



**Legislative Assembly of Manitoba**

**STANDING COMMITTEE**

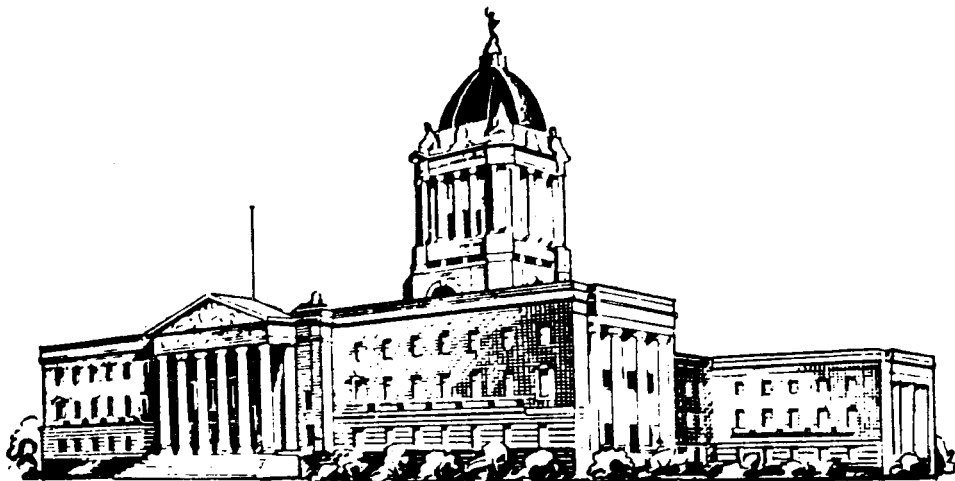
**ON**

**ECONOMIC DEVELOPMENT**

**Chairman**

**Mr. Don Orchard**

**Constituency of Pembina**



**Tuesday, June 20, 1978 10:00 a.m.**

**Hearing Of The Standing Committee  
On  
Economic Development  
Tuesday, June 20, 1978**

**Time: 10:00 a.m.**

**CHAIRMAN:** Mr. Don Orchard (Pembina)

**MR. CHAIRMAN:** Gentlemen, we have a quorum. The Member for St. George.

**MR. URUSKI:** Mr. Chairman, I understand that there is a motion required that the proceedings be transcribed and I would so move, Mr. Chairman.

**MR. CHAIRMAN:** Is it agreed? (Agreed) Very good then, thank you. The first item of business this morning . . . originally I think the committee was set up to deal with the Communities Economic Development Program. There has been a change in proceedings and the Chairman of the Board of Manitoba Forestry Products is with us this morning and if it is the will of the committee, we will deal with the ManFor Report this morning. Is that agreed? (Agreed)

**MR. SCHREYER:** After ManFor, Mr. Chairman?

**MR. CHAIRMAN:** CEDF if . . .

**MR. SPIVAK:** The Minister is not here but we're still prepared to go on with it, if you want.

**MR. SCHREYER:** On what?

**MR. SPIVAK:** CEDF if there's agreement on it.

**MR. SCHREYER:** Yes, more easily so than anything else.

**MR. CHAIRMAN:** I would now call on the chairman of ManFor.

**MR. L. J. HALLGRIMSON:** Thank you, Mr. Chairman. Members of the Committee. You have before you, or the gentleman is distributing copies of our Annual Report for the year ended September 30, 1977. This comprises the financial statements as prepared by the Provincial Auditor and a short report by myself as chairman of the board at the beginning. I could go through this report, I don't know whether you are familiar with its contents, perhaps in summary form giving you some of the highlights for the year 1977 as far as ManFor is concerned.

The past year has seen a continuation of weak markets in the pulp and paper industry with the result being that our financial performance in 1977 was similar to that of 1976. Although it has been a severe disappointment to us that we have not yet returned to a profit situation, we have been encouraged by the fact that our sales efforts have been successful in that no down-time for lack of orders has been necessary since September of 1976. Both our lumber division and our pulp and paper division have been running to practical capacity since that date. If the demand for our products continues to increase, we can look forward to higher prices and a better financial performance in the future. This has already taken place in our lumber division as prices of lumber rose quite sharply last fall and have remained strong. This has resulted in a considerable improvement in our lumber division which, however, will only become evident in our financial statements in the current year.

There has also been an increase in the price of our paper although it has not been as high percentage-wise as has been the case with lumber. We expect further improvement to take place if the present demand continues as it has for the last three or four months.

Another factor which I should mention is the favourable impact that the decreased value of the Canadian dollar is having on our orders that are made in American dollars. I should mention at

this point that each point or drop percentage-wise in the Canadian dollar means about \$200,000 to our company.

There are some statistical highlights which are set out on Page 2 which indicate that in the year 1977 we produced 118,000 tons of pulp and paper, that this was sold for the sum of \$31 million. In the case of lumber, there was 53 million board feet produced which was sold for \$9.6 million. Our cash loss, before interest and depreciation, amounted to \$3.7 million which is about \$800,000 higher than the previous year. Our net interest expense for the year was \$4.7 million which was up about \$900,000 from 1976. Our depreciation amounts to \$4.8 million. We harvested approximately 240,000 cords of wood which was used in our operations which was somewhat down from the year before. Our average direct employment in the complex was 950 persons with a gross payroll cost of \$17.5 million. Our capital expenditures were down to \$1.2 million which is a decrease from the previous years. The property and business taxes paid to the Town of The Pas amounted to \$887,000 which has been about the same for the last two or three years.

We have a total of six commercial capabilities which are as follows:

**Lumber:** With present facilities operating at full capacity, we have a potential to produce well in excess of 100 million board feet of planed and kiln dried lumber per year. Our production, however, has a practical limitation of 55 million board feet of lumber per year because of the lack of availability of saw logs. We produce dimension lumber of various sizes. The species of wood is spruce and pine and the lumber is marketed 50 percent in the United States, 40 percent in Manitoba, 5 percent in Saskatchewan and 5 percent in Ontario.

**Unbleached Kraft Paper or Pulp:** We also produce pulp. We have production capabilities of producing a maximum of 130,000 tons of unbleached kraft paper per annum or 126,000 tons of unbleached kraft pulp per annum. Our actual production is a mix of the two products with the guiding factor being markets. Currently our production is sold 55 percent in Canada, 32 percent in the U.S. and 13 percent offshore in other countries.

**Machine Shop:** We also have a machine shop as some of you are aware. We usually refer to it as the Bertram facility. This facility was originally conceived as a plant to manufacture paper machines which is completely impractical considering the remoteness of the plant. Rather than dispose of the machinery on a piecemeal basis, we have operated the plant on a modest scale employing approximately 25 persons. Although most of the work is done for other divisions, orders are being received from other sources.

**Fence Post Plant:** We also have a fence post plant which is inactive due to lack of demand for fence posts.

**Housing:** We also have housing. In order to ensure an adequate supply for housing for employees we own five 24-suite apartment blocks and approximately 20 single and semi-detached housing units. As the availability of housing has increased, we have reduced our involvement in this area.

Our concern for the environment has resulted in pollution abatement expenditures of \$163,000 during the past year and projected expenditures of \$586,000 in the forthcoming year. In addition, we are finalizing plans for a \$450,000 expenditure which will enable us to materially increase the usage of waste wood for the production of thermal energy and will displace some 2 million gallons of fuel oil per annum. This latter program, in addition to reducing our dependence on fossil fuels for energy will, in reduced costs, pay for itself in less than three years.

In addition to the employment provided, various provincial taxes paid, one other result of our operation is worthy of note. We have to date constructed 314 miles of all-weather roads at a net capital cost to the company of \$2.7 million plus 1,000 miles of so-called bush roads at a net capital cost to the company of \$2.2 million. In addition to the capital costs, we have expended \$571,000 maintaining the bush roads and \$900,000 maintaining the all-weather roads. These roads are open to the public and are used extensively for various purposes.

In summation, I would like to say that although the past year has seen a continuation of the downside in the business cycle in the pulp and paper industry, we are cautiously optimistic that an upturn is taking place at the present time and that this will continue for the balance of the year resulting in considerable improvement in our financial picture.

The next page is the certificate of Mr. Ziprick, the Provincial Auditor, which is unqualified. The balance are various financial statements.

I have some material here because this is quite old as far as the current situation is concerned. If it is your wish, I could give you some current information as far as the complex is concerned. It's a comparative statement to the end of Period 8. We operate on 4-week periods with 13 periods in the year. These are unaudited figures.

With respect to production, our production has — and this is up to the 6th May, 1978, — our production of paper is up 6.3 percent as compared to a comparable date last year and our lumber is up 3.4 percent. This is production.

Sales, in the case of pulp and paper, volume-wise in tons, it is up 18.4 percent and lumber is up 2.2 percent. On the basis of revenue, pulp and paper is up 22.2 percent; lumber 37.1 percent

and on the basis of total sales for the complex, 25.8 percent. It is interesting to note there that as far as the 25.8 percent increase in revenue, 14.5 percent was due to increased volume of sales — as you notice, our volume of sales is up — and 11.3 percent was due to increased prices.

Our cash loss for the period up to the 6th of May, is \$165,000 as compared to a cash loss of \$1.6 million last year up to the 7th of May. That's before interest and depreciation.

Our cost of sales is up to 18.4 percent and a breakdown of that figure: 14.5 percent of that was due to increased volume and 3.9 percent was due to increased costs. It is significant to note, therefore, that we are running ahead of our increased costs. Selling prices have increased this year at an average rate of 7.4 percent above the increased costs of production which is certainly a gratifying thing.

During Period 8, that would be the 4-week period ending the 6th of May, the price of paper was up 9.2 percent as compared to the same period last year. Pulp is virtually the same but it's up by .5 percent. Lumber was up 44.3 percent. For the year as a whole, for the eight periods, the price of paper is up 3.1 percent and the pulp 3.7 and lumber 34.1 percent but the prices are going up and this will be felt as we go along.

So that is the current situation to date. I don't think I have anything further to add. If there are questions from the members of the committee, I would be pleased to answer them if I can.

**MR. CHAIRMAN:** Thank you, Mr. Hallgrimson. Mr. McBryde.

**MR. McBRYDE:** Mr. Chairman, first of all I would like to address a question to the Minister responsible. I would like some reassurance from him that there is no intention on the part of this government to close down this operation.

**MR. CHAIRMAN:** The Honourable Mr. Ransom.

**MR. RANSOM:** Well, Mr. Chairman, I really have no hesitation in giving that assurance but my understanding is that the purpose of the committee is to review the Annual Report of ManFor for the period ending September 30, 1977.

**MR. McBRYDE:** Mr. Chairman, I don't think the question is out of order in any way. I think an important part of reviewing what's happening with an operation is to know whether the operation is going to continue. I don't see any problem with the Minister answering that question. I'm sure you would have ruled my question out of order if it was.

**MR. CHAIRMAN:** Would you consider, Mr. McBryde, that your question has been answered by the Minister?

**MR. McBRYDE:** Yes, Mr. Chairman. Then I'll go on to my next question. Is there any discussion or negotiation taking place at this time for the sale of the ManFor operation? I think that should probably go to the Minister as well, Mr. Chairman, unless he wants the board chairman to answer it.

**MR. RANSOM:** Well, Mr. Chairman, as has been stated publicly, the government is prepared to consider offers or proposals with respect to future operation of ManFor, and there have been some enquiries, and that is about the extent of it to this date.

**MR. McBRYDE:** Mr. Chairman, I wonder if the Minister could give us some reassurance that if the sale of this operation is negotiated, that the understanding of the sale agreement, or conditions, will be similar to those when the previous government sold the operation at Morris to Sheller-Globe, that in fact there is a provision in there of conditional sale upon continued operation of the plant, and if the plant is to be closed down, the assets will revert to the province again. I wonder if the Minister could give us that reassurance.

**MR. RANSOM:** Well, Mr. Chairman, I stated that we are prepared to consider proposals, and at this time there are no firm negotiations underway.

**MR. McBRYDE:** Mr. Chairman, then is the Minister prepared to consider proposals that do not include the type of provision I just mentioned?

**MR. SPIVAK:** Mr. Chairman, on a point of order.

**MR. CHAIRMAN:** The Honourable Mr. Spivak.

**MR. SPIVAK:** Mr. Chairman, there are opportunities for the honourable members to question the Minister with respect to policy of the government and to future policy, and there are appropriate times in which those answers can be given if the Minister or the government is prepared to deal with it. I don't really believe that the Committee is really here for that purpose. I am not saying that the question that the honourable member has put cannot be put; I think it could be more logically put in the Legislature directly to the Minister, and his answers would be recorded there, and would be discussed there. It's very obvious that he is asking for some future policy which, at this point the Minister is under no obligation to deal with at all, and I think it would be more appropriate Mr. Chairman, to deal with the report that is before us and the Chairman of ManFor who is here to present information concerning the report.

**MR. McBRYDE:** Mr. Chairman, to the point of order raised by the Minister without Portfolio, very similar questions were asked by myself under the review of Manitoba Telephone System, Manitoba Data Services, and the Chairman of that time did not rule those questions out of order, and the Minister responded to all those questions. It was my opinion that this was the most appropriate time to raise questions about ManFor, its operation and the future of ManFor. So to the point of order, I would then ask the Minister if he will be considering and is the government prepared to consider offers that would allow the operation to be purchased and closed down or moved?

**MR. SPIVAK:** Well, Mr. Chairman, just on the point of order, these again are hypothetical questions that are really out of order. It may have been allowed in the past, but frankly, these are hypothetical questions that really are related to policy matters that may in fact be decided when and if a situation arises, and there is absolutely no need for these questions to be answered in the Committee and I suggest that it really is inappropriate to be dealt with.

**MR. McBRYDE:** Mr. Chairman, to the point of order raised by the Minister without Portfolio, the questions that are being asked . . . In fact the Minister has already said the government has said it is willing to consider offers and therefore the question is not hypothetical. Is the government willing to consider offers that would allow for the purchase of this without any guarantee that the operator would not be completely closed down, that the assets removed, and that there would not be this establishment at The Pas? And that is not a hypothetical question in the context of this government Mr. Chairman.

**MR. CHAIRMAN:** Gentlemen of the Committee, I understand as a primary function of this Committee, is consideration of the report. In questions by Mr. McBryde of the Minister, the Minister has indicated: (1) that the plant I believe will operate, and (2) that offers, if and when received will be considered, which might possibly be only good business on the part of any government to consider an offer for purchase. Whether the offer were to include continued operation, I am not certain and I will reserve for a moment any decision, but I am not certain as to whether conditions of a hypothetical sale are not more appropriately questioned of the Minister at such time that a sale were to come up and that consideration of this report should deal with matters within the report not of a hypothetical nature at some point in time in the future of a sale of the plant — as you are questioning — which, as I understand, the Minister has not received or has no intention of selling the plant at the present time. Would the Minister care to comment, or would Mr. McBryde care to comment?

**MR. McBRYDE:** Mr. Chairman, I am not sure whether you were making a ruling or commenting or making a speech. My question still stands to the Minister, and I would hope that the Minister would answer the question.

**MR. CHAIRMAN:** The Honourable Minister.

**MR. RANSOM:** Well, Mr. Chairman, as I said at the outset, it was my understanding we were going to deal with the Annual Report for 1977, but I really have no hesitation in simply repeating what statements I already have made, partially in the Legislature, and publicly, that we are prepared to consider proposals with respect to the operation of the complex at ManFor. We have expressed our concern for the need of continuing employment there and to go beyond the point of saying that we are prepared to consider proposals I think is inappropriate at this time, to start attaching terms and conditions before we have had an opportunity to review any such proposal that we might receive.

**MR. McBRYDE:** Mr. Chairman, to the Minister, through whom ManFor reports. Can I take it then that the Minister is prepared to consider proposals that would not have any guarantee that the operation. . .

**MR. SPIVAK:** On a point of order, Mr. Chairman. This is exactly the line of questioning that I believe is out of order, because in effect what the member is trying to do is put the Minister in a position where if in fact he does not answer then it is assumed that what has been said is correct, and this is not the proper function of the questioning of either the Chairman or the Minister. The policy of the government has been stated by the Minister and he said that he is not prepared to go any further. I think that that answer stands and that the line of questioning which deals in the hypothetical sense is really out of order at this point.

**MR. McBRYDE:** To the point of order, Mr. Chairman, the question that I am asking of this Minister of this Crown corporation, is the same very similar questions that have been asked of other Crown corporations, the Chairman allowed those questions, and the Member for River Heights, maybe he wasn't here, never raised any objections to the questions at that time, and I would say that the questions are in order because the questions are standard ones that have been asked in other similar situations.

**MR. SPIVAK:** Well, Mr. Chairman, again the honourable member has placed the question: Can I assume, knowing full well that the declared policy has been in fact announced by the Minister here and therefore he he can assume anything he wants but it's not just a proper form of questioning at this point.

**MR. McBRYDE:** Mr. Speaker, to the point of order, I would like to address a question to the Minister responsible. I don't think the Minister responsible needs to be protected by the Minister without Portfolio, he's quite capable of dealing with the questions or not dealing with them. I don't think the point of order is whether the question is out of order or not. The question is not out of order, it is just that the Minister without Portfolio does not like it being asked.

**MR. SPIVAK:** No, Mr. Chairman, on the point of order, it's one of a series of deliberate attempts in the past little while and it's been used by the honourable members opposite where in effect their questioning implies a suggestion of a course of action and a policy which they declare then later on to be the policy itself. Yes, Mr. Chairman, this has been a technique that has been used in the last little while. It's probably not original but at the same time, Mr. Chairman, I would suggest that it really is inappropriate and is out of order.

**MR. CHAIRMAN:** Mr. Schreyer.

**MR. SCHREYER:** Well, Mr. Chairman, I think that Mr. Spivak was being more candid than he realized when he said, "It's probably not original." I think that the practice of asking questions of both the Minister reporting as well as the chairman of a Crown corporation at a committee meeting such as this is not new; it's not original. Rather than quibble over points of order, it would seem that here, as at previous meetings of various committees hearing Crown corporation reports, that occasionally questions are put to the Minister reporting as well as the general manager, in which case, occasionally the Minister is in a position to answer; occasionally he is not. If he is, he does and if he's not, he indicates why not and we go on to another question. So I don't see what the problem is. The Minister is not obligated to answer. He may not be in a position to answer or he may feel that it's premature to answer in which case he would simply say so and we would get back to the next question dealing with the general manager.

**MR. CHAIRMAN:** In deliberation of the various comments about the table, I would take upon advice that it has been past practice that Ministers responsible for Crown corporations have been asked questions along this line. Then on the basis of that, I would say those questions would be in order today. At such point in time as they become repetitive or if an answer is unavailable and the member continues to question, assuming facts which are unable to be assumed, then I may at that point in time rule the question out of order. Would that suit the gentlemen of the committee?  
(Agreed)

Mr. Steen.

**MR. McBRYDE:** I'm sorry, Mr. Chairman, I was not finished my questions in any way; I've just started.

Mr. Chairman, since the operation of the ManFor plant at The Pas — and our consideration

this morning is on the viability and future of that operation as well as to the past of that operation — and the viability and future of that operation depends very much on the policy of the government in office and since this industry is a key industry to the community of The Pas, the main community in my own constituency, it's essential that I have some understanding as to the viability and future of the ManFor operation if I'm to represent my constituency in an appropriate manner. Therefore, I would like some assurance from the Minister — this is his opportunity to give some assurance to the members — that that plant will not be sold in such a way that it could be closed down or moved out of The Pas.

**MR. CHAIRMAN:** The Honourable Minister.

**MR. RANSOM:** Well again, Mr. Chairman, I'm happy to give the same assurance that I have given to the public and directly to the unions involved and to management personnel at the complex that we are very concerned about the future of the operation, about the employment that it provides, but that we are prepared to consider proposals from the private sector with regard to the operation of the complex. That does not necessarily mean outright sale of the complex, there are other possibilities that conceivably could be put forth. In making public statements, I have always stressed the importance of the operation to the economy of the area and our concern to protect the employment that is created there. Beyond that, Mr. Chairman, I simply am not prepared at this point to put any specific stipulations on the terms of proposals we might receive. I think the consideration that we will give proposals is certainly going to be within the general outline that I have given publicly and now to this committee.

**MR. McBRYDE:** Mr. Chairman, even though that is a little less reassurance than I would certainly like, I will move on to other lines of questioning. I suppose the chairman of the board would be the best member to deal with my next question.

There is an irritant sitting around the ManFor operation at The Pas, an irritant to many of the people working there. It was part of the last negotiation. This is what is called the general education equivalency diploma under which a person is able to write provincial exams that have emphasis on maths, science, language, etc., and to show that they have equivalent of a certain grade level. This exam, the successful completion of this exam is accepted by our community colleges, it is accepted by the RCMP in their recruitment, it's accepted by everyone that I have contacted and tried to find out except by the management of ManFor. It appears, for some reason, that the management at ManFor is unwilling to allow people into apprenticeship or into trade development areas on the basis of having successfully completed this general education equivalency test. Since ManFor is the only institution that I know of that doesn't accept this and since the areas that they want skill in, are areas of math and things that are tested specifically in the test, I have great difficulty understanding why the management has taken that position at ManFor and since it is an interference in their relationship — sort of a silly interference in their relationship with the workers at the operation I wonder if the chairman could tell us why they have taken that position and if, in fact, they are reconsidering that position.

**MR. CHAIRMAN:** Mr. Hallgrimson.

**MR. HALLGRIMSON:** Thank you, Mr. Chairman. The first point that I would like to make is that I am not quite as aware of the fact that it is universally accepted as you are, Mr. McBryde. I'm informed by Red River Community College that they do not accept this as a standing. As I understand the program, it is to determine the capability of an individual who might not otherwise have a certain standing to resume his education and at what level he should begin with. As far as industry is concerned, I am informed and I can say in particular the other pulp and paper mill in Manitoba they don't accept it and therefore we don't see any reason to change our position on the matter. We feel that it is essential to try and upgrade the education standard in the mill, that this makes for better employees. It's especially important in certain areas, for instance, in the power group where we have recently been successful in manning that area with people who have certificates. It's very costly to have people begin as apprentices in areas of that nature who then subsequently have to drop out. We don't seem to have any difficulty in recruiting people with a standing and I don't see any particular reason why we should be lowering the standard when we can obtain people who do have the standing. I think it would be different if that were not the case.

**MR. McBRYDE:** Well, Mr. Chairman, I wonder if the chairman would . . . What we're talking about here is accepting people into apprenticeship and further training them. Most training programs set some limit. It's a fairly artificial thing to set some minimum standard or some standard which the people should have to enter into a particular trade or into a particular training program or a particula

apprenticeship program. Red River Community College, Keewatin Community College, does accept this diploma unless they have in their course requirements that a specific course has been taken, unless they require that Science 506 or Math 204, or whatever it is, as a specific requirement for the course. But if their requirement is only a grade level, that you have Grade 10, that you have Grade 12, then they accept this test. The ManFor operation and the apprenticeship and training programs there do not specify Math 605 or Science 204 or whatever but specify a certain grade level. It just so happens that most of those persons that are concerned with this problem who have, in fact, shown the initiative to study on their own, to go out and pass a test, to show that they do have the equivalent standard of Grade 10 or Grade 12, whichever is required, I would just assume that the company would be more than pleased that these kind of people would in fact take that initiative and study on their own and it would show that they are the type of people that could successfully complete a training program.

But the other aspect is it just so happens that the majority of people at this operation, concerned with this arbitrary rule of the company, happen to be people who were born and raised in The Pas as opposed to people from outside the area. The majority of them are the ones that are concerned and who have shown the initiative and showed that they have the equivalent of Grade 10 or 12. I just cannot understand the logic of management. We're not talking about lowering standards here. We're accepting people into a training program, people who have shown the initiative to go out and show that they have a certain educational level. It's not lowering the standards of operation of the mill in any way, it's just eliminating certain people from eligibility to get into a training or apprenticeship program on a very arbitrary basis and a very unrealistic basis. I'm very disappointed to hear that the board is not even reconsidering that or the management is not reconsidering that position because it is an irritant and I assume it will be a thing that comes up for negotiation again and yet it seems like a very simple matter that could be settled by practical and logical men.

**MR. CHAIRMAN:** Mr. Hallgrimson.

**MR. HALLGRIMSON:** Well, in many ways I would agree with you but our situation is such that we are in fact able to recruit people who do in fact have the standing and therefore we have difficulty in accepting the fact that we should be accepting something with a lower standard. We're quite prepared and at all times to reconsider. As I say, I take issue with your statements about the fact that this is accepted in industry. In many cases we took the trouble to check with other mills and they haven't even heard about it. So this seems to be contrary to your statements. But certainly, we're not wanting to take hard and fast decisions or to disqualify people who might otherwise be very good employees. Our experience is that when you do raise the educational standard, that it does improve the performance of that particular area and I refer back to the power group where we have people in there with a Grade 12 standing and we find that this ensures that the people who are being recruited have the mathematics and other areas, or standing in those areas, that enables them to pass the exams. If we are going to accept people with the lower qualification, we're going to have difficulties. But I can assure you that we will look at it again but I think this is our position.

**MR. McBRYDE:** Yes, Mr. Chairman, my source of information was to contact the Department of Education that administers the equivalency test and ask them as to who would accept it and under what conditions. The information I got from them was as I stated earlier. What concerns me here is the sort of pre-elimination or elimination of people from consideration who have passed this test but didn't in fact complete their Grade 10 in high school but have shown that they have the equivalent knowledge. Those people are pre-eliminated. They are not even allowed to apply or they are automatically ineligible to enter into these programs. I'm sure the management would like to select the best people but in order to have a number of people to choose from, it still doesn't make sense that they would eliminate this group of people who have shown they have the equivalency necessary.

Mr. Chairman, I wonder if the chairman could report to us the percentage of the supply of logs and pulpwood to the operation. What percent comes from ManFor's own operation? What percent comes from contracted out work?

**MR. HALLGRIMSON:** Yes, I do have the figures, Sir. For the year ended September 30, 1977, we produced with our own forces 168,000 cords and we received 107,000 cords from other sources, making a total of 275,000 cords that was produced.

**MR. McBRYDE:** Do you have the percentage there?

**MR. HALLGRIMSON:** No, I don't have . . . just a minute. . .



**MR. McBRYDE:** Mr. Chairman, while we're waiting for those figures, my recollection is that there is a certain percentage breakdown within the union contract; maybe the Chairman can recall those figures, that a certain percent is allowed to be given to other contractors and a certain percent required. Is my understanding correct?

**MR. HALLGRIMSON:** Yes, this is true right from . . . in fact, it was the first agreement negotiated; it was before receivership. The first agreement contained a clause, I can't recall offhand just what the percentage is, and this continued in our subsequent collective agreements. In our last agreement we were able to negotiate with the unions to exclude the Moose Lake operation out of those figures. All I can say is, whatever the figure is, we're within that because I think we would have had more complaints from the union. I now have the percentages: 61 percent of our wood is harvested by our own forces and 39 percent by others.

**MR. McBRYDE:** That figure would include Moose Lake then as . . .

**MR. HALLGRIMSON:** That would include Moose Lake.

**MR. McBRYDE:** Has there been any change in the quota for Moose Lake? What is the present. . .

**MR. HALLGRIMSON:** I can't give you the present quota, but I think it's up this year from what it was last year, and we are in fact looking towards Moose Lake for a greater amount of wood in the next few years.

**MR. McBRYDE:** Yes, I think that they are looking forward to that opportunity and they are operating in the black this year.

The report that the Chairman gave us, he mentioned the currency devaluation that is helping sales, and I wonder if that has drastically affected the percentages that he has in his Chairman's report here, because this report was given before the change in currency, and I wonder if there is quite a drastic change now in the sales pattern.

**MR. HALLGRIMSON:** Well, the impact of it has increased, but even in this report for the year 1977, I think one of the statements reveal that we earned \$700,000 on foreign exchange in 1977. This year, it of course will be higher, and as I mentioned previously, I think that each percentage point means \$200,000, so that probably in a full year it would mean about \$2.4 million.

**MR. McBRYDE:** So it's quite significant.

**MR. HALLGRIMSON:** It certainly is, because on American sales, it roughly increases our receipts by about 13 percent at current levels.

**MR. McBRYDE:** What is the present marketing system for ManFor, and has there been any major changes in that marketing system?

**MR. HALLGRIMSON:** To answer the first part of your question, pulp and paper, on Canadian sales, we have our own sales force and roughly 50 percent of our product is marketed in Canada. We have agents in the United States — Price and Pearce — and they handle our American sales, and that would be approximately 25 percent, and the offshore sales are handled as some direct, but we do have agents in the U.K. which covers the U.K. and the European common market. Does that answer your question?

**MR. McBRYDE:** Yes, is that pretty well the same system . . . ?

**MR. HALLGRIMSON:** This has been the case for about three years.

**MR. McBRYDE:** What is ManFor's structure in terms of personnel and union management in negotiation procedures, and has there been any change in that section of the operation?

**MR. HALLGRIMSON:** I am not sure that I understand your question.

**MR. McBRYDE:** In the structure . . . how many people in the personnel; are they directly involved in all of them, in negotiation, and has the same structure been in place for a number of years or has

there been changes in that basic management structure, I guess?

**MR. HALLGRIMSON:** The structure is the same, we have a personnel officer in each division, or the major divisions, and then we have an industrial relations manager on a corporate basis who is involved in all negotiations.

**MR. McBRYDE:** What kind of a stock do you have now of fence posts still . . . an inventory I guess is the proper word?

**MR. HALLGRIMSON:** As I mentioned in my report, the fence post operation has been closed for I would say in excess of two years, and I think we had on hand about 300,000 fence posts. Actually, recently we have been disposing of 312,000 fence posts, but there has been some reduction in that in the last couple of months. I can't give you the exact amount. We are making a concerted effort to get rid of those posts.

**MR. McBRYDE:** I wonder if the Chairman is aware of whether or not there was some understanding or agreement with Easterville Harvesting in terms of purchase of pulpwood from them before they were closed down. There was some negotiation going on and I wonder if the Chairman is familiar with that, if he knows if there was any understanding reached with them.

**MR. HALLGRIMSON:** Well, all that I am aware of is that when we were operating the plant we did purchase wood and enter into an arrangement with them, which I believe was lived up to because we have a number of untreated posts, or fence post material, in our yard. Once the fence post plant was closed down, we of course had no further need to purchase any further wood, so our purchasing of fence post material from Easterville ceased.

**MR. McBRYDE:** Was there any discussion with Easterville in the direct purchase of pulpwood as opposed to fence posts, or is the Chairman familiar with. . .

**MR. HALLGRIMSON:** I think there was some initial talk about that, but our Woodlands manager came to the conclusion that the wood in that area was very inferior and not too suitable, and the matter wasn't pursued any further. I might also add that we have no problems as far as, in fact, we have . . . too much pulpwood on hand. That's one of our problems and I mentioned the fact that we need saw logs. This is all very finely balanced and if you harvest a certain amount of wood you get a certain percentage of saw logs and a certain percentage of pulpwood, and if you were to increase your cut you would end up with too much pulpwood for the mill, so it's not something that we're actually short of in any way.

**MR. McBRYDE:** I wonder, Mr. Chairman, if the Chairman of ManFor would care to comment on the Woodlands operational plan. I'll just explain what I mean here. It would be possible, of course, for the company to show a greater profit in one year by harvesting only close in and not harvesting far out. I'm assuming that the plant operates in a way that they're looking at a long-term projection, and I just wonder if the Chairman could fill us in on the Woodlands plan and how far out are they, and how much the cost of getting the wood supply is going to increase over the next few years or whether it should be fairly stable over the next number of years — if you would make some general comments in that area.

**MR. HALLGRIMSON:** Yes, I'd be pleased to, Mr. McBryde, to give just a brief overview of our woodcutting operations from our own standpoint, our own cutting operations. We have two main cutting areas, one at Kiskeynew, or Kississing, Lake Kississing, and the other at Conlin Lake, which is very close to Wabowden. Kississing is north of Cranberry Portage, as you probably are aware, but for the benefit of the other members of the Committee.

The wood from Conlin comes in by the CNR, by rail, and the wood from the other area comes in by truck. As far as other sources of wood, of course the main source is Moose Lake and that is in that area. That plan was developed in consultation with the forestry people in the province, provincial department, and has their approval and I think was and has been in force for some time because we began harvesting wood in the Conlin Lake area very soon after receivership and undoubtedly at that time could have been harvesting wood in closer rather than — because that wood is a little bit more expensive for us. So I think that our cutting operations are being implemented or done on a basis of proper forest management without high grading or anything of that nature.

As far as what the future holds, just the other day I was talking to our Woodlands manager and he told me that it was his view that we might have to move — that we would have to move

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out a little further in the next few years but in probably ten years time we could move in closer because there was wood becoming mature at that point in time, so that we really don't have to look towards reaching out further all that much. This is of course based on our present needs and supplying the facility as it is now constructed.

**MR. McBRYDE:** Mr. Chairman, my last question until I think of some more. I'm quite pleased at the update that the Chairman gave us on the ManFor operation. It shows that the lumber market has improved a great deal and that the pulp market is slowly coming back, appears to be coming back, and that the operation has reduced its losses this year quite considerably. If these general market trends or world conditions that the Chairman has no control over continue, does he see the operation moving into the black in the fairly near future?

**MR. HALLGRIMSON:** Well, of course it depends on what you mean by the word "black". As you can see we have rather heavy interest costs and depreciation so that even if we move into a cash profit position we still have to generate another \$8 million or \$9 million to cover those two items. I feel, barring some severe economic downturn, that 1979 should show an improvement for the industry and, as you say, our well-being depends to a great extent on market conditions which are beyond our control, but I think we are coming out of the bottom of the cycle and hope it'll keep climbing and remain with us for some time.

**MR. McBRYDE:** Mr. Chairman, just I suppose to further clarify that, there is some mention in here of the capacities and the limitation of the capacity of the operation both in lumber and pulp and paper. Are mills similar to ManFor — I guess by that I'm sort of excluding some of the big timber operations on the west coast, but mills that operate in a similar area to ManFor — in lumber are most of them up to their full production capacity now? Is the market such that they can go at their full production capacity? In the area of pulp and paper, are most of them working under capacity or at capacity now throughout the industry?

**MR. HALLGRIMSON:** Well, dealing first with lumber, I think everybody has been in the last six months producing to their limits, whatever their limits are. As far as pulp and paper mills are concerned, I think in Canada — it depends on what type of paper you're talking about — in the kraft field I think most of them are running full out. In Europe, they're not. The Scandinavians are only running to about 60 percent of capacity, but one of the factors there was that when the downturn took place they elected to build very high inventories and which the government subsidized — Sweden and Finland, I guess, are the two large Scandinavian countries in this field, but about six to eight months ago they discontinued that program and this put them in a position of having to dispose of it and this accounted for a severe drop in the price of pulp to about \$75.00 a ton. But it seems now that this is of course what probably had to happen in order to get the industry back into line.

**MR. McBRYDE:** I'm sorry, Mr. Chairman, I have thought of more things to say as the Chairman was answering those questions. The limitation then on the sawmill production you mentioned is the availability of saw logs. Is the MacMillan Bloedel operation at Hudson Bay — are they in the same situation as you are in or do they have a better supply of saw logs?

**MR. HALLGRIMSON:** Well, I would say they have a better supply of saw logs. It seems that once you get across the border and I don't think it has anything to do with the . . .

**MR. McBRYDE:** The trees don't get bigger because they have a Socialist government over there?

**MR. HALLGRIMSON:** . . . just because they're in Saskatchewan. But it is really remarkable, their timber is larger. We encounter the same situation when you get to the Porcupines or something. But you mentioned Simpson Timber at Hudson Bay, Saskatchewan. They are now processing smaller logs because the government insisted that the larger logs would go to their plywood mill. This was timber that was originally processed in the sawmill so they're encountering a bit of the problems that we have; namely, to process a great number of small logs.

**MR. McBRYDE:** So there wouldn't be that big of an advantage of — since the problems are similar — of that operation buying out or being involved directly with ManFor then in terms of the lumber production since they have similar problems in terms of the availability of saw logs.

**MR. HALLGRIMSON:** Well, I'm not sure that I understand your question but I would say this: that

I don't think Simpson Timber would, you know, have a surplus of saw logs although last year I think we did buy some. They had some large wood — we bought three or four thousand cords of saw logs from Hudson Bay, but basically I would suspect that they need all the saw logs they can get too.

**MR. McBRYDE:** Thank you, Mr. Chairman.

**MR. CHAIRMAN:** Mr. Green.

**MR. GREEN:** Mr. Hallgrimson, as I look at the P and L statement it would appear that we have had in the past year a loss of \$13,300,000.

**MR. HALLGRIMSON:** Yes.

**MR. GREEN:** And my impression is, and you'll correct me if I'm wrong, that the provincial investment on which no interest is paid by the company but is paid by the province, is a \$45 million income debenture, or, excuse me, a \$28 million income debenture. Correct?

**MR. HALLGRIMSON:** Did you say that no interest is paid on that?

**MR. GREEN:** On the income debenture.

**MR. HALLGRIMSON:** No, not unless we earn the income to . . .

**MR. GREEN:** So then there is no interest paid on that income debenture for the balance sheet which is before us, or the statement which is before us?

**MR. HALLGRIMSON:** That is correct.

**MR. GREEN:** And no interest is paid on the preferred shares of \$70 million?

**MR. HALLGRIMSON:** No.

**MR. GREEN:** There is interest, I would take it, on the first mortgage debenture of \$45 million.

**MR. HALLGRIMSON:** Yes.

**MR. GREEN:** No interest is paid on the common stock of \$20 million.

**MR. HALLGRIMSON:** No.

**MR. GREEN:** So there is a provincial investment of \$28 million, plus \$70 million, plus \$20 million, of \$118 million on which the province is paying interest but which the company is not paying interest on in accordance with the statement that we have before us.

**MR. HALLGRIMSON:** Well, I don't know what the province is paying interest on but I would agree with you that that represents the investment of the Province of Manitoba, the Government of Manitoba, in this project.

**MR. GREEN:** Well, would you be satisfied if I advise you that the province can't get money from anybody without paying interest on it?

**MR. HALLGRIMSON:** They also tax people too.

**MR. GREEN:** Oh yes. Yes, and they borrow, and the amount of the provincial investment in ManFor is part of the long-term debt of the province and therefore they are paying interest on it.

**MR. HALLGRIMSON:** Well, as I say, I don't profess to being an expert on the financing of the government is concerned. You're in a better position than I. All I'm saying is that I would agree with you that the investment is \$118 million, or whatever you did. I'm accepting your figure.

**MR. GREEN:** I'm talking only about that part of the investment which is non-interest payable to the province. There is also a \$45 million investment which you are charging interest against the operating expenses of the company. So if we want to get the total investment we have to take

that \$118 million, add \$45 million, and add the current deficit which gives us roughly \$190 million.

**MR. HALLGRIMSON:** Yes, Mr. Green.

**MR. GREEN:** Now if we allowed the corporation the \$20 million in share capital without interest, if the corporation had to pay interest on the other \$70 million plus \$28 million, there would be another, approximately, \$10 million a year in interest on that amount payable and, therefore, if we were charging that as an operating expense to the company instead of to the province, we would have to increase that deficit to \$23 million — to use figures which give offence to the corporation — a \$23 million loss in 1977.

**MR. HALLGRIMSON:** Subject to the . . . As I take it, what you're saying is that if you had to pay interest on equity, then your interest payments would go up by that amount and would be charged to the Profit and Loss Statement.

**MR. GREEN:** Well, the debenture debt is not equity; the debenture debt is a . . .

**MR. HALLGRIMSON:** No, but you included, I believe didn't you . . .

**MR. GREEN:** That is correct and you have used my inclusion to refer to all equity. It's part equity and part debenture debt.

**MR. HALLGRIMSON:** Yes.

**MR. GREEN:** All right, and the making of \$70 million in equity to the government was done in order to make the operating load of the company less onerous, was it not?

**MR. HALLGRIMSON:** Well, I guess that would be the case but I think also a realization that it would be completely impractical for a company to operate and to carry such a debt load.

**MR. GREEN:** Yes, Mr. Hallgrimson, I appreciate that, but the people of the Province of Manitoba have to pay that either by having an operating loss on the company or an interest charge on the debt of the province as has been explained so many times in this committee and suddenly revealed by the Winnipeg Free Press last year as though it were the first it were heard. It has to be paid by somebody and the people owning the company, they are either paying it as an operating expense or a debt charge. The debt charges, by the way, which the Conservative administration say have been such a problem for them that they cannot operate the government because of these debt charges which have now been taken from the company and put on the balance sheet of the province — \$70 million and \$28 million. It makes the company less onerous but it doesn't make the people of the province have less money to pay. Is that correct?

**MR. HALLGRIMSON:** Well, I don't really know what the question was but . . .

**MR. GREEN:** Well, then I will give it to you again. By shifting the interest charges from the company to the provincial balance sheet, the company's statement looks better but the provincial balance sheet is increased by the amount of those debt charges.

**MR. HALLGRIMSON:** Well, I thought I answered that before. You know, that's rather obvious. If we were paying interest on the full amount of the capital cost of the project, it would just be beyond any comprehension.

**MR. GREEN:** Mr. Hallgrimson, I never ever said the full amount of the capital cost because I've taken off \$20 million in equity which I've never calculated interest on. If you want to add that which they have done for other companies but not for this one, if you add that, there's another \$2 million a year in interest charges.

**MR. HALLGRIMSON:** Well, but the largest item, I mean, if we want to . . . Let's do what you say and there's another \$28 million that doesn't carry interest. But I must also point out to you, Mr. Green, that although this is shown on here as — and this was set up under the previous government, the whole capitalization of this project. As you recall, the provincial auditor and others, there is a capital deficit of \$61 million. In other words, the so-called preferred shares of \$70 million aren't really \$70 million; they're about \$9 million.

**MR. GREEN:** Mr. Hallgrimson, you know very well — and I said so at the committee at the time — that I objected to the auditor setting it up in that way. I suggested that the capital cost of the project be listed in the assets and that there be no capital deficit. It was the auditor who felt that a capital deficit would more properly reflect the situation. But when you say the previous government did it, in this committee, publicly, I said that I did not want that capital deficit. I wanted it listed as the assets at cost on the left-hand side, the asset side of the ledger. In any event, the bookkeeping doesn't change anything, as long as the owner of the company and the owner of the province are the same person.

**MR. HALLGRIMSON:** Well, I would like to correct one impression because if it's implicit in what you're saying that we, or that ManFor, is in some sort of a privileged position because it only has a long-term debt of \$45 million, I have here a listing of a number of companies which indicates that that's very high for an operating company and that certainly if we were to add these other sums that you talk about, it would be completely unrealistic.

**MR. GREEN:** Well, Mr. Hallgrimson, as a matter of a fact, . . .

**MR. HALLGRIMSON:** I'm concerned in practicalities, not in finances.

**MR. GREEN:** . . . I have never said that this is a privileged position. I don't know why you would raise that. I have said, as a matter of fact, that the private sector in fact puts in a lot more equity when they are in trouble to show a good balance sheet, and that I really had no intention of doing that but since we are copying the private sector, that ManFor should be in the same position, as a matter of fact, I agree with that. But other people have said that in other companies it shows a privileged position on the part of the Crown and this one they accepted.

Now, Mr. Hallgrimson, let's then deal with that. If the interest charges were made leaving out the \$20 million in capital stock, then last year the cost to the province in operational expenses, either by paying it on the debt charges of the province or the operating cost of the company, was \$23 million leaving out the \$20 million in common stock.

**MR. HALLGRIMSON:** Well, I'm not passing any judgment on what it cost the taxpayers. I'm concerned about the company itself and I'm prepared to answer questions as to what effect it has on the company's balance sheet, but whether . . .

**MR. GREEN:** All right then, Mr. Hallgrimson, I just want you to confirm . . .

**MR. CHAIRMAN:** Order please. Might I suggest to all members of the committee that answers may not be complete.

**MR. GREEN:** Fine, go ahead.

**MR. CHAIRMAN:** Mr. Hallgrimson.

**MR. HALLGRIMSON:** Well, I have nothing further to add. I'll just turn it back to Mr. Green.

**MR. GREEN:** All right then, Mr. Hallgrimson, I want to make sure that my calculations are not wrong, that your operating loss was \$13 million. If you had been required to pay interest on the \$28 million which is an income-bearing debenture, which we are not charging interest on, or which you were not charged interest on, plus the \$70 million in preferred shares, your operating expense loss would have been \$23 million.

**MR. HALLGRIMSON:** Well, obviously, I don't think it's very difficult to figure out. It's quite evident from the balance sheet that that would be the case. It's self evident. I really don't know what . . . you know, I'm not an expert on this but it's just common sense.

**MR. GREEN:** Thank you very much. I am glad to hear my calculations referred to as common sense. That is more money than was ever lost by the Manitoba Development Corporation in any year of its operation in all the companies that they had been involved in. However, that I'm not asking you to deal with because you are not dealing with the Manitoba Development Corporation.

Am I correct that the provincial investment in this company — again I want you to confirm or correct me if my calculations are wrong and if they're not, then I am happy to have them referred to as common sense — \$45 million in first mortgage debenture, \$28 million in income-bearing

\$20 million in authorized common stock, \$70 million in preferred stock, plus a \$29 million accumulated deficit which is roughly \$192 million.

**MR. HALLGRIMSON:** Well, I'm sorry, I don't have my calculator here but that's probably . . . If you have it figured out that way, I'll accept it.

**MR. GREEN:** And the accumulated losses of this corporation, not including the interest charges of \$10 million per year, are a capital deficit of \$61 million and an accumulated operating deficit of \$29 million . . .

**MR. HALLGRIMSON:** I'm sorry, would you repeat that?

**MR. GREEN:** A capital deficit of \$61 million . . .

**MR. HALLGRIMSON:** A capital deficit of \$61 million, yes.

**MR. GREEN:** Accumulated operating deficit of \$29 million which is \$90 million, if we add to that three years' interest charges which you don't like to deal with because they are being paid by the people of the province rather than ManFor which would be \$30 million, would be a total accumulated loss of \$120 million.

**MR. HALLGRIMSON:** Well, I think there's a little bit of confusion entering the situation now.

**MR. GREEN:** All right, let's have the confusion cleared up.

**MR. HALLGRIMSON:** You refer to the \$61 million capital deficit. I certainly won't take any responsibility for that. That was incurred before this company came into existence and it's tied up in the whole historical aspects of this project, as you well know.

**MR. GREEN:** Mr. Chairman, I have not charged the chairman of this corporation with responsibility for any of the losses. I'm not suggesting that you are responsible for this. All I'm asking you is, is that the accumulated loss of the company? \$61 million as a capital deficit . . .

**MR. HALLGRIMSON:** No, just a minute. It is not the accumulated deficit of the company. This came on the books of the company when the company was formed.

**MR. GREEN:** All right.

**MR. HALLGRIMSON:** If you would refer to Page 3 of the Notes of the Auditor in which he refers to capitalization; he says, "The capital deficit consists of expenditures made by the MDC in excess of the inventoried net value of the assets established at the date of receivership . . . "

**MR. GREEN:** Mr. Chairman, that's fine.

**MR. HALLGRIMSON:** . . . "and is offset by preferred shares."

**MR. GREEN:** I will be happy to have it confirmed in any way you want to that the province has an accumulated loss, not the company. If you don't wish to attribute it to the company, I don't wish to argue with you. That the accumulated loss on this operation by the province is a \$61 million capital deficit, a \$29 million operating deficit, plus the interest charges which were not charged to the company on the matters that I previously referred to, at approximately \$10 million a year, which is \$120 million in total.

**MR. HALLGRIMSON:** Well, as I stated previously, I accept your additions and I think you made that statement when you started out and I agreed with it.

**MR. GREEN:** All right. Now, this deficit which we have of \$120 million which is part of that horrendous, onerous problem faced by the Conservative administration which makes it impossible for them to operate the province in the way that they would presumably would like to if they didn't have the deficit, is based on the fact that the land and buildings and equipment would be able to obtain on the market what they are shown at on the books, namely your depreciated value now is shown at \$72 million. I take that from the left-hand side of the balance sheet: land \$100 million less DREE grant which is the kind of friendly solicitude that the Federal Government shows to

enterprises and gives them gifts which are then not charged at interest which the people of Canada pay interest on, and the housing properties and the accumulated depreciation, would come to a figure of \$72 million.

**MR. HALLGRIMSON:** Yes, that's quite obvious from there that the assets we have, their book value is \$72 million — \$72.5 million.

**MR. GREEN:** You are also aware that the government in selling assets has always said that you could never sell assets at their book value, particularly when they are earning a loss, and the book value of the boat was about perhaps \$2 million and sold at \$250,000; the book value of Morden Fine Foods was \$2 million sold at \$1 million.

**MR. RANSOM:** Mr. Chairman, on a point of order.

**MR. CHAIRMAN:** The Honourable Mr. Ransom, on a point of order.

**MR. RANSOM:** Perhaps if we're not to be dealing with the report of ManFor; that the Chairman is reporting on the operations of that complex; that we are not dealing in this Committee with the history of the operation or with the other corporations to which the honourable member refers . . .

**MR. CHAIRMAN:** Mr. Green on a point of order.

**MR. GREEN:** Mr. Chairman, I merely tried to ascertain for the people of the Province of Manitoba the comparable loss in this corporation. I am dealing with the ManFor statement; I say that it's shown on the books at \$72 million, but if it's sold on the philosophy that other corporations have been sold at it would be regarded as a losing business which you can't put more money into and therefore should get one-quarter of this amount, which is \$25 million, and the additional loss would be another \$50 million, approximately — \$47, to be exact — which would bring our loss up to roughly \$60 million. If these assets had to be sold for a quarter of their value then I presume that what the Chairman has said makes so much common sense, and that my figures are right; that it's obvious that if the assets had to be sold for using the same scale of sale as has been done with other Crown corporations, that we would incur another \$45 million loss, which would bring our loss up to \$165 million.

**MR. WILSON:** You said Morden was sold for half.

**MR. GREEN:** But Morden was sold — land, buildings, equipment and canned goods inventory, which we are using every day and paying 100 percent on the dollar for — the boat was sold for less than a quarter so I'm halfway inbetween.

**MR. HALLGRIMSON:** Well, I have no comment on what the government — if it does sell this complex — it's prepared to sell it for, but if it's sold for \$25 million, again, you're stating truisms which — you know, it's quite obvious — you don't need my concurrence in it, or disagreement, because it's hypothetical; I think the Minister has indicated that no proposals have been made and what they're prepared to sell it for is something which I guess only time will tell.

**MR. GREEN:** Well, Mr. Chairman, I want to thank Mr. Hallgrimson for being so kind as to indicate that my observations are truisms, because sometimes they are so loudly objected to as not being truisms. I thank you for referring to them as truisms.

Mr. Hallgrimson, there has been comment about Mr. Kasser's suggestions as to how this company could be operated more profitably. Would it be correct to say that every single one of those letters that came to me in any event were forwarded to the Board of Directors of ManFor for their consideration to see whether his suggestions could result in better operations?

**MR. HALLGRIMSON:** Well, in answer to that, Mr. Green, I would say that you forwarded letters to me; I can't swear what letters you received or be sure that I received every letter, but certainly you forwarded a number of letters which were quite critical of operations, but . . .

**MR. GREEN:** They weren't my letters; they were Mr. Kasser's letters.

**MR. HALLGRIMSON:** Yes, I'm sorry.



**MR. GREEN:** Would you accept it if I suggested to you that every one of Mr. Kasser's letters that were sent to me were forwarded to you?

**MR. HALLGRIMSON:** I wouldn't dispute that.

**MR. GREEN:** Would you get confirmation from the present Minister, who has all the files, and if any had been left out I would urge him to send them to you so that all of Mr. Kasser's observations on how he could make this a successful operation — and really, I'm not sure that Mr. Kasser couldn't make it successful for Mr. Kasser — but all of these observations had been forwarded to the Board of Directors of ManFor, had been carefully considered, and you've come out with a \$13 million loss.

**MR. HALLGRIMSON:** Well, I certainly accept your statement that these letters were forwarded — I forget the number — they were considered by the Board of Directors; I don't think that his comments were all that helpful. I would say that most of them were based on hindsight and the remaining suggestions didn't show any great understanding of what market conditions were at the present time.

**MR. GREEN:** Thank you very much, Mr. Hallgrimson, particularly for calling my remarks truisms.

**MR. HALLGRIMSON:** Well, I'm glad that I'm making your morning very happy.

**MR. CHAIRMAN:** Is the Member for Inkster now satisfied with his truisms and we can move on to the next speaker?

**MR. GREEN:** I was satisfied with them before I asked the questions, but I . . .

**MR. CHAIRMAN:** Mr. Wilson.

**MR. WILSON:** I'd like to defer to my honourable colleague from River Heights. I wanted to speak on the matter of the fence posts; you're dealing with P and L statements so I'll defer to him and put my name after.

**MR. CHAIRMAN:** Shall I put you on after Mr. Spivak?

**MR. WILSON:** Right.

**MR. CHAIRMAN:** Mr. Spivak.

**MR. SPIVAK:** I am wondering if Mr. Hallgrimson could indicate who was the Minister whom he reported to during the period of time when the deficit took place and its accumulation?

**MR. HALLGRIMSON:** He is the gentleman that I apparently made feel better this morning, Mr. Green.

**MR. SPIVAK:** I see. So that the deficit occurred during the period of time that he was the Minister reporting for the Corporation?

**MR. HALLGRIMSON:** Yes.

**MR. SPIVAK:** I wonder if you can indicate as well that the change of the capitalization took place following a recommendation of the Provincial Auditor, who was the Minister to whom you reported during the period of time that that change of capitalization took place?

With respect to the capitalization that was finally determined, was that subject to negotiation with the Provincial Auditor, with the Board of Directors, or some nominee on behalf of the Board of Directors and with the Minister and/or the Cabinet?

**MR. HALLGRIMSON:** I would say, Mr. Spivak, that it included all those individuals — Mr. Ziprick is our Auditor of course, and then he has another role as being the Provincial Auditor and concerned from the provincial standpoint; the Board of Directors was involved, I was involved, the Minister of Finance, whoever he was at that time, and . . .

**MR. SPIVAK:** I'm sorry. Is it fair to say, Mr. Hallgrimson, that there were several proposals; that

the proposal that ultimately is now reflected in the balance sheet is the final determination but that in the course of the examination there were in fact several alternatives being considered?

**MR. HALLGRIMSON:** I would say on the basis of quantum, yes.

**MR. SPIVAK:** No, I'm talking in terms of quantum, of what would be capitalization and what would be preferred, etc. In terms of the final determination of what in fact did take place, it was then the agreement and the consensus at that point of the government, of the Board, and of the Provincial Auditor?

**MR. HALLGRIMSON:** Well, I would say that yes, it was a consensus, because it was accepted and implemented by the government. Whether or not particular Ministers agreed, I'm not quite sure. Mr. Green is shaking his head but he can only speak for himself. But certainly from the company's standpoint and the government, obviously this had to be agreeable to all parties or it would not have been implemented.

**MR. SPIVAK:** Well, I'd like to establish this if I can. The Board of Directors had a proposal with respect to the capitalization if I'm correct, that is, the capitalization and the final arrangement of the financing. The Provincial Auditor had made his recommendations; there was discussion in which the government was involved. Was it the Board of Directors' proposal that was finally accepted or was it in fact a compromise as a result of the discussions that took place?

**MR. HALLGRIMSON:** I can't be sure. There were a number of meetings; I would say it was a compromise obviously from the company's standpoint. We were anxious to keep it down as much as possible and the government on the other hand was anxious to . . .

**MR. SPIVAK:** But the government Ministers representing the government were part of that discussion and part of the finalization of the amount and figures that were determined?

**MR. HALLGRIMSON:** Pardon me?

**MR. SPIVAK:** The government Ministers were part and parcel of the determination and of the discussion in the finalization of the figures that ultimately were the figures that now form part of the financial statement?

**MR. HALLGRIMSON:** Yes, I would say they were.

**MR. SPIVAK:** All right. Can I ask something of Mr. Hallgrimson? During the period of the past few years when you were reporting to the former Minister, were there offers made with respect to ManFor or its purchase or acquisition by lease or what-have-you?

**MR. HALLGRIMSON:** I'm sorry.

**MR. McBRYDE:** Mr. Chairman, on a point of order, these questions that the Minister are raising don't relate to this annual report that we're dealing with.

**MR. CHAIRMAN:** Mr. McBryde, in view of the recent discussion by the Member for Inkster, I think we allowed a certain amount of latitude in his questions and I am allowing the same degree of latitude.

**MR. McBRYDE:** I'm sorry, Mr. Chairman, I was just raising a similar point of order raised by the Minister without Portfolio earlier.

**MR. CHAIRMAN:** Quite in order, Mr. McBryde.

**MR. HALLGRIMSON:** Mr. Spivak, I'm sorry, we said offers received?

**MR. SPIVAK:** We said offers received — I guess an offer would be a formal offer and this would only be the inquiries. Were there inquiries — I would put it this way — were there inquiries made of the Board of Directors through the government with respect to the potential of either a sale, a lease, or a management contract with various firms or individuals?

**MR. HALLGRIMSON:** I can't recall any serious offer being made.

**MR. SPIVAK:** I know, but the word “serious” becomes a bit of concern. In fact, were there some inquiries made which may have been the . . .

**MR. HALLGRIMSON:** Well, I’m referring — up to what point in time, Mr. Spivak?

**MR. SPIVAK:** Well, during the past four-year period in which you were reporting, I assume, to the Minister.

**MR. HALLGRIMSON:** Up to the end of this period here.

**MR. SPIVAK:** Yes, four years back.

**MR. HALLGRIMSON:** No, I use the word “serious” because I believe that at some point in time I think Kasser even made some sort of a proposal.

**MR. SPIVAK:** Excluding him.

**MR. HALLGRIMSON:** Excluding him?

**A MEMBER:** Why would you exclude him?

**MR. SPIVAK:** Well, because I . . .

**MR. HALLGRIMSON:** He’s always making offers, one way or the other.

**MR. McBRYDE:** Not offers.

**A MEMBER:** Well, inquiries.

**MR. CHAIRMAN:** Mr. Hallgrimson.

**MR. HALLGRIMSON:** Well, I can’t be sure about inquiries, because they could be very off-hand. I don’t recall any such case that we had to give any consideration to a potential sale of the company.

**MR. SPIVAK:** All right. Can I ask another question: do the Board of Directors ever suggest to the government that they should consider the potential of a sale or a lease of the facilities or a management arrangement with another corporation?

**MR. HALLGRIMSON:** Not to my knowledge.

**MR. CHAIRMAN:** Mr. Wilson.

**MR. WILSON:** Yes. On dealing with the fence-post plant, Mr. Hallgrimson, you talked about an inventory of 312,000 logs. I wonder, could you tell me what the going price for these logs would be on the market today? You mentioned that you had a concerted effort to dispose of the inventory and I am wondering if you could give me some indication what your plant is selling these logs for today? Well, an estimate.

**MR. HALLGRIMSON:** This is fence posts that you’re talking about.

**MR. WILSON:** Yes, the fence-post plant. You were talking about this particular plant having the capability of producing 4 million fence posts or treated posts, and the reason that we’re out of the fence-post business is because someone else on the market is selling them below replacement cost. What I’m trying to get at is, what would you be selling your inventory that you have now?

**MR. HALLGRIMSON:** All I know is that we are trying to dispose of them and we have offered discounts in order to get rid of this inventory. I would have to take that as notice .

**MR. WILSON:** Well, would the Member for The Pas have the answer, what you’re selling them for? —(Interjection)— Well, what I’m trying to get at is, on Schedule 8 you have the inventory being

worth \$352,000; my concern is that in order to arrive at that figure the posts would have to sell for \$1.10 apiece and I was wondering if this position wasn't overstated in light of the fact that you are into a discount sale position. I wonder if you care to comment on that?

**MR. HALLGRIMSON:** It could be that we might realize some loss on that. I think we're asking something over a dollar — it's probably quite close to their cost, but not at any profit — but we've had these posts for a period of two to three years, and it was the feeling of the Board of Directors that we should dispose of them.

**MR. WILSON:** I have a couple of friends who are in the agricultural industry, and they claim that they have a hard time getting fence posts at a certain price. I'll have to check with them what that price is, because, in light of your comments that you are making a concerted effort to dispose of this inventory, I think that we'll look into that.

I'd like your explanation — possibly you could take it as notice, if you could get back to me — why is there no market for our product? Is it because our plant is not modern or efficient enough to compete, and what other markets are there that produce fence posts so much cheaper than what we can replace it or produce it for?

**MR. HALLGRIMSON:** Well, I'll comment on the first part. I don't think that it necessarily follows that everybody else is making money in this field. The market for fence posts is mainly for ranches, and it probably will pick up now with the improved condition of the beef industry, but the market fell down considerably two or three years ago, and continued in that state for some time, and as far as we're concerned, it's still that way. Now, as far as your friends are concerned, we'd be pleased to hear from anybody who wants to buy fence posts.

**MR. WILSON:** Okay, thank you.

**MR. CHAIRMAN:** Mr. Green.

**MR. HALLGRIMSON:** I should also mention, Mr. Wilson, that there was a number of new plants came on too, like everything else, when things are good, a number of people rush into the business, then the market deteriorates and everybody is scurrying around.

**MR. CHAIRMAN:** Mr. Green.

**MR. GREEN:** Mr. Hallgrimson, with respect to the government's involvement in setting-up the balance sheet, would you please refresh your memory and go back to a memo that you sent to me after the government had met with the Department of Finance — the Premier and myself — and asked that the balance sheet be done so that the assets were listed at cost, and there would be no Capital deficit, but you sent me a memo, together with either a draft or audited statement, in which you indicated that the auditor would not permit you to do it that way, and therefore put in a capital deficit of \$51 million.

**MR. HALLGRIMSON:** \$61 million.

**MR. GREEN:** \$61 million, in a memo from yourself to me, and I would ask you to refresh your memory to see whether I am not correct, that you sent me a memo saying that the auditor did not accept that form of capitalization, and the capitalization subsequently agreed to by the board and the auditor didn't change anything financially, as far as the province was concerned, but was more to the liking of the auditor. Would you check to see whether such a memo was sent to me?

**MR. HALLGRIMSON:** I could check — I don't recall if offhand.

**MR. GREEN:** Do check.

**MR. CHAIRMAN:** Mr. McBryde.

**MR. GREEN:** I raised it in this committee, the moment that it was done.

**MR. McBRYDE:** Mr. Chairman, I wonder if Mr. Hallgrimson could tell us what percent of the fence post market that ManFor was into, that they had a corner on, or how big of an influence on the market for fence posts is ManFor?

**MR. HALLGRIMSON:** I would say very small. We had just gotten going when the market really went down.

**MR. McBRYDE:** Maybe to enlighten our colleague from Wolesey —(Interjection)— probably one of the biggest producers of fence posts for a large scale industry is Domtar, and Domtar had an offer to Easterville Harvesting — that market went out about two and one-half years ago, was it? — one week they had an offer in to purchase all their goods — all their fence posts — a week later they cancelled that because in that short period of time the market had fallen out of the fence post business, and that was the situation of the fence post industry, and ManFor and Easterville Harvesting were such a small part of that industry that they were just hit by it, they had no control over what took place.

I would like to ask the Chairman, what role the company would play in regard to a problem that has been expressed by woodworkers at The Pas in relation to the inavailability of up-to-date training — safety training and training material in the woods industry and in the sawmill industry? They are quite concerned that the health and safety material they get is either not related to their industry, or that it is so out of date that it's sort of silly to use some of those training materials. If the Chairman has found that to be a problem, if the company is able to do anything about that, or if the company has made any request to the provincial government, Department of Labour, to assist in providing those kind of safety training materials.

**MR. HALLGRIMSON:** I haven't been aware of any concerns in that regard. I haven't heard anything along that line, so I'd be prepared to look into it. We are, of course, always concerned about safety, and I wasn't aware that there was any concern in the Woodlands Division.

**MR. McBRYDE:** Maybe, Mr. Chairman, if the Chairman hasn't got it yet, I will just briefly read to him a resolution passed at the IWA meeting in The Pas a week and a half ago:

"Whereas there is an obvious lack of safety materials regarding the Forestry Industry, logging and sawmills, and whereas more materials may improve safety within this industry, therefore be it resolved that the IWA Local 1324, through the Manitoba Federation of Labour, press the Department of Labour, Workplace Safety and Health, to develop and maintain such a film library."

So it has not obviously got to the Chairman, and I guess maybe, I'm not sure if the management was aware of this problem or not, but there was a resolution unanimously passed, and some concern that recently there were some films brought in on the forest industry, finally. They were produced in 1947, or something, and not very relevant to today's operational methods.

**MR. HALLGRIMSON:** Well, I have nothing to add to what I stated previously. I am not aware of any of these concerns, but certainly, when we receive this resolution, we will look into it.

**MR. McBRYDE:** That's all for now, Mr. Chairman.

**MR. CHAIRMAN:** Mr. Spivak. Mr. Steen.

**MR. STEEN:** Yes, I'm sorry, Mr. Chairman, that I was away for awhile, and I just asked the Minister if my two questions have been asked, and he tells me that he doesn't believe so.

I'd like to ask the Chairman, regarding the kraft paper and pulp. He mentions in his report the production capabilities of 130 tons of kraft paper per annum; can you tell us at what percentage you're meeting the capabilities or you're producing at what percentage of your potential?

**MR. HALLGRIMSON:** Excuse me, I'm just trying to find something here. I'm not sure, Mr. Steen. You are concerned about the fact that we say we have a capacity of 130 thousand tons and we're not producing that much?

**MR. STEEN:** No, you say that you have a capacity of 130 thousand tons, I was wondering, are you able to reach your capacity with your production, your capabilities? And the Minister responsible has pointed out, on the previous page — the top line in the 1977 shows 118 thousand, that represents . . .

**MR. HALLGRIMSON:** Well, yes, that's true, but what has happened during these rather difficult times, we've had to run lighter weight papers which means that we cannot quite attain the same production we can on heavier grades. You'll notice there that we go from 128 to 118; in 1974 there was — which was our high — we ran a lot of heavier grades, and were able to show a higher production rate.

There's another factor in that when markets are poor, we don't have the orders ahead in order to properly schedule the machine as we do when we have what we consider to be normal order files, which is about a month, and we can schedule things better. So that would account for that difference. I would say, also, that we had produced pulp, and pulp I think is at a slightly lower rate of production; you will note this year, I think, in the figures that I gave you, that our production is up, so it's probably closer to the 125 to 130 thousand ton figure.

**MR. STEEN:** Another question to the Chairman, Mr. Chairman. The machine shop — I had the privilege of going through that machine shop this spring when I was in The Pas, and at that time I believe I was informed by personnel working there that you had just landed a fairly large order from Montreal to do some production in your machine shop for a Montreal firm, is that so?

**MR. HALLGRIMSON:** That's correct.

**MR. STEEN:** And can you just make a comment or two, does it look bright for next year as to obtaining outside orders to put your facilities in the machine shop to work. Your report mentions that you are employing 25 persons' but it is a fantastic machine shop, and as a very learned person who has been in many boat yards, ship building factories, and so on, said to me that this machine shop will likely, in scale of equipment, equal to anything that they would have in Pearl Harbour, or Halifax or Boston, and that if anything it was over-built by about 400 percent. What are the chances of putting some of this very expensive machinery in the machine shop to work in the near future?

**MR. HALLGRIMSON:** I think your description of the situation is quite correct, I think during the current year, I don't have any figures on it, but I do recall that, whereas in the last fiscal year there is a cash operating deficit there of \$147,000, I think we are operating in the black, as we refer to it as being in the black, namely, on a cash basis. During the last few years, of course, this industry has been depressed, and there hasn't been that much new construction or anything going on. If the situation for the industry improves and there is a likelihood that there will be more work around — I think the fact that the premium on the American dollar or the discount on the Canadian dollar can also have a bearing on this, because some of this work could be done down in the States, with the discount on the Canadian dollar, makes it more expensive here. A number of factors — I think it's a very slow process.

We are not looking for anything spectacular to happen there, like you say, it's over-built, it's in a very undesirable location for such a facility, something that should be close to a skill labour pool, but I think we're looking for some improvement as we go along, and to establish our credibility. I think perhaps that may be one of the difficulties too.

**MR. STEEN:** To the Chairman, as paper production and sales increase and lumber sales increase, does that have much of a bearing on the machine shop? Do you have to rely that much more on the machine shop?

**MR. HALLGRIMSON:** No, it doesn't really have any . . .

**MR. STEEN:** Outside orders is really the only source of income for the machine shop?

**MR. HALLGRIMSON:** Oh no, a lot of it is in-house work.

**MR. STEEN:** Is there a rough breakdown, is it . . .

**MR. HALLGRIMSON:** Yes, in fact in 1977, it was \$440,000, it was in-house; and \$140,000 was outside. Now for the current year to period 8, just to give you some comparative figures, our sales to date are \$501,000; we have already exceeded what we did last year in the seven months. And our sales were \$378,000 interdivisional, and \$122,000 outside, making a total of \$501,000.00. But we do major repairs like for the paper mill; we do major repairs on the rolls and that, and in this facility which we would have to ship out if we didn't have it, and it is quite considerable. But I would also confirm that we do have a fairly large substantial order for some rolls, and in fact it's a small paper machine, and some very heavy paper I think which we are doing some of the components and it's over \$100,000.00.

**MR. STEEN:** At the very best and most favourable time in the operation of the machine shop, what have you been able to accomplish in the way of using that facility to its maximum? Have you been able to use it to one-third of its capabilities, or 25 percent, or is there. . .

**MR. HALLGRIMSON:** Well, as you stated, it's a very sophisticated facility, and you know, if it were to receive its optimum use and capabilities, I really can't put a finger on that; certainly it's been under-utilized in its present state, but our best performance is in the current eight period, 3 weeks.

**MR. STEEN:** Yes, that's fine.

**MR. GREEN:** Mr. Chairman, you have indicated that there was a Minister to whom this corporation reported in the last several years. Do you happen to remember who was the Minister to whom the Manitoba Development Corporation was responsible between 1966 and 1969, when all of the contractual commitments with regards to this operation including this sophisticated machine shop were made? Do you happen to remember?

**MR. HALLGRIMSON:** Well, you probably have a better memory than I do, and I think you should testify about that.

**MR. GREEN:** Well, Mr. Hallgrimson, you did indicate and I accept complete responsibility for having had to deal with this subject. I did not involve myself in the day-to-day operations of the company but do you remember who was the Minister between 1966 and 1969?

**MR. CHAIRMAN:** Might I ask Mr. Green as to what purpose that question is in regards to the consideration of the . . .

**MR. GREEN:** Well, Mr. Chairman, yes. The Member for River Heights seemed to be implying that all of these deficits, etc., on an operation were under the jurisdiction of the particular person. I was the Member for River Heights who was the . . .

**MR. SPIVAK:** Mr. Chairman, on a point of privilege, I never suggested the honourable member was responsible. . .

**MR. GREEN:** I didn't suggest anything, Mr. Chairman. I am asking. . .

**MR. CHAIRMAN:** Order please, order please. I will recognize the Member for River Heights on point of order as soon as I hear the Honourable Member for Inkster.

**MR. GREEN:** I will ask the same question. Do you remember who was the Minister who was responsible for the Manitoba Development Corporation when all of the contractual obligations with regard to the building of this project including the machine shop?

**MR. HALLGRIMSON:** Well, I am not trying to evade this question, but frankly, all I can say if it gives you any gratification, it was the previous administration during that . . . again, that's a historical record.

**MR. GREEN:** Yes, you don't remember whether the Member for River Heights was the Minister for Industry and Commerce.

**MR. HALLGRIMSON:** I was thinking of Mr. Evans actually, I wasn't sure.

**MR. SPIVAK:** Yes, Mr. Hallgrimson, I wonder if you can inform the Committee who was the Minister who during the period of time, paid out the money with respect to this development, and was responsible for the payout of \$180 million.

**MR. GREEN:** By contractual obligations . . . made by you, made by you.

**MR. SPIVAK:** Well, Mr. Chairman, I am not asking Mr. Hallgrimson to give the legal opinion as to whether those contractual obligations had to be met; that's another question, Mr. Chairman.

**MR. GREEN:** Well, I will then ask.

**MR. SPIVAK:** Well, Mr. Chairman, we can go through this. The very obvious line of questioning leads into one very obvious fact. Mr. Green, the Member for Inkster, in referring to the way in which

the capitalization has been undertaken and the deficit, implied nothing except ask questions and sort of suggested in some way, and in the same way that I guess he suggested that I suggested with respect to him, that the present government somehow or other is responsible for the burden which the public have to bear, through financing through public debt, and will continually have to be financing. And I think all the line of questioning here indicates, is that this is a continuing matter, and the debate is to who is responsible, who gave the money away, as to how and which way it will be resolved, and I think, Mr. Chairman, to a certain extent has been resolved by the people of Manitoba on October 11th of last year.

**MR. GREEN:** As to that particular question, it was resolved in 1973, because that's when the issue was before the public. But on the point of order, Mr. Chairman, I merely wish to indicate the figures. I am quite prepared to debate with my honourable friend as to who has responsibility, and what the legal obligations were, and it happens that Mr. Hallgrimson is particularly competent to deal with the legal obligations, since he was the person who was appointed receiver; he was the person who was involved when all of the recommendations to the government by all the legal officers, by Stothert Engineering, and everybody else was that we had to continue with the project.

However, the honourable member seems to be satisfied to appoint the Royal Commission to deal with Hydro; he is completely unsatisfied to give credit to a royal commission that was appointed with regard to this subject.

**MR. SPIVAK:** Well, Mr. Chairman, we really are out of order here entirely, because the honourable member is debating something and assuming certain things with respect to my position that he is not aware of one way or the other, because I have not debated that with him, and frankly, has taken a position to debate an issue which I think has been debated and then can continue to be debated. I am not prepared to accept, Mr. Chairman, the statements of the Honourable Member for Inkster as to what those facts really are. I am not prepared to accept that the government did not have an obligation after having been elected on the basis that the deal and the transaction was the blackest day in Manitoba, to have reviewed that deal properly and to have examined its documentation and then to have made certain decisions. It's very obvious from the Commission's enquiry that that did not take place, Mr. Chairman. It's very obvious as well that it was slipshod in the way in which it was handled, and the way in which money in fact was dispersed, and I am prepared to debate that at any place at any time, although, Mr. Chairman, I do not. . .

**MR. GREEN:** All right, let's have a place and a time; let's have a place and a time.

**MR. SPIVAK:** . . . I do not believe that this is. . .

**MR. GREEN:** The Playhouse Theatre. . .

**MR. CHAIRMAN:** Order, order please. I am going to take advice from several members of the Committee that this discussion at a point in time, namely today, is out of order, and I would suggest, gentlemen of the Committee, that we refer ourselves to the Manitoba Forestry Resources Limited Annual Report. Report by report, the Report is passed.

**MR. HALLGRIMSON:** I would just like to make one statement here in relation and I hope I am not extending it, and it relates to the amount of interest and depreciation that we carry, and which we have to pay if we are to show a profit, as compared to a number of other companies and it's expressed in relation to sales dollars. In the first place, ManFor, on a basis of sales of \$40 million roughly, and an interest bearing long term debt of \$46.5 million, we have an interest expense of \$3.9 million, and \$5 million in depreciation, and as a percentage of sales, this is 23 percent. Now, here are five other companies here: Reed Paper Company, their percentage would be 6.3 percent; Fraser Companies, 4.4 percent; Domtar Limited, 5.6 percent; Abitibi, 7.6 percent; and I guess it's Northwood here, it's Noranda Mines, 10.7 percent. All I want to emphasize is that our situation is very high as you can see compared to those other companies and certainly, if we were to have to bear interest on 160, or 50, or whatever figure you want to choose, that it would be just completely out of reason, and I just wanted to make that clear.

**MR. GREEN:** Let me assure the Chairman that I have indicated that in previous years, I agree with that, it's the private sector that is getting away with murder; they never apply those rules to the public sector where they calculate interest on every cent that is advanced whether in share capital or any other way.

**MR. SPIVAK:** The report of the Committee has been received.



**MR. CHAIRMAN:** The report of the Committee has been received.

**MR. SPIVAK:** Committee rise. Committee rise The Committee will meet at 10:00 a.m.

**MR. CHAIRMAN:** / Thursday of this week, to consider matters of CEDF and Manitoba Mineral should time permit.