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Legislative Assembly of Manitoba
STANDING COMMITTEE
ON
ECONOMIC DEVELOPMENT

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Speaker*



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MANITOBA LEGISLATIVE ASSEMBLY
Thirty - First Legislature

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

Tuesday, 27 May, 1980

Time — 10:00 a.m.

CHAIRMAN — Mr. Morris McGregor (Virden)

MR. CHAIRMAN: I call the committee to order. We are dealing with the Manitoba Development Corporation. I call on the Honourable the Minister for the opening statement.

**MANITOBA DEVELOPMENT
CORPORATION**

HON. ROBERT (Bob) BANMAN (La Verendrye):

Mr. Chairman, we have with us today the Chairman and General Manager of the Manitoba Development Corporation, Mr. Hugh Jones. Mr. Hugh Jones is also the General Manager of CEDF and appeared before the committee last week. We'll be dealing with the MDC statement which was distributed in the House as well as, I believe, two related companies that MDC is dealing with, I think William Clare and Flyer Industries. So I would ask Mr. Jones at this time to give us a brief opening statement.

MR. CHAIRMAN: Mr. Jones.

MR. HUGH J. JONES: Mr. Chairman, just a couple of introductory comments, and if I may, before going into the statement and report itself, the committee might like me just to clarify the administrative position in regard to MDC and CEDF since January 1 of this year.

You know from previous reports that the financing activities of the Corporation itself were suspended on November 15, 1977. By the end of 1979, the staff complement of MDC had been reduced to four people, and effective January 1 this year, the responsibility for the administration and collection of the loans outstanding in the remaining portfolio were given to the Communities Economic Development Fund. And to ensure that we complied with the legal and legislative requirements, the directors of CEDF were appointed to be directors of MDC and thus the Board and staff of both agencies are now common.

In the last three months or so the board and staff have been reviewing the loan portfolio of MDC and attempting to update information on the businesses that are being financed. We have made contact with almost every one of the borrowers so that the ongoing monitoring systems can be maintained. There are still some changes that are being requested in terms of security and other loan conditions which the board has to deal with from time to time but there are, of course, no new financial commitments made, although I have agreed that the staff may assist existing borrowers from time to time in directing them to other financing sources if it seems appropriate.

If I can come to the Balance Sheet then. Dealing with the assets, the short-term deposits of 15.4 million reflect those moneys invested on behalf of

MDC by the Department of Finance. This figure has been reduced significantly since the end of March, 1979, mainly as a result of the full disbursement of the loan of 7 million to McCain Foods. I don't think I need comment too much on the costs regarding the The Pas Forestry Complex. All these costs in connection with claims with the affairs of the several companies involved in the Complex are reimbursed to MDC by the province.

Details of the equity investments and related loans receivable are contained in Schedule 1 in the report before you. The major significant change since March 31, 1979, relates to the divestiture on the part of the MDC of its investment in Tantalum Mining. I have the details of that transaction should the members require it.

The Corporation sold during the fiscal year ended March 31st, 1979, the Ste. Jean's Sportswear Building for 33,000.00. The net loss in this sale was 12,900.00. Subsequent to the year end the Corporation sold the Sheller Globe Building, proceeds here were approximately 272,000.00.

Turning to the Liability Section, I have already mentioned that the figure of 7.6 million due to the province of Manitoba has subsequently been repaid entirely. At the bottom of page 6 on the Liabilities page, the 3 million advance from Manitoba under Part II of the Act reflects the loan to A.E. McKenzie Company Limited.

If you could turn to the Income and Expense Account on page 7, the adjustment figure of 255,389 towards the very bottom of the page, reflects the balance of the decrease in the provision for doubtful accounts throughout the year. In effect, it was necessary to increase the allowance for doubtful accounts on six loans for about 8,600, whereas the provision was decreased to the extent of 814,000 on 12 loans reflecting better realization. The net of these figures, combined with the increased provision on the equity investments and the receivership for Columbia Forest resulted in the net decrease as indicated for 255,389.00.

Subsequent to the year end before you, as far as the loan portfolio is concerned I have already mentioned that the MDC made full disbursement of the 7 million commitment to McCain Foods. In process also now is the receivership of Saunders Aircraft. The complexities of this issue is such that delay in finalization is perhaps not surprising. We remain in close touch with the Receiver-in-Council, but I think it would be inappropriate for me to discuss specific details which might jeopardize the receivers negotiations on this issue. That's the introductory comments, Mr. Chairman. Are there any questions?

MR. CHAIRMAN: What is the desire of the Committee? To pass page by page or do the report generally? The Honourable Minister.

MR. BANMAN: I think that in the last several committee meetings I think it was agreed to that we would ask questions of the report and when there

are no further questions we would just adopt the report if that meets with the Committee's . . .

MR. CHAIRMAN: Thank you. The Member for Brandon East.

MR. LEONARD S. EVANS (Brandon East): Just a couple of questions to begin with. As I understand from Mr. Jones' explanation then, the MDC does continue as a legal entity obviously, it continues as a legal entity, so therefore by government decision of November 15th, 1977, further financing by the Corporation was suspended and as of January 1, 1980, the responsibility for administration was given to the CEDF. My question is, and perhaps it should be to the Minister but maybe the Chairman might like to comment, is the MDC legally able, and I think the answer is yes, to go into a new loan? Perhaps if some enterprise came along such as McCain Foods or whatever and sought a loan or some type of financial assistance from the government of Manitoba, my question really is, if it continues to exist as a legal entity even though there is sort of a government dictum saying that financing is suspended, nevertheless, the MDC, even as it's now constituted is still in a position, if the policy was laid down by the government, to administer a loan or whatever. Is that correct?

MR. JONES: Yes, Mr. Evans, legally the corporation would be able to do just that. Legally.

MR. EVANS: Perhaps I should ask the Minister, is the government policy the same as it was enunciated a couple of years ago that no further financing whatsoever will take place through MDC for new industrial ventures?

MR. BANMAN: The same instructions which were given to the MDC board of directors, the old one back in 1977, exist right now.

MR. EVANS: Mr. Chairman, I'd like to ask the Minister, in the government's economic development thrust, is it therefore the position of the government that no loans or equity positions will be taken, or no activities that could have been done or would have been done, or have been done in the past by MDC, will henceforth be followed by the government? In other words, what vehicle does the government have to loan money to a would-be industrial investor, a potential investor, that may require a loan of some kind, let's say from the Manitoba Development Corporation? Or is it the policy to facilitate such financing through some other mechanism?

MR. BANMAN: Mr. Chairman, as the member is aware, the last five years, really the Manitoba Development Corporation, even before the request went forward to the board of directors not to loan any new accounts, even two years previous to that saw very little action as far as the Manitoba Development Corporation is concerned. One of the reasons that we did put this particular restriction on the board of directors is that there are a number of other lending institutions which have made themselves available to the public, which was not the case maybe in the early '60s and early '70s. We have

the federal Business Development Bank, we have groups like RoyNat, and we have other groups which are taking a higher risk position and are taking a much more active part in formulating and bringing forth capital. The last really significant loan in the last five years of course, was the McCain's one. As Mr. Jones has mentioned there is authority left with regard to the Manitoba Development, unused authority, and the corporation continues as a legal entity and the future is something which we will have to assess as we go along. But right now their instructions from the government are not to loan out any additional funds.

MR. EVANS: In some ways I guess these types of questions should or could be directed to the Minister of Economic Development and to some extent they are hypothetical, I will admit, Mr. Chairman. But nevertheless, there is a possibility, and let's hope that there are many possibilities of new industries coming to Manitoba, and let's hope, of course, that they don't need any government financing. That's the ideal. But there was this one instance, McCain Foods, which the Minister has mentioned and the Chairman has mentioned, and I daresay that that was a marginal case and there was some justification for a loan from the Manitoba Development Corporation which is now being administered, which is now being paid out. So in effect are we being told, Mr. Chairman, that there is really no instrument in place, or we shouldn't look to the MDC as an instrument whereby the government could or would wish to assist in industrialization by means of lending or providing any other financial assistance?

MR. BANMAN: Mr. Chairman, not as of today, but should the need arise, the authority is there, the corporation is there, and as the member heard us mention before, like I said, the authority is there, the company is there and if something comes up that requires that type of financing, then the government will have to have another look at it, but we are not in the marketplace right now as a lender. And as I mentioned before, that is really, if you look at the history, it's a slow evolution of the Manitoba Development Corporation. I think the last year when the members opposite were in government, they issued three new loans for a total of about 167,000, so in effect really it was being wound down at that time already. And as I said before, there are a number of funding agencies which are in the field now that weren't there 10, 15 years ago, and with DREE and other people providing even the business expertise in, for instance, FBDB, it is required by a recipient, when he gets a loan to get some managerial skills and other things. FBDB is even providing that, so that's the way the situation is right now.

MR. EVANS: So therefore, my understanding is that MDC is not to be considered an active instrument for encouraging industrialization in Manitoba, but nevertheless it continues to exist. Would the government not wish, if you wanted to completely eliminate MDC as an entity, I would believe that this would require legislation. Maybe not. De facto, it could cease to exist by simply doing that. They are not providing any funding to the

organization, but I do appreciate that there are ongoing investments that must be administered, there are loans that have to be looked after and so on, so I appreciate that. But nevertheless, by legislation, MDC could be completely eliminated and the financial responsibilities transferred to CEDF as a legal entity.

MR. BANMAN: The member will have to realize that there are certain litigations and still certain settlements with regard to CFI, or ManFor, which the MDC I guess is really acting almost as a conduit to facilitate those things, because this was originally the corporation that made the loans. So for several reasons, until a lot of the things like the final receiver's report comes down on Saunders Aircraft, William Clare, a number of others that we are dealing with, this Corporation has to remain a legal entity until these number of things are wound down, and I would imagine the way that some of the procedures have been going it will still be a few years before we would even have the option of doing that.

MR. EVANS: Specifically on McCain's Food, Mr. Jones mentioned this company, I wonder if he could indicate — maybe the information was made available some place, I don't know whether it is in this particular report — how much loan has now been granted? What is the estimated amount of the loan granted to McCain's Foods and what are the terms of that loan?

MR. CHAIRMAN: Mr. Jones.

MR. JONES: Mr. Chairman, the full amount has been dispersed, the 7 million commitment has now been dispersed in its entirety. The terms of the loan, the interest rate is 10.8 percent and it matures in October 1999.

MR. EVANS: Specifically, what period of time was the loan dispersed? What period of time or in what year was the loan paid out?

MR. JONES: Mr. Chairman, in September-October 1979.

MR. EVANS: Could Mr. Jones indicate how many jobs are now at McCains, and could he just briefly indicate what is going on there, how active they are, what their sales potential is and so forth, a bit of background information on the economic activity of that company?

MR. JONES: I don't have the specifics of the sales dollars or projections, Mr. Evans, but it is an extremely active venture, a very significant number of jobs, minimum 200, as I understand it.

I met with the McCain people about three months ago and they are extremely satisfied with the progress in the company here, and every indication we have been given suggests it is going to be a very successful venture.

MR. EVANS: Perhaps the Chairman hasn't got this information, but perhaps he has some idea, what are the number of farmers involved, because I would imagine the company would have to be very

concerned about supplies of whatever it is, potatoes, I guess, essentially, perhaps some other vegetables, I am not sure, but I know potatoes especially. What has been the impact on the agricultural community? Do you have some idea on that?

MR. JONES: Mr. Evans, if I may, could I just get back to you in a few minutes on that? Mr. Musgrove may have some specific information of the impact on the farming community, but it is, as you say, mainly the potato industry by the way.

MR. EVANS: Just one other question on that then: I believe, and I just would like this clarified, when was the loan committed? I believe it was while the previous government was in existence. Was it 1977? 1976?

MR. JONES: Towards the end of 1979 the commitment was first issued. There was a very significant DREE component to the package and, you know, there was a long delay in finalizing the DREE figures. The commitment was offered by MDC and the whole design of the package was being changed in the succeeding year, the financial package.

MR. EVANS: I see, because I was wondering why there was such a long delay in the administration for the actual paying out of the funding, or whether McCains indeed had decided that they didn't wish this type of financial service, but apparently that isn't the case.

MR. JONES: No, that is not the case, Mr. Evans. They said it was a question of them sorting out the details of the final package.

MR. EVANS: Unless Mr. Jones has that information on the company, I think I pass for the moment, but perhaps he will get that for us later.

MR. JONES: We will get it for you.

MR. CHAIRMAN: The Member for Rossmere.

MR. VIC SCHROEDER: Thank you, Mr. Chairman. It seems to me that within the last year or so there was a payment made on that CFI matter by Mr. Kasser. Was that credited to the CFI account?

MR. CHAIRMAN: Mr. Jones.

MR. JONES: Mr. Schroeder, the payments on The Pas Forestry Complex, they have no direct impact on the MDC statement. It is a flow through, they are received by MDC and they flow right through to Finance. Is there a particular payment you are thinking of?

MR. SCHROEDER: I believe that there was an out-of-court settlement. I don't recall the exact amount of money, but it would seem logical that if you are going to show CFI as you do on the balance sheet as being a liability, then it seems that if there are payments made as a result of that adventure, that those payments should also then be reflected to decrease the total deficit of MDC.

MR. JONES: Mr. Chairman, that point, I think that the amount that is showing in the report before you relates to the amount outstanding at March 31st, 1979, some payment, for example, I think those were in fact all legal fees. I believe, and the Provincial Auditor could perhaps confirm this at some other time, that when significant payments come in on this issue I would believe that a footnote to the balance sheet would be appropriate, but if you are thinking of the major settlement, MDC still has not received the major figures yet; we are still waiting.

MR. CHAIRMAN: The Honourable Minister.

MR. BANMAN: If I could just interject, after the MDC we are going to be dealing with ManFor. The receiver is here today too, and I think he would give you a total picture of exactly the kind of funds we are talking about, what the cash flow is, what is happening. As I mentioned before, the MDC right now sort almost acts as a conduit right now for that particular settlement, and is not involved per se in the settlement.

MR. CHAIRMAN: The Member for Rossmere.

TANTALUM MINES

MR. SCHROEDER: Thank you. I will move on then to the Tantalum sale here, and I realize that took place after March 31st of 1979. How is the value of the shares arrived at?

MR. CHAIRMAN: Mr. Jones.

MR. JONES: Mr. Chairman, perhaps I could just indicate the process of that transaction and I think that this may answer your question. The 250,000 shares originally acquired at a cost of 1.5 million, and that investment represented 25 percent of the total shares of Tantalum Mining. That shareholding was transferred to the government of Manitoba for 3,261,825, and that is the amount of the last arms-length offer for the shares. And the effect of that transaction was this: The sale to the province of 3.2 million, I am rounding the figures out, less the book value of the shares, which is 1.5 million, and the cost of MDC share of the season debenture, which I can go into later if you wish, was 57,000, and the profit on the sale in terms of MDC was 1.7 million.

MR. SCHROEDER: What I was especially interested in was the manner in which you arrived at that sale price. As I understand it, you had received an offer of 3,261,825 from some outside party, and you had refused that offer. Therefore you assumed, because you had received that offer, that that was fair market value and that was the reason why you sold it to the province for that value. Is that correct?

MR. JONES: That is correct.

MR. SCHROEDER: Were there no other calculations made by the Corporation to determine whether in fact that outside offer was a reasonable offer before you sold to the Crown at that price?

MR. JONES: Well, Mr. Schroeder, I have to go back into the . . . Sorry, perhaps the Minister could answer.

MR. CHAIRMAN: The Honourable Minister.

MR. BANMAN: As the member might know, with regard to the arrangements that we had with our other partners, is that they had the right of first refusal on this particular share offering. It was thought at the time, after looking at it quite carefully, that since this was the offer that was made to the MDC for the 25 percent of the shares of Tantalum, that would be a good figure to use. The member will appreciate that, really, all it is is a book entry; it is still the people of Manitoba that own it and whether we should have gone into a lot of expense to try and find other evaluations, we thought at the time that this was a fair way of doing it and reflected fairly accurately the costs that MDC had incurred in holding that and paying the interest on the 1.5 million that we paid for it. I just want to stress that it's still the taxpayers that still have that 25 percent and I don't think that a lot more delving into it would have solved any of the problems.

MR. SCHROEDER: Thank you, Mr. Chairman. I agree that it's still the taxpayers of Manitoba who have it, but we are quoting figures as to lifetime deficit for MDC and we're showing that at more than 21 million and we've got a very specific figure. It seems to me that when you make these transfers, it would be reasonable then to assume that the transfer should be made at fair market value and if that fair market value is more than the figure at which the transfer was made, that should be reflected in the statements of MDC.

There was an indication by the Minister that the other parties had a right of first refusal. I take it that those parties did not have a right of first refusal with respect to a transfer from MDC to the Crown; it was only a right of first refusal where there was a transfer from MDC to another corporation not being the taxpayers of Manitoba. Is that correct?

MR. CHAIRMAN: The Honourable Minister.

MR. BANMAN: To explain a little bit. MDC own 25 percent and our other partner, Kaweck Berylco, also own 25 percent. If you remember, there was a lot of problems with a company named Chemalloy who own the other 50 percent. That 50 percent was put up for sale by the courts. That 50 percent was bought for — I'm rounding off now — about 6.5 million, by Hudson Bay Mining and Smelting. We had first refusal on that purchase. So what we are saying here is that 50 percent of the shares sold for 6.5 million — I'm rounding off now. That was the market value. It was a public offering. They went to the marketplace. We're saying, at that time then, if that is what somebody was ready to pay, that was the highest bidder, that's what the fair market value of the shares had to be, so we took half of that, roughly, and that's what we evaluated, and I think that's about as close as you will ever come to it.

MR. SCHROEDER: Thank you.

MR. CHAIRMAN: The Member for Brandon East.

MR. EVANS: Mr. Chairman, I wonder if the Chairman of MDC could tell us of the interest they received, which is shown on Page 7 as income, interest received from loans, 1.5 million in 1979 and 1.8 million in 1978, how much of that was from McKenzie Seeds? You should have a breakdown of the loan interest payments to the MDC, and I would like to know how much you received from McKenzie's in 1978 and how much did you receive in 1979?

MR. JONES: Mr. Evans, may I get that back to you then — it's here with our papers, the breakdown on that interest, we have it here.

MR. EVANS: Yes, there has been a lot of discussion on that and I would just like to know precisely what was received by the Corporation in those two years before us.

MR. JONES: Mr. Chairman, approximately, now, it's somewhere between 350,000 and 400,000, but at that time would be slightly lower. Mr. Evans, we'll get back to you on that one. Okay?.

MR. EVANS: Okay. I wonder if the Chairman could advise us on the sale of Morden Fine Foods. That is referred to on Page 12, disposal of equity investments. I am just wondering, what were the terms of the sale of Morden Fine Foods, what was the selling price and what was involved in the sale; what assets were sold?

MR. JONES: Mr. Chairman, MDC advertised the sale on April 28, 1978 and the bids were closed on May 23. There were four bids received and they ranged from 250,000 to 1 million. On June 13, 1979, the Board of the MDC agreed that they would accept the offer of 1 million for the sale of all the shares of Morden Fine Foods and the arithmetical result of that acceptance of that offer was this: MDC's investment, 975,000; the sale price less adjustments was 896,000 and therefore the additional loss of disposal was 78,000.00. I'm rounding the figures out, Mr. Evans.

MR. EVANS: What was sold to this particular company or person for this amount? I would like to know if you could describe the assets that were sold. I don't mean in detail. You sold the factory, but was there not quite a bit of land involved? Did not the company own quite a bit of land in the town of Morden?

MR. JONES: Yes, they owned about 15 acres of land, but this was a share sale.

MR. EVANS: Well, I understand; therefore, if you acquire the shares you acquire the ownership to whatever that company had possessed. This is why I was asking just what is a general description of the assets?

MR. JONES: Mr. Evans, I'm sorry, other than the land details, I don't have the other assets detail but I can get them for you.

MR. EVANS: All right. How much land is owned by Morden Fine Foods?

MR. JONES: 15.4 acres of land.

MR. EVANS: Where is this land located?

MR. JONES: I am not sure, Mr. Evans.

MR. BANMAN: Morden.

MR. JONES: Morden, but I not sure precisely where.

MR. EVANS: When the Minister says Morden, I presume within the legal boundaries of the town of Morden?

MR. CHAIRMAN: The Member for Rossmere.

MR. SCHROEDER: Yes, following up on the questioning of the Member for Brandon East, I am just wondering whether, prior to that sale being concluded, there was an inventory taken of things such as the canned goods on the premises, the inventory of raw materials which would be used, converted into canned goods, machinery, land value, that sort of thing, and if so, what were those individual parts, how much did those individual items come out to?

MR. BANMAN: Mr. Chairman, the members will appreciate, a lot of this, we discussed it last year and because we thought we had dealt with it, we didn't bring that stuff along. But it's all there, the buildings were appraised, the land was assessed, stock was taken, those things were done, and helped the Board of Directors in arriving at the decision to sell the facility at that time for 4 million.

MR. SCHROEDER: Thank you. I might say that had the government chosen to call a by-election earlier I would have been here and I wouldn't have been asking these questions at this time, but I will read up on that. Thank you.

MR. CHAIRMAN: What is the wish of the committee? The Member for Brandon East.

MR. EVANS: I haven't got any more questions that I want to ask at this time, but I wondered if the Chairman had now obtained that information from his assistant, the information on the interest and also that other . . .

MR. JONES: Mr. Evans, maybe this would help. We're talking about the 3 million loan, which is a loan under Part II of the Act, have we not? So the interest . . .

MR. EVANS: Are you referring to McKenzie's, Mr. Chairman?

MR. JONES: Yes.

MR. EVANS: Well, could you then, it gets a little more complicated, give us an estimate on the interest paid on the loan and then I know there's an interest amount paid to the MDC for guarantees, any

guaranteee made by the MDC on behalf of McKenzie's or indeed any commercial venture, for a bank loan, for example, there is a cost that MDC levies for that as well. So, do you have that?

MR. BANMAN: The member is right. There is a standard rate of one percent for the guarantee. The guarantee was 4 million, was reduced this past year to 2.5 million, and then was increased again to 3.5 million. So right now on the 3.5 million guarantee McKenzie's would be paying one percent per annum on that guarantee. I don't know the exact figures, I know Mr. Jones . . .

MR. EVANS: About 35,000.00.

MR. JONES: Mr. Evans, if I could just — on the guarantee issue, if you look at Page 7 of the report, the guarantee fee income for McKenzie is included in that amount of 52,688.00. It wouldn't be that full amount; it would be approximately 35 to 40,000. Investigation and guarantee Fees, on the Income Statement. The interest on the loan is paid direct to the province as it's a loan under Part II of the Act.

MR. EVANS: The interest on the loan is paid directly to the province, not to the MDC?

MR. JONES: Not to MDC.

MR. EVANS: Well, how do we get that information precisely then?

MR. BANMAN: Mr. Chairman, I can undertake to get that precise information from the Department of Finance for the member.

MR. EVANS: I would appreciate that, the Minister could just send me a note or a letter. I know we can make rough estimates, but interest rates have been changing rather rapidly and I'm interested in it, and I would like to have that, and I appreciate that and I look forward to that, so we have no further questions. . . . bit of information, I don't know, on McCain's.

MR. JONES: Mr. Chairman, we'll arrange to send this for the Minister to . . . McCain Foods and McKenzie.

MR. CHAIRMAN: Is that the end of the questioning on this report? Move that the Annual Report of the Manitoba Development Corporation be adopted. (Agreed).

The Honourable Minister.

MR. BANMAN: We mentioned, when we sent out the notices, that we would try to deal with MDC which we've dealt with now and we would now ask the Receiver from ManFor to bring forth the Annual Report of the Manitoba Forestry Products.

MANITOBA FORESTRY PRODUCTS LTD.

MR. CHAIRMAN: I guess I'll call the committee to order again, we are ready to go, I believe.

MR. BANMAN: Mr. Chairman, maybe we can start. We're also going to deal with Manitoba Resources

Limited today, for the year ending 30th September, 1979, and we have with us the Receiver, Mr. Leif Hallgrimson, Paul Demare, and I would ask Mr. Hallgrimson to make a few opening remarks, please.

MR. LEIF HALLGRIMSON: Thank you very much, Mr. Minister. Gentlemen, you all have before you, I believe, a copy of the annual report for the year ended September 30, 1979. Before we proceed any further, I would like to update some figures contained in the said report in the second paragraph concerning the current fiscal year. We now have figures for seven periods. We operate on a period basis of four weeks, which means that we have 13 reporting periods during the year. We now have period seven, so I'd like to update those figures.

The net profit, after seven periods, is now 3.6 million, 3,682,000, to be exact.

MR. EVANS: Mr. Chairman, on a point of order. I wonder if Mr. Hallgrimson could tell us precisely where would we substitute that figure in this report?

MR. HALLGRIMSON: That would be in the second paragraph, halfway down, in the line that says, the unaudited figures for the first four months. It should be first four periods of this year, show a cash profit of 4,010,000, and after full interest and depreciation, a profit of 1,409,000.00. Those figures, with current figures inserted would be, the cash profit would be 8,383,000, and after full interest and depreciation, a profit of 3,682,000.00.

I don't know how you would prefer that we proceed, whether I should read this statement. I think it's before you, perhaps that would be a waste of time.

The main body of the agreement contains the audited statements with a covering letter from our auditors, Dunwoody and Company. This is an unqualified statement with respect to our accounts and as stated in the report, our position during the year has improved considerably. The cash profit from operations before interest and depreciation was 7,992,000 as compared to a cash loss of 665,000 in the preceding year. So there was an improvement there from 1978 to 1979 of approximately 7 million, and that, from the figures I previously gave you, appears to be continuing up to the present time; and after providing for full interest and depreciation the profit for the year was 12,000, so we virtually broke even compared to a loss of 10.4 million in the previous year.

Now I mention that the lumber market softened towards the end of 1979 due to a decline in housing starts brought about by ever increasing rates. This resulted a month ago in a shutdown of the sawmill due to high inventories. We were able to shorten it from a planned four-week period to a three-week period and the mill is now in operation. There has been a slight improvement in the lumber market, but not a complete recovery. Nevertheless, we are able to sell our product now, which wasn't the case before, and hopefully, the market will continue to improve. Housing starts I think are now on the up-curve slightly and hopefully will continue to respond to the lower interest rates which are taking place every week.

However, the pulp and paper market continues strong. I think I can say that is still the case today, although there might be some indications that things are not quite as buoyant as they were two or three months ago. But we are hopeful that the situation will continue until the end of the current fiscal year.

I have given you new figures for the current fiscal year and we still think that we can attain the current projections for the full year, are for a cash profit of some 18 million; after deducting depreciation of 5.2 million and interest of 3.8 million on the working capital loan and first mortgage debenture, the net profit for the year would be 9 million. I should say that we are cautiously optimistic, it might be less than that.

We then state how the 9 million would be applied if it were in fact realized: 7.7 million being applied against start-up costs which were incurred when the mill first was set up and were capitalized, and the balance, of course, would be applied on income debentures to the province.

A major factor in our continued improvement is the increase in sales dollars. Sales dollars for the year ended September 30, 1979, were 64 million, approximately, as compared to 55 million for the year ended September 30th, 1978, and 42 million in the preceding year. This represents an increase of 30.1 percent for 1978 over 1977, and 15.6 percent for 1979 over 1978.

The increase in sales dollars is the result of two factors. The major factor, of course, is higher selling prices. This has been brought about not only by improved market conditions, but also the improved quality of our products and continuing good service to our customers. The second factor is an increase in productivity. In the Pulp and Paper Division it has increased by 10.8 percent from 1977 to the present and in the Lumber Division it has increased by 10.5 percent during the same period.

The increased productivity can be attributed to increased efficiency by our employees and to improvements in our production facilities. In this latter regard, we are presently conducting the cost-benefits of three projects. One is upgrading the sawlines in the Lumber Division with the inclusion of electronic scanners to maximize lumber production. Present indications are that this could result in a five percent productivity increase.

The other two projects are in the Pulp and Paper Mill. The first is the addition of a fifth digester, which indicates an increase in productivity of 15 percent when running heavier weight paper and pulp, approximately 50 percent of our production time. The second is the modification of our paper machine which would enable us to run papers of a lighter weight than our present capability. Although this latter project would not increase productivity directly, it would result in increased sales dollars because of the premium earned on the lighter weight papers. Under present conditions these projects can be financed by ManFor from internal resources.

I have a breakdown of a sales dollar; during the year under review was expended 32 cents for operating wages and benefits, 19 cents for log delivery costs and purchased logs, 8 cents for energy costs, 8 cents for freight costs, 6 cents for maintenance supplies and expenses, 8 cents for general operating supplies and expenses, 3 cents for

chemicals, 2 cents for property, capital and business taxes, 8 cents for depreciation, and 6 cents for interest expense.

Direct employment provided by ManFor in the northern part of Manitoba continues to average 1,000 employees with a gross annual payroll in excess of 20 million. These figures indicate clearly that ManFor is a major employer in the province.

Since the Company was established in 1973 as a provincial Crown corporation, we have continued to build up an efficient and dedicated management group and work force. No doubt their efforts are responsible for the continuing improved financial performance and viability of the Company. On behalf of the Board I would like to express our sincere thanks for their outstanding performance.

That completes the written report and as I mentioned previously the balance are the accounts and I would be pleased to answer any questions that you may have in connection with those accounts.

MR. CHAIRMAN: The Member for Rhineland.

MR. ARNOLD BROWN: Yes, Mr. Chairman. I notice that your depreciation to date is 28,730,000, that is the accumulated depreciation. Is that correct, according to Statement 1?

MR. HALLGRIMSON: Yes, that would be the case, sir.

MR. BROWN: Have you ever worked on the appreciated rate? Let's say that you were going to sell, or whatever, ManFor, have you an appreciated value, because certainly there must be an appreciated value there?

MR. HALLGRIMSON: I would think undoubtedly the value or the replacement cost has gone up with continuing inflation and escalating costs of a facility of this nature. But we don't have any exact figures as to what that would be.

MR. BROWN: Mr. Chairman, have you an approximate figure as to what your appreciation possibly could be? Would it be 10 percent?

MR. HALLGRIMSON: Oh, it would be much higher than that. The figure that is used in the industry is cost per ton production capacity per day, and that has increased, I would say, over a period of 10 years by threefold, from what was perhaps a figure of 100,000 per ton to 300,000.00. So that plant, to reproduce it would cost three times as much as it does, as indicated by these statements.

MR. BROWN: You seem to be doing quite well and you are to be congratulated on the way that you are running the plant. My other question was, Mr. Chairman, you are going to start into making paper of a lighter weight. Would this be the newsprint type of paper, or where would you be using that type of paper?

MR. HALLGRIMSON: What we produce up there is what is called unbleached Kraft paper and we are in the heavier grades of that type of paper and what we are talking about is lighter brown grades, going down to 20 or 30 pounds. It's what's called grocery

paper. What we produce is called checkstand paper. The bags that are used by you as you leave the supermarket are, I would say, in all likelihood produced out of paper coming from our plant at The Pas.

MR. BROWN: Have you ever considered going into your higher quality paper, like the type of paper that would be used for newsprint where you have higher quality?

MR. HALLGRIMSON: Well, there are other grades, like you say, finer papers, newsprint and that. This would, of course, be a major modification, it would require a new paper machine; so you are talking about a considerable sum of money of further investment and the company itself has not conducted any detail studies.

A number of years ago we did a study on a doubling of the present capacity, which actually wasn't that good at that time. That's the only formal study that we have ever undertaken.

MR. CHAIRMAN: The Member for Brandon East.

MR. EVANS: I would like to ask the chairman, what percentage of your sales is in the United States, approximately?

MR. HALLGRIMSON: In the current year, that's 1980, it's about 13 percent of our production of paper. 76 percent is domestic and 10 percent is offshore.

MR. EVANS: That's a surprising figure, given the fact that the pulp and paper industry in Canada, I suspect about 90 percent of its total output is for the American market, or certainly foreign markets, lumping United States with other countries. Indeed, the whole history of the pulp and paper industry in this country is a history of being dependent on American markets. The real breakthrough, of course, came around the time, I guess it was in the First World War, when the Americans reduced the tariff on pulp and paper, enabling the Canadian industry to evolve. The problem with developing fine papers, or writing papers as the Member for Crescentwood referred to is I suspect that there isn't the ability to get into the American market as we have with pulp and paper, because there is virtually no American tariff on pulp and paper.

At any rate, first of all I thank the chairman for his report and we are always glad to see profits rather than losses, but there has been some serious losses and last year, as you say in your report, after appreciation, the profit last year was 12,000, which is virtually a break even or a balance situation, whereas the preceding year it was roughly 10.5 million.

Do you happen to have the accumulative profit and loss since the inception of the company, do you have the bottom line, or if you want to give us the years, year-by-year, the profit and loss for each year? I know the information is available by going through various reports but I just wondered whether the chairman had it with him and could just quickly read those figures off.

MR. HALLGRIMSON: I'll have that figure for you in a moment.

MR. CHAIRMAN: The Member for Rossmere in the meantime, while the Chairman is getting that answer.

MR. SCHROEDER: No.

MR. CHAIRMAN: The Member for Brandon East then, if he has a further . . .

MR. EVANS: I believe the Chairman probably has it in front of him, if we could just wait 10 seconds.

MR. HALLGRIMSON: I have a figure here, sir, for six years from the time the company came into operation and it shows that we have a cash profit for the six years of 14.7 million. After interest and depreciation, the loss is 36 million, approximately.

MR. EVANS: Thirty-six million. I would gather, then, that part of the problem is the amount of interest you pay and so on. How much, and again this is public information and was brought up a couple of years ago, but how much of the loan that was owing by the Forestry Resources Limited was written off? Was it 20 million or 30 million? You know, there was a write-off, going back a few years, of the loan, or however you may wish to describe it. I think it was a loan.

MR. HALLGRIMSON: Yes, I think if you refer to Statement 1, being the Balance Sheet, there's a figure on the right-hand side, under liabilities, entitled Capital Deficit, amounting to in 1979, 61,571,000, and that would represent the figure that you have in mind. That's the amount which represents the difference between the amount which was expended by MDC in the whole enterprise and the values which were attributed on the left-hand side. What it amounted to was, as I recall it, the moneys which were expended amounted to approximately 150 million and our evaluation, which was necessary in order to set up the books of the company, indicated that the values as set out on the left-hand side, which was about 96 million.

For further information, if you were to refer to Note 9 in the statement, the subject of shares and capital deficit are discussed in detail.

MR. EVANS: So after this re-evaluation to 96 million, I think it was, I gather from the Chairman's remarks, what was done was to place what was considered to be a realistic value on the assets, rather than what might be considered to be an unrealistic or inflated value. So, we're talking therefore about these profits and losses after full interest and depreciation. It's full interest and depreciation on the 96 million, not on the original 150 million?

MR. HALLGRIMSON: That's right.

MR. EVANS: And over the last six years, are you referring — when you say the last six years, would that be for the period ending September 1978, or is that September 1979?

MR. HALLGRIMSON: No, you see, the company began operations on October the 1st, 1973, so the first year was 1973-74.

MR. EVANS: So it's right up to September 1979? So September 1979, there is accumulated loss, after depreciation and interest of 36 million?

MR. HALLGRIMSON: Yes.

MR. EVANS: What, basically, getting away from all the details of the accounts, what would the chairman consider to be the basic problem that the company has. I want to commend the chairman and his staff and all the employees for their efforts. I know it is a well-run company and I'm not looking for problems in management or staffing or anything like that, so when I say what is the basic problem that you are facing, it seems to me you would be facing some basic problem when you have an accumulated deficit of 36 million. Is it a problem of capacity; is it a problem of markets being extremely soft, because I do appreciate that you are selling a product that is very much priced by the North American market, in fact, a world market, I suppose you could say, in lumber prices. You had no control over that; you had no control over the pulp and paper prices. They are set by market forces and you have to cope with that the best you can.

I appreciate that but I'm wondering what is the basic problem that the company is facing? Why would we have this large amount of loss?

MR. HALLGRIMSON: I would say the main reason would be capacity. The mill is not large, I guess is a good way of putting it. The capacity is roughly now around 400 tons per day. In fact, we are producing, I think this year, at a rate of about 425 for the seven periods. But we are a company with one mill and that mill is, I think if it had a greater capacity, of course our unit costs would go down so you wouldn't require a doubling of your conversion costs. So that's one factor. The other is I think that when you are a one mill company, you are really at the mercy of that particular market. Most large companies in Canada have seven or eight mills and I know that many of them have mills which have a worse performance than ManFor but simply the figures are . . .

MR. EVANS: On a company basis.

MR. HALLGRIMSON: Yes, on a company basis, so you don't really know anything about it until they decide to close the mill down, and that happens from time to time. Certainly, I think our interest and our depreciation are also quite high, despite the fact that it's on the evaluated position as set out in 1973. As a matter of interest here, I have some figures comparing some companies with some of the larger companies; for instance, Domtar, the interest expense as a percentage of sales is 1.4 percent, and ours is 8 percent. Abitibi is 1.8 percent. Consolidated Bathurst is 3.1 percent. Our interest expenses 8 percent; our interest and depreciation as a percentage of sales is 17.6 percent, compared to a range of four to six for those companies.

So that's quite a significant factor when you consider that every dollar you sell, that 17 cents is to be applied in that manner. I would be remiss if I didn't mention that last summer, in July, the agreement on tariff and trade known as the GATT Agreement, that the federal government, in its wisdom, saw fit to eliminate the tariff on Kraft papers coming into Canada and this, of course, has enabled us to maintain a higher level and I guess at its worst, we can expect a continental market in this area, which would mean that we would have to compete directly with American mills.

There are other factors, I don't know, I guess we won't know for some time as to how it will affect us, but certainly I think it's safe to say that it's going to have some bearing on the operation of that mill, and if it continues as a Crown corporation I'm sure that that will be something that our company will have to see what can be done to improve our situation.

That, by the way, the tariff is 15 percent and it's being eliminated over eight years, so it goes down roughly 2 percent per year.

MR. EVANS: Excuse me, I didn't hear the beginning of your statement. Would you mind repeating it, please.

MR. HALLGRIMSON: Yes. The tariff on Kraft papers before this was 15 percent, and it's being brought down at the rate of 2 percent per year, so that in roughly eight years it will be eliminated.

MR. EVANS: What will be the effect of that?

MR. HALLGRIMSON: Well, it would mean that we would not be operating as we are now in a sort of a protected market where any — competition other than Canadian competition.

MR. EVANS: Well I would suspect then that if anything it, *ceteris paribus*, everything else remaining equal . . .

MR. HALLGRIMSON: Pardon me?

MR. EVANS: *Ceteris paribus*, Latin, the English translation meaning, everything else being equal. As a lawyer, I think you should be familiar with this expression. It would tend to cause prices to soften, I mean if you reduce the protection . . .

MR. STEEN: Quit quoting Cy Gonick.

MR. EVANS: Even Samuelson uses *ceteris paribus*. So what the Chairman has stated is that the fundamental problems that the plant faces is (a) the capacity is below optimum, being 400 tons a day, or a little bit over that; secondly, you have an undue ratio of loan to equity. In other words, you have what you consider to be an unproportionate debt load that you have to sustain, and if you didn't have to sustain that, then you could show after all depreciation and interest payments, a bigger profit.

What would you estimate to be the optimum capacity of the plant, if 400 tons, or a bit more than that is what you are able to produce now, 424, I think, tons, per day.

MR. HALLGRIMSON: I think we have reached the optimum levels, but subject to the comments that I think I made in my report, we have some projects which should improve productivity, if they are in fact implemented.

MR. EVANS: When I said optimum, I didn't mean maximum. In other words, I appreciate you are operating at the maximum potential that is available from the plant that exists at The Pas. My question was, what is the kind of capacity that you need in order to be in a more profitable situation. In other words, what is a more optimum capacity that we should have at ManFor, and what does that involve? You said something earlier about looking into it previously and having rejected some expansion for various reasons. What are you looking at, are you looking at doubling of the capacity in order to be at a more profitable level, and what is involved in that?

MR. HALLGRIMSON: I don't think anybody would build a plant today unless it was at least 700 to 800 tons, up towards 1,000 tons per day.

MR. EVANS: So you're at least doubling, and maybe even more than that, 2 1/2 times, from 400 to 1,000 tons a day. But then you're looking at a capital expenditure of what? I know that's hard to say, but . . .

MR. HALLGRIMSON: Oh, it's in the hundreds of millions. I think anybody looking at it would diversify. I think that makes more sense. In the sense that you wouldn't increase your capacity in the same type of paper, you would produce newsprint or pulp, bleached pulp, bleached kraft, or something like that.

MR. EVANS: Is there any possibility of the company realistically diversifying in order to improve the profit situation? Is that something that's within the realm of reasonableness, that doesn't require 100 million plus capital investment?

MR. HALLGRIMSON: I think management is trying to maximize the situation with relatively modest capital input. Any major item, of course, I think would be a matter for the government to decide because of the magnitude of the capital that's required.

MR. EVANS: On the depreciation, I haven't looked at the books here, how much depreciation are we talking about, how do you calculate your depreciation, do we look at roughly the same amount each year, or . . .

MR. HALLGRIMSON: On plant and equipment, it's a straight line depreciation of five percent.

MR. EVANS: So are we looking at a smaller absolute number each year, would you be looking at a smaller number as each year went by?

MR. HALLGRIMSON: No, it's a straight line, it's not a diminishing, in 20 years it would be completely eliminated. It would be written down. If it's say, 100 million, it would be 5 million a year. Ours runs between I think, 4.5 and 5. But we have automotive equipment and machinery, mobile equipment, I guess

is a better word to describe it, which we depreciate at a higher rate.

MR. CHAIRMAN: The Member for Crescentwood has been wanting to get in, if the Member for Brandon East is still in that same area, I'll let him continue.

MR. EVANS: I just have one or two, Mr. Chairman, and then I don't think I have anything else to ask. Would it be fair to say then, that as time passes, again I guess it depends on what happens to prices, but hopefully if, with some inflation, that depreciation burden should become less, in other words, as prices generally drift upwards and if your mortgage payment, let's say is constant, then it's like owning a house, if you've got a fixed amount of interest, that mortgage that looked pretty heavy to any young family man, let's say, becomes less and less as years go by with prices rising, and hopefully incomes rising. So would that be the case here, that depreciation would become less of a real burden?

MR. HALLGRIMSON: That's a fact, sir, undoubtedly because with a new mill, and especially a one mill company, at the beginning you of course have very high depreciation. You talk about these other companies, they are all long established companies and their mills had been written off many years ago. But they of course have heavy capital current programs but considering their size, it puts us at a disadvantage.

MR. CHAIRMAN: The Member for Crescentwood.

MR. WARREN STEEN: Yes. Mr. Hallgrimson, on Page 4 of your report, you talk about the direct employment and you mention that ManFor averages 1,000 employees with a gross payroll of 20 million. What is the low and the high peaks of the employment? Are you fairly consistent with 1,000 people 12 months of the year, or do you have your ups and downs, and at what periods of the year are your ups and downs?

MR. HALLGRIMSON: We have ups and downs, it's seasonal, largely due to wood cutting. They close down. In 1979 the high was 1,149, and the low 910.

MR. STEEN: What time of the year was your high?

MR. HALLGRIMSON: I don't have that, but . . .

MR. STEEN: Does ManFor engage any part time personnel? Or when you take on a person, you expect them to be full time and work a 40 hour week?

MR. HALLGRIMSON: Well, I would say most employees are on that basis, but we have contractors, log haulers; the log cutters, of course they're paid on a piece basis so . . .

MR. STEEN: But persons employed at the plant in The Pas are all full-time employees when they're taken on?

MR. HALLGRIMSON: Yes, I would say so.

MR. STEEN: Did you, last fall, have a request from the operators of the junior hockey league team that operated out of The Pas to see if you people would hire any part time personnel that would be playing for their hockey team against the other northern centres?

MR. HALLGRIMSON: Yes, we had representations from that group. They, as I recall it, wanted us to guarantee 15 jobs to members of this hockey team, and it was a decision of myself and the board of directors that we couldn't do this, that they would be treated in the same manner as anybody else. We have waiting lists of people wanting employment at The Pas and I couldn't justify moving them to the head of the list. They would, on the other hand, not be discriminated against and in fact, I think that two or three did work for us. That's the way the matter was handled.

MR. STEEN: The reason I asked that questions is that persons from The Pas called me and said that they didn't feel that ManFor was giving the same type of corporate co-operation as Hudson Bay Mining and Smelting does in Flin Flon or Inco does in Thompson, and my answer to them was that they should go and meet with your people firstly, and secondly that perhaps you weren't in the same position as an international firm such as Inco or Hudson Bay Mining and Smelting to have varied employment hours and part timers, and I gather from your answer that's one of the reasons that you could not accommodate them to the extent that they requested.

MR. HALLGRIMSON: We, in fact, investigated the situation both at Flin Flon and Snow Lake and at Thompson and we are of the view that their policy is not really any different. I think at Snow Lake that they have a higher turnover of people and that they can perhaps provide jobs easier than they can anyplace else, but I think the day of just having hockey players on a payroll is just, in my view, not desirable. But I guess there could be varying views on that.

MR. STEEN: My view does not vary from yours. I think if they're going to be paid, they should be expected to put in the same number of hours as the person who works alongside them.

That's all the questions.

MR. CHAIRMAN: The Member for Rupertsland.

MR. HARVEY BOSTROM: Mr. Chairman, I want to ask the Chairman a number of minor points, really most of the major questions have been already covered. He referred to the lumber markets having been poor over the past year. I wonder if he has any predictions or any projections of the lumber market over this coming fiscal year that the company is operating within. Does he see any improvement in that market, any improvement in prices, or sales?

MR. HALLGRIMSON: I must say that that's quite a tall order to make any predictions about the lumber market. To start off with it is a very huge market, which is actually dominated by what takes place in

United States and is affected to a great extent by policies set there as far as interest rates are concerned and as you know, in the last eighteen months I think everybody was expecting a recession there, and they continued to raise their interest rates to try and bring that about and it took quite some time to take place, and I guess the first indication we had was in November-December, because we thought we were going to have to shut down operations, but it improved for a couple of months and then sales just completely were washed out. There were no sales whatsoever. We shut down for a period of four weeks, which we shortened, and it suddenly started to improve. I would say the price went up by 25 or 30 within a matter of a few days, but I can't really say how long that is going to last or not, because you are really into the whole question of the U.S. economy, and their policies as far as housing starts are concerned.

The last figures on housing starts indicated a bit of an upturn of around a million, but the real optimum market for lumber as far as housing starts are concerned in perhaps in about the 2 million range in the States, and you can take our figures as being about 10 percent of that.

MR. BOSTROM: Mr. Chairman, I would like to ask the Chairman of ManFor if the company is looking at alternative markets for lumber, that is, for example, the Mexico-South American markets and/or offshore markets? Is there any potential in that area for the marketing of lumber from your production or is this, because of transportation costs, completely infeasible?

MR. HALLGRIMSON: We have looked at this from time to time, but quickly come to the conclusion that we cannot compete in offshore markets, because of the coastal mills which have an advantage of 30 or 40 or even more, so our market is in the U.S. and locally, and we have to put up with, I guess, the ups and downs. It is an notorious difficult industry which you don't make any long plans.

MR. BOSTROM: Mr. Chairman, when the markets are poor as has been indicated, is the practice of the company to use the timber resources exclusively for pulp and paper, or is there some method of use to use the best timber for some lumber and stockpile some for future sales?

MR. HALLGRIMSON: I am not sure that I got the input of your question.

MR. BOSTROM: Mr. Chairman, is the practice of the company, when markets are poor in the lumber area, to utilize all of the timber resources that is cut by the company for pulp and paper, is it all ground into pulp and paper, or is some of the best quality wood still produced into lumber for storage for future sales?

MR. HALLGRIMSON: Well, if we can operate. If we operate, we operate at full capacity, so we would use as much wood. We have on occasion in the past gone down to one shift and reduced our production and thereby the amount of wood that we use, but this go-around we haven't done that. You know,

whether the market is good or not you try and produce the optimum amount to bring down your costs. Unless we shut down, of course, then we would probably save the saw logs. Of course, we wouldn't use them in the pulp and paper mill, because there is shortage of that. We would like to have more than we can actually get. While there is a lot of pulpwood. So we would save that for the sawmill when it began operating again.

MR. BOSTROM: Another question I have, Mr. Chairman, is related to pollution. I wonder if the Chairman could indicate what standards of effluent from the mill are now being discharged, if any, into the water systems and if that is up to the standards as established by Environment Canada and the provincial environment standards?

MR. HALLGRIMSON: I can only say this, that we are meeting the standards of both the federal government and the provincial government. We just, I guess, in the last two and a half years expended 1.6 million on a retention lagoon. We have a clarifier where the water is taken to first, but really all I can say is that we meet those standards and we have to meet them when they decide from time to time.

MR. BOSTROM: My other questions, Mr. Chairman, are related to the last page in the book, the General Administrative Expenses. I note that the professional fees have increased a fairly significant amount over the last years. Are there some research or studies that are going on by the company which would relate to that? I would ask the Chairman if he could in general describe to us what types of professional people, engineers or whatever, the company employs on a basis of . . .

MR. HALLGRIMSON: Well, to begin with we have our Auditor's fee, which would be in there. Secondly, I would say we have legal costs, of course; and thirdly, we have some technical studies from time to time, which would all contribute to that figure.

MR. BOSTROM: I am wondering with respect to the insurance charges for the company, I assume the 530 is all inclusive . . .

MR. HALLGRIMSON: No, it is 530,000.00.

MR. BOSTROM: 530,000, sorry, is all inclusive of the insurance costs for the company for the assets. Does that cover a full coverage on the assets of the company or is there only part of the assets being insured for that amount?

MR. HALLGRIMSON: No, there are certain deductible amounts, but basically it covers all our assets. There is business interruption insurance. Once we had problems with a boiler and we collected hundreds of thousands of dollars from the insurance company. So to answer your question in a general way, I would say that subject to deduction factors it covers all our assets.

MR. BOSTROM: That completes my questions, Mr. Chairman.

MR. CHAIRMAN: Is that the end of questioning? Then, moved that the Annual Report of the Manitoba Forestry Resources Ltd. be adopted—pass? (Agreed)
Now I need some guidance. Is that the end of this or is there someone else? The Honourable Minister.

MR. DONALD W. CRAIK (Riel): Mr. Chairman, I think the next one slated is Manitoba Mineral Resources, but that has been announced already for Thursday, so there may be some others that would miss it if we were to call it early, so we will hold until Thursday and I guess there is no further business now.

MR. CHAIRMAN: Committee rise.