

Fourth Session – Forty-Second Legislature
of the
Legislative Assembly of Manitoba
Standing Committee
on
Crown Corporations

Chairperson
Ms. Janice Morley-Lecomte
Constituency of Seine River

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MANITOBA LEGISLATIVE ASSEMBLY
Forty-Second Legislature

Member	Constituency	Political Affiliation
ALTOMARE, Nello	Transcona	NDP
ASAGWARA, Uzoma	Union Station	NDP
BRAR, Diljeet	Burrows	NDP
BUSHIE, Ian	Keewatinook	NDP
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COX, Cathy, Hon.	Kildonan-River East	PC
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DRIEDGER, Myrna, Hon.	Roblin	PC
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LAGASSÉ, Bob	Dawson Trail	PC
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LAMONT, Dougald	St. Boniface	Lib.
LAMOUREUX, Cindy	Tyndall Park	Lib.
LATHLIN, Amanda	The Pas-Kameesak	NDP
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WHARTON, Jeff, Hon.	Red River North	PC
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WOWCHUK, Rick	Swan River	PC
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<i>Vacant</i>	Thompson	

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON CROWN CORPORATIONS

Monday, January 10, 2022

TIME – 9 a.m.

LOCATION – Winnipeg, Manitoba

**CHAIRPERSON – Ms. Janice Morley-Lecomte
(Seine River)**

**VICE-CHAIRPERSON – Mr. Josh Guenter
(Borderland)**

ATTENDANCE – 6 QUORUM – 4

Members of the committee present:

Hon. Mr. Wharton

*Messrs. Guenter, Kinew, Micklefield,
Ms. Morley-Lecomte, Mr. Sandhu*

APPEARING:

Mr. Dougald Lamont, MLA for St. Boniface

*Mr. Eric Herbelin, President and Chief Executive
Officer, Manitoba Public Insurance Corporation*

*Mr. Michael Sullivan, Chairperson, Board of
Directors, Manitoba Public Insurance
Corporation*

MATTERS UNDER CONSIDERATION:

*Annual Report of the Manitoba Public Insurance
Corporation for the fiscal year ending March 31,
2021*

* * *

Clerk Assistant (Ms. Katerina Tefft): Good morning. Will the Standing Committee on Crown Corporations please come to order.

Before the committee can proceed with the business before it, it must elect a new Chairperson.

Are there any nominations?

Mr. Andrew Micklefield (Rossmere): I nominate MLA Morley-Lecomte to be the Chair.

Clerk Assistant: Ms. Janice Morley-Lecomte has been nominated.

Are there any other nominations?

Hearing no further nominations, Ms. Morley-Lecomte, will you please take the Chair.

Madam Chairperson: Our next item of business is the election of a Vice-Chairperson.

Are there any nominations?

Mr. Micklefield: I nominate MLA Josh Guenter to be the Vice-Chair.

Madam Chairperson: Mr. Guenter has been nominated.

Are there any other nominations?

Hearing no other nominations, Mr. Guenter is elected Vice-Chairperson.

This meeting has been called to consider the Annual Report of the Manitoba Public Insurance Corporation for the fiscal year ending March 31st, 2021.

Are there any suggestions from the committee as to how long we should sit this morning?

Mr. Micklefield: It's my understanding that it's been previously agreed to sit for two hours, allowing time for a fulsome debate and also to pass the report.

Madam Chairperson: Mr. Micklefield has suggested two hours to sit for the committee, with three minutes remaining to pass the report.

Is this passed? Is this agreed? [*Agreed*]

Hearing no objections, this is agreed.

Does the honourable minister wish to make an opening statement, and would he please introduce the officials in attendance.

We seem to be missing Mr. Wharton at the moment. We will take a brief recess to reconnect with him. Thank you.

Okay, we just ask everyone's patience at the moment. We're having some technical difficulties. Thank you.

The committee recessed at 9:08 a.m.

The committee resumed at 9:12 a.m.

Madam Chairperson: Hi, meeting has come back to order. Would the committee give leave [*interjection*]—okay, so the committee would like leave to give

Minister Wharton an opportunity to speak, but speak without his video on at this point, thank you.

Is there leave? *[Agreed]*

Thank you.

Hon. Jeff Wharton (Minister of Crown Services): Thank you, Madam Chair and committee members. Monday morning hiccups, I'm sure, but we'll certainly continue—endeavour to continue on. Thank you, again, good morning.

And as Minister of Crown Services, I am here this morning, along with senior officials from Manitoba Public Insurance, to present for your approval today the annual report of the corporation for the fiscal year ended March 2021.

Joining me are the following members of the corporation's board of executives: Dr. Michael Sullivan, chairperson of the Manitoba Public Insurance board of directors; Eric Herbelin, president and chief executive officer; also Mark Giesbrecht, vice-president of finance and chief financial officer; and I'm also joined by my deputy minister, Bernadette Preun, and special assistant Eidan Hassan also joining me today.

As Minister of Crown Services, I've been charged—MPI's—I've charged MPI's board of directors with delivering better automobile insurance to Manitobans at a—rates that are among the lowest in Canada. To that end, MPI has made tremendous progress toward modernizing public automobile insurance regulations, policies and procedures, with the goal of achieving value for ratepayers and continuing to seek ways to streamline operations, controls discretionary costs and to operate in a fiscally prudent manner.

MPI has undertaken these initiatives while also stepping up during these unprecedented times. It has responded to lockdowns, heightened sanitation protocols and disrupted schedules with the least possible impact on customers, have provided facilities for testing to the Province and will be providing a third rebate to Manitobans. In all, nearly \$500 million will have been returned to customers during the pandemic, and customers will also benefit from the third rate decrease in three years. My thanks to you all for your hard work.

Eric Herbelin, president and CEO of Manitoba Public Insurance, is now ready to make opening remarks and, along with the chair of MPI board, respond to questions related to the corporation's

operations, while I will respond to any questions that involve government policy. We look forward to the discussions and questions and answers this morning. I thank you very much, and I will turn it back to the Chair.

Thank you, Madam Chair.

Madam Chairperson: Thank you, Honourable Minister.

Does the critic for the official opposition have an opening statement? Mr. Kinew, would you like to speak?

Mr. Wab Kinew (Leader of the Official Opposition): Yes, thank you, Madam Chair.

I want to acknowledge the minister and, you know, the civil servants, as well as his staff who are on the call today, as well as the folks from MPI; so, Dr. Sullivan and Messrs. Giesbrecht and Herbelin. Definitely appreciate your time here today. Course, we're still doing the Zoom thing. Hopefully, this year we'll move beyond that, but for the time being, it is what it is.

Last time we met in this committee, there was definitely a lot of discussion and there was a lot of follow-up from it. So we'd like to take advantage of the meeting here today, I think, to dive into some of those issues, as well as some of what has transpired since then in relation to them. Of course, the questions and the discussion here, it's all about ensuring that Manitobans, who own MPI collectively, have good insight into what is going on with their public auto insurer and, of course, all the, I guess, inner workings of what's going on there, too. So it's a very important exercise to allow people in Manitoba to understand what's going on there.

We know, of course, that the pandemic continues to have a big impact on MPI, much like the rest of our society; on the finances, on the functionality, perhaps some longer term strategic planning as to what's going on. But we all know that traffic patterns and use of vehicles has been changed by the pandemic. We also know that driver and vehicle licensing has had some impact and has been discussed publicly. So we want to discuss some of those things.

And you know that there's probably going to be some changes going forward for MPI, both in terms of technological change, adapting to the new reality, as we move further into the pandemic and, hopefully, past the pandemic. So, really looking forward to the meeting here this morning. I hope it's very productive

and I just thank everyone in advance for their participation.

Madam Chairperson: Thank you for your statement.

Do the representatives from the Manitoba Public Insurance Corporation wish to make an opening statement? *[interjection]*

Excuse me, Mr. Herbelin, would you like to make some comments? You have permission to comment.

Mr. Eric Herbelin (President and Chief Executive Officer, Manitoba Public Insurance Corporation): Yes, Madam Chair. I would like to make opening comments.

Madam Chairperson: Okay, Mr. Herbelin, you may proceed.

Mr. Herbelin: Thank you very much. This is my second standing committee, so I believe I don't need to introduce myself anymore in detail, so I'd like to jump right in.

Bonjour and hello, everyone. This morning, I'm going to flick through the presentation that was shared with participants ahead of time, and I hope you have a copy in front of you.

I will start with the first slides. We are very proud this year to celebrate the MPI 50th anniversary, and I would like to commend all the people involved over the last 50 years and the community for the success of MPI, which has been absolutely fantastic and a success for all Manitobans.

I will move to slide 2 and acknowledge that we are gathered on Treaty 1 territory, that Manitoba is located on treaty territories and ancestral lands, and also that we are located on the homeland of the Red River Métis. MPI is committed to working with Indigenous peoples in the spirit of truth, reconciliation and collaboration.

Moving to slide 3, my presentation back here covers our recent achievements and also some legacies of the past that we are actively addressing and I think are of interest for the discussion today, so I will cover the main points relatively quickly during this introduction and we can delve into the details based on the questions that you may have after that.

Moving on to slide 4, I'd like to say that on all counts MPI has delivered great value to Manitobans throughout the pandemic. We will soon have returned nearly \$500 million in the form of rebate cheques since the start of the pandemic. Manitobans will also benefit from the third rate decrease in a row, with

another 1.6 rate reduction effective in '22-23, or, that is, equivalent of a 11 per cent rate decrease cumulated over the last three years.

* (09:20)

Our customer experience index core has improved by four points, an all-time high of 80.5, and our most recent employee engagement score has jumped 10 points to an all-time high of 81 per cent, well above industry benchmarks. These are phenomenal results, and I would like to commend all our employees, my fellow executive members and also our board of directors at MPI.

Going on to slide 5, we also have laid the foundations for continued success and improvements that will benefit all. Our staff has done an absolutely amazing job at ensuring continuity of service to all Manitobans during the pandemic. We have introduced the changes of—for basic product modernization and related extension amendments without any customer disruption and with great collaboration from all parties involved.

A new vehicles-for-hire framework was developed in consultation with relevant stakeholder groups, has also been productive and is going on. We reached a four-year agreement in terms of light vehicle accreditation with the repair trade at the satisfaction of all parties. And also, we've worked collaboratively with our brokers to further improve our relationship.

And finally, we have developed a five-year ambition, providing clarity and direction to our staff, for our stakeholders, that is inspiring our employees to continue to improve in all we do.

Moving on now to slide 6, we have two major issues that long precede MPI's current management and board of directors that we are actively addressing and that have raised the interest of many in the community: first, the DVA funding, which has been insufficient since MPI took over that line of business back in 2004, and it was really never addressed properly; and, second, a sustained lack of investments in technology for MPI to keep up with industry developments, which is forcing us now to invest several millions in both core and enabling technologies over the next five years in order for MPI to remain current and continue to deliver value to Manitobans in the future.

Moving on to slide 7, I'll summarize the first issue, the DVA aspect. The merger of DVA with insurance has been beneficial to Manitobans in terms

of better customer experience and also cost efficiencies. Having a single point of access through brokers or the MPI service centres for driver and vehicle licensing services, as well as automobile insurance, has provided great convenience to Manitobans.

Oftentimes, DVA and insurance really happen at the same time. For example, one first needs to have their vehicle registered before it can be insured. Also, I would like to note that the cost of operating DVA has reduced from 3 per cent to 2.3 per cent of MPI total earned revenue in the last five years—a big improvement.

Slide 8: because fees charged to customers and cost reimbursements to MPI in relation to operating DVA have not increased much and not been indexed to increasing cost, the DVA line of business has been experiencing sustained losses since after its inception in 2004, and those losses had to be compensated by other sources of earning.

In early years, between 2005 and 2014, those losses were compensated by transferring capital from the extension line of business. That is nothing different from the decision MPI took last year. In more recent years, investment income was mainly used to compensate for a deficit, which was typically in the single-digit million range in any given year. But because MPI has professionalized its asset management practice and the investment funds have been segregated between basic extension, special risk extension, pension and the rate stabilization reserve, it is no longer possible to make use of these funds from the investment income to cover for DVA losses, and rightly so.

So, moving on to slide 9, I mentioned that, you know, at last year's standing committee, the issue was further exacerbated by the need to invest significant amounts in new technology—actually, we're talking about three-digit millions, with a significant part of that being allocated to DVA. So, over the next five years, we are projecting a cumulative deficit for DVA that is in excess of \$100 million.

Slide 10: MPI's management, MPI board of directors, have been subject to undue criticism for exercising due diligence and acting within their power in the best interest of the corporation and its customers as per the law. And anyone attempting to make allegations that MPI did not follow the rules or did not do the right things maybe should study the facts and the law and err on the side of caution before attempting to defame or slander the reputation of

those in charge today, who have to deal with issues of the past and are simply trying to do the right thing and fix those problems.

So, while transferring extension capital to DVA has been a long practice and one that is within the sole authority of the board of directors of MPI, I want to know that MPI has engaged with government to try and find a sustainable solution to this DVA funding issue.

Also, prior to making any transfer last year, MPI has connected with both government and PUB, not to seek their permission—in particular we respect the independence of the PUB members—but to inform them that we would do so and make sure they are not taken by surprise as we were outside of the formal GRA review and hearing process at the time of those [inaudible]

And at last year's standing committee, I shared all the information I could share at that time in full transparency. Let's—I just want to remind ourselves that we were reviewing the financial year 2019-2020, and that the financials for the Q4 and the full year of 2020-2021 were not audited and not disclosed on the very day of the standing committee, and so I was not in a position to disclose the transfer had already happened during Q4 of fiscal 2020-2021. And while the matter was discussed at length, the question of a transfer in itself was not posed to me directly—sorry, needed to drink.

So, moving on to slide 11. Now, we need to move forward. We need to have a proper mechanism in place for MPI to be reimbursed for the actual costs that we actually incur for running the DVA line of business in a way that DVA can break even on its own merits.

Government and MPI have collaborated very well, and we are hopeful that the resolution will be found very soon. Absent of which, MPI's management and board of directors will have to use their discretion within their authority to address this issue.

I think my time is up. I will pause here and—probably questions, and I may ask permission to add a few comments about Nova at a later point in the discussion.

Madam Chairperson: Thank you for that. Before we begin with—[interjection] Sorry, one second.

Mr. Herbelin, were you finished with your presentation?

Mr. Herbelin: I would have a few more comments that I'd like to make, if that is possible?

Madam Chairperson: Okay. Is it the leave of the committee to allow Mr. Herbelin to finish his presentation? *[Agreed] [interjection]*

Sorry, Mr. Herbelin, you may speak.

Mr. Herbelin: Thank you very much, Madam Chairman.

I will move on to slide No. 12 and shift gears to talking about the technology aspects. Technology did serve MPI well for many years, but the current technology we have is outdated, and it simply needs to be replaced entirely if MPI is to remain current and relevant to its customers and deliver value to Manitobans in the years and decades to come. More investments need to happen in three distinct but interrelated areas.

First, the replacement of our core systems: that is the scope of Project Nova. It includes the insurance platform, the DVA platform, a digital front-end and CRM, and the integration platform for all these systems to talk to each other and integrate into the wider and the more complex IT landscape of MPI.

* (09:30)

Second, technology enablers: this includes cloud operations, data infrastructure, cybersecurity, enterprise content management and several other aspects. And I'm using an analogy, but the core systems are like your house, your garage or a den, while the enablers are similar to what the plumbing would be to the house, including your water, your gas, your electricity, et cetera. And typically, you first make sure the utilities are connected to your lot before you build a new house.

And, third, capabilities and skill sets are not being updated and upgraded over the years such that we have a huge deficit of knowledge and capacity and compatibility as we speak. We also have a lack of subject matter experts; we have so many we have. So we need to invest in various IT services and skill sets, and digital capabilities, customer experience, including customer experience leadership, UI/UX design, process management, hydraulic methods, change management and more.

And back to my analogy of the house, we need various qualified trades, including competent carpenters, plumbers, electricians, landscapers, et cetera. So here, too, we generally want to make sure

that these tradesmen are secured before we start building.

So, I think the point I want to make here, importantly, Nova was prioritized on No. 1, on the replacement of core system or the replacement of legacy systems. And the other points in terms of technology and neighbours and the additional skill sets that we need to build were certainly not explored in great details and were not part of the budget.

Moving on to slide 13, Nova was initiated as a legacy system organization project to improve the customer experience, reduce risks and generate additional cost savings.

On slide 14, we can see what should be simple today is not so simple. Manitobans do not have modern systems and choices to interact with the corporation, and our back office is as good as the systems we have in place as we speak.

So, we see in the illustration on 15 that nowhere will fundamentally change this, providing easier access, greater trust for customers and stakeholders but also greater efficiencies.

Now, on slide 16, Nova failed to account for the upstream and downstream readiness where it would normally need to be completed prior to kicking off such a project. In fact, it was upstream and downstream precursors—were allowed to be missing at the start of the project, and since my arrival and the arrival of our new chief information and technology officer we've been working against the clock, together with the Nova teams and our other colleagues to try and compensate for many of these gaps.

For full transparency, we are not where we should be based on the original road map and timelines and the completion for tech Nova will take longer than anticipated and will also cost more. While the costs for these precursors are outside of the Nova budget, they are needed to ensure the delivery and success of Nova.

Also, I shall note that wherein the scope of Nova itself, a number of missing components have been discovered and, altogether, they also play against the timelines and budget of Nova. One example of that is an out-of-the-box capability for the DVA billing that is missing and that we need to rebuild separately, and that alone will take us a year and cost a couple of millions.

Moving to slide 17, external third parties were consulted back in 2018-19. They did not provide all

the information that Nova would have needed to know about and beyond the pure scope of implementing the new core systems. Maybe they were not asked to find all those upstream and downstream dependencies, but for sure their recommended timelines did not account for the level of maturity and lack of readiness that MPI had at the time.

Maybe there are some 'trindles' at MPI who would fix those in the first place, but now we have engaged a third-party expert to review and to conduct an extensive review of the program, advise us on the best way forward based on where we are today. Today we're on the project goals, including the road map, the privatization budget, the resources and organization of the program. As a result, we'll have an updated timeline and budget for Nova and we will have that ready by March of 2022.

On slide 18, in terms of costs, Nova was initially estimated to cost about \$85 million with a 25 per cent contingency. That was back in January 2019. Two years later, the projection based on the final RFPs they had received estimated that the cost would increase to just above \$110 million, and even the increased contractual certainty, contingency could be reduced to 15 per cent. It is, however, only after a few months, after the implementation started that MPI came to the realization that significant gaps had to be closed and that it would not be able to implement a five-year program in three years, but rather would require at least five years to doing so.

So we're still assessing the cost and waiting for the external review, but it is fair to say, today, that Nova will cost more than \$150 million, one-time cost, and will take at least five years to be implemented, and with increased uncertainty now, the contingency margin will have to be set at a higher level again.

So, on slide 19, in conclusion, MPI's performing very well, has delivered great value to Manitobans. Also, MPI has never seen and been such a—strong from a financial standpoint. Our customer and employee satisfaction metrics are at the highest levels. We have a committed, hard-working team of passionate employees that are going the extra mile every day to best serve Manitobans, especially through the pandemic, and we are working diligently on modernizing and transforming the corporation to ensure continued relevance and value delivery in years and decades to come.

That's it. Thank you very much for your attention.

Madam Chairperson: Thank you, Mr. Herbelin.

Before we begin with questions, I would like to remind everyone that questions and answers must be put through the Chair, as opposed to addressing other members and representatives directly.

The floor is now open for questions.

Mr. Kinew: I just wanted to begin with an easy question for the board chair and CEO.

I just want to know where you're joining us from today?

Mr. Herbelin: Today, I went to my office to make sure that I had a good connection, but other than that, these days, I'm working from home.

Madam Chairperson: Mr. Kinew? Excuse me, we have no volume, Mr. Kinew.

Mr. Kinew: I think Mr. Sullivan was going to jump in there.

Mr. Michael Sullivan (Chairperson, Board of Directors, Manitoba Public Insurance Corporation): Madam Chair, my wife and I booked a holiday for the first time in two years for this particular week that this landed on. We're in a cabin in the Whiteshell. Bit chilly today, but it's going to be nicer. I'm looking forward to a little bit of snowshoeing and some cross-country skiing. So it does have Wi-Fi, but trust me, it'll stay on.

Mr. Kinew: Just to confirm, the office Mr. Herbelin's referring to is the Winnipeg office of MPI?

Mr. Herbelin: That is correct.

Mr. Kinew: All right, thanks for that.

I wanted to begin by asking about the reports that MPI sent a letter to the Winnipeg Free Press threatening a potential lawsuit.

I just wanted to ask the CEO why the decision was made to send that letter?

Madam Chairperson: Mr. Kinew, could you please ask a new question? This question is not related to the annual report.

Mr. Kinew: Yes, it is related to the annual report because the lawsuit in question is a follow-up to reporting on DVA as it pertains to the fiscal year that we're reviewing in the annual report, such as mentioned on pages 14, 16, not to mention numerous mentions in the opening statement of the CEO. So it is definitely germane.

Madam Chairperson: Mr. Kinew, can you please rephrase the question, without mentioning the lawsuit because the lawsuit is not part of the annual report?

* (09:40)

Mr. Kinew: No, there is no lawsuit. The question does not pertain to a lawsuit. The question pertains to a letter that was sent by MPI to the Winnipeg Free Press in response to public disclosures surrounding the subject matter of this annual report.

So I wanted to know, as much as we're exploring the annual report here, why did the CEO and MPI take the decision to send that letter?

Madam Chairperson: Mr. Kinew, can you please rephrase the question without mentioning the letter to the Free Press?

Mr. Kinew: Why has MPI threatened legal action against the Winnipeg Free Press?

Mr. Herbelin: As presented, MPI's been transparent about its decision-making processes and properly exercised its legal authority. There were photos in the article which defamed both MPI and myself.

It is appropriate for the media to report fairly on matters of public interest and to make fair comment based on actual facts. It is not appropriate to use or publish false or inaccurate facts or to make comments based on such facts.

And that is the reason why a letter was sent, because it was not the first time it happened. First time we said, well, it's okay, we're in Winnipeg, it's a windy city, from a, you know, opinion standpoint. But it continued, so this had to be said.

Mr. Kinew: I appreciate the answer, there.

I am curious to understand, I guess—or to help me understand where this is coming from. So, can the CEO explain what he's referring to by falsehoods?

Mr. Herbelin: Well, you know, this matter involves potential litigation that may proceed to the courts, so I will take your question under advisement and refrain from going too much into that matter.

I will be happy to answer any other question you have today about our decision-making process, the reasons why we have done certain things versus not to report on the financial year 2020-21. But as far as this matter is concerned, as maybe, you know, legal proceedings are likely to continue through the courts,

I would like simply to take those questions under advisement and also not continue explaining too much on that right now.

Mr. Kinew: Can you help me understand why you wouldn't comment on something if it is going to court? Can you just help explain that to me, why you wouldn't comment on something in that instance?

Madam Chairperson: Mr. Kinew, can I please ask that you direct all questions through the Chair and to please re-ask your question, because the question and court does not go through this committee.

Mr. Kinew: Oh no, the question's about a decision, so the decision of the CEO not to share an answer here at this committee.

I would like to know from the CEO why something potentially being a legal proceeding would prevent him from answering at this committee.

Mr. Herbelin: Well, Mr. Kinew, I will be happy to answer any questions you have related to the conduct of MPI's business. I will not comment further on any open legal issues we have with any parties.

Mr. Kinew: No, I'm just interested to understand why that is, so, you know, perhaps not to comment on the subject matter itself, but to explain why the CEO wouldn't be able to comment at the standing committee here today.

What is the rationale for that statement that has just been shared?

Mr. Herbelin: The rationale is simply that the matter is open, involves the potential litigation and you don't discuss these matters before they proceed or not.

Mr. Kinew: And why is that, right? Because there's an assertion made there that you don't discuss these matters before they proceed, if they proceed, so I'm just looking for an explanation as to why.

Why wouldn't you discuss whether or not things are going to proceed in a different venue?

Mr. Herbelin: The answer, Mr. Kinew, is simply that my lawyers advise me not to speak on this matter at this time.

Mr. Kinew: I'm looking at the MPI website right now, and it says that—speaking in MPI's voice—we report to the Manitoba Legislature via the Standing Committee on Crown Corporations. So that's the venue that we are in right now.

So can the CEO explain how his lawyers' advice supersedes MPI's participation in this committee and

the sharing of information with the committee members?

Mr. Wharton: I would certainly reckon—I'm sure for everybody listening, today, to committee, would like to start to talk about why we're here, today, and talk about the 2020 annual report, and talk about some of the challenges that MPI have overcome and faced, and some of the great areas that have been accomplished in the last fiscal: you know, nearly \$500 million, Madam Chair, returned back to Manitoba ratepayers in the form of rebate cheques during the pandemic; certainly, third consecutive basic rate decrease of 1.6 per cent for 2022-23; customer experiences index increased by four points to 80 per cent.

Madam Chair, I don't know why the member—the Leader of the Opposition will also continue, certainly, down this road when we have all this good information that he is a—privy to in the 2020 annual report in front of him. So, certainly, I know, I'm sure the folks on the line, the interested parties would want a return back to discussing this good news and how we're looking going forward for Manitoba ratepayers.

Mr. Kinew: You know, I almost would have moved on to a different line of questioning, but the fact that the minister interjected there seemed to confirm that this is an important area to pursue. Why else would he interject for no reason with a repetition of the CEO's opening statement other than if we were striking a nerve? That's a rhetorical question for both the minister and the members of the committee.

But I am curious to know, again, from the CEO, if he's received advice from his lawyers on the matter, just how does that supersede, or how does that trump the information on MPI's website that says that MPI updates the Legislature through this standing committee? So I'd just like to know the rationale for that. Why not, you know, respect your advice from your lawyers, but then share information at this committee because it is a unique and important venue?

* (09:50)

Mr. Herbelin: Mr. Kinew, I will be very happy to advise you and report on the matter of the day, which is review of the financial year 2020-21.

Madam Chairperson: I would like to remind everybody that today we are here with discussion on the annual report '20-21, and if we could please stay on that topic.

Mr. Kinew: Yes, we have been on that topic the entire time.

The questions that I'm asking relate to the public disclosure of information contained within this report and decisions that the MPI executive and board have taken with respect to those matters. And if we're to take a step back further, the function of this committee is to ensure that the people who own MPI—the people of Manitoba—have access to information about the decisions taken about the decisions taken within our public auto insurer.

Now, the questions that I'm asking I think are very, very germane and very relevant to that task, to allow Manitobans to understand why. You know, just from a starting point perspective, I suspect most Manitobans don't want their public auto insurer to sue the newspaper of record in their province, but, again, that's just a starting point. Perhaps there are other relevant pieces of information that Manitobans ought to know about. And so, insofar as we're trying to understand DVA, how extension is being used to fund DVA, how all these things disclosed in the annual report are being shared with the people of Manitoba, it is very relevant.

And I would direct your attention to the opening statement of the CEO, where he made mention to slander and defame and allegations, in addition to a number of points that had obviously been worked up in advance on DVA and extension transfers over the history of MPI, as proof that this is all relevant. Again, you know, if the CEO of MPI, in preparing to debate the annual report here at this committee, included all this information in his introduction, then it seems to me that it is very relevant to the discussion here today.

So I'd like to ask again: given that MPI states itself that this standing committee is how it provides information to the Legislature, why is the CEO's lawyer's advice able to trump that responsibility to share information here?

Mr. Herbelin: MPI's involved in a potential legal dispute with the Winnipeg Free Press that it would like to resolve. It needs to be dealt with in discussion with Winnipeg Free Press, and discussing them here in this forum may prejudice those discussions.

Now, having said that, Mr. Kinew, I'm here to answer any and more questions you have on MPI's financial reports and results for the year 2020-2021, including activities of DVA and other aspects of the corporation. I'm here to provide a transparency to our customers—Manitobans—and I would be very happy to provide any questions or answer to questions you have directly related to those.

Mr. Kinew: I just want to remind the CEO that he was the first person in the committee to raise this issue, and so, you know, it seems to me that he ought to be able to answer these questions.

So he also said in one of his statements just a few minutes ago that the article in question defamed MPI and myself—MPI and myself being a quote there of the CEO.

So, can the CEO tell us what was the passage or passages that were defamatory, in his view?

Mr. Herbelin: At the risk of repeating myself and just saying the same again, as you try and try to ask questions along the same lines of questioning, Mr. Kinew, I cannot comment on the dispute that is going on presently between MPI, myself and the Free Press. And this is not the appropriate venue to legal—to discuss open legal disputes.

Mr. Kinew: I just want to remind the committee that Mr. Herbelin has already spoken about these issues, so there seems to be an arbitrary line being drawn as to when he is able to speak about this and when he is not able to speak about this. So I'm merely trying to ask questions to ascertain what we can find out and what we can't find out

For instance, was this correspondence with the Winnipeg Free Press—was government—when was government advised of this?

Madam Chairperson: Mr. Herbelin. Mr. Herbelin, we have no volume.

Mr. Herbelin: I will take this question under advisement.

Mr. Kinew: Okay, so that was a question on timing.

How about on frequency and volume of correspondence: How much has MPI been communicating with government on this issue, and through which avenues?

Mr. Herbelin: Mr. Kinew, can you precise the issue you are related to in this question?

Mr. Kinew: Yes, happy to.

So, the threat of legal action against the Winnipeg Free Press: How often has MPI communicated with government on this, and through which avenues?

Mr. Herbelin: Mr. Kinew, I would be happy to comment on how we communicate with government when it's related to matters related to the funding of DVA or other matters, but I'm not going to comment on the legal issue that we are in, as this matter is open

and it would be not productive for me to comment on that at this point.

Madam Chairperson: Can we just ask that all responses go through the Chair and not directly to the person posing the questions. Thank you.

Mr. Kinew: It seems to me that the people of Manitoba ought to be able to know if the provincial government that represents them is in communication regarding a potential legal matter with the public auto insurer that they own.

So with that in mind, can you—can the CEO let us know how many times MPI has communicated with government on the potential legal matter, and through which avenues?

Mr. Herbelin: Madam Chair, I will not make any further comments on the legal matter.

Thank you.

Mr. Kinew: I would just like to make a statement here at this time.

* (10:00)

Mr. Herbelin, along with others participating in the committee today, enjoy a unique legal position that we might think of as parallel to parliamentary privilege, in that things that they say in this committee are not necessarily actionable outside of it. So I do think that this is an important venue in which to share information with the public that is different than, say, making a media comment or some other public commentary on the matter. And given the fact that MPI states itself, on its website, that this very standing committee is the way that it communicates with the people of Manitoba, I think this is a real missed opportunity to be transparent and to share information with the people of this province who own MPI.

Again, I think the starting point for most people is probably that they don't want to see a Crown corporation that they own engage in, you know, legal wrangling or threats with the newspaper of record in our province. Perhaps there is additional information that is germane here, but I'm not sure what that is given the lack of answers that are forthcoming.

So again, I think that while everyone is, you know, entitled to pursue whatever recourse that they have, I'd argue that a Crown corporation must be held to a higher standard, as it pertains to one of the most important democratic rights that we have in our society which is the freedom of the press. And so that's why these questions are very important, because we

need to ascertain as to whether this Crown corporation that we're discussing here today on a matter that is at the centre of the CEO's presentation and the annual report that this committee is considering—whether we are actually living up to that high standard that we should expect from Crown corporations, as it retains to democratic rights, like the freedom of the press.

So again, I'll ask a few more questions, but I did just want to state that for the record and also for the consideration of folks on the committee here today, as well as those guests who are appearing before.

So with that in mind, I know that Mr.—Dr. Sullivan, rather, has his hand up, so I did want to also ask whether the decision to launch this legal threat was taken by MPI's executive or by MPI's board, or were both involved in this decision?

Mr. Sullivan: This decision was solely MPI's decision.

You know, I've been treating Manitobans for 40 years. I base my care, my decisions, on science—peer-reviewed science. Facts. You know, I'm sorry, but I don't believe in unicorns. I don't believe in fairies. I believe in facts. So when Manitobans are misled with statements that are not factual, it behooves MPI and myself to place a proper narrative of facts in front of Manitobans. That's the simple, long and short of it, Mr. Kinew.

Thank you.

Mr. Kinew: Yes, just a question, a follow-up for Dr. Sullivan, there.

So, he says that the decision was solely MPI. Does that mean that that was MPI, you know, as the board and executive together? Or does that mean solely the executive that runs MPI on a day-to-day basis? Can he clarify that?

Mr. Sullivan: That would be both a board and executive decision.

Mr. Kinew: Thank you for the clarity, there.

The chair just said the—not factual. That's a quote. So I was just wondering what was not factual that the chair was referring to there?

Madam Chairperson: Mr. Sullivan.

Mr. Sullivan: I believe in—oh, sorry, Madam Chair—thank you for the question, Mr. Kinew.

I believe if you were to go to Mr. Herbelin's original comments to begin with in his presentation, you'll see the facts that were laid out by MPI.

Mr. Kinew: The chair referred to things being not factual, so I'm just wondering if he could tell us what was not factual.

Mr. Sullivan: Thank you for the question again, Mr. Kinew. But again, if you were to go back to Mr. Herbelin's original presentation, you will see what the facts are in regards to DVA funding.

Madam Chairperson: Just to remember to put all questions and responses through the Chair. Thank you.

Mr. Kinew: I'm looking at a Winnipeg Free Press article from December 17th. I guess part of the reason why I've sort of scratched my head at MPI's strategy here is that the piece is really talking about government, you know. It's talking about government decisions that government made with revenue that flows into government coffers and the decisions with what or what not to do, perhaps more relevantly. But it really is largely about government.

That's why I kind of scratch my head a little bit as to why MPI is threatening action here because, you know, if you read the article, they're not the primary focus of this. Sure, the topic is MPI, but most of this commentary made is directed at government.

So, yes, so that's why I want to know what was not factual. So the chair there made reference to things not being factual. What was not factual specifically?

Mr. Sullivan: Thanks for the question again.

Yes, I do have—actually, it was December 18th was the actual article, but, oh, I don't know, you know, if I were to read through this just as a lay person, you know, talking about hoodwinking public, talking about trying to hide things, when in fact we are far more transparent than previous administrations ever were.

Let's see, skimming of funds, lacking of transparencies, a good scam. I don't know, you know, if I was a layperson, I guess could read lots of different things in there that potentially might lead a person to think that MPI was acting inappropriately. And, again, I would probably direct yourself, Mr. Kinew, to Mr. Herbelin's initial comments that he made earlier on about the actual truth in how DVA is being funded and how we're trying to manage it and how we're moving forward in trying to solve this particular issue.

So, I guess that's probably what I would say.

Mr. Kinew: Thanks. I appreciate those points there.

This is a small matter of clarification and this barely merits mentioning, but we're talking about the same article; it's just that the Free Press posts the articles online quite often the evening before they appear in print, so I'm looking at December 17th; the chair's looking at December 18th. We're talking about the same thing. It's the same photo, in fact, same angle of the MPI office there.

So I appreciate the insight in there. Again, almost all of the—in fact, I think all of the phrases that the chair refers to there are characterizations that qualify a statement, and it seems like it's going to be difficult to prove that these things are not true. We know that the defence to libel or, you know, similar actions is the truth and it seems like the Free Press is going to be able to defend making these statements.

So I'd just like to know what was the discussion going on to decide to pursue this matter? Why, in the absence of, like, a slam-dunk case here, why did the board and the executive decide to pursue this matter?

Floor Comment: Myself or to Eric, sorry.

* (10:10)

Madam Chairperson: Sorry, I didn't see a hand go up, so—

An Honourable Member: Yes, no, I was—I did mean to pose it as a follow-up to the chair.

Madam Chairperson: Oh, okay.

An Honourable Member: But I did not say so, but that's—yes, I should have.

Madam Chairperson: Okay, so, Mr. Kinew.

Mr. Kinew: Yes, so just—yes, to the chair, I would like to just ask what was the discussion around deciding to proceed with this matter?

Mr. Sullivan: To Mr. Kinew, you know, again, back to one of my original statements: I think when Manitobans are misled with statements that are not factual, it behooves MPI and myself to place the proper narrative and the facts in front of Manitobans.

You know, Mr. Kinew, yourself, myself—I believe everyone on this committee are probably trying to do what's best for Manitobans, period. That's really why you're doing what you're doing, that's why I'm doing what I'm doing, that's why Mr. Herbelin is doing what he's doing. We are trying to provide the best possible services we can for Manitobans.

When we make decisions, the decision is always what is the in the best interests of Manitobans, period. That's really what the scenario is.

So when there's untruths and there's unfactual information that is being presented as being factual, I believe the narrative needs to be correct. I think Manitobans deserve the right to understand, to know what's actually occurring; not what's being perpetrated as a fact.

Madam Chairperson: Just a reminder that all responses and questions go through the Chair.

Mr. Kinew: And, again for the chair—the chair of MPI to be specific; not the Chair of the committee—question for the chair of MPI: at which board meetings did these discussions take place?

Madam Chairperson: Mr. Sullivan.

Mr. Sullivan: Sorry, Madam Chair, it was just general discussions.

Mr. Kinew: I would like to ask if the chair can clarify what is meant by general discussion? Does that mean an informal conversation outside of a board meeting? Does that mean a general discussion under other business at a board meeting? Could he just provide some clarity what it meant by that?

Madam Chairperson: Mr. Sullivan.

Mr. Sullivan: It was outside of a—oh, sorry, Madam Chair. It was outside a board meeting—to your point, general discussions.

Mr. Kinew: Has this matter ever been brought to the board of MPI formally?

Madam Chairperson: Mr. Sullivan.

Mr. Sullivan: It was discussed—oh, sorry, Madam Chairman—Chairperson, sorry, as I'm dropping my pen. Sorry about that.

It was discussed at length at a board meeting prior to this being decided, but the final decision was not made at a board meeting.

Mr. Kinew: And where was that final decision made, and when was the final decision taken?

Mr. Sullivan: Madam Chairperson, I will take that under advisement because I'm not exactly sure the exact timing, exact dates, but I will.

Mr. Kinew: And I suspect I already know the answer to this, but I'd just like to ask for clarity from the chair: Has there ever been a motion at the board of MPI on this matter?

Mr. Sullivan: No.

Mr. Kinew: All right, well, I appreciate the comment that's made here. I'm reminded of a quote from Mark Twain: don't pick fights with people who buy their ink by the barrel. I don't know what it means necessarily, but I hear it repeated a lot. So I'll just leave that for the members of the committee to chew on and to think about.

I wanted to ask about something slightly different at this point. There is a series of, I guess, rebate cheques going out. And we heard about that in the opening comments from both the minister and the CEO, and we know it relates to the finances here, so it's definitely relevant.

Just curious about the timing of that. We know that the timing is supposed to be in the relatively near future. However, we also know that there's a by-election coming up in the constituency of Fort Whyte and potentially a second by-election as well.

So I'm wondering if those rebate cheques would potentially still be mailed out during a by-election writ period?

Mr. Herbelin: We have asked and requested that the rebate in the amount of over \$300 million could be effectuated to PUB, and PUB ordered that we would do so in the amount of approximately \$312 million then. And those processes are typically well timed, in that we receive a decision, we have to make sure that we can put that in order in our IT department and then we have to effectuate that within a certain timing.

So, the timing of the rebate cheque is in no way co-ordinated or not co-ordinated with any political venues or events whatsoever, and I'm personally not aware of that. So, whether it is happening before, during or after, it has absolutely no, you know, thought behind it.

But as it's planned today, the rebate cheques should land in Manitobans' mailboxes by mid-February.

Mr. Kinew: Thanks for that answer.

So, it seems like, if there is a by-election in February, that the rebate cheques from MPI could be landing in mailboxes in Fort Whyte at the same time.

I'm just curious whether the CEO would reconsider that decision, just—you know, a cheque from a Crown corporation 'advising' while there's an election period going on.

Is that something the CEO and board would revisit and consider, because the CEO, of course, just said he was not aware of this. So, now that you are aware of that, is that something that should be revisited?

Mr. Herbelin: Well, I would say that, you know, first of all, it's a pure coincidence but second of all, if we were to delay, then you're going to tell me, well, something else is happening when we plan to doing so.

So, I don't think that MPI or any other Crowns can really time their annual calendar and set of actions based on political events. We are not—while we are a public service and an extension of government, we're certainly not a political body and I think Manitobans are able to make the difference.

Mr. Kinew: So, is that a no, that this question of the timing of the rebate cheques will not be reconsidered or revisited, and that MPI will proceed with this debate—or with this date, no matter what?

Mr. Herbelin: First of all, we don't have a key understanding if there is—if the dates are matching or not, but I think it's irrelevant.

And I'm not sure if the Leader of the Opposition is potentially suggesting that we would ask Manitobans to wait for a big cheque to come their way because there is something happening in one of the 'constituentencies.' I mean, I guess these kind of things happen all the time.

Anyways, the simple answer is, from an operational standpoint, we have a number of constraints and we are certainly not letting in the political life of Manitoba, you know, really come as an input in terms of if and when and how.

* (10:20)

We have to do the right things for our customers, Manitobans.

Mr. Kinew: No, and I wouldn't suggest that MPI would in any way try and time this for political purposes, absolutely not. But I would suggest that the government might time a by-election call with the arrival of rebate cheques from MPI. I would definitely suggest that.

And the—anyway, what I'll share for both the chair of the MPI board and for the exec is that, you know, election law in Manitoba requires that a by-election be called within six months. We know when Mr. Pallister left office, and so therefore it does seem likely that there could be a by-election call during this

period. And, again, it's not that MPI would be thinking of anything political—far from it, you know, these wheels have been put in motion previously—but the government may like to try and time things so that there's, you know, cheques arriving during a potential writ period.

As further background, I would share that during other by-elections, which don't actually happen quite often—my colleague from St. Boniface is on the call here, I think he was one of only two by-elections during the last Legislature. So over four years, I think there were only two by-elections—

An Honourable Member: Point of order, Madam Chair.

Mr. Kinew: —Point Douglas and St. Boniface.

Point of Order

Mr. Wharton: Not sure where the member is going with talking about by-elections when we're here to talk about MPI's report—annual report. So I would recommend maybe the committee move back to discussing the 2020 annual report for MPI.

Don't think it's—folks on the line, they had an interesting by-election potentially coming up, absolutely, for sure. I mean, democracy is a pretty cool thing, and I'm sure Manitobans are looking forward for the change of the dial with respect to what we've been all going through during the pandemic. But certainly, we all want to get on with the business of the day, and that's discussing the 2020 annual reports, Madam Chair.

So that would be my point of order, to move back to discussing the 2020 annual reports.

Mr. Kinew: Just respond to the point of order.

Madam Chairperson: Mr. Kinew, on the same point of order.

Mr. Kinew: There is no point of order because there is no rule being broken. You know, the minister is quite transparent. Any time he doesn't like something, any time we touch a nerve, he speaks up, so it's a little obvious. Perhaps he can maybe be a little bit sophisticated in his approach next time.

However, as I stated in the outset of exploring this line of questioning, the rebate cheque is the thing that the minister came into this very meeting trumpeting. And now I'm asking a follow-up question about the rebate cheque. Similarly, the CEO mentioned the rebate cheques in his opening. We know that it's a result of the finances that are disclosed in the annual

report that the committee is considering here today, so it's, you know, it's pretty much a slam dunk that this is an important topic for us to explore.

And, given the fact that the CEO said he was not aware, you know, I'm sharing some useful information in terms of a preamble to a question that I will leave for consideration with the CEO and the chair, and then I will, of course, conclude by posing a question that is germane to both the standing committee's focus today and to this topic.

Madam Chairperson: Thank you. There is no point of order. The discussion on the rebate cheque was mentioned in the opening report and in the statements that were discussed.

* * *

Madam Chairperson: I would now ask Mr. Kinew to finish his opening question.

Mr. Kinew: Thank you for that guidance, Madam Chair, and also for recognizing me again.

So, yes, all that I was saying by invoking my colleague from St. Boniface is I think there were only two by-elections in the last four-year Legislature and it could be the case that there are only two by-elections within this four-year Legislature. So it's not something that happens too, too often.

And, you know, what we saw with the St. Boniface by-election is that not only did government departments not communicate publicly and scale down their public-facing activities, but we also saw other operating agencies, we saw health authorities—the Winnipeg health region in particular—scale back their public announcements. It's pretty relevant stuff too. You know, we know that the government was cutting health care at the time, and people were being sent to hospitals further away from where they lived, and the WRHA even decided to hold back on some of that information because of both the writ blackout for the St. Boniface by-election, but also the lead-up to it.

Anyway, so I'll just share all that information with the folks from MPI just to make the case that, you know, I think it does make sense to at least consider it and perhaps not dismiss it out of hand. And I guess just, again, offering that background as points to consider, and then just to ask, perhaps, you know, the board chair whether they would perhaps give this some due deliberation and perhaps revisit a decision here.

Mr. Herbelin: I would like to thank the Leader of the Opposition for raising that point, making us aware of

this by-election, and, you know, we will certainly look at our timeline and make sure that we are aware of what's happening with that.

I would like just to add that we are privy to blackout communications, possibly during times of election or by-election, but issuing the cheque here, is not subject to that as long as we have pre-communicated it, and we made—make announcements and press release around a cheque and the timing of which would be early in 2022, so there's certainly information that has been made. Again, we are executing on the order of the PUB. PUB also requested MPI to make this happen as soon as practically possible.

So, I just would like one thing to add that context for the members here in attendance, that we certainly have a number of operational measures that have started. I am not able to confirm the exact date the cheques will be sent off, but we'll certainly look again at the timing, and whether it's going to be mid-February or end February I cannot say for sure at this point.

Mr. Sullivan: I would just like to add, as well, that, you know what, we've gone through two years of not a lot of fun in Manitoba. You know, COVID has been unfortunate. It has really hampered a lot of businesses. It has hampered a lot of individuals as well. People are hurting.

And from MPI's perspective, I completely understand, Mr. Kinew, where you're coming from, and we will have discussions with government, but from MPI's perspective alone. I believe it's prudent; PUB has ordered this, and we need to get the funds in people's hands as quickly as possible. We need to help Manitobans; that's really what this boils down to, so.

Mr. Mintu Sandhu (The Maples): Good morning, Madam Chair. Good morning, Minister, Mr. Herbelin, Mr. Sullivan, and their staff, and I also like to wish them a happy and healthy new year.

How many minutes, Madam Chair, is remaining in the meeting?

Madam Chairperson: Thirty-one minutes.

Mr. Sandhu: Thanks for that.

In March 2021, MPI made the decision to transfer \$60 million from extension to 'zeverse'—reserves. In MPI's claim, often costs of the administration of the driver vehicle admission act. It also committed to transfer \$53 million for owner expense and reserve to the DVA in March of 2022.

We think this is wrong. These funds should be returned to ratepayers and should not be used to cover the cost of the government.

Why did MPI not tell Manitobans it was making these decisions?

* (10:30)

Mr. Herbelin: I appreciate the question of Mr. Sandhu.

I think there's a number of points here, so if I maybe don't cover all of that, Mr. Sandhu will be able to follow up with me.

First of all, I would like to talk about transparency. MPI has never provided as much transparency as currently. We provided all the transparency around the transfers with the relevant people at the right time, at the time it was possible to make those information transparent.

At the last standing committee, along the lines of questioning of the opposition—members of the opposition—we disclosed that we are faced with structural operating deficit in DVA, that this issue was exacerbated by the capital expenditure needs. We required to fund Nova and the modernization of our technology, and that we had to explore different options. And certainly, one option that had to be explored was to transfer capital in order to achieve that.

In fact, we are projecting a deficit—accumulated deficit for the DVA line of business of over \$100 million over the next five years. This is not small amounts, and we are mindful of that. So the reason for the large amount is mainly related to the investment we need to do and on the technology side. On the technology side, part of it will be financed by the insurance lines of business, by basic extension and special risk extension, but part of it is also going to be financed by the DVA line of business because we have a need for specific software applications for DVA specifically that are, you know, going to cost quite an amount. And it would not be right to finance those investments directly from, say, the basic line of business. The basic line of business needs to maybe be serving the interests of basic, and certainly not anything else.

So, when it comes to DVA, MPI has two options: we can either fund our operating budgeting needs, our operating expense needs and additional capital expenditure through the fees or the amounts we can retain from government to cover our costs. And this is

governed by a contract between MPI and the government of Manitoba, and the amount has remained relatively stable since 2004. Actually, it was increased twice between 2004 and today, and it had remained flat at \$30.2 million for the last five years, and this amount is not sufficient to cover the operating costs but certainly not covering the additional expenditures.

So, you know, looking at solutions, either that amount is increased, or MPI has to find other ways to fund those costs, and as we cannot touch basic—and for the right reasons—while we are left mainly with the option of excess extension capital. And this has been a practice at MPI for almost 18 years, that those extension excess capital amounts would be transferred. In fact, between 2005 and 2014, accumulated amount of \$134 million was transferred from extension to DVA, and I was not here at the time. I don't know if this was ever discussed or seen as a problem, but probably not because the sheer amount of those transfers is such that, you know, if it was a problem, it would have been addressed.

So, basically, MPI and MPI's management board of directors of today is faced with the issue that the cards have been 'issued,' the cards are on the table and we need to play with that. So we have a certain amount of funding for the DVA line of business that is not sufficient. We have operating expenses. We have additional investments that need to be made; they are non-discretionary. If we don't do that, MPI is no longer going to be able to serve Manitobans in the future.

Our IT has served us well, but it is time to change it, and the options are what they are.

Madam Chairperson: Thank you.

Before we continue, I would just like to correct my response to the 31 minutes. The committee had agreed to sit for two hours. With the technical issues and the recess, the committee will go 'til 11:08, with the break at 11:05 to vote on the report.

Mr. Sandhu: MPI's transferring over \$110 million to operate of the DVA when, according to the document submitted to the Public Utilities Board, in—I quote: In 2021 the DVA fees MPI collected and transferred to the government totalled \$240.3 million. It, in turn, for the services, government paid \$30.2 million. However, the actual cost—MPI were \$32.9 million, or a shortfall of \$2.7 million.

Could Mr. Herbelin explain how MPI came to the figure of \$113 million to cover shortfall costs when the shortfall of DVA operating were only 2.7 in 2021?

Mr. Herbelin: I'm not sure what the question was, but I can certainly make a few comments to that.

There is an exhibit that was shared publicly with PUB and that you may also have in your possession that is projecting the accumulated deficit of the DVA line of business over the next couple of years—over the next ten years, actually. And so if we look at it over the next five years, we know already, today, based on the commitments we made from a technology standpoint and how much the DVA line of business required from an operating perspective, that we will have accumulated deficit of over \$100 million if nothing else changes. So that is a fact, and that is an information that has been made transparent and is publicly available.

Also, in terms of the 2020-21 year, DVA operating expenses were \$35.4 million. We were permitted to retain \$30.2 million, which leaves a gap of \$5.2 million. From a bottom-line perspective, the annual deficit is of approximately \$2.7 million because some other ways of compensating for the gap were found in terms of investment and gain from sale of property. But this is not something that is recurring, and this is not showing the true funding gap that we have from a DVA standpoint.

Also, the \$30.2 million projected into the future are not adjusted for inflation because we are not getting any indexation to inflation costs and the gap is only widening.

Mr. Sandhu: Thanks for that, Mr. Herbelin.

What is the cost of the technology upgrade to DVA that solely involved the DVA—only DVA? What is—that is not part of the broader Project Nova, so just only DVA part.

Mr. Herbelin: The—I need to give a little bit of background.

When Nova was envisioned back in 2018-19, the initial high-level budget related to replacement of the systems—the system modernization—was \$85.4 million, and with that—on top of it, 25 per cent was contemplated as a contingency. This amount was increased to \$112.3 million in October 2020, and the contingency was reduced to 15 per cent. On that basis, the DVA portion back in October 2020 was \$47.5 million plus \$15 million of contingency.

After that, the budget was slightly, you know, updated, but with no big changes. So, in January of 2021, the total budget was still around the 110 to 115 million, but the DVA portion saw a slight

increase ranging between 50 and 55 million. So that is the portion of the DVA that has been included in our projections to date.

* (10:40)

Now, what I also can say is we know Nova will cost more, and Nova will cost more overall, that the cost of DVA within that will also be more than those 50, 55 million. While we don't have a final re-baseline budget, based on what's going on—and we are waiting for this external review to conclude before we can come to a final number—we think it's going to be closer to \$75 million, technology costs, one-off costs related to DVA.

Mr. Sandhu: Thanks for that.

According to FIPPA we obtained with the board meeting minutes, a transfer to DVA was brought forward by CFO Mark—sorry, it's hard to pronounce—Gusbirch [*phonetic*] on March 25th, 2021, and approved. This was three months prior to DRA being sent to PUB.

Why was it not adequately communicated to the ratepayers that this transfer was happening prior to the PUB submission?

Mr. Herbelin: Before MPI decided to transfer \$60 million from extension to DVA on March 25th, MPI consulted with government of Manitoba and also consulted with PUB for information, so that was consultation with key stakeholders. Unfolding those events, what happens with the accounts is they need to be audited before they are disclosed and made public, and we are not releasing public information before this happens.

As soon as the audit was performed and the accounts could be made public more broadly—this was actually coinciding with the time of the GRA back in June of 2021, and—you know, a group rate application—we provided the full transparency amounts, the \$60 million that were transferred on March 25th. But also we provided the transparency that we were thinking and planning on making additional capital transfers at the end of the fiscal year '21-22 in order to cover for the needs we have for the accumulated deficit that we are projecting on DVA.

So, the communication has followed, you know, the various steps that we have to go through. We have to respect certain timelines and inform people when it is appropriate.

Mr. Sandhu: What were those consultations? Were there meetings, briefings? Who were the point contacts?

Mr. Herbelin: The point of contact with government is the deputy minister for Crown Services.

Mr. Sandhu: Were there any meetings?

Mr. Herbelin: We have regular meetings—I have a bit of echo.

We have regular meetings with the deputy minister and Crown Services, so that was discussed as part of our ongoing meetings.

Madam Chairperson: Mr. Sandhu. Mr. Sandhu, did you have a question? Your hand was raised. Okay, Mr. Sandhu. Oh, Mr. Sandhu, I think you are muted.

Mr. Sandhu: Got it now.

So, how many groups of employees are currently undergoing contract negotiations?

Mr. Herbelin: I would like to kindly ask Mr. Sandhu to repeat the question. I was not able to hear it.

Mr. Sandhu: How many groups of employees are currently going—currently undergoing contract negotiations?

Mr. Herbelin: Mr. Sandhu, I believe, asked how many employees are currently going through a contract discussion. I am not sure that I understand exactly the context, if you can maybe specify?

Mr. Sandhu: Okay, MPI is currently going—doing a contract negotiation with its employees. So I'm just wondering how many groups of employees, like, how many departments are going in—undergoing?

Mr. Herbelin: I would like to clarify with Mr. Sandhu if he's referring to the collective bargaining with the MGEU?

Mr. Sandhu: Yes.

Mr. Herbelin: So, yes, MPI's current collective bargaining agreement expired in 2019 with the MGEU. We have discussions that are going on and continue, so I think we will reserve commentary for the bargaining table, out of respect for the process.

I think it's important, though, that I say that the relationship with our union is really one that is strongly built on good faith and mutual respect. And also, we are proud of our commitment to our staff, especially through the pandemic, to offer flexibility. And that includes working from home, providing salary continuance to staff. Some staff could also be

redeployed to Shared Health and help the province and the community to deal with COVID-19. We've also introduced the notion of personal wellness flex days and many other things.

So, this is for our in-scope personnel, the collective bargaining, and that's about 85 per cent of our staff, and the measures that I mentioned also were applicable to the rest of our staff.

Mr. Sandhu: Are the 'negotiation' accepted to be completed soon?

Mr. Herbelin: It is my hope, truly.

We've had very professional and constructive discussions with the representatives of the MGEU. We are meeting with them soon again, hopefully in the spirit of coming to a final agreement, and we would be very happy if we can turn a page here and move forward. I think our employees deserve that, and we are trying, certainly, to find the best possible approach to reach an agreement with the MGEU and our employees.

Mr. Sandhu: How much is MPI anticipating contract negotiating to cost the corporation? How much is it going to cost the corporation for the new contract?

Mr. Herbelin: I'm not sure that I have fully understood the question of Mr. Sandhu. If this was about the costs related to any outcome from this negotiation or something else.

Mr. Sandhu: Yes, it is related to this contract, the new contract that MPI is negotiating with MGEU. So, yes.

Mr. Herbelin: I'm sure Mr. Sandhu will appreciate that, you know, as the discussions are ongoing and some of these aspects have not been discussed in all details with the members of the MGEU, I'm just not able today to talk about it. We would very—be very happy to talk about it transparently, it's just the timing of which is not possible.

* (10:50)

Mr. Sandhu: I would very like to thank each and everyone on the call and also to the clerks, and I would like to pass this on to the member from St. Boniface.

Thank you.

Madam Chairperson: Before we continue, it had not been put officially before the committee, but would everyone agree to the question being posed at 11:05 due to the delays at the beginning of the meeting?
[Agreed]

Mr. Dougald Lamont (St. Boniface): This is a—yes, this is a question for Mr. Herbelin.

Just—I have a question about road safety and investments in road safety programs. In the Manitoba road safety plan for 2017-2020, it says the annual social cost of collisions in Manitoba are estimated at \$6.4 million per fatality and \$133,000 per injury, but I just wanted—I had two questions: (1) According to MPI's annual report for 2020 it looks like the total investment in road safety was only \$8.8 million, and I just wanted to make sure, has that—it appears that the year before it was 14.5, so I was just wanted to make sure, is that correct?

And the second, given that our—many of our roads and highways are fairly dangerous, there—MPI has invested in things like salting and programs to assist municipalities. I'm just wondering why, given the enormous costs—it's something like \$2 billion, according to MPI's own documents, and 3 per cent of GDP—why are we not putting more money into road safety like salting, clearing or even infrastructure to assist municipalities in making roads and highways safe?

Mr. Herbelin: Thank you, Mr. Lamont.

Road safety, I think we don't speak about it enough, honestly. It's a very important topic. It's important to pay claims and ensure that Manitobans are taken care of when they are injured, but it would be better if the accident doesn't happen in the first place, right?

I think, to the first question, yes, there has been or there was a reduction in budget or spend related to road safety during the pandemic, and there are two main reasons to that. First of all, well, there were less vehicles on the street so, you know, the budget was also revised down in proportion, more or less, or at least in certain relation to that. The other aspect is that we had also to manage our expenses thoroughly during this period of unprecedented times and uncertainty, and this has helped, you know, MPI save over \$20 million, from a budget perspective, that eventually can be returned to Manitobans in the form of rate reduction and rebates today.

Now, having said that, going forward we certainly are committed to spending more on road safety, so we are certainly not, you know, reducing the budget forever; it was more of a measure during the pandemic and actually just the initial part of the pandemic.

What we think needs to happen for road safety to be more effective is to be targeted in understanding data points really well, and we have now hired

someone that is looking at road safety really from a data perspective, understanding where our dollars would provide the better—the best returns for Manitobans. And there is a number of actions that are being developed and prioritized as we speak. We are more in the phase of framing and articulating our strategy and potential actions than we are in executing a change just yet, but the plan is clearly to action on that.

And one area where we think we should do more, and we are starting and engaging in discussions, is certainly, also, with First Nations, northern communities where we see that collision victims have a higher chance of being severely injured or dying in an accident compared to a collision maybe somewhere else in the province.

For example, between 2015-2019, of the reported collision victims living in First Nations, 23 were either killed or seriously injured compared to a combined 5 per cent for all other collisions and collision victims in the province.

So, certainly, we want to better understand where we can have the best impact based on the relatively—everything is relative at the end—but relatively limited budget that we have, in terms of road safety.

Mr. Lamont: Just—I mean, I think there's a real—there's a bit of a tension here in that on the one hand, we're hearing sort of, you know, that we're facing shortfalls in particular areas but, at the same time, MPI is looking at a half billion dollars' worth of rebates over two years, in part because collisions are down because driving is down.

But at the same time, I do think that there's a legitimate case in part because MPI has—already has a history of investing, even in just salting and sanding programs to assist municipalities, that there is a compelling business case for the long-term reduction in rates in safety that still fits within MPI's mandate.

And I would encourage the minister to do—to consider this as well, and the board, to look at whether they can—MPI should be partnering with municipalities, including the City of Winnipeg, to improve snow clearing, salting, sanding and even infrastructure investments, because we know that some highways and roads in Manitoba are impassable and some are very dangerous, and to Mr. Herbelin's point about First Nations, there are roads—Manitoba roads simply don't go all the way to First Nations, so it automatically adds to the danger.

So, with that, I'll finish up. I'll finish my time, but thank you very much, and I'll pass my time to the official opposition.

Madam Chairperson: Are there any more questions to be posed?

Mr. Sandhu: Yes, I do have a question.

Basically, MPI disclosed the plan to transfer reserves to the DVA fund at the Crown Corporations Committee last June. This is what Mr. Herbelin stated at the committee, I quote: There is a financial of that line of business that occurs through other lines of business. So, especially, we are looking at the possibility of an extension line of a business to cover for costs as the extension lines provide certain excess of money. This is not something what is necessary to practice that we aim to continue, for sure, but is a sort of a stop-gap situation until maybe a different solution might be found on how to finance the DVA line of business. End quote.

Again, we know what the first transfer of \$60 million already happened in March. In fact, it was approved by the board on March 25th. Why did Mr. Herbelin then say that the June 10th standing committee that it was only a possibility at that point when, in fact, three months earlier the funds had been approved for transfer? The funds were already approved. But Mr. Herbelin did not explain it at the committee.

Mr. Herbelin: I explained that in my opening remarks, so I think it's covered, but I can just repeat.

At the standing committee, we provided all the transparency and the facts that we were able to share, and just would like to remind everyone that we were reviewing the financial year, 2019-2020, we were not reviewing the current fiscal year. There were questions asked to me about some numbers about the results for the financial year 2020-21, as it related, I think, to the third quarter of the exercise, and I could answer these because the numbers were made public; we had released those.

* (11:00)

But the transfer of \$60 million occurred in Q4, in the last quarter, and both the last part of the Q4 and full-year annual report for that period was simply not even audited and certainly not disclosed. And I was not in a position to put those facts out. That's as simple as that.

That we have provided all the transparency in the right sequence—actually, no more than two or two and

a half weeks after that very standing committee and within that time, the reports were eventually finally audited and approved and we could disclose those facts in the GRA, and that was fully transparent to everyone that has access to it, which is everyone in the province or even beyond the province.

Mr. Sandhu: Earlier in the committee, Mr. Herbelin said, I quote, my lawyer.

Can Mr. Herbelin clarify the committee if MPI is paying for his legal advice in regard to the Winnipeg Free Press, or is he himself paying?

Mr. Herbelin: I would like to kindly ask Mr. Sandhu to repeat. I missed the first part.

Mr. Sandhu: Earlier, Mr. Herbelin, you said that my lawyer is advising you. Did that—paid by MPI, or you are personally paying from your own pocket for that advice?

Mr. Herbelin: I mentioned before that I am not commenting on this matter at this committee.

Mr. Sandhu: Mr. Herbelin, this is you personally explaining to the committee that you got advice from the lawyer. What we were just wondering, is it your personal lawyer or the MPI lawyer, and how much it cost the MPI if it was MPI lawyer?

Mr. Herbelin: I will take this question under advisement.

Madam Chairperson: Are there any further questions?

Okay, seeing no further questions, I will now put the question on the report. *[interjection]* Sorry—Mr. Kinew.

Mr. Kinew: I see that Mr. Sullivan had his hand up, so I think I would give him the opportunity to answer the previous question, if that's what he was looking to do. Otherwise, you know, I would ask a follow-up question.

Madam Chairperson: Thank you.

Mr. Sullivan: Madam Chairman, actually, I was just going to make a final statement, but perhaps I'll let Mr. Kinew ask a follow-up question, if you wish.

Mr. Kinew: I wanted to just review some recent comments that came from the decision that PUB—that the PUB made in response to the latest general rate application.

The PUB said that the transfers from extension to DVA without oversight demonstrate why the board should have jurisdiction over extension. That's a quote there, so PUB essentially arguing that they think it would be in the best interests of Manitobans for that sort of transfer to be within the purview of PUB when reviewing a rate application.

So I'd like to ask the opinion of the board chair and the CEO if they would be in support of a change like that?

Mr. Herbelin: I see that the MPI board chair is raising his hand, so maybe—

Madam Chairperson: Excuse me, sorry, I need to interrupt. As was previously agreed, I now need to pose the question to the committee.

Annual Report of the Manitoba Public Insurance Corporation for the fiscal year ending March 31st, 2021—pass.

The hour being 11:05, what is the will of the committee?

An Honourable Member: Rise.

Madam Chairperson: Rise?

Committee rise.

COMMITTEE ROSE AT: 11:05 a.m

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