kind of way, in an international way, based often in the United States where these people explore with major customers around the world whether or not they could be the providers of energy for

them. This is now, I would say, a very new innovative kind of area which has regulatory impediments in some cases, but these are the kinds of discussions that are going on.

To the credit of Manitoba Hydro and their customer service people, they are gaining an understanding of all of these new developments and are trying to ready themselves to ensure that the interests, the stakeholders in Manitoba Hydro, are protected and enhanced.

Ms. Mihychuk: For clarification, if the minister could perhaps explain how, if natural gas is not at this time and perhaps not in the future a viable energy source, is the minister suggesting that a large corporate structure like Inco would be able to produce its own energy by having its own dams?

Mr. Newman: I have never even envisaged that. No, I was considering other kinds of energy sources, not any replication of what Manitoba Hydro has done, and natural gas would be one of those kinds of sources for thermal generating stations which might serve a particular major customer.

* (1030)

Ms. Mihychuk: The minister, getting back to my initial sort of area of questioning about the privatization of Hydro, clarified for us that indeed it would not be a small clutch of people in the Premier's Office, it would be the government minus one that would decide the future of Manitoba Hydro. Will the minister make an assurance to the people of Manitoba that indeed that would not happen, that the future of Manitoba Hydro is much too important to Manitobans to leave up to 30 people in government, that, in fact, any decision to privatize part or all of Manitoba Hydro will go before the people of Manitoba in a general election before any privatization occurs?

Mr. Newman: Of course, I cannot make that kind of a commitment as an individual in government. I would throw it back to you. Are you prepared to make that commitment as a party and speak for that party yourself?

I would agree with you that the ownership of Manitoba Hydro is a matter of great importance, great

importance to the government, great importance to the people of Manitoba, great importance to all parties in the Legislature, and because it is not an issue, ownership is not an issue, except to the extent that you are exploring it here today. It is not a real issue; it is not a consideration. It is not a plan, and I have indicated that I will not do anything to preclude a decision being made in the best interests of Manitobans in the judgment of the elected people of Manitoba in the form of a majority government.

Ms. Mihychuk: Well, the minister attempts to provide assurances that there is no intentions of privatizing this Crown corporation. However the two years that I have been critic of Manitoba Hydro, I think that the government, particularly the Premier (Mr. Filmon), has chosen to use significantly different language in the recent situation than he has in the past.

(Mr. Chairperson in the Chair)

The Premier is, I believe, one not to bandy words without considerable thought, and for the Premier to come out and say that the government shall keep open or re-evaluate when Manitoba Hydro is in a deregulated environment, not even a total deregulated, that the future would be open once Manitoba was in any part a deregulated environment. That is a significantly drastic departure from the language that the government has used in the past where there was no indication of that opening.

So I would ask again, given that, in fact, the Premier's comments that deregulation was way in the future, we know that, in fact, deregulation is occurring now, that parts of Manitoba Hydro are in a completely open, competitive market, that this is a trend that is pushing Manitoba forward and many utilities, that it is indeed one that we would expect in the very near future that there may be some movement to divest itself and the government divest itself of part of Manitoba Hydro, perhaps those that are most profitable, perhaps those that are the most marketable in terms of an international sale.

I think that I would have agreed with the minister, or at least partially, that the plans were not imminent or that Manitobans had some time, but now I think that there is a significant difference in the terminology of

this government and, in particular, of the Premier (Mr. Filmon) who opened the door, opened the door in his comment saying Manitoba Hydro is safe in a totally regulated market.

That is no longer the situation, and I would argue with the minister that indeed his comments suggested that there were plans for the future by the government.

Mr. Newman: Yes, I have made my comment. I am not going to gild the lily. While it really does cause me concern, I appreciate your representing your perceived interests of the people of Manitoba in all of the positions you are taking. What I would really encourage, and I think this committee can do it well, is to have a debate about the real circumstances, the real pressures, market and others, that are influencing the future of Manitoba Hydro.

Ownership is not really related to those issues. That is one ultimate way of coping with those pressures in a given scenario, but it would be far more helpful to the people of Manitoba if we focused, I believe, on the real issues and the real pressures. You have the president and CEO, you have the chair of the board, these people live with it day by day. They have advisers, internal, external, all the time there trying to help them protect and enhance the interests of the stakeholders in Manitoba Hydro. So, if you want to access that knowledge rather than deal with speculation which can sometimes engender fears, I think the people of Manitoba would rather prefer to have an understanding of the influences of Manitoba Hydro, an understanding of why Manitoba Hydro is responding in certain ways, and why Manitoba Hydro is going to ask us for amendments to the legislation. Then we will have another chance to debate that during a standing committee on the legislation, Law Amendments, as to why we have worded certain amendments in certain ways.

The goal will always be to make Manitoba Hydro successful in the interests of the stakeholders. I would really direct, encourage a focus on that kind of thing rather than speculating when you are not going to get any more definitive answers from me. I simply do not have them other than to say always this government will do what is believed by them to be in the best interests of Manitobans, and in the best interests of the

stakeholders respecting Manitoba Hydro, when we focus on the kinds of changes that are necessary to make it successful.

At the moment, and I am sure you are aware, I do not think there is anyone that I am aware of who is regarded as an expert in Manitoba, who would suggest that Manitoba would be more successful in the interests of its stakeholders if privately owned. I do not know anyone that has come forward with that proposition, so it is so speculative that I do not think it warrants discussion. There are things that can be far more productive.

* (1040)

Ms. Mihychuk: Well, I understand the minister's statement and comments and feelings that we should get down to the more technical, but, ultimately, the future of Manitoba Hydro is in the government's hands.

Quite frankly, it is a topic that is raised to me by the public whenever I am in a public meeting. It is on the minds of Manitobans, the future of Manitoba Hydro, and it is critically important for them to have the insurance that indeed it will remain, as we are now seeing record profits by Manitoba Hydro in the past three years, and this year looks even more successful than last year.

That indeed is an attractive corporation that is particularly successful, able to have record profits and provide the lowest rates to Manitobans.

So on an international market, it is no wonder that you have international corporations perhaps looking at Manitoba Hydro as a potential asset and investigating the opportunities. We understand that. So that is why it is critically important that the political commitment is there, and I do indeed have a number of questions that are related to the structural changes and further changes that Manitoba has undergone in the past year.

For the record, the questions on the future of Manitoba Hydro cannot be put second place. They are foremost in the minds of Manitobans and, indeed, our party will have the future of Manitoba Hydro before the people of Manitoba in the next election, from our perspective, the sooner the better so that indeed we are

not going to have a selected few consider the future of Manitoba Hydro. It will be before the people of Manitoba in the upcoming election and they will have an opportunity to decide.

Mr. Newman: I just wanted to necessarily respond to what you have said because I want to put things in, I think, an appropriate context. What is really causing concern to the people of Manitoba, I would suggest, is the sorts of comments that are made, not in speculative ways by members of your party, but in commitment ways. When the commitment of your party is to do things like buy back the Manitoba Telephone System for the same price it was sold for, which is, in effect, an expropriation with inadequate compensation, that sends out a signal to every privately owned business in this province and everyone who is a shareholder of Manitoba Telecom Services that their assets, their interests, their ownership is at risk.

I have come back from a recent experience where a mining company who had its interests expropriated in Saskatchewan has been ignoring, according to what they told me, participation in the Manitoba and Saskatchewan, indeed Canadian marketplace because they are at risk of insecurity of private property. So the most dangerous talk is not about privatizing public corporations, I would submit; it comes from making public and making state ownership of private corporations.

That is something, unfortunately, that your party is sending out a message about again and again and again, and it chills and has chilled to this day the economic development of this province, and we are trying to regain credibility. I put your sorts of remarks in that kind of context, and my grave concern is far more with your comments, your individual members' comments in the Legislature and otherwise, that threaten viable and attractive investment in this province and effective private enterprise.

Mr. Steve Ashton (Thompson): I just want to say that I am appalled by the tone of the lecture from this minister, absolutely appalled because obviously from his comments this morning he believes that issues of privatization are the domain of the 30 members of the government caucus. Obviously, he believes that those 30 members do not need a democratic mandate to

privatize a major public asset, and on top of that, he believes it is a one-way street.

I mean, I find it absolutely appalling that he is a member of a government that just sold off MTS with no support from the people of Manitoba. Two-thirds were opposed, 78 percent of rural Manitobans, and not only that, did not raise it in the election, did not have a single public meeting on MTS anywhere in Manitoba. Oh, pardon me, there were public meetings held after it was sold off.

I find it absolutely appalling that the minister would lecture members of the opposition for suggesting that when it comes to our public assets, first of all we have to have democratic process. I was one of the ones, by the way, who felt with MTS that if the government had been willing to put its case forward and had the support of the people of Manitoba, I would have opposed that in principle, but if the people of Manitoba had supported it, I would have accepted that. That is democracy.

I find it absolutely appalling now that he is the steward of our largest financial asset that he is now lecturing members of the opposition on concerns about what, about suggesting that privatization is not a one-way street and asking questions about what, whether Manitoba Hydro is next.

By the way, I give our critic credit for raising this because, you know, the answers we are getting today are exactly the same answers we got on MTS a couple of years ago, and I find it absolutely appalling.

I really want to ask the minister, again, whether he seriously believes we are not acting in the public—by the way, one thing I want to indicate, too, is our party has been very clear on the privatization of Manitoba Hydro, like we were on MTS, that we would not privatize MTS or Manitoba Hydro. In fact, we introduced legislation that would require the support of the people of Manitoba to do that no matter who the government is.

So, if the minister is asking that question, I assume it was a rhetorical question, but I think as our critic pointed out, that is our position on privatization, and it is quite a contrast to his position which is that 30 people elected in election in 1995—the last I remember

they were elected to save the Winnipeg Jets, not to sell off MTS and Manitoba Hydro. Well, they did not save the Winnipeg Jets, but, you know, if he wants to get into his version of what democracy is in Manitoba, sort of a four-year election process and a 30-person autocracy afterwards, I am willing to get into philosophical debates.

But I would really like to ask the minister if he is not aware of the fact that many Manitobans are concerned about the future of Manitoba Hydro, and the reason they are concerned about the future of Manitoba Hydro is because the government, of which you are a member, which you ran for in 1995 in the constituency of Riel, never once said you were going to sell off MTS, and then within a matter of months turned around and sold off MTS without one single iota of input from Manitobans.

When you stand here in this committee and say we have no plans to sell off Manitoba Hydro, are you not aware of the fact that people do not believe you anymore, and I will tell you one of the reasons they do not believe you is that you are a part of a government that said the exact same thing about MTS in September of 1995. Do you not understand that you completely lack, as a government, credibility on the stewardship of our public assets? In fact, when you lecture us on behalf of the brokerage community and others, who I am sure would be concerned about the possibility, yes, maybe there should be consideration that it is not a one-way street.

I am sure that you are a good defender of the interests of the brokers who pocketed \$37 million on MTS even before it hit the stock markets and probably made an equivalent amount within the first week. I mean, there is a class of Manitobans who have benefited greatly from the sale of MTS, the brokerage community. I dare say most Manitobans will pay the price in the long run, but I am wondering if, netting aside your eloquent lecture on behalf of those who have benefited from the undemocratic sale of our public assets, are you not aware that most Manitobans right now, the one question on their mind is what is next? Is it MPIC, is it Manitoba Hydro?

I just want to finish off, Mr. Chairperson, because we do want to get in some questions about the operation of

MTS, which is a very well-run public company which produces more than \$100 million—

Mr. Chairperson: MTS or Manitoba Hydro?

Mr. Ashton: I am sorry, it is easy to get into Freudian slips when you talk about privatization with this government because I think most Manitobans realize that. But I am just wondering if the minister is not aware there are some very legitimate concerns out there with Manitobans, and they quite frankly do not trust you or your government. What they want is, at a bare minimum, as our critic asked for, a commitment that you will not sell off Manitoba Hydro without at least making it an election issue first.

Mr. Chairperson: If I may, as Chair, if we are going to, or if we are asking to get into the MTS debate again, I would suggest that we bring MTS resources back to the table and have that debate, and if we are not, then I would suggest we deal with Manitoba Hydro issues for the purpose for which this meeting was called this morning. I would suggest to the minister as well as to the critics that we direct our questions pertinently to the operations of Manitoba Hydro because we are dealing with the two reports, I understand, simultaneously. I would ask that we direct our questions to the reports and the operations of Manitoba Hydro.

* (1050)

Mr. Newman: Very briefly, in answer to the member for Thompson's statements, Mr. Ashton, first with respect to my belief about the credibility of my government and myself in terms of interaction with the public, I believe with absolute conviction that what was done was done with the best interests of Manitobans at heart, and what was done, I believe, will ultimately be perceived to be for the benefit of Manitobans in that respect. So we can agree to disagree on that, but that is where I come from.

With respect to the concerns and anxieties of Manitobans, I could not agree with you more that there are anxieties about Manitoba Hydro. That is why I would rather have intelligent reason and knowledge and expert opinion applied to the issue, so that we can help them have at least the same level of understanding that we elected people have on the issue. I am anxious to have the people from the opposition party, the official

opposition and the Liberals, have the same understanding that we have as a government, as elected officials on our side of the House, on this issue. Then we can educate Manitobans about the realities and to the extent, I would predict, that there is a general knowledge by stakeholders and generally the people of Manitoba and all parties and all employees at Hydro and all people in this province that there is an understanding about the adjustments that have to be made by Manitoba Hydro to be successful.

I would suggest the likelihood of any of your fears being realized will be diminished, and I am a great believer that knowledge is the best way to allay fears and get people to work together in collaborative ways in the best interests of this province. So I really hope we can get down to some discussion now on the meat of this situation.

Mr. McCallum: Just from the point of view of the board and the management, ownership is not in any way, shape or form a part of how we think about conducting the corporation. It is simply not an issue at the corporation, but what is an issue is the way this business environment is changing, and the fact that if Manitoba Hydro is going to be as good in the future as it is right now and has been in the past, it is going to have to respond to that environment. One of the big changes in the environment is what is happening in America, this deregulation you mentioned earlier, and us responding in a fashion that assures that we protect those markets that were developed through the period of Limestone and so on. So ownership is not an issue for Mr. Brennan or I in anything that we do, but this changing environment sure is an issue and we have major decisions to make that do affect the corporation and the people of Manitoba.

Mr. Chairperson: Mr. Kowalski, you had your hand up.

Mr. Gary Kowalski (The Maples): One of the pleasures of being an MLA is you get to educate yourself, and also you get the advantage of being able to show your ignorance, so I would like to get a little bit of a history lesson here.

When Hydro first started Manitoba Hydro, I would like a history lesson as far as was there originally

private companies generating and selling hydro in Manitoba? What were the reasons for making it into a public utility? What was the rationale behind making it a public utility, and do those reasons exist today for keeping it a public utility?

That is my question. What is the history of Hydro, and what act stops me, say, Gary Kowalski, from buying a generator and start selling power in The Maples today? What acts or regulations stop me from doing that right now?

Mr. McCallum: We are very fortunate in having a chief executive officer who has been with the company since just after they discovered electricity. We are fortunate, though, to have a CEO that knows the history of the company, because where you have been has a lot to do with what you do now and where you go. I think this is a very good question and useful for all of us for Mr. Brennan to respond. You have till 12:30.

Mr. Chairperson: In that case, we are going to allow history to proceed to the next question.

Mr. Brennan: I would like to put on the record, first of all, that Mr. McCallum is only a few years younger than I am, very few.

Now that I have done that, I started with Manitoba Hydro 33 years ago. I do know originally there was a company. As a matter of fact, as part of finance classes and going to school, they even had trouble in the '30s and went into some form of bankruptcy protection. That was a company called the Winnipeg Electric Company, and they did have some generation and some distribution within the city. I believe it was in 1953 that the distribution and the assets were merged with Manitoba Hydro and the Manitoba Power Commission.

About 70-some years ago, the distribution within the province, other than the inner city of Winnipeg, was provided by the Manitoba Power Commission which was a Crown-owned utility, and the generation started as a Crown corporation in 1949. So any of the assets that Manitoba Hydro has that were prior to 1949—which is some of the plants on the Winnipeg River, Great Falls and Seven Sisters—were purchased from Winnipeg Electric. Since 1949, all the assets of Manitoba Hydro, the generation assets, were built by Manitoba Hydro.

In '61, Manitoba Hydro and the Power Commission were merged into one utility.

I think the basic concept behind a Crown corporation to provide these services was that the amount of capital required and the amount of risk involved was just so large that public investment would not do it; you know, just would not make sure that those facilities were available for—[interjection] Yes. The private world would not do it, so the public had to do it.

Prior to that, originally, it was investor-owned with the exception of the City of Winnipeg who had their own utility. The City of Winnipeg has two power plants. They accumulate about 140 megawatts of power. The demands of the inner city are about 440 megawatts, and they purchase the rest from Manitoba Hydro.

But I think the main reason why we have a Crown corporation today was the type of investments we had to make would not be done by private parties.

Mr. Kowalski: I know in the annual report he talks about future power needs. Will there be large capital investments required in the future to meet Manitoba's future investments and, for those same reasons that originally caused the citizens of Manitoba to have a public utility to make those investments, will we require that type of large investment in the future to meet Manitoba's power needs?

Mr. Brennan: The world is changing very, very dramatically. First of all, there is an awful lot of uncertainty associated with the future in our business so, consequently, people do not want to make major investments of any sort. That is leading us to smaller investments. People are not trying to make the investment, leaving it as long as possible, and that, coupled with the type of load growth that most utilities are experiencing now, which is very, very low compared to what it has been in the past, is providing for much smaller facilities being developed, and that is another factor in this.

Mr. Kowalski: A question about retail sales, how it works: When you transmit power through lines long distances I imagine there is a certain amount of loss in the transmission. Secondly, when you are selling retail

sales, when you are selling down to the United States and that, besides selling the power, do you have to buy access to the transmission lines in order to do that, or is that part of the package?

Mr. Brennan: Prior to November we sold all our power straight at the border, and now, since November, we have been selling to some brokers. We sell to other utilities at the border. We have done very few sales whereby we use other utilities' transmission facilities, but that option is available to us since November.

* (1100)

Mr. Kowalski: So if there was a deregulated environment in Manitoba and retail sales here, if a power generating company in California wanted to sell power to Manitoba, have you looked at the cost, the charges you would charge them for transmitting power on our transmission lines?

Mr. Brennan: Yes, as part of our joining in the regional transmission group, we had to provide access to our transmission facilities to gain access to theirs and, in doing that, we had to come up with a tariff to allow people to charge for the use of our facilities, and we are in the process of doing that now.

Mr. Eric Robinson (Rupert's Land): Yes, I just have a couple of questions, Mr. Chairperson. Allow me to start by congratulating the minister on his appointment.

I have a couple of questions relative to the concerns of aboriginal people. First of all, I would like to ask what the cost will be to Manitoba Hydro of completing the east side transmission line hooking up the communities of Garden Hill, St. Theresa Point, Wasagamack, Oxford House, Gods River, Gods Lake Narrows and Red Sucker Lake to the power grid, and how does this compare to the original deal struck more than eight years ago?

Mr. Newman: Yes, I would invite Mr. Brennan to answer that, and thanks very much for the congratulations. Hydro is very important, I believe, to the aboriginal people of this province in a whole variety of different ways and, as the Northern Flood Agreement modifications are agreed to, even more concentration can be placed on the positives of Hydro and aboriginal

relationships, in the North particularly. I would invite Mr. Brennan to respond to that question.

Mr. Brennan: I do not remember what the cost of the line was when we originally signed the agreement. I know that the cost, and we will get that for you, but the cost today, the approved estimate we have is \$130-some-odd million, \$131 million dollars, I believe, of which Manitoba Hydro is paying 10 percent of the cost.

Mr. Robinson: Mr. Chairperson, perhaps either Mr. Brennan or the minister could project what the revenues could be annually from each community once the grid is up and running.

Mr. Brennan: I would have to provide that for you. I do not have it off the top of my head.

Mr. Newman: I did not fully—did you fully understand that question, Mr. Brennan? I would like to make sure that that is articulated in such a way that the information could be put together the way you anticipate it will be.

Mr. Brennan: Well, as I am summarizing, you can see if I am correct. You would like an estimate of the revenue by community associated with the North Central Project, and we will also give you how we expect that to escalate in terms of the growth?

Mr. Robinson: Perhaps, whatever it is going to be, by letter, your response to my question, with respect to the community, the cost of the community, in addition to that, how much revenue perhaps Hydro could expect to receive from an average house in these communities on an annual basis.

As you know, we have raised the issue about hydro rates being quite high, substantially higher than in communities like Winnipeg or Pine Falls for that matter where people at times have, and I have raised this before at this committee and also in Estimates in the past where First Nations communities—it is not uncommon for a First Nations community member to receive a hydro bill of \$900 for a two-month period, for example, in the summertime. That is not uncommon because of the housing conditions of some of these First Nations communities.

I would like to pursue that, of course, at some point with you, but it is not uncommon that First Nations communities receive hydro bills—and while I am on the subject, I am wondering what consideration Hydro has given to give special consideration to aboriginal people that face such high hydro rates not only in those communities that we talked about prior, but also in communities like Sagkeeng which is right next door to Pine Falls, for example. I am sure that this issue has been raised with the minister and also with Mr. Brennan in the past.

Mr. Brennan: We have three rate zones that are based on density. We start with the city of Winnipeg as being one rate zone. The next rate zone is all the towns and villages within the province, and that would include most of the larger aboriginal communities. The third group is the more sparsely populated areas within the province, and that is the more remote areas for individual customers.

Most people who use space heating as their heating source by electricity pay the same price throughout the province because at that point they are past the block system we have in the front end that is used for lighting primarily, and so anybody that uses electricity for space heating would pay the same rate throughout the province because it is all done on the runoff rate.

In terms of the type of services that we can provide, we have talked to some of the communities in the north central area to take advantage of some of our Power Smart programs. We will make sure that that is completed. We have also offered it to other aboriginal communities and will continue to do that. We agree it is a matter of concern for all our customers to make sure that they use our power efficiently and effectively, and it is in both our interests to do that.

Mr. Robinson: Mr. Chairperson, perhaps then I could request that the response to my earlier question could be done in a form of a letter. Also, I think that what would be helpful to all parties, including myself and Manitoba Hydro and indeed the minister is that an explanation in simple lay terms would perhaps suffice in explaining to our constituents why their rates are much greater than they are, let us say, than the residents in Winnipeg—you explained about the density levels being different and so on—but in simple, common terms

where the average person in an average reserve in this province could understand why their Hydro rates are much greater.

Perhaps if you could provide that for me in the form of a letter, then I would be in a better position to explain that if indeed Hydro rates are equal in this province and aboriginal people should not be left out feeling that they have a different level than other Manitobans. So, Mr. Chairman, through you, perhaps I could extend that request to the minister and Mr. Brennan to explain to me by letter that very request.

Mr. Newman: That is a very timely and appropriate request. I have as much interest in the answer as you do, because I am responsible for 53 unincorporated communities in the North through my Northern Affairs portfolio, and they are impacted by this as well. So that would be most useful for all of us I am sure.

Could you do that? I formally make that request for Mr. Robinson and myself.

Mr. Brennan: We would be very, very happy to do that.

* (1110)

Mr. Robinson: Mr. Chairperson, I only have a couple of more questions, and I am sure that my colleagues have others. I would like to ask, at this point, what plans Manitoba Hydro has for the Hayes River.

Mr. Brennan: We have no official plans for the Hayes River.

Mr. Robinson: As the minister knows, this Assembly passed a private member's resolution on the preservation of the Hayes River as a heritage river, and I know there is a process of nominating the Hayes River as that. What has the minister done with respect to the process of making this river a heritage river in northern Manitoba, which has received the widespread support of the First Nations communities that have used this river for a good number of years and continue to do so, particularly the community of Shamattawa?

Mr. Newman: On behalf of the aboriginal people of Manitoba, I have made a request and offered my influence and support to make this happen as soon as possible. I am in total agreement with you that this is

an important matter and I, like you, want it addressed and resolved with a heritage river status as soon as possible. That ultimately is a federal decision, as I understand it, but I am in total agreement with you on that, Mr. Robinson.

Mr. Robinson: Mr. Chairperson, I want to thank the minister for his frankness on my questions.

There is one additional question. That is, of course, a community that we have been concentrating on a great deal in the last several weeks, that being the community of Shamattawa. Shamattawa in my language, in the Cree language, means a place where two rivers meet, this being the Echo River and Gods River.

For a number of years now, Shamattawa has pretty well gone unnoticed and not recognized for its needs in housing and also in health and a number of other areas where the community feels neglected. As a result, we have concentrated on trying to help out the community. One of the big problems that we have in Shamattawa is that there are 827 people that live in that community; 345 of those people still defecate in a bucket and while we are talking about Third World countries, I believe that sometimes we just have to look in our own backyard and we see it for ourselves in communities like Shamattawa. We are talking about catching up with the rest of the world. Communities like Shamattawa have not even caught up with the 20th Century. In the meantime we are going into the 21st Century, and that is unfortunate.

The current situation is this. We do have a generator, and I am sure that Mr. Brennan and the minister are well aware of this, that has a 60-watt capacity, I believe, meaning that you cannot plug in anything more than one appliance in your home, and for the most part people do their cooking with a hotplate, sometimes a one-plate or a two-plate burner. So I would like to ask the minister if there is indeed consideration being made at this point to allow Shamattawa to catch up with the rest of Canada, and if there are any plans, indeed, at this point for a power line, a landline, to be installed into that community.

Mr. Newman: I am going to have Mr. Brennan respond specifically to your question. But I am going

to offer an observation, and I always fear doing this because it can be misinterpreted. I am becoming more and more appreciative of the challenge of communicating with often an unknown audience and sometimes an audience that wants me to say the wrong things. But I have just had an opportunity to have a conversation with a futurist, Robert Theobald, who was in Winnipeg, brought in by the Social Planning Council. One of the most interesting things he said to me was that we are coming into a stage in our history where maybe one of the starting points for realizing expectations is to change expectations and to re-examine whether some of the aspirations reflected by the majority of society apply to everyone.

Just to illustrate, we, of course, have situations where people in the simplification movement are going back to different ways, and I think that is worth exploring in terms of blue sky and discussions and exchanging feelings about development. It is so overwhelming, discouraging for you I am sure and the people of Shamattawa who are a federal responsibility in that particular situation, that there is a sense of lesser lifestyle.

On the other hand, that has to be one of the most beautiful parts of our world, and it is the sort of place, that area, people from around the world regard as a place to come for a wilderness kind of experience, and the very fact that the Hayes is to be a heritage river—I mean, all of those wonderful features we have that are part of the accessible lifestyle of the people.

Having said that, there is, I think, a need to understand the advantages that can accrue from having access to power, the opportunities for economic development, the opportunities to have options. I would invite Mr. Brennan to respond to the technical aspects of your question, but I would look forward to a continuing dialogue and a free exchange of information with you and the people you represent in that area on the sort of idea level, which I think is important for us to do as elected officials from time to time in a nonpartisan kind of basis in the interests of the people we both have a responsibility for.

Mr. Brennan: Manitoba Hydro shares your concerns about the community and the level of service they are getting today. The community itself is after a landline.

The landline, the last time I looked at the estimate, was something in the neighbourhood of \$35 million for that community. We would not spend that kind of money for the number of people involved. The contribution was requested from the federal government, and they were not prepared to make it.

At the same time, we did tell the community that we would improve their level of service from the 15 amps that they are getting today. The only community in the whole province that gets 15-amp service, that I agree with you is just not acceptable in this day and age. We agreed to install 60 amp, and 60 amp would allow people for the most part to do everything but heat their home with electricity, and yet they could have all the appliances that most communities in the south get.

The community was very reluctant to do that and I think most of their concern was if they did that and accepted that, there would be no choice to get a landline; you know, like there would be no opportunity in the future to do that. I tried to explain to the community leaders at the time that the more power they were using, because power that is generated by this diesel operation is losing money and the more you use the more you lose, would encourage the federal government to get involved with a landline.

If you could arrange any kind of meeting with the leadership of the community to see what we could collectively do to improve their lot, Manitoba Hydro would be very, very happy to meet with you and the leadership of the community to just see if we could get that 60-amp service into the community. I think it would be in their interest, and we would really, very much, like to do that type of thing, Mr. Robinson.

Mr. Gerard Jennissen (Flin Flon): Mr. Chair, I would like to extend my congratulations to the minister in his new portfolio, and we wish him very well.

I have a few questions, basically focusing on some specific issues in northern Manitoba, if I could raise them here. One of the concerns that I have and I share is with the community of Pukatawagan. As you are aware, the Mathias Colomb Band in Pukatawagan has been affected negatively by the damming of the Churchill River. At one point, Hudson Bay Mining and Smelting owned that particular dam, and that dam

basically existed for the interest of Hudson Bay Mining and Smelting. Later on, the Saskatchewan government took over that dam.

Now the Mathias Colomb Band is in the process of negotiating for damages done to their way of life, to the ecosystem there, with the government of Saskatchewan, with SaskPower. I am wondering if Hydro is involved in these negotiations and to what extent.

Mr. Brennan: Manitoba Hydro is not involved in those discussions. The discussions are between the community and the government of Saskatchewan.

* (1120)

Mr. Jennissen: If the Mathias Colomb Band in presenting its case to SaskPower would need the paper trail, would Manitoba Hydro be prepared to make its files available, or material needed from those files, to the Mathias Colomb Band?

Mr. Brennan: We would be prepared to help the community. I am not sure what that means at this point. Opening up our files is maybe not the right word, but we would be prepared to give them any kind of support that they would need to get a better understanding of the situation.

Mr. Jennissen: Mr. Brennan, regarding some more northerly communities, Brochet and Lac Brochet, we discussed this last year to some degree. What are the possibilities of a landline to either of those communities at this stage?

Mr. Brennan: The last time we looked at it, it was not feasible. These two communities, we did increase the capability of the plants at those facilities to increase the service levels to 60 amp. Both of them are at that level now, I believe. I will have to confirm that, but I think they are. Therefore, they are getting the service at normal Hydro rates; relatively costly to produce, but that is considered to be the most cost-effective way to do it.

Mr. Jennissen: Mr. Chair, is there anything in the works regarding connecting either of those communities, probably more likely Lac Brochet, to the

Saskatchewan grid at Wollaston Lake? Is that even in the works? I know it had been discussed at least up north.

Mr. Brennan: That has been looked at in the past. It is my understanding there has been some additional distribution extensions in Saskatchewan that would probably require another look at it and to just see if it is feasible. I will check into that for you.

Mr. Jennissen: Mr. Brennan, one other question I have is the diesel generator at Brochet. The last time I was there, I am a little concerned about, I think, some soil contamination that may have taken place in the past, but also, and perhaps more importantly, is the fact that this facility is right in the middle of town, very close to the school, and there was talk of moving it further out towards the airport. Could you respond to either of these concerns?

Mr. Brennan: Yes, generally, soil contamination as a result of diesel facilities is something that we are very, very concerned about. We have a long-term program to remedy that situation. We have talked to the federal government about how we could cost-share that, and it is my understanding we have come to an understanding as to how that can be done for all communities impacted by our operations in that way.

Mr. Jennissen: Mr. Chair, I have no further questions. I am sure my colleague would like to take over at this point. Thank you.

Ms. Mihychuk: Thank you. The discussion about northern Manitoba is one that I think typifies why Manitoba Hydro must stay as a Crown corporation. Manitoba's North provides enormous wealth to the province of Manitoba in terms of hydro generation, which primarily comes from the damming of northern Manitoba rivers, from mining activities in northern Manitoba, forestry as well as tourism.

I urge the government on behalf of the people of northern Manitoba to consider the overall revenues that the North produces for Manitobans as we sit in the south and enjoy hydroelectricity, other luxuries to which northern people have no access or ability to access.

It seems totally unfair to me having been up North for many, many years. The situation for the people in Shamattawa, Pukatawagan, Cross Lake, all over the North is one which would be totally unacceptable for the southern community. If it was Morden, Manitoba, we would put in a land service to that community.

The situation in the North is so unfair, given the amount of resources pulled out of the North for the benefit of southern people while northern people remain without basic services, so this is the reason why the Manitoba government through Manitoba Hydro and through its ability to make those decisions requires a commitment to northern Manitobans so that this type of unfairness is rectified, and one of the ways to look at that is rate equalization and services to northern communities.

So I would ask the minister, what amount of revenue is generated from northern Manitoba, and what commitment does this government have to rectifying some of this chronic underservicing of the communities in Manitoba's North?

Mr. Newman: You have, of course, asked a huge question and a very complex one to answer in any helpful way, but I will answer what I believe is an oversimplicity and an unfair characterization which I would not want to leave on the record.

I would rather look at the fact that the presence of mines and major mining companies has helped open up and lead to some positive economic developments of the North that would not have been there had there not been a commitment by Inco and for Inco to then become a city ranging in size over the years from 10,000 to 15,000 people and being a presence out of a totally undeveloped part of the world that has an enormous positive impact on the development of northern infrastructure. The City of Thompson has played an incredibly valuable role in developing infrastructure for the benefit of northern peoples, as has Hudson Bay Mining and Smelting in its presence for what is something in the order of over 70 years in Flin Flon.

All of the less significant exploration developments now and mining developments now in the North all make a contribution to the development of things like

roads and power being nearby. It is just oversimplistic to suggest that, for example, what we call in the mining part of my portfolio, the northern superior of our province, which is a largely undeveloped, unserved area, to suggest that it would be prudent in the interests of Manitobans to build an all-year road into that area simply would not make sufficient sense in terms of the tough priority decisions we have to make as to how we invest wisely monies from taxpayers. It just seems simple, but it always is brought home to me that to build a kilometre road costs a million dollars, and in that area probably more.

Every year the Minister of Highways (Mr. Findlay) has something like a billion dollars of road requests and only a hundred million dollars to spend. It makes it very difficult just to maintain roads that we have. I do not want to trivialize the question, because it is a worthy question if properly understood and put in the proper context. We have to make a decision, as representatives and responsible representatives of the people whose trust is extended to us in terms of spending their money. We have to decide whether we should be doing more in terms of opening up the North.

The way that we traditionally have done it is to, when a potential development like an Inco comes on stream, then it warrants investing people's money, because there is going to be a return out of it and that can open up.

So the long-term approach, which is part of the budget, part of the throne speech, part of the whole plan of this government over the years, is to, through exploration and other opportunities of responsible, sustainable development of our economic resources in the North, help the North build towards becoming the Winklers and Mordens of the province, and we have some positive indications of that with hydro through the north central corridor. I think there is potential right there. That is an infrastructure which can contribute to positive entrepreneurial developments within those reserves, as well as improved health and improved safety and all the things that go with power.

* (1130)

When I was in Thicket Portage and spoke to the local missionary as to what he saw the advantages of having

that hydro, because there is now an extension of that line replacing diesel at Thicket Portage, the missionary said, quite frankly to my surprise, he said, it is going to improve the health of the people. I said, how is that? He said it will improve the quality of the water, and water is one of the causes of health problems from his perception in the area, and I said what else? He said, well, I am going to open up a restaurant business. There is no restaurant in Thicket Portage, but the missionary was going to take advantage of the infrastructure and provide that sort of service for the community.

That is the kind of attitude in the North which I want to engender, and I would hope honourable members from the other side of the House will work with us in engendering. We want more healthy, sustainable communities in that part with increasing autonomy so that they can fulfill their own destinies. If we do not inflate expectations and we work realistically through the approaches to economic development which are now emerging, the aboriginal people, I am excited to say, through their emerging leaderships and in many cases existing leaderships, and the involvement of females in a noteworthy way, are embracing economic development in ways that they were fearful of before.

The involvement of Cross Lake Reserve and the Cross Lake Band in a mining joint venture with Gossan Resources and the appreciation of the aboriginal people now for perhaps getting into forestry in ways that are most exciting, in ownership ways and in forest management ways, is most exciting. So I think we are on the verge of some very significant changes there, working responsibly and without inflating expectations but helping them to become equipped through training, responsible use of resources, through collaboration of federal and provincial governments, because the federal government continues to be primarily, of course, the responsible body for our bands and our reserves. Hopefully, we can achieve some significant things.

Recently there have been a whole variety of workshops involving aboriginal entrepreneurs and prospective entrepreneurs and people trying to expand careers. I know that we have three of them within the next 40 days. We have had Vision Quest here. We have John Kim Bell with his program on April 8 and 9, I believe it is, in Winnipeg for careers. We have an

event on March 31, which I hope I am going to be able to go to, on Easter Monday, and the House will not be sitting then, or I get a pair so I can go. I would even take Eric or Gerard or anyone with me to that kind of event to show support for that. We have another event planned for Winnipeg towards the end of April, again dealing with youth and careers.

My answer to your question is a long one. You wanted a thoughtful answer, but it is not simple, and this is the kind of thing we should be working on together for the advantage of the people, the aboriginal people particularly in the broadest sense and the people of the North who have a great amount of self-reliance and ability to become entrepreneurs and more successful entrepreneurs. We just have to create the environment, which I believe we are doing as a government, to allow them to benefit from investment and benefit from involvement in development situations. Thank you.

Ms. Mihychuk: Well, would the minister agree that sometimes it is the infrastructure itself that provides for the economic development? Providing the roads, providing the hydro service to these communities opens up the North and actually then can also stimulate further economic development.

There are so many issues dealing with the North that we could spend all of our time on it, and I just feel that we have dealt superficially with the issues of the North, but I also want to address the working relationship, the convergence, the association with Centra Gas. I want to ask representatives about Winnipeg Hydro and new capital projects, but just a few more questions on the North before we get onto those issues.

The issue of infrastructure: Does the minister have any plans to build the power grid on the east side of Lake Winnipeg?

Mr. Newman: I will defer to Mr. McCallum and Mr. Brennan on that issue, because I, of course, do not build anything physical.

Mr. Brennan: We, of course, are talking about the north-central line coming down from Kelsey which is on the east side of the lake. We also have a line going up along the east side of the lake on the south to serve

the aboriginal communities and various communities on the east side of the lake.

We are not looking at building another major transmission facility down on the east side of the lake until such time as we require more generation. That is an extremely costly effort if that is the one you are referring to. It would provide additional system reliability within our system, but at this particular point in time it is clearly too expensive for us.

Ms. Mihychuk: Can Mr. Brennan tell us what the cost of that line would be?

Mr. Brennan: I would have to go back to the work we did associated with the Ontario sale, and it seemed to me within 2000–1999, 2000–in service date for that project, that it was getting close to \$2 billion, but I will confirm that for you. So it would be much more expensive now, of course, than that, but I will confirm that for you.

Ms. Mihychuk: In terms of the association that Manitoba Hydro has undertaken with Centra Gas, can the minister advise us as to who initiated that proposal?

Mr. Newman: I do not have the information about what you have just spoken. Maybe Mr. McCallum and Mr. Brennan would have that.

Mr. Brennan: This was an initiative that was created by the president of Centra Gas and myself. We met at lunch one day and we looked at opportunities in how we could work together to reduce the cost of our two facilities, and we knew that we were providing a similar type of service to our customers in some cases, certain types of utility services that we thought by working together we might be able to reduce.

We are continuing to look at that. We have at this point—Centra Gas has gotten involved in some of Manitoba Hydro's training opportunities, and we are looking at some initiatives in the future. We have established a joint venture to look at various things. We have seconded a person from each utility to assist in that. At this point, everything is pretty premature, but it will look at primarily providing services back to the two utilities in a more cost-effective way.

* (1140)

Ms. Mihychuk: Can consumers expect to see some direct result from this merger? Are bills going to be jointly issued?

Mr. Brennan: I do not think it is fair to say it is a merger, as the two utilities are still operating independently. What we are looking at is opportunities where we can provide services on a joint basis that would be better for our customers. So the impact should be a reduced cost for the two utilities, and at this point they have been pretty minimal.

Ms. Mihychuk: Perhaps Mr. Brennan could explain what model he envisioned. To me, it seems that Centra Gas and Manitoba Hydro are competitors. So in the sense that you are working toward the same customer, what was the plan that he envisioned, and what are the concerns? I mean, the obvious one for me is confidentiality and the fact that your competitor will have access to Manitoba Hydro's information that would actually put them on a better footing.

Mr. Brennan: We, of course, would do nothing that would jeopardize the operations of Manitoba Hydro in any way, and it was a joint effort. It was not Centra Gas doing something by themselves. It was Manitoba Hydro and Centra Gas looking at opportunities whereby by providing or combining our services or our forces, we could provide a service better collectively than we could individually.

One particular area that we are looking at at the present time, that the joint venture is looking at providing, is in the area of meter reading. Manitoba Hydro had contracted this service out some time ago. We are in the process of going out to the market again for a new contract, you know, see if the one we have now is still the most efficient one, and the joint venture is proposing to put a bid to Manitoba Hydro to see if they can do it cheaper. This will require the services of Centra Gas providing those services to the joint venture, and then the joint venture bidding on that from Manitoba Hydro. The rest of the competitive world will also get the opportunity to bid on it and will determine whether the joint venture is successful in providing that service cheaper or not.

The only thing we can tell you is that from a Manitoba Hydro situation, it is a win-win situation. We can only get a better price as a result of that.

Ms. Mihychuk: How can Manitoba Hydro assure its customer list remains confidential to Centra Gas?

Mr. Brennan: How can we assure it? We have no intention of providing our customer billing information to any other competitor. We will not do that.

Ms. Mihychuk: Can the president of Hydro provide us with more information in terms of this association? He did mention that Centra Gas employees are accessing Manitoba Hydro's professional development. In what sense does Manitoba Hydro benefit from this relationship?

Mr. Brennan: Manitoba Hydro, we have entered into some training programs, that by developing certain training programs and getting access to certain programs, if we make the number of people attending the conference or the particular training program larger, we can get a better program. It becomes more cost-effective on a per individual basis to go. We have been asking the community at large, as well, to attend some of our sessions on a fee-for-service basis, and it reduces the cost for Manitoba Hydro people attending those. So we are getting better education at lower cost.

Ms. Mihychuk: Has Hydro considered a partnership with Winnipeg Hydro, which seems to be a natural ally, rather than Centra Gas?

Mr. Brennan: Mr. Lang and I have talked to the officials associated with the City of Winnipeg to see if they wanted to get involved in some of our arrangements, and at this point, from their perspective, they do not think it is cost-effective.

Ms. Mihychuk: Talking about Winnipeg Hydro, can the minister inform us as to the status of the negotiations to purchase Winnipeg Hydro?

Mr. Brennan: Manitoba Hydro has talked to our board, and we have talked to our minister about the possibility of purchasing Winnipeg Hydro, should it be available for sale, and at this point the city has not determined if it is for sale or not, and they have to

review that, but, in any event, the direction given to the management of Manitoba Hydro is that should we develop a business case that is in the best interests of Manitoba Hydro to make that purchase, they would be forthcoming to review it and react accordingly.

Ms. Mihychuk: Is Manitoba Hydro preparing such a business plan to look at taking over Winnipeg Hydro?

Mr. Brennan: We have looked at various options as to what price we think would be acceptable to pay for that utility and what impact it would have on the other customers within Manitoba Hydro's service area, and we have also looked at what impacts a sale would have on the City of Winnipeg.

We have done some preliminary work in that area. We would like to talk to the city to get more information that would allow us to refine our estimates.

Ms. Mihychuk: Is the City of Winnipeg open to these consultations and providing the necessary information to Manitoba Hydro?

Mr. Brennan: At this point, we have only had preliminary discussions within the city. The city has to decide themselves whether it is available for sale, if they want to make it available for sale, and they have not come to that conclusion.

I did read in the paper, and it was nothing more than the paper, that the latest budget document makes some reference to the reviewing of the possibility of a sale of Winnipeg Hydro.

Mr. Newman: My hope, speaking from the political end of things, is that I would encourage the mayor and council of the city to encourage and direct their staff to have an analysis done, so that then, as I indicated earlier dealing with the whole broad issue of Manitoba Hydro, we can deal from a common level of knowledge and expert opinion, and they can determine then what is in the best interests of the citizens of Winnipeg who now are serviced by Winnipeg Hydro, or Manitoba Hydro can decide what is in the best interests of the stakeholders of Manitoba Hydro.

My government can then, with the benefit of that information and the full understanding of the

opportunities and implications, address the issue at our level. It appears we are nowhere near that yet. Each of those individual parts of that potential negotiation has yet to come to grips with the necessary knowledge to have informed discussions.

Ms. Mihychuk: It is my understanding that some of the infrastructure of Winnipeg Hydro is in decay or needs upgrading. Has Manitoba Hydro looked at those capital investments, and, if so, would they look at replacing those or tying in through their existing power grid?

Mr. Brennan: We have looked at it very superficially. We talk to Winnipeg Hydro all the time. We have various management meetings with them on various issues. We operate the system as one common system, so we have an awful lot of meetings associated with the operation of our system.

We do know that they have one particular generating facility that is in need of rehabilitation. Manitoba Hydro's preliminary review of the situation has indicated that rehabilitation would be required, whether it is owned by Winnipeg Hydro or Manitoba Hydro and that our estimates for any purchase would have to consider that capital expenditure.

* (1150)

Ms. Mihychuk: Would the merger or the takeover by Manitoba Hydro of Winnipeg Hydro result in a rate change for Winnipeggers?

Mr. Brennan: Anything we do as a result of a purchase of Winnipeg Hydro should be in the best interests of all our customers, so therefore we think in the longer term it should have a positive impact for all our customers.

Ms. Mihychuk: Centra Gas has been the benefit of certain infrastructure projects in rural Manitoba, where we have seen natural gas being provided to certain communities in rural Manitoba. How has this affected Manitoba Hydro sales in those communities?

Mr. Brennan: We have lost some revenue in those particular communities. We do not think that the net revenue loss to Manitoba Hydro has been significant at

all. Any power not sold to those customers has been sold on the export market for the most part. In addition to that, the voided cost of not building new plants, when one considers that, the last analysis I saw—and it was with a greater uptake that has actually been experienced—showed that there was sort of a break-even situation for Manitoba Hydro.

Ms. Mihychuk: Can the minister provide us with a list of the communities that have received natural gas and where we have seen declined revenues through Manitoba Hydro?

Mr. Newman: Mr. Brennan might be able to talk about the logistics of doing that. It certainly sounds like a reasonable request to me, and between Manitoba Hydro and my Energy people, I am sure that we would be pleased to come up with that information. Mr. Brennan might want to add something there.

Mr. Brennan: Just to make sure that you are happy with our understanding of the request, we will identify the communities to which natural gas has been extended, and the second part of the request was to determine an estimate of what revenue we lost? We can provide those.

Ms. Mihychuk: Speaking of rural Manitoba, can the minister provide us with the rate schedule for the different regions or zones or however hydro is classified for Manitoba and provide us with the actual cost for servicing those areas?

It is my understanding that some areas are subsidized, and other areas are helping to subsidize. Can that be provided to us, as to which communities are receiving benefits and which ones are helping to provide those services?

Mr. Brennan: Yeah, I think I can do it probably right out of my head within a percentage point.

We have the three rate zones, and the three rate zones, as I mentioned earlier, are the city of Winnipeg, all other towns and villages—and I believe it is 100 customers per kilometre of line. Any area that is denser than that is in the second rate zone, and then anything less than that number is in Rate Zone 3.

The cost of service indicates that for those three rate zones, the city of Winnipeg provides 98 percent of their cost; Rate Zone 2 is 96 percent of their cost; and Rate Zone 3 is 80 percent of their cost.

Mr. Chairperson: Could I interject for just a few minutes? It is approaching twelve o'clock, and I am not sure what the decision was as to adjourning or a time for adjournment. I want to indicate to the committee that I have a commitment at twelve o'clock that I need to meet, and I would wonder whether it would be the will of the committee to rise at twelve. Are we agreed?

Ms. Mihychuk: Well, is this casual? We still have numerous questions to ask of Manitoba Hydro, but we are open to adjourning for today. We are prepared to looking at passing the '95 report and asking that the minister reschedule so that we have an opportunity to continue on these important questions of Manitoba Hydro.

Mr. Chairperson: Is it then the will of the committee to pass the '95 report with the understanding that there would be a rescheduling of the committee to hear the balance of the '96? Agreed? Mr. Minister, agreed? [agreed]

Can we then proceed to pass the '95 report? I will ask the question then. Shall the March 31, 1995, Annual Report of Manitoba Hydro-Electric Board pass?

Some honourable members: Pass.

Mr. Chairperson: The report is accordingly passed.

Now, we have a few more minutes if you want to, Ms. Mihychuk, ask questions. Do you want to call it twelve? [agreed] The time is now twelve o'clock. Committee rise.

COMMITTEE ROSE AT: 11:56 a.m.