



**First Session — Thirty-Fourth Legislature**  
of the  
**Legislative Assembly of Manitoba**

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**STANDING COMMITTEE**

**on**

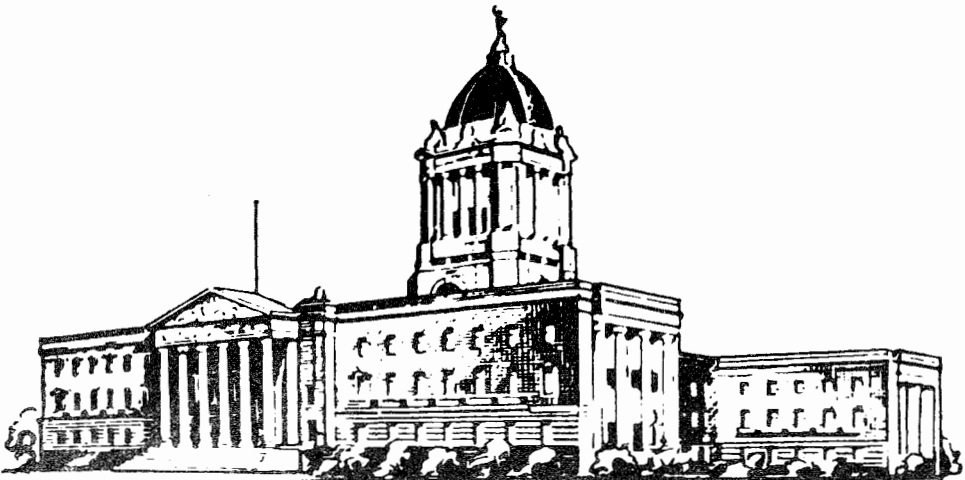
**ECONOMIC DEVELOPMENT**

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37-38 Elizabeth II

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*Chairman*  
*Mr. H. Pankratz*  
*Constituency of La Verendrye*



**VOL. XXXVII No. 9 - 9 a.m., TUESDAY, MARCH 28, 1989**

**MANITOBA LEGISLATIVE ASSEMBLY  
Thirty-Fourth Legislature**

**Members, Constituencies and Political Affiliation**

NAME	CONSTITUENCY	PARTY
<b>ALCOCK, Reg</b>	Osborne	LIBERAL
<b>ANGUS, John</b>	St. Norbert	LIBERAL
<b>ASHTON, Steve</b>	Thompson	NDP
<b>BURRELL, Parker</b>	Swan River	PC
<b>CARR, James</b>	Fort Rouge	LIBERAL
<b>CARSTAIRS, Sharon</b>	River Heights	LIBERAL
<b>CHARLES, Gwen</b>	Selkirk	LIBERAL
<b>CHEEMA, Gulzar</b>	Kildonan	LIBERAL
<b>CHORNOPYSKI, William</b>	Burrows	LIBERAL
<b>CONNERY, Edward Hon.</b>	Portage la Prairie	PC
<b>COWAN, Jay</b>	Churchill	NDP
<b>CUMMINGS, Glen, Hon.</b>	Ste. Rose du Lac	PC
<b>DERKACH, Leonard, Hon.</b>	Roblin-Russell	PC
<b>DOER, Gary</b>	Concordia	NDP
<b>DOWNEY, James Hon.</b>	Arthur	PC
<b>DRIEDGER, Albert, Hon.</b>	Emerson	PC
<b>DRIEDGER, Herold, L.</b>	Niakwa	LIBERAL
<b>DUCHARME, Gerald, Hon.</b>	Riel	PC
<b>EDWARDS, Paul</b>	St. James	LIBERAL
<b>ENNS, Harry</b>	Lakeside	PC
<b>ERNST, Jim, Hon.</b>	Charleswood	PC
<b>EVANS, Laurie</b>	Fort Garry	LIBERAL
<b>EVANS, Leonard</b>	Brandon East	NDP
<b>FILMON, Gary, Hon.</b>	Tuxedo	PC
<b>FINDLAY, Glen Hon.</b>	Virден	PC
<b>GAUDRY, Neil</b>	St. Boniface	LIBERAL
<b>GILLESHAMMER, Harold</b>	Minnedosa	PC
<b>GRAY, Avis</b>	Ellice	LIBERAL
<b>HAMMOND, Gerrie</b>	Kirkfield Park	PC
<b>HARAPIAK, Harry</b>	The Pas	NDP
<b>HARPER, Elijah</b>	Rupertsland	NDP
<b>HELWER, Edward R.</b>	Gimli	PC
<b>HEMPHILL, Maureen</b>	Logan	NDP
<b>KOZAK, Richard, J.</b>	Transcona	LIBERAL
<b>LAMOUREUX, Kevin, M.</b>	Inkster	LIBERAL
<b>MALOWAY, Jim</b>	Elmwood	NDP
<b>MANDRAKE, Ed</b>	Assiniboia	LIBERAL
<b>MANNES, Clayton, Hon.</b>	Morris	PC
<b>McCRAE, James Hon.</b>	Brandon West	PC
<b>MINENKO, Mark</b>	Seven Oaks	LIBERAL
<b>MITCHELSON, Bonnie, Hon.</b>	River East	PC
<b>NEUFELD, Harold, Hon.</b>	Rossmere	PC
<b>OLESON, Charlotte Hon.</b>	Gladstone	PC
<b>ORCHARD, Donald Hon.</b>	Pembina	PC
<b>PANKRATZ, Helmut</b>	La Verendrye	PC
<b>PATTERSON, Allan</b>	Radisson	LIBERAL
<b>PENNER, Jack, Hon.</b>	Rhineland	PC
<b>PLOHMAN, John</b>	Dauphin	NDP
<b>PRAZNIK, Darren</b>	Lac du Bonnet	PC
<b>ROCAN, Denis, Hon.</b>	Turtle Mountain	PC
<b>ROCH, Gilles</b>	Springfield	LIBERAL
<b>ROSE, Bob</b>	St. Vital	LIBERAL
<b>STORIE, Jerry</b>	Flin Flon	NDP
<b>TAYLOR, Harold</b>	Wolseley	LIBERAL
<b>URUSKI, Bill</b>	Interlake	NDP
<b>WASYLYCIA-LEIS, Judy</b>	St. Johns	NDP
<b>YEO, Iva</b>	Sturgeon Creek	LIBERAL

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

**Tuesday, March 28, 1989**

**TIME — 9 a.m.**

**LOCATION — Winnipeg, Manitoba**

**CHAIRMAN — Mr. Helmut Pankratz (La Verendrye)**

**ATTENDANCE - 11 — QUORUM - 6**

*Members of the Committee present:*

Hon. Messrs. Manness, McCrae  
Messrs. Angus, Cowan, Enns, Gilleshammer,  
Harper, Helwer, Lamoureux, Minenko,  
Pankratz, Plohman, Rose, Taylor

**APPEARING:** Mr. Norm Brandson, Environment and  
Workplace Safety and Health

Mr. Mike Bessey, Executive Council  
Mr. Harry Harapiak, MLA for The Pas

**MATTERS UNDER DISCUSSION:**

Annual Report for Manfor Ltd., fiscal year  
ending December 31, 1987.

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**Mr. Chairman:** I call the committee to order at this time. I have a couple of resignations to deal with first. "I wish to resign from Economic Development Committee effective March 23. Parker Burrell." Do we have a replacement?

\* (0905)

**Mr. Edward Helwer (Gimli):** Mr. Chairman, I would like to nominate Clayton Manness, the Member for Morris, to replace Parker Burrell.

**Mr. Chairman:** Clayton Manness has been nominated. Agreed? (Agreed)

**Hon. Clayton Manness (Minister of Finance):** Thank you. I appreciate your support.

**Mr. Chairman:** "I wish to resign from Economic Development March 23, 1989. Jim Ernst, Charleswood."

**Mr. Helwer:** I just appoint Jim McCrae, the Member for Brandon East, to fill that position.

**Mr. Chairman:** Mr. McCrae has been nominated. Committee agree?

**Mr. Helwer:** Brandon West, sorry.

**Mr. Chairman:** Committee agree? (Agreed)

"I wish to resign from Economic Development Committee. Elijah Harper." Do we have a nomination?

**Mr. Jay Cowan (Churchill):** I would nominate John Plohman.

**Mr. Chairman:** Mr. Cowan nominates Mr. Plohman. Committee agree? (Agreed)

Okay, if there are no more resignations or nominations, I would like to ask the Minister to make a few comments.

**Mr. Manness:** Mr. Chairman, I really only want to correct one matter on the—this is a draft?—draft of the proceedings from Thursday last. It is on page 27 when an Honourable Member asked Mr. Bruce why do you want to be on the board of directors, and Mr. Bruce responded we were not invited and it is written a different way. It is written as "bite it." His response is we were not invited, on page 23.

**An Honourable Member:** What page?

**Mr. Manness:** Twenty-three.

**Mr. John Angus (St. Norbert):** I just want to clarify the Minister's intent. Is it a typo on a word or were in fact you invited?

**Mr. Manness:** Well, I do not know what "bite it" would have to do with the request that we be invited to sit on the board of directors. I obviously believe that the individual who was listening to the transcription obviously picked up the wrong word completely.

**Mr. Chairman:** With that, Mr. Minister, are we prepared to let the committee Members fire away with questions?

**Mr. Manness:** Yes, by all means, Mr. Chairman.

**Mr. Chairman:** Okay, committee Members, have you got any questions or are we prepared to pass?

**Mr. Angus:** Mr. Chairperson, I might suggest that as we are still looking at the financial implications then there are a number of other sections vis-a-vis the environment, vis-a-vis the training and the upgrading of the personnel that is currently employed, that we move on to different sections reserving the right to come back to some of the financial questions a little later. If the committee is of a mind, unless my honourable colleagues from the third Party have specific questions on the financial matters they want to ask at this time, I am prepared to relinquish the floor to them.

**Mr. Chairman:** Mr. Minister, do you have any problems with the request of Mr. Angus?

**Mr. Manness:** Not at all, Mr. Chairman.

**Mr. Chairman:** Okay. Then we may proceed.

\* (0910)

**Mr. Angus:** Mr. Chairperson, I would like to move into the area of the environmental control. The Minister indicated that the special status that Manfor, in relation to environmental concerns, is going to be changed and I believe he indicated that they were now going to be part of The Environment Act of the Province of Manitoba. I was wondering if he could just elaborate on that direction: why that has happened, and what it in fact means in sort of real terms.

**Mr. Manness:** Mr. Chairman, I will ask Mr. Norm Brandon to join us at the table from the Department of the Environment, if we are moving into some environmental questions.

The general response to the question I will provide firstly though and that is that it is my understanding that by way of Order-in-Council exemption was provided to the pulp and paper industry within the Province of Manitoba from the regulations, many of the environmental regulations, particularly in the area of water discharge.

Mr. Bessey, in going through the presentation last Thursday, indicated that the Government was going to remove that exemption.

**Mr. Norm Brandon (Environment and Workplace Safety and Health):** That is correct. There is a regulation under the previous Clean Environment Act and now rolled over to the existing Environment Act that exempts the pulp and paper industry for discharges to water. That regulation was first passed back in 1975.

Quite frankly, I am not sure that there was a necessity ever to have such a regulation because liquid effluents from the pulp and paper industry are regulated under the federal Fisheries Act. In other words, that is a legitimate jurisdiction that exists regardless of whether or not there is any provincial regulation in place that governs liquid effluent from pulp and paper mills so that the only jurisdiction the province could exercise with respect to liquid effluents is to either impose additional or more stringent conditions than those that exist in the federal regulation.

**Mr. Harold Taylor (Wolseley):** Yes, I am interested to see what the official is noting on that given that the federal Government has fully delegated its authority in the fisheries area to the Province of Manitoba. Does that, therefore, say that it is really a case of there is no policing of this matter and that the federal Government is not active in fisheries in Manitoba and it is solely a provincial responsibility and has been so for years. So who is looking after this discharge then?

**Mr. Brandon:** That is actually incorrect. The federal Government has delegated some aspects of enforcement of the regulations under the Fisheries Act to the province. Other aspects, it has retained jurisdiction. The example of liquid effluents from pulp and paper mills is an example of a jurisdiction that the federal Government has maintained and monitors and continues to enforce as they see fit. It has never been delegated to the Province of Manitoba.

**Mr. Taylor:** Well, I would like to point out to Mr. Brandon then that there seems to be a difference of opinion between his department and that of the Department of Natural Resources because, at hearings that I conducted on behalf of the City of Winnipeg in the summer of 1985, officials of that department made that statement, and it is in the public record of the city.

There are other matters that we have to get into today, but I would like an undertaking then, if we seem to have an impasse this morning, to find out who is actually carrying out this responsibility because I have also heard the concurring comment from federal Fisheries. I would like to know if the regulations, the federal regulations, are being enforced and, if so, by whom. If Mr. Brandon would give us an undertaking to bring that back either to the next meeting of this group or subsequent to that, I would very much appreciate it.

**Mr. Manness:** Before Mr. Brandon answers I am sure, hopefully, that the department will bring back some greater understanding associated with the question. However, I point out to the committee, Mr. Chairman, that what Mr. Taylor is asking in some respects, in my view, is a moot point because we are moving on. We are going to remove the exemptions so that the province has jurisdiction within those areas from now forward. Now what is happening up to this point in time, yes, hopefully Mr. Brandon will be able to provide that. I will ask him whether or not he will be able to.

\* (0915)

**Mr. Brandon:** I certainly can come back to the committee with additional information. For clarification, however, my assumption would be that the Department of Natural Resources was referring to those portions of the Fisheries Act that are administered by the federal Department of Fisheries. The Fisheries Act is somewhat complicated in that the federal Fisheries people themselves have delegated part of that act to the federal Department of Environment, and in turn there is an inter-relationship between the federal and provincial Departments of Environment with respect to delegation or non-delegation of those parts of the Fisheries Act which have been delegated to the federal Department of Environment.

So I think that may be where some confusion may arise with the Natural Resources people, indicating I think quite properly that the federal Department of Fisheries' aspects of the federal Fisheries regulations have, indeed, been delegated to the Province of Manitoba. Not all of the parts of the Fisheries Act that have been delegated to the federal Department of Environment, however, have been so delegated to the Province of Manitoba.

**Mr. Taylor:** I appreciate that clarification, Mr. Chairperson. I have questions for Mr. Brandon about the potential future undertakings of the newly constituted Manfor. The situation is that today we have an industrial process which takes advantage of the inherent nature of the type of fibre found in the slow

growth trees that are prevalent in our part of the world. I am referring to the high strength brown kraft paper that is produced out of that plant. Because it is kraft paper, it has less pollution coming from the industrial process than from the process that we were going to be looking at, which is a bleached paper process. Now, in that we are going to see, I gather, a conversion of this mill from a one product kraft to a one product fine paper, we are going to see a very major change in the make-up of the plant, and we are going to see a very major change in the industrial pollutants that will be produced by that plant.

My questioning is going to be on the pollutants themselves. For example, when one goes into a white paper, the bleaching process that is employed is called bleaching, but in effect what it is, it is separation of white and brown fibres. The leftover brown fibres which give our brown kraft paper its natural colour are going to be produced at the bottom of a vat in the form of a sludge. The disposal of this sludge is the chronic bug bear of fine paper mills. The solutions unfortunately are not very satisfactory in the world and, in particular, the North American record is very sad.

What I want to know is with this conversion away from the more natural product to something that is more highly refined, what are the intentions of the corporation with regard to dealing with this very hard to handle industrial pollutant, i.e., the brown sludge produced?

**Mr. Manness:** Mr. Chairman, I will ask Mr. Brandson to give a fuller response, but again I remind Members of the committee, or at least I point out to Members of the committee that the Government before us had to look at the product that was being produced in the existing mill. Today that product commands on the marketplace the return of \$670 a long tonne. Mr. MacDonald is right. It is long growing; it is a very strong-fibred product.

\* (0920)

**Mr. Taylor:** A point of order, who is Mr. MacDonald?

**Mr. Manness:** I am sorry, I am sorry, my apology, Mr. Taylor.

**Mr. Taylor:** The record should be corrected.

**Mr. Manness:** Certainly it should. My apology, \$670 a long tonne—

**An Honourable Member:** Ronald McDonald.

**An Honourable Member:** Well, there is a resemblance, right?

**Mr. Manness:** Is there? I do not think so. Now you have taken my train of thought completely, Mr. Taylor.

Anyways, I point out \$670 a long tonne with markets that were—I would not want to be so unkind as to say diminishing but certainly not increasing, a product though recognized as being a good product, unquestionably.

What Governments have to decide, ourselves and the preceding Government, is whether or not to, through the processes that exist in the industry at this time plus one's new technologies that I think are coming which we will speak to—which I will ask Mr. Brandson and Mr. Bessey to speak to in due course—which minimize the pollutants, the net result being a product that will draw from the marketplace a value of \$970 a long tonne, so an increase roughly of almost 50 percent in value added.

Now, that in itself is important but it certainly does not have to be the final consideration. But when one looks on the negative side and says, well, what is the sensitivity around unbleached kraft if there is again another downturn, and where does it find its market niche? As I have shown in the slide the other day, a matter of fact in the package of handout, I think it was the third page, sensitivity to SPK price, one can see very quickly that if the price of this unbleached kraft drops \$150 a tonne, for instance, which could easily happen, all of a sudden you have a \$25 million loss associated with the existing plant.

The argument can be made, well, why do we not build in all the new productivity into the plant and still work in this product? I guess someone can make that argument, but again when one looks at the marketplace and all the best advice that we have is that you still put at risk that investment, because it is a market at this point and forecasted beyond this point which is not growing at all in any respect. Now that does not mean 10 years from now it may not be returning into some type of interest. At that time, of course, you still have a facility that can switch back to it, if necessary. So that was the basis on which I guess the Government decided that the potential and the best guarantee of the activity in The Pas was to see somebody come in and provide for development that would cause the conversion over to a bleached mill. If there is a greater response wanted, I will ask Mr. Brandson to provide for that.

**Mr. Taylor:** Mr. Chairperson, the Minister has answered the question from an economic viewpoint and nothing wrong with that. In fact, I think it puts some interesting considerations on the table, but I find it interesting to note that while the market for kraft overall is growing, neither are there, from what I understand, new kraft plants of any substantial size or increase, kraft production worldwide of any increased size out of existing plants on the drawing tables. But the situation for fine kraft paper is something quite different. I do not know if the Minister was aware of the plans for increased production of kraft paper on a worldwide basis which says that instead of accepting the steady but not fast growth context of producing a product like SPK at The Pas we are instead going to be moving into a very high competition market, a market that has had its ups and downs, will likely have its ups and downs because the cyclical factor of fine papers on a multigrade basis is something that has been around for a long, long time.

We had real downturns in the early '80s and we are seeing now a more optimistic market. As a result of that more optimistic market and a need for plant

modernization at older plants around the world, we are seeing significant hundreds of millions of dollars going into plant improvement and plant expansion for this area of production. I am wondering what factoring that had in the thinking of the decision to go ahead with this very major conversion, because once a conversion is made, certainly technically it is possible to convert the plant back, but it is not like flipping a switch. The conversion back costs, in relative terms in future years, will be as great as the conversion to the fine paper context.

\* (0925)

**Mr. Manness:** Mr. Chairman, on that point, first I would point out to Mr. Taylor it is my understanding that the cost of switching back and, indeed, if it is economic to do so, is very minimal. It is not a major cost to run unbleached kraft again. There is actually very little in the way of capital costs.

Let me point out for the record, there was not a prior condition put on by the Government in Manitoba. We did not say to potential bidders we are only interested in dealing with you if you consider a conversion. That was not the case at all. As a matter of fact, we would have just loved to have had a proposal that would have been centred around expansion of an unbleached kraft facility, even though my argument still stands. You still get even better white paper from that slow growing long fibre. You still get better white paper and the best, the premium white papers, will come from our northern softwoods. There is no argument.

Nevertheless, I think the Government of the Day would love to have had somebody come forward with a proposal saying here is what we plan to do and not converting. We never had that. So we did not make it as a prior condition that a potential purchaser wanted to come and show an interest and leading to some type of proposal. There was absolutely no prior condition that precluded them from building that proposal around an unbleached kraft mill.

I think the final point we would like to make is that still the sensitivity around the lower quality product, i.e., the unbleached kraft, there is much greater sensitivity around there because, of course, if the product drops in value or if it increases in value, all of a sudden you have substitutables, in the area of plastics particularly, that come in very quickly. For the life of me, Mr. Chairman, we surveyed the whole industry and nobody is investing capital in this type of facility.

International Paper now, who was one of our competitors by the way, came up and looked at the facility. We thought maybe they might be interested in putting in a proposal that would give them greater capacity in the area of unbleached kraft. Albeit they came in on it late, showed no desire whatsoever, and they are the big players in that brown paper bag industry. So, from our viewpoint, we did not see where anybody was prepared to direct additional capital into that particular niche in the market. Secondly, the competitors that were there are not expanding in their own facility, let alone wishing, at least from our viewpoint were not wishing to expand in Manitoba.

So, Mr. Chairman, from our point of view, at this point in time, we had little alternative. Yet we are mindful and we ask the question, particularly of Repap and other potential buyers, if indeed it looks like, through environmental concerns, that society wants to go back to unbleached brown paper, will this facility, will it cost you much to convert over? They said no, it will not. As a matter of fact, it is a small change in the process. So it was on that basis that we felt it was the best move under the circumstances at this time.

\* (0930)

**Mr. Taylor:** Mr. Chairperson, my line of questioning has two motivations: one, the environmental concerns, of which I am critic for our Party; the other being the stability of jobs.

The Minister has repeatedly made comment about growth. One of the problems with growth in the paper industry are the periodic downturns that it takes and the downturns can exist for a number of years, and the downturns can say not only will there be no growth but the probability is there might be layoffs. With that sort of a context, I would suggest to the Minister that the production of a product like SPK, which is 25 percent stronger than any other brown paper, industrial paper, available on the world market; and, two, given the environmental context of the desirability of paper products as opposed to plastic products and hence the use of plastic bagging for various industrial packaging is no longer as acceptable as it once was.

Even in the last year we see changes and the fact is that firms, in fact large scale firms, are saying, "We are using environmentally safe products. We produce them environmentally safe and we package them in an environmentally safe fashion." Should it not have been a consideration in evaluating this? It is one thing to say there might be some new jobs, it is another thing to say are those same jobs going to be there in five years because of the circumstances I just outlined.

**Mr. Manness:** Mr. Chairman, there is no doubt one can build various scenarios going forward. One could say this might happen, that might happen, the next thing may happen, and at this point in time one attaches probabilities to those various alternatives and forecasts and one has to make a decision on those bases. I do know that right today there is a greater concern coming forward with respect to plastics. I also know that our landfills today are for the most part filling up more so because of paper being buried four feet or five feet under the ground. It is not deteriorating or—what is a better word?—decomposing quickly at all and so that is a problem that we have also.

I do not pretend to have the answer to this, but I am saying that I was convinced and Government was convinced that given the state of circumstances, the circumstances that we had, anybody that was going to put an investment there to guarantee the jobs that are now in place, to guarantee those jobs, because the only way of guaranteeing the jobs that presently exist was for Government to continue to be prepared in certain years to direct tens of millions of dollars in

support of the existing plant and the existing product. The only way that Government could safeguard itself from that potential draw was to see come forward an investment for significant amounts of money.

Now, all that we asked was that any company that was going to consider investing that money, at this point towards conversion in the bleached area, that they did not have their capital locked in so that it could not be converted back at a minimal cost to once again not calling upon bleaching agents if indeed the market and society—and this is the key—and society said that it wanted and was prepared to pay the premium associated with brown paper again.

So I think we asked those questions, Mr. Taylor, in all honesty. We asked those questions because they were important to us also, and other than saying, no, we are not going to deal with you unless you are prepared to stay with the product, unless you are not prepared to bring in bleaching agents, I do not know what other alternative we had.

**Mr. Taylor:** Mr. Chairperson, the Minister has referred a couple of times to the after-the-fact convertibility back to unbleached kraft production. I am pleased to hear that he has asked that type of question and has gained that sort of assurance, because the Liberals will be watching this when the plans are announced to ensure that that convertibility back will be inherent in the construction plans, so that we do have that ease of production change because it is something that is not in those plans—when the changes are made, pieces of equipment are brought out and production line lineups. In other words, the alignment of the various pieces of equipment is physically changed. If this can be done in this major plant change then I think that is all to the good. It is to Manitoba's advantage and we will be looking for it to come forward as a fact.

I might just point out before I pose my question to the Minister that the problem in the dumps around the country is not paper because paper will biodegrade unless it has been actually treated with plastic or something like that. It biodegrades and that is the beauty of paper and cardboard products. The problem is overpackaging and, in particular, plastics. That is just a note to the Minister.

The question that I have on the jobs aspect—that will be the part A and there will be a part B on the environment—is the assurance of the job retention in the existing context, because I would like to take, pardon the expression, a more conservative approach, and say what can be retained with some sort of assurance in the five- to ten-year time frame of existing jobs in The Pas and in the cutting areas out some distance therefrom. The other is, as I raised the point in my earlier question and have not yet had an answer, how will the brown sludge that will be produced in the bleached paper context be dealt with? I am looking for some sort of answers today, and I hope that will lead into a line of questions on this matter.

**Mr. Manness:** Mr. Chairman, as far as the brown sludge, I will ask Mr. Bessey or Mr. Brandon to deal with that more specifically.

As far as the guarantee of jobs, what was patently obvious, Mr. Chairman and Members of the committee, the only guarantee of the jobs was that firstly somebody in some company had to come forward and see some economies associated with producing a product that allowed them to profit. Those were the only guarantees of the job. There were none other. I think Government and Governments over a series of years proved that they could not guarantee those jobs without a massive direction of capital and, again, under the philosophy that public ownership still can work.

So the only guarantees of the job were to enter into an agreement, an agreement of divestiture with the infusion of millions and millions of dollars. That is the guarantee of jobs in the global sense, 850 existing today, to build to as our numbers show 1,250 within five years, permanent jobs.

Of greater concern to us was how the transformation would take place, as many of those jobs today are part of the sawmill operation. We wanted to ensure to the extent that we could that those individuals were given first opportunity for retraining, upgrading, whatever, to find their way into the pulp and paper side.

We feel we have done everything humanly possible in the terms of a contract, in terms of the Charter of Rights as it exists in the nation today, to protect all of the jobs. We cannot visualize a situation where we could have gone further to protect what is in place, a \$20 million retraining program put up by Repap, over four or five years, tremendous recognition from their point of view that they have a role, but secondly, in wanting to keep peace in that area, labour peace within The Pas and district, that they have to do what they can to see the orderly transformation of jobs from the sawmill into the pulp and paper industry.

So, Mr. Taylor, I honestly believe that with respect to the guarantee, when we look at the process that we went through as the Government in divesting ourselves of Manfor, that we have done almost everything that we could with regard to that.

As far as the brown sludge, I turn it over to either Mr. Bessey or Mr. Brandon to give greater explanation.

\* (0940)

**Mr. Mark Minenko (Seven Oaks):** A point of order, Mr. Chairman. I would like to quickly ask the Minister

**Mr. Chairman:** Mr. Minenko, on a point of order?

**Mr. Minenko:** Yes. Is he suggesting then that, if Repap would not have purchased Manfor, would this Government have been prepared to wrap Manfor up? From his comments just mentioned, he would seem to suggest that.

**Mr. Manness:** I will answer the question.

**Mr. Chairman:** First of all, I would like to interrupt. I do not believe that is a point of order. A dispute over the facts is not a point of order.

**Mr. Mike Bessey (Executive Council):** I do not know the Honourable Members who were here for all of the presentation yesterday but, with respect to agents, the clearing, bleaching process may produce as by-product, in the last five years and especially in the last two to three years, the engineering technologies in the pulp industry for dealing with those, primarily organics, has increased somewhat dramatically. Where the bleaching pulp industry traditionally used chlorine in its bleaching process, they are now moving to substitution with chlorine dioxide.

The most up-to-date and modern substitution mill as of yet in Canada will probably be the Daishowa mill, the Greenfield project in Alberta that was just announced, that Crestbrook was successful in bidding this year. The Alberta Government has announced that they are improving their guidelines and enforcing some of the things that we will be enforcing here. The Daishowa's engineering capacity, about the most modern in the world today, is about 50 percent substitution of chlorine dioxide for chlorine, in addition to extended delignification and oxygen delignification, so that in the several stages of the bleaching process, in the several cooks, you remove the lignin as much as possible without producing any organics. Repap currently is engineering their technology for a 70 percent substitution factor chlorine dioxide for chlorine and will utilize extended delignification and oxygen delignification. That will make, in essence, up to the present time the most environmentally sensitive mill at The Pas in the world until someone finds a way to do a 100 percent substitution, which may be a couple of years away.

On that point, the technology that will be brought into the province will be nothing short of the best technology that is available, period, and in fact will far exceed any existing pulp mill in Canada. The federal Government by and large does not even regulate some of the organics that are a by-product and are now embarking upon that endeavour. The preliminary kinds of tolerances that the federal Government will be talking about as acceptable will be as much as two times higher than that which this new mill will be producing. So every effort possible has gone into making sure those considerations were upfront and part of the negotiation strategy, and quite frankly part of the development strategy of Repap, because they understand the long-term benefits themselves of proceeding in that fashion. I will ask Mr. Brandon to pursue the question of brown sludge more specifically.

**Mr. Brandon:** First of all, I would like to preface my answer by saying that we are getting into questions of some technical complexity. There certainly will be a full licensing process applied to any alterations to the Manfor facility. That will be a detailed, public, and I think quite thorough licensing process. So any answers I give this morning will be of a reasonably general nature without going into a lot of the technical details, given that there still is to apply this full licensing process under The Environment Act.

With respect to the question of sludge control, the present Manfor mill now produces sludge. This will not be a new situation in the switch over to a new process

at the mill. The principle that we are applying to the existing facility and will apply to any alterations to that facility is retention of that sludge. In other words, the sludge is not to be emitted into the environment. It is to be retained, controlled and subsequently disposed of in an acceptable manner. So, although there may be an increase in the quantity of sludge, although that is not altogether certain that there will be an increase in quantity, there still will be sludge and the principle to be applied will still be retention of that sludge, not emission.

**Mr. Chairman:** Before we continue with our questions, I have another resignation to deal with. "I wish to resign from Economic Development immediately. Sharon Carstairs."

**Mr. Taylor:** Mr. Chairperson, I would like to nominate Mr. Lamoureux, the Member for Inkster.

**Mr. Chairman:** Mr. Lamoureux has been nominated, committee agree? (agreed)

**Mr. Taylor:** Yes, the point is that with this proposed type of paper production there will be a massive increase in sludge production unless the process has been altered rather radically. Given the significance of that and the problems that there have been for fine paper mills all over the continent, whether it is the retention containment areas being undersized periodically overflowing from production, periodically overflowing from excess rainfall leaching through into the local aquifers, contamination of local bodies of water, impacts on wildlife, etc., I think it is a fairly significant change. I think that we should hear more on this, notwithstanding there will be a hearing.

I would like to know to some extent what the technical changes are that are contemplated, and I would request that we actually get a briefing on this so that we can understand the changes that are coming. Mr. Bessey makes some very interesting points about the new plant that was proposed just very recently for Alberta.

If we are having a quantum leap forward in technology improvements, there are benefits to be had. I think those reassurances should be on the table. That does not mean we have to get down into the nitty-gritty scientific detail but at least a level of detail that laypeople can understand and be assured of what will be going on there. It sounds like something of that nature could be put together and I, Mr. Chairman, would respectfully request that such a presentation be made before the next hearing of this committee. I believe there will be another one after today and I think that would be really good for the process. I think it would clear the air, and I think it would show that the answers are there. There seem to be quite a few assurances that I am getting from the Government. I think it is incumbent upon them to put them in a little more detail and a little more concrete form. The sort of presentation that we had with the overhead slides the other morning, I found beneficial. I think it puts it in a capsulated form. I think something like this on the environmental side is required and I hope there would be support from the committee for that sort of a request.



**Mr. Bessey:** For the Honourable Member's information, all of that information and documentation is part of the records that are filed as part of the licensing process and will be part of the public registry and will form a significant part of the public hearing process. It is not, on an earlier point, a for granted consideration that there will be an increase in sludge proportional to the increase in production because of engineering redesign and retrofitting of the recovery boiler in a recovery process itself. So it is not a defacto assumption that we can make, and the effect of that and the engineering specifications for that, which will be provided by the company and which we really need them to provide and our environmental people to go through, is what the licensing process is all about. It is that documentation, specifically, which will be brought forward at that time.

\* (0950)

**Mr. Taylor:** Yes, Mr. Chairperson, recognizing what Mr. Bessey just said, and that is why I phrase my request in the fashion that I did. I do not expect to see in a presentation here the level of engineering and scientific detail that would be necessary for a Clean Environment hearing on the plant conversion. I am not asking for that. I am asking for a quality of presentation that a concerned layperson can understand what the major changes are. That is all I am asking for. I am not expecting people to go through fiery hoops with a whip cracking at their back. I want to just see an understanding in general terms what we are talking, because it sounds like we are talking something that is somewhat different than maybe the past experience has been with these types of mills.

If that is the case, I would be pleased to hear that technology has finally caught up in this area. It sounds like the information is available. The sort of thing I am looking for is a 15-20 minute presentation which would explain the changes expected, given the conversion of the plant.

**Mr. Manness:** Mr. Chairman, Mr. Taylor's request is fair and we will endeavour quickly to put together some very basic presentation dealing with the system in place, with the whole system of recovery and bleaching and how effluents will be dealt with. I cannot make a promise today as to what date that will be because obviously we are going to have to get back to Repap to develop with them a better understanding of how we keep it down to, as the Member requests, a basic layman's understanding approach to developing that type of presentation.

We will endeavour to do that and whether this committee sits again or when it sits again we will still endeavour to do that sometime in the next, certainly within the month of April.

**Mr. Harry Harapiak (The Pas):** Mr. Chairman, I wonder if I could ask a question on the environment prior to Mr. Plohman going into his questions.

**Mr. Chairman:** Okay.

**Mr. Harapiak:** I am wondering if we can have a little more information on the process that Mr. Bessey alluded

to with the chlorine reduction to 70 percent, if there still are going to be dioxins and how much dioxin emissions there will be, if we could have that included. And also I would like some information on the reforestation project and programs that would be going in because now they seem to be going sort of in a monoculture process for replanting. But now with the aspens being a useful tree, I am wondering if they will be—how they will be changing the reforestation. Also there was some experimentation going on with Roundup, which will be defeating the whole reforestation program now that the aspen is being used.

I am wondering if Mr. Brandson would have any information on that or maybe you can bring it forward at that same meeting.

**Mr. Manness:** Mr. Chairman, as far as reforestation, we come here today prepared to answer reforestation questions. We look forward to doing that and to the extent that we cannot then we will bring back responses. But we are prepared to move into fair discussion on reforestation today.

As far as specific questions, again dealing with the environmental cycle at the plant, we will include those in the presentation that we are prepared to make in this month of April.

**Mr. Angus:** With the committee's permission, not just again on the environmental aspect, I too have questions on the reforestation and I appreciate that we can move into that today and discuss that. I think that will be beneficial. But being a lay person, I am concerned about how much bleach you are going to be using. Is it tanker cars full, or is it trucks full during the course of a year? How is it transported in? How do you get it to the mill? Is it by rail or by truck? And then, of course, how do you dispose of it when the sludge comes out?

Again, I think that if the Minister is prepared to put an informational presentation for the layman on it, that would be beneficial. Also include the information on the public hearings, the public hearing process. I notice that Pine Falls has put in a five-year game plan and suggest there might be public hearings on the environment of that nature, how that actually works, where they are held and what controls you have over it.

The question that I have, through you, Mr. Chairperson, to the Minister, is that in order to buy this particular plant Repap has had to have some assurances of an ability to continue to function within reasonable parameters, within normal parameters. Have you given any assurances and/or guarantees that there will not be massive changes and/or massive regulations to prevent them from carrying on their business?

**Mr. Manness:** Can the Member be more specific? Is he talking with regard to the environment or is he talking generally across all of Government's areas of regulations?

**Mr. Angus:** Right now we are just talking about the environment. I would naturally be interested in any assurances of continuing in business that you have

given. I recognize that you have held back some drawstrings in terms of cutting rights as a bit of a clout, but I am talking about the environment specifically, because we oftentimes find that, as was alluded to by one of the Minister's staff Members, that the federal regulations are not as powerful as they could be.

They are updating them, upgrading them. They are trying to strengthen those laws and we have in a lot of cases the difficulty of dealing with what the law says and what in fact is right in terms of ecological advancement of the planet. I would like to be assured that you have not given any commitment to Repap that they will be able to deal under existing environmental rules that allow them to continue.

**Mr. Manness:** Mr. Chairman, as indicated the other day in our initial presentation, right now, today, in Manfor, the regulations that are in place are not being met. They have indicated Repap, indeed the Government indicated to Repap that that cannot continue, that Phase I after it is completed has to be brought up to the most stringent standards that exist anywhere, anyplace on the face of the Earth, No. 1.

Repap is not only wanting to do that but is looking forward to what is coming and as far as even greater regulations and standards within that respect and are wanting to build that into their new plant, Phase II. They want to be world leaders. So to the extent that the covenant calls for Repap to meet standards that we have put in place as legislators—indeed as people responsible to society—they fully expect and indeed want to meet.

So, Mr. Chairman, again I say to Members of committee we do not have a buyer who is balking at anything dealing with standards, as a matter of fact, again I indicate, have the world technology under patent whereby bleaching, as we know it, may no longer be necessary and they are trying to rush that into production, hope to have that in production in the space of five or six years. So I think we are dealing with a—I know we are dealing with a company who understands their role as a large corporation, as a corporate citizen, recognizes their role in ensuring that the environment is not negatively impacted.

**Mr. Angus:** I appreciate the Minister's anxiousness to solve the environmental concerns and we all share those types of concerns and want to be assured that we are moving in that direction. Just so that I have it clear, the Repap organization will be subject to the Manitoba Environmental Legislative Regulations. Is that accurate?

**Mr. Manness:** Mr. Chairman, that is absolutely accurate.

**Mr. Angus:** Secondly, Mr. Chairperson, there will be public hearings in relation to the changing of the plant from the current status to the processing of bleached paper status. If I have left out any of the technical phraseology, forgive me.

\* (1000)

**Mr. Manness:** As I understand that question, and it seems to be most understandable, the answer is yes.

**Mr. Angus:** Fine. Mr. Chairperson, during Phase I the Repap plant is going to be upgrading the environmental pollutant control devices in the plant.

**Mr. Manness:** To that I will say not only yes, I will say significantly.

**Mr. Angus:** I understood the Minister of Finance (Mr. Manness) to say that it was going to take five to six years.

**Mr. Manness:** Mr. Chairman, that is not correct. What I was referring to was the new Aisel (phonetic) technology patented and owned by Repap. I was referring to a new technology which does not use chlorine in any sense and they are the world owners of that technology. They believe that it will be the next generation of technology that will reduce pollutants to a minimum once that technology is in place.

**Mr. Angus:** Just one final question on the environment and then we are going to have a layman's brief presentation of what is now, as we know it, and what Repap is intending to do, answering some of these questions in a common-sense language technology.

**Mr. Manness:** Mr. Chairman, yes, but again, the Government will be for making the presentation and the Government will answer questions. It is not Repap's role to come and answer those questions. I will undertake this to the extent possible, to provide for that in the month of April.

**Mr. John Plohman (Dauphin):** Mr. Chairman, before I ask a number of questions about cutting area and so on, I just want to, for the record, enter into the record a small section of the minutes of March 1, 1988, board of directors' meeting of Manfor, in which the president reported on environmental issues, the President of Manfor at that time, Allan Bourgeois. The president advised the directors that, I quote, "New legislation will be in force effective April 1," that is, the new environment legislation. "As a result, full public inquiries will be required each time significant operational changes are contemplated. It is also likely that cutting plans will have to be approved." This was the understanding of the Manfor Board of Directors at that time and clearly, that has not changed.

Mr. Chairman, I believe one of the more controversial aspects of this deal is the impact that the—

**Mr. Minenko:** A point of order, Mr. Chairman. Is Mr. Plohman prepared to table the document that he has just referred to?

**Mr. Plohman:** I do not see any difficulty with that. These are the minutes of the March 1 meeting and I read from part of that. It is public information and I am glad to see that the lawyer is on the ball.

**Mr. Angus:** On a point of order. Are the minutes of the meetings of board of directors of Crown corporations public information? I do not know. I would like a copy of the minutes he is referring to specifically

because he has introduced them; that is reasonable. But the broader question is are they normally public information?

**An Honourable Member:** Maybe all of them should be tabled then for Manfor for the last . . .

**Mr. Plohman:** It is up to the Government, Mr. Chairman, to decide what they want to table. I have some minutes here that I am prepared to give copies of and table but, as I indicated, it is not a decision that we can make in the Opposition as to whether other minutes would be tabled.

**Mr. Minenko:** If you have them.

**Mr. Plohman:** I do not see why I should give you them. I will give you this when I have referred to it.

**Mr. Chairman:** First of all, this is not a point of order, but I would like to ask Mr. Plohman if he is prepared to table those minutes. I believe that would be up to him to do at this point in time. Mr. Minister, do you have any comments to make?

**Mr. Manness:** Mr. Chairman, I guess I would just like to point out that that is the difference in Government. Our Government does not have access to those minutes. We believe our Crowns should be run in a non-political way. I have never seen Manfor minutes to be quite honest with you.

**Mr. Plohman:** I would think that would be rather negligent to the Ministers, unless this is not the Minister responsible—would not have access to the Minutes of the Crown corporations because certainly many of the decisions that are made obviously affect and implement Government policy. I would say it borders on negligence if the Minister does not read the minutes of the Crown corporation that he is responsible for, more than borders on it. As a matter of fact, I think it is negligent.

**Mr. Chairman:** Mr. Plohman, have you any questions?

**Mr. Plohman:** Yes, I do, Mr. Chairman.

**Mr. Manness:** On a point of order, Mr. Chairman, nothing to do with the question. I am wondering if we have exhausted the environmental questions for a period of time, whether Mr. Brandson can return to his office, yet to remain on call an hour or two hours from now, if that is the will of the committee.

**Mr. Chairman:** Does anybody in the committee have more questions on the environment? Mr. Taylor.

**Mr. Taylor:** Mr. Chairperson, the questions that I gather a number of Members are going to want to get into have to do with the forestry aspect and the cutting rights and practices, etc., etc. Now, I do not know if Mr. Brandson, in addition to his environmental expertise, has expertise there or not. If not, then he probably should be excused and allowed to return to his office. Hopefully, it is not some long distance from the Legislature but that potentially an official from Natural

Resources might be required at the table. I point that out to the Minister.

**Mr. Chairman:** Okay, if that is the will of the committee. Then if there are no more questions in regard to the environment, is it the will of the committee then that Mr. Brandson may leave at this point? Okay.

**Mr. Angus:** Mr. Chairperson, let us not forget the aspect that we are in the process of selling the second largest renewable resource in Manitoba. If that is not an environmental concern, I do not know what is. We are selling all of the trees off in terms of cutting rights. How they cut those trees, how they do not cut those trees, may in fact have environmental concerns. If the Minister has assured us or can assure us that we do not any longer need somebody from the environment to answer those types of questions, then I have no difficulty with them.

**Mr. Plohman:** Mr. Chairman, I think there will be from time to time this morning some overlap, and particularly the need for a forestry director here or an expert would be beneficial for the committee, and a person from the environment as well from time to time. There may be questions that impact on the environment. There may be questions that impact on the cutting area, forestry practices, and so on, forestry management. So I would request, Mr. Chairman, that the Minister seek to have one of his representatives from the forestry section, who is on the negotiating team for the province, to be present.

**Mr. Manness:** Mr. Chairman, to expedite matters, let us move into those questions, and certainly we will have Mr. Brandson available. He will not be leaving the building but if we move into those areas that he should be able to answer, certainly.

**Mr. Angus:** On a point of order then, before Mr. Plohman asks his specific questions on the cutting and the implications of cutting, would it be permissible to ask the Minister to give us a brief overview of the cutting conditions and circumstances, to fill us up in the picture as it were as to what they have traded off and what they have not? Then the specific questions can be asked, based on legitimate footing.

**Mr. Chairman:** If that is the will of the committee. If not—Mr. Plohman, you had a comment?

**Mr. Plohman:** Mr. Chairman, I had a line of questions and it will deal with all of those things. I think that the Minister will have an opportunity to—

**Mr. Chairman:** Mr. Plohman will proceed.

**Mr. Plohman:** Thank you.

**Mr. Taylor:** Mr. Chairperson—

**Mr. Plohman:** I let you ask questions—

**Mr. Taylor:** No, no, I do not want to interrupt you, I want a question. It could have a positive—

**Mr. Chairman:** Mr. Taylor.

**Mr. Taylor:** Mr. Chairperson, I had no problem with dismissing Mr. Brandson because of the sort of questioning we are going into. I did put the suggestion on the table, and I would like it responded to, that - (Interjection)- before we proceed with those questions, I would like to see an expert here so that we are not going to be in a position of having to ask questions a second time so that an official can hear. I think we should have an official here now. I am talking about a senior official in the forestry section of the Natural Resources Department. It is incumbent upon these sorts of committee meetings to have the necessary expertise available for both the Government and for the Opposition.

\* (1010)

**Mr. Manness:** Mr. Chairman, this breaks down into a number of different situations. Firstly, dealing specifically with the cutting areas, Stothert Management was our, I guess, experts in helping us through this with some support from the Department of Natural Resources. We feel well versed in that area. We feel that we can answer some, a goodly number, of questions, not all possibly, but we can move into that area.

Secondly, with respect to the larger cut area and the environmental impact, Mr. Brandson is the person whom we should call back. When one looks at the larger cut area and the impact on the environment, Mr. Brandson would be the Government's foremost expert within that area. So let us proceed and I think that we will very quickly determine whether or not we want to have Mr. Brandson return.

**Mr. Chairman:** Is that the will of the committee? (Agreed)

**Mr. Plohman:** As I started to say earlier, I think one of the controversial areas of this deal was the fact that it seems to have impacted on the proposed oriented strandboard factory plant for the Swan River area. That is a very serious issue for the people of the Parklands. That project was in the making for a number of years, I think back to the early '80s, perhaps late '70s. There was a major Weldwood study that was done to determine the extent of the forestry resource there, for suitability for such undertakings.

Then Finmac Ltd. undertook a major pre-feasibility study in the '80s and finally the study rights were turned over to the Penn-Co Group of Steinbach, of which Ernie Penner, I believe, is one of the principals and they were given exclusive study rights to extend to December 15, 1988, to undertake feasibility studies to determine the viability of such a plant and to ensure that there were markets for the product and so on.

The agreement extension was signed by myself as Minister of Natural Resources about a year ago. It extended it to, as I said, December 15, 1988. Penn-Co, I understand, had spent over \$200,000 on these studies and on this project over the years. The federal Government had certainly contributed financial support

through the Department of Regional Industrial Expansion and the province had worked very closely with this project over the years. So it was a major undertaking that was undertaken over a number of years.

As well, federal funding had been promised by Jake Epp in December, 1987, from the Western Diversification Fund. He talked about some \$40 million, prematurely I have to admit, and the Minister smiles. I think he agrees with me on that. Brian White, the Member of Parliament, talked on several occasions about the federal funding that would be available for this plant. As a matter of fact, I think he said it was about 99 1/2 percent certain during the last election in the fall.

We are talking of up to \$100 million major investment, 350 to 450 jobs near Swan River in the Parklands, and it seems that it is snuffed out. I would like to ask the Minister my first question: whether he can substantiate what has been stated in the newspapers attributed to him that indeed the sale of Manfor to Repap under the conditions that his Government has agreed to effectively quashes the chances for an oriented strandboard factory in the Swan River area.

**Mr. Manness:** Mr. Chairman, the Member uses the word "controversial." I do not, I guess, believe that we have a controversy. I think the Government of the Day looked at all potential uses of the whole wood resource, including the hardwood resource in the mountain region, and made a decision. It made a decision given the evidence at the time that the oriented strandboard plant, or the concept of a plant, really was some distance away. It made that on the basis that there was not financing in place that we could determine. To the best of our our knowledge, there was not federal financing in place.

Secondly, the provincial Government had not received a specific request. We are well aware of the project, but a specific request for our role had been referred to. We had some understanding of what might be asked, but again a formal request had not been received by us. But beyond that, we look at the market for this particular type of product and, I say in all sincerity to Members around this table, we had a hard time quantifying where there might be a market and a return.

Now we became aware—because a study came to us from Industry, Trade and Technology that was commissioned indeed by Penn-Co. It indicated that if whoever had control of that resource, if they had an alternative, it was probably better that alternative go into a higher value-added product. That was by their own report, commissioned by Penn-Co, that the long-run guarantee of the jobs—if you can ever guarantee jobs—was probably better seen and recognized if indeed you are able to take it to a higher value product.

We are also aware, because every company that came along we discussed what was happening in that particular industry. For instance, Weyerhaeuser, two of the most modern plants in existence in Alberta, I know were losing—because they told me—fistfuls of money.

We also know that the federal Government backed out of supporting strandboard plants, per se, across

Canada. There was a policy change, but it was not only strandboard plants, I think it was major components anyway, the forest products industry including strandboard plants. They withdrew, specifically, a project in Ontario.

We are aware of a case just last week where a strandboard plant or a waferboard plant in Thunder Bay was sold off from one corporate entity to another and where the purchaser, using the jargon in the industry, got it for a saw. So, Mr. Chairman, the decision that we had to make, recognizing where we were in the point of time, recognizing that there was greater certainty attached to The Pas and district and indeed to the long-run viability of the industry in Manitoba and therefore the guarantee of long-run viability of the jobs in The Pas and district was to allow access to the hardwood cut, given now that technology is in place to deal with the species of trees that just a few years ago I guess was considered, again in the jargon of the industry, a weed. (-Interjection-) Considered a weed, right.

So, Mr. Chairman, that was the basis in which we decided to alter the wood cut area. I also indicate that the Penn-Co Group had upwards of 18 months—at least 18 months—to put into a place a project that I can understand would, standing on its own economic footing, not requiring 50 percent financing from Government, I am sure would have been a treasured industry in the valley area.

But, Mr. Chairman, from the point of view of the Government, recognizing that the cycle, the forest products industry cycle, the paper cycle, was beginning, had already been running for five years and was coming to a point where all cycles begin to drop, that a decision had to be made, and in my view it was made in the best interest of the people of Manitoba. I would say beyond that the resource—because as the Member knows fully well there is a resource in the mountain region which is maturing. In some respects it is overripe and it needs to be used pretty quickly because it is becoming extremely more vulnerable to decay and indeed to fire. I know we have made the right decision.

\* (1020)

**Mr. Plohman:** Mr. Chairman, the Minister makes a lot of statements as if they were facts in terms of the viability of such a plan and so on, but studies have been done that show this was a viable project, that the markets were there, that they were determined clearly in the studies.

I want to ask the Minister, when did he change his mind about this project and the importance of this project for the Swan River area? When did he abandon his policy that the Manfor sale would not impact on the cutting area, the hardwoods in the mountain section of the forest section, because he has clearly put on the record, Mr. Chairman, his position contrary to what he is saying this morning.

**Mr. Manness:** Well, I do not know. Mr. Chairman, I have no idea what the Member is talking about as far as changing the position. I am saying that an agreement,

a Memorandum of Agreement or exclusivity agreement, entered into with Penn-Co by the Government ran its course as of the end of December 1931. Certainly, I say to the Member that had this been such a feasible project, the financiers of the world, i.e., the banks, would have jumped upon it very quickly.

If it had had no risk attached to it, Governments would not needed to have been approached and, Mr. Chairman, this Government had been mandated by the people of this province to divest itself of the only interest it had within the forest products industry and it is attempting to do so. So, Mr. Chairman, when the Member asks me the question when I changed my mind, I would only say that when it became obvious from our viewpoint that the OSB board plan was not proceeding in a fashion unless Government was going to be able to shore it up in a significant fashion.

**Mr. Plohman:** Mr. Chairman, the Minister makes statements like, who says it had no risk. No one has ever said this project did not have any risk. Any major project has risk. It is a totally absurd statement to make that this project would not have had risks. Of course it would have risks.

But he went up to Swan River with his colleagues, the Minister of Trade, Mr. Ernst, and I believe Mr. Penner on June 29, 1988, and he assured the people of Swan River that the Manfor sale would have no impact on this project and that the project in Swan River was a priority. As a matter of fact, he also phoned the secretary-treasurer of Swan River on August 16 and assured that person, and he took notes, that in fact the Swan River project was a priority and the Manfor sale would have no impact on the cutting area. They would see to that and that was in fact the policy that our Government had very clearly.

The MLA for Swan River, Leonard Harapiak, at that time the Minister of Agriculture, myself as Minister of Natural Resources and the Minister Responsible for Crown Corporations, Gary Doer, had taken that position very strongly and that carried on in the negotiations, it seems, unless the Minister wants to dispute what I am saying insofar as what he assured the people of the Swan River area, the town of Swan River in June and then again in August, that that had indeed been a priority initially and that was abandoned.

So indeed the Minister has flip-flopped on this issue. He has taken a different position. I ask the Minister if that is in fact correct that he had assured the Town of Swan River that the priority would be the waferboard or the oriented strandboard development in Swan River and that, in fact, it would not be impacted on by the sale of Manfor.

**Mr. Manness:** Mr. Chairman, why would the Member come forward now and make it sound like something that was said in June, and he quotes in August, make it appear as if all the circumstances surrounding that statement were unchangeable, almost 10 months later.

Mr. Chairman, I remember those days well and what the Member says is correct. At that point in time, we were assured as Government that this project was

coming. We were given all the assurances, and I must tell you we were not the lead Government in this project whatsoever. So, Mr. Chairman, we accepted that we recognize the fact that the former Government, when Weyerhaeuser first approached them and appealed to them to take the cut south, they had to make a decision at that time. I take it that they said they preferred not to, given those set of circumstances. But from June and August, halfway through the year to the end of the year, there was some hope and some expectation that Penn-Co would be able to, firstly, find the market because all the advice that we had was that the market was not there; secondly, find the financing; and thirdly, be able to put the project together. All of a sudden December came along and from our viewpoint, again not being intimate with the project, as the Government, it became obvious to us that there was some difficulty in putting that project together. The Government felt badly about that. But what does one do when you realize you have buyers who are prepared to make certain offers for a certain wood resource?

Mr. Chairman, to even go further, we asked whether there could be compatibility as between a smaller OSB plant and indeed some of the other half of the hardwoods going and being used in the pulp facility in The Pas. We asked that question many times. We were told that it could not occur. So we did in our view, in my view at least, everything humanly possible at that point in time to ensure, firstly, up until the end of the year to exercise the good faith that we had entered into by way of agreement that the OSB plant come into be a reality, but after that point we had to make a business decision whether or not it could occur. We felt that given the circumstances that the best procedure was to enter into an agreement with Repap for an alternate woodcutting area. As Mr. Plohman knows fully well, that area, the mountain area, was a condition of negotiations with Weyerhaeuser, and the NDP former Government proceeded with them. He knows that was a condition of one of the major companies that were into negotiations with the former Government.

**Mr. Plohman:** Mr. Chairman, I am very happy the Minister raised that because, in fact, that was one of the reasons Weyerhaeuser would never have been the purchaser with that condition. It was clearly stated, directed from Cabinet to our negotiating lead Minister, the Member for Flin Flon (Mr. Storie) at that time, the Minister responsible for Manfor, that the cutting area would not be impacted on. As a matter of fact, Repap was not insisting on it at that time. So somehow this Government managed to negotiate themselves from a position where Repap was not interested in pursuing as a primary objective that area, to giving that area away so that the other project could not proceed. That is the sum negotiations by this Government.

I want to say that the Minister has identified a very serious problem between the two levels of Government. It surfaced in the Alumax aluminum smelter deal and it has surfaced again. That is a communication problem. He says we were not the lead Government. Is he saying that Brian White is lying to the press when he says the final stage was to be a federal Cabinet submission as early as this month, in the same paper where the

announcement of the sale or giveaway of Manfor, or whatever terms that someone wants to use? Is he saying that at that same time this interview by Brian White is not correct? Was he aware that the federal Cabinet was going to consider a submission?

Was he aware that the Western Diversification Fund had just completed a study that was very favourable just 10 days before with regard to that project? Or is he saying that is all hyped by federal people, by Penn-Co, or Ernie Penner? I talked with him. He indicated that the discussions were ongoing, that the work was ongoing on this project, that it was proceeding in a favourable way. Is he saying that is not true either, or was he not aware of it? Is there a communication problem? That is what seems to be the problem. Does he not talk to his federal counterparts? I find this incredible, Mr. Chairman.

\* (1030)

**Mr. Manness:** This Member always finds everything incredible. That is why he was never given any responsibility in the former Government to be involved in dealings like this.

**An Honourable Member:** Quite a low shot.

**Mr. Manness:** Well, Mr. Chairman, let us say something for the record. First of all, we have got it in the minutes, not the minutes but indeed some of the discussion that went back and forth that Repap also requested the southern cut area. Why does not the Member be so honest as to indicate that? At no time was it indicated to Weyerhaeuser in our coming into Government that the southern wood area would not be included in any negotiations.

The former Government made it known to us subsequently that they, indeed again today, would not have countenanced an agreement whereby the southern wood area was used. But that is not anywhere recorded in fact. Indeed, the first meeting I had when I took over the responsibility for the divestiture was with Weyerhaeuser and they made it known at that point in time that the condition to them was that they have access to the southern cut area.

In no way and at no time did they indicate that the former Government had said once and for all, as a decree from Cabinet, that they would not have access to that wood, so let us be brutally honest here.

Mr. Chairman, further with respect to the Penn-Co proposal, I do not cast aspersions one way or the other. The Member asked me to relate the set of circumstances in place. I have attempted to do that. I also indicated that Government, being in Government, forces one to make decisions at certain points in time. I guess under a perfect world it would have been great to have had another year to see how the Penn-Co proposal was developing, but in all honesty there was not a year there.

Government had to make a hard decision given the set of circumstances that were in place in that point in time, and it did so.

**Mr. Plohman:** Being brutally honest, the Minister knows that that southern cutting area, the mountain forest section, was not up for negotiation. He knows that because that would be right through the Civil Service that were involved in the discussions. He knows that because it was a position that Repap would have clearly enunciated to him. It was clear from all discussions that we were not in any way—and we stated that—going to impact on the waferboard plant with the sale of Manfor.

For the Minister to try to change that record now is just not going to work. If he is brutally honest he knows that was our policy. I ask him when was the decision made to, in negotiations, include discussions with the southern cutting area and a Swan River component to the sale of Manfor? When was that decision made?

**Mr. Manness:** Mr. Chairman, I repeat exactly what I have said. When it became evident that there was not a market for the product; secondly, when it became evident that there was not financing in place; and thirdly, when it became evident that the proposal was going to require a considerable amount of Government support plus some period of time yet to bring into place at that time the Government considered the feasibility of including the southern wood cutting area into the major development plan associated with the expansion of Manfor.

**Mr. Plohman:** Mr. Chairman, when did all these things become evident in the Minister's mind?

**Mr. Manness:** It became evident after the completion of the exclusivity provided to Penn-Co.

**Mr. Plohman:** Mr. Chairman, the Penn-Co Group asked in a letter in September for an extension to that exclusivity study agreement that had been extended to December of '88 because they realized that the discussions were taking somewhat longer with federal officials for federal funding. Why did the Minister not respond to that request that was made by the Penn-Co Group to have an extension to that agreement?

**Mr. Manness:** Mr. Chairman, Penn-Co already had 18 months, some might say two years, to develop the proposal. I do not know how long Government is expected to go. That is considered within the business a pretty long period of time to have exclusive control of a resource to try to develop a project. The Government of Manitoba, in my view, had been pretty fair in that respect.

**Mr. Plohman:** The Minister knows that all of these things take time and when he talks about a substantial amount of Government funding, he should look at what the taxpayers since the days of Duff Roblin have put into Manfor and he should look at what has gone in, in terms of taxpayers' assistance in this sale. How can he say that funding by the federal Government from the Western Diversification Fund was somehow making this project, this waferboard project, unfavourable in his eyes, that it was no longer a priority?

**Mr. Manness:** Again, I know the Member does not understand some of these basic building blocks. There

is more to the component than just the jobs that the OSB plant, hopefully, would have provided to the valley area and, indeed, important jobs to that region, ones that we want to see in place also.

But the Member must realize that the factor associated with the production of paper, the value added with the production of pulp, I should say, is upwards of three times, four times, the value associated with producing strandboard. And by the companies very own commissioned consultant's report, looking into the feasibility of strandboard production contained within that report, there is a strong indication for dollars and capital that is to be invested. Now that technology is in place to deal with those hardwoods, that the greater safeguard associated with, firstly, the investment and, secondly, the jobs would have been very much better suited towards pulp production.

I did not come to that conclusion. The consultants commissioned by Penn-Co came to that conclusion. Mr. Chairman, once it became evident that there was no market for the product, secondly that there was no financing in place, thirdly there was not a proposal, a hard proposal that was coming forward to us, Government had little alternative but to move in the path it did.

**Mr. Plohman:** The Minister, I think, will regret making statements like "no market," blanket statements like that, because it certainly is not true.

I would ask the Minister if he would table that report he is referring to, since he is selectively referencing one section that he says says something about a higher value-added product would be beneficial. Where is the rest of the report with all of the positive aspects to this project? Where is the documentation that Penn-Co says they have that made this project very feasible and that Western Diversification Fund agrees was a viable project? Would he table that?

**Mr. Manness:** Mr. Chairman, the Member indicates that he has access to all of this information from Penn-Co. I am sure he can obtain a copy of that as well as I can, but again I ask him to bear in mind that 50 percent, so-called 50 percent, of the proposed capital was to be provided by Government and again I point out, surely, if it is a project that is going to provide return and be viable in itself over a period of years, certainly, lenders would wish to put up a much larger and indeed, investors, a larger proportion of the total capital commitment.

\* (1040)

**Mr. Plohman:** Mr. Chairman, the Minister is skating on thin ice when he references forest projects that require 50 percent of federal funding or Government funding as if this is somewhat unique. I might remind him of the CFI funding, that Duff Roblin and Walter Weir got themselves into years ago. What about some of the references in his document that talks about Government participation in projects in other provinces? He knows full well these kinds of projects all take major economic development funds from senior levels of

Government to make them work. That is why he has subsidized past what is even reasonable in this case, this Manfor sale, which will be brought out through discussions once we see all the figures, the facts and figures on this sale. But what he has done in addition to that is thrown away an opportunity, an economic development opportunity for diversification of the economy of the Parklands Region. There is a controversy. People are very upset about this because they saw a very viable project go down the drain in the negotiations and it was done prematurely.

I ask the Minister was he not in communication with the federal Ministers during these discussions or is he simply indicating, as I believe is the case, that he simply got them off the hook on their promise for funds? Is that more accurate? Is the Minister saying today that what he did through this project is got Jake Epp and Brian White off the hook on their promise for funds for the waferboard plant, for the oriented strandboard plant, or did he not even communicate with these levels of Government? Which was it?

**Mr. Manness:** Mr. Chairman, let not the Member put words in my mouth. I guess if anybody got the federal Government off the hook it was probably Penn-Co, because they were unable to find the market for the product. Secondly, they were unable to find the financing, so I was led to believe.

Mr. Chairman, with respect to the project, comparing one versus the other, surely the Member is astute enough to know that upwards of 200 of the jobs that are going to be put into the Swan River area by Repap are the same 200 jobs that would have gone into the Swan River under an OSB board plant, because it is harvesting and transporting. Whether the wood goes into strandboard or whether it goes into pulp, still the vast majority of the jobs in both proposals is the harvesting and the transporting of wood. Why cannot the Member be so honest as to admit that?

**Mr. Plohman:** Mr. Chairman, the Minister talks about value added, about a product that is more refined. The fact is that the particle board plant in Swan River would have resulted in more refining, more processing in the Swan River area than will take place under this proposal. Certainly that is the case. So he should not use that as an argument that there will be less processing taking place in Swan River under a waferboard oriented strandboard project than there would be under the terms of this sale. In terms of benefits for the Parklands, there will be less. In fact, the Parklands will be the hewers of wood and the drawers of water for further processing that will take place in other places, like perhaps some in The Pas and some in Wisconsin. Is not that a fact? That is where some of this product will go.

So I ask the Minister, could he table the evidence that there was no market for this product? Could he table the proof that he refers to that there was no market for this product? Could he indicate who has provided that opinion? Could he table any documents to support that statement?

**Mr. Manness:** Mr. Chairman, if the Member would just want to survey the market, if he would just want to

make a few calls, just go to the effort of calling a few people in the industry, just a little bit of effort, rather than putting all his trust and faith in a couple of paragraphs. I used that as one example. I did not put my final faith in any consultant's report. I know that seems to be the way and the manner of the former Government. Indeed, it was not our view. We commissioned the industry in the sense of speaking to individuals totally unremoved from this project to try to get a better understanding of the future of a board plant. We came up to the subjective conclusion, subjective—and I use that because obviously the Member will want to take argument with—that there is today and for the foreseeable future. There was no market for the lower value-added product.

Now, at no time did I say that the higher value product using the hardwood was going to accrue specifically to the mountain region, I did not say that. When the Government makes a decision, it does so for the benefit of the province, it has to. It looks at it from the perspective of the overall economic benefit to the province. Given the set of circumstances at the time, and I repeat this, there was little alternative but to move on the best proposal that we had, yet as having as a major subset of that, some recognition, a major recognition I might add, of Swan River's importance and the role that it should play in the larger development.

**Mr. Plohman:** Mr. Chairman, the forest resources belongs to the public. Over the years it has been tied up by major companies. In fact, a lot of small operators have spoken to me about the fact they felt they do not have fair and equal access to the timber resource in various areas, and I think the Minister is aware of that.

I ask the Minister then how long has he tied up this forest resource, this hardwood resource, which was not previously tied up? He had the softwoods tied up with major agreements, forestry agreements. How long has he tied up this hardwood resource now in the mountain region, through the Manfor deal, that will prevent such a project as an oriented strandboard facility being constructed in the Swan River area?

**Mr. Manness:** Mr. Chairman, it is a normal forest agreement. To the best I recall, it is 20 years.

**Mr. Angus:** Twenty years for that, you said?

**Mr. Manness:** Subject to finding the specific, I believe it is 20 years.

**Mr. Plohman:** Mr. Chairman, I would like to have specific facts on them. If this is the case where the forestry experts should be brought to the committee and perhaps that should be the case, if the Minister is unable to answer details about the forestry agreement.

**Mr. Manness:** Mr. Chairman, it is 20 years, which is the standard, indeed, which the former Government was prepared to enter into. Again, I point out for the record that the Manfor cut in area has changed precious little. The configuration has changed some, but the cut



area, as a number, has changed precious little as to what the former Government was considering in their ultimate agreement, and indeed what Manfor has today.

**Mr. Plohman:** The fact is total hectares are not the relevant issue here, although it is significant. What is very relevant is where those are located. You can have depleted areas taken out of a cutting area and you can have new areas with very abundant timber added, so that can be very misleading in terms of the total number of hectares. What is important is where they are located. Can the Minister indicate the extent of the cutting area that has been negotiated with Repap and given to them under this agreement, allocated to them?

**Mr. Manness:** Mr. Chairman, if the Member wishes we will bring in the map and show specifically the cutting area. I see he has a map. Maybe he wants us to use it, but we will bring a map in and show specifically the area in question.

**Mr. Plohman:** I would be very pleased to ask the Minister to use this one and to show the people exactly how much he has extended the cutting area. We see an area there that is the one that Walter Weir and Duff Roblin gave to Manfor, CFI, another private company from 20 years ago. Now, how has he added that? I have a red felt pen here. Is the Minister aware of precisely where he has extended that and what he has taken off so that we can just see how the people of the Parklands are impacted by this decision that he has made, by the forest resources being removed for future development in the Parklands.

\* (1050)

**Mr. Manness:** Mr. Chairman, if the Member would provide the map, we will transfer on to it the new configuration of the cut area.

**An Honourable Member:** This will not be that accurate because what we need is a forest manual.

**Mr. Plohman:** Well, I will not hold . . . Mr. Chairman, I want to get a general idea of the configuration so we have an idea of why this project is now pre-empting a major development in the Parklands. How much has Repap received of the mountain forest section through this deal, and to what extent will it pre-empt any future developments? I understand there are close to 600,000 cubic metres of hardwoods for annual allowable cut in the mountain region. Only about 6 percent to 7 percent of that was allocated prior to this. How much has this Minister allocated of the annual allowable cut to Repap of the hardwoods? My second question is what annual allowable cut has he allocated for softwoods in that area, if any?

**Mr. Manness:** We will provide all of that detail. Certainly the vast majority of it has been provided by way of agreement to Repap, virtually all of it, I might add. But specific to the other question, again it is not a question, it is a comment. The Member says it was a major developmental project around the corner. He paints the image, I suppose, that there was a major new industry

that was just about to happen. Mr. Chairman, if that had been the case, it would have happened. It would have happened because there was a group in the province who had the first right to see it come into being. Scarcely eight months, nine months ago, the provincial Government believed it was coming. Given the circumstances at the time, into 1989 it became evident that it was not there, that there would be no long-run use of those hardwoods unless somebody, now with the new technology in the pulp industries, could use it. And they needed to be used, I agree.

So the Member is wrong in a number of respects. He says there is no project in the mountain area. There is nothing further from the truth. Repap is guaranteeing upwards of 250, indeed even more jobs within the Swan River area to be put toward the usage of the hardwoods. So the Member is wrong and he is right. He is wrong in saying there is no project there because there will be a project there. He is wrong in saying that those hardwoods are not going to be used, because they are.

(The Acting Chairman, Mr. Edward Helwer, in the Chair.)

**Mr. Plohman:** Clearly, Mr. Acting Chairman, if any of the people of the Parklands have been misled it is because of statements made by federal politicians that indeed this project was imminent, and there were studies to substantiate this was a very good project. The Minister today is throwing a completely different light on that project. It will be determined as to whether he is accurately reflecting the status of that particular project or if, in fact, the politicians were misleading the people of the Parklands Region with regard to it right up to the day of the sale, as quotations from Brian White indicate that this project was moving along very well. I ask the Minister if, in fact, he is aware of how this will impact on existing operations with mills, small operators in the Parklands Region, where the hardwood resource has been allocated to Repap? Is he aware of whether this is going to mean a reduction in the operations in any way?

**Mr. Manness:** Mr. Acting Chairman, there will be no impact. The small operators will still have access to wood supply. Furthermore, we requested of Mr. Petty, indeed some of the additional amounts even be provided to operators that may want to come forward over the next number of weeks and few months, and so we have a situation where everybody that is producing today in a smaller fashion is safeguarded and indeed anybody else over the next short period of time also will be provided some access.

**Mr. Plohman:** Mr. Acting Chairman, as this Minister indicated earlier that he had fully allocated the hardwood resource in that area to Repap, does that mean that there will be no residual hardwood quota left for anyone else that wants to get into business in the future, the small communities in the area who might want to undertake cutting operations? Will they simply have to work for Repap or will they be able to deal with the province on this resource?

**Mr. Bessey:** Just a point of clarification, what was given to Repap in this area was the unallocated hardwood resource.

**Mr. Manness:** Mr. Acting Chairman, again the words I said "the majority of the area," and I did not categorically by that mean every every area and that has been clarified by Mr. Bessey.

**Mr. Plohman:** Mr. Acting Chairman, what we see here is a major change to the cutting area here that now extends well down into the Swan River-Parklands area and means that no further projects just north of, up to Winnipegosis area, has all been tied up by Repap and no further developments can take place because there is no resource left.

The Minister has indicated that resource has been fully allocated to one company. All of the quota that had not been allocated previously is now allocated to one company and further developments will not be able to take place. I want to know what consultation was done.

**Mr. Manness:** Mr. Acting Chairman—

**Mr. Plohman:** Is this a point of order or is this just—  
Mr. Acting Chairman, I am not finished.

**The Acting Chairman (Mr. Helwer):** Okay.

**Mr. Plohman:** Mr. Acting Chairman, what consultation was done with the people of the Parklands Region before such a major giveaway of their resource was undertaken by this Minister?

**Mr. Manness:** What is obvious is that we have struck a pretty fair deal and the Member has no course of questioning whatsoever. Mr. Acting Chairman, again I repeat, if that area had been given and had there been a viable project to use it and had it been directed towards that project, then obviously that area would have been gone just like it is now, but it is now part of a larger project. But yet it still draws its own jobs; it draws its own development project based in Swan River.

Mr. Acting Chairman, so let not the Member again say that the wood resource has been lost, somehow magically lost, and that there is not a project to go along with that wood resource. That was one of the major aspects of the announcement that Swan River was going to share in it. So rather than it being a stand-alone OSB project that would employ upwards of 300 jobs, upwards of I believe it was a \$60 million investment that was being talked about at that time, which would have required all of that cut area, that new red area at the bottom of the Member's map, instead of that what you have is the same wood resource now being committed to a different development project, one that is part of the Repap development, but one that involves 250-plus jobs in Swan River, the vast majority which are the same jobs, cutting, harvesting and transporting.

So, Mr. Acting Chairman, let not the Member say that because of this large announcement that Swan River has no activity, because that is the furthest thing from the truth, Swan River has a development project. It is not stand alone, it is part of something that in the Government's view has a greater opportunity and a stronger viability associated with it in years to come.

**Mr. Plohman:** He did not answer my question, Mr. Acting Chairman. I just asked about consultation with local communities and I believe it is unfair to—

\* (1100)

**Mr. Angus:** I appreciate that. My hand is raised for a point of clarification. I am confused by this map. I wonder if I can get a clarification on this map. The shaded area, perhaps you would like to just give me a clarification and then it might clear up my concerns.

**Mr. Manness:** Mr. Acting Chairman, I will ask Mr. Bessey to review the alteration and configuration of the cut area. But before I do, when the Member asked the question about consultation, we are dealing with a billion dollar project, the largest industrial project that this province has seen. We have entered into an agreement based on about 25 or 28 different major issues. We were mandated to do so by the province, by the people of this province who asked us to divest of Manfor. That is the course we followed.

**The Acting Chairman (Mr. Helwer):** Okay, just a minute, Mr. Bessey is going to describe the cutting area.

**Mr. Bessey:** The old Manfor area is the one in black.

**Mr. Manness:** Let us bring it up here and we will speak to it.

**Mr. Bessey:** The old Manfor area is the area contained in black comprising 105,000 square kilometres and an annual allowable cut of 3.2 million cubic metres a year, softwood/hardwood. I am going by memory, but I believe of that, 2.4 million is softwood. The red area, actually should have gone right along here as well, from here down into the lake. This is the Repap area comprising essentially the same land area, 108,000 square kilometres as opposed to five and exactly the same annual allowable cut, 3.2 million cubic metres a year. This is lopped off. The most northeastern extent is now available for other uses. The area the Member is speaking specifically of is just the southernmost area. The reason we are talking essentially exactly the same land areas and annual allowable cuts is simply that the land area is exactly the same, it is just a reconfiguration as to where we are going to get it.

The reason is that it is the highest value utilization of that resource which was available. The Pas is right in here. These areas are excluded, by the way, sorry, these parks—

**Mr. Plohman:** Parks?

**Mr. Bessey:** —and forest reserve. The Pas is right at the southernmost tip of the Clearwater Lake.

**Mr. Angus:** Could you point out what areas have been cut out?

**Mr. Bessey:** This whole area—

**Mr. Angus:** The area that you did not sell to Repap has already been cut out, and it takes 60 years to grow the trees back there, is that—

**Mr. Bessey:** Oh, sorry, you mean what area has been harvested?

**Mr. Angus:** Harvested, yes.

**Mr. Bessey:** When you forest an area, you harvest it in its entirety.

**Mr. Angus:** Okay.

**Mr. Bessey:** You do not go into a whole region and clear cut it and then move in this way.

**An Honourable Member:** Sometimes they do.

**Mr. Bessey:** In good forest management and practice you do not because your per unit cubic metre cost that way is a lot higher because what you want to do is take some of the most expensive wood, some of the cheapest wood, some of the medium expensive wood every year and in that way in perpetuity you can manage your wood harvest costs.

**Mr. Manness:** Manfor was not doing that.

**Mr. Bessey:** Manfor was not doing that well. Partly because of the sawmill operation, they kind of cleaned out in the early years. So they have extremely high wood costs of \$40 per cubic metre when they should be \$30, part of the big problem.

What Repap will do is manage the area for a new forest management plan which is filed with the department every five years and monitored by the Department of Natural Resources and Forestry which adopts all modern forest management practices including managing the entire area as opposed to just cheap areas or expensive areas.

**Mr. Angus:** When you say that a licence has been given for 20 years, does that include public hearings? Does that include a submission of a plan every five years? What is the process?

**Mr. Bessey:** The 20 years is a standard forest management agreement which had never been subject to public hearings as these ones will be. Manfor had initially just started a process because they had just come under The Environment Act, but of course because they had been filing forest management operational plans every five years and not making them subject to The Environment Act or any assessment of any kind they were given a grace period to do that. By the end of this year they would present a plan for the next five years, kind of thing. Both the reforestation, the operational management plan and the conversion process itself, both components of the public hearing process for the first time.

**Mr. Angus:** Does that allow you to alter that licence and put assurances of the licence of cutting?

**Mr. Bessey:** The Department of Natural Resources has ongoing responsibility for the approval of those five-year management plans and the conditions they attach

to the company's use. Part of that would be the reforestation, to make sure that the funds flowing out of the reforestation fund, actually when reforestation and scarification are done according to forestry standards, that stream crossings, for example, where they have to build an access road or meet environment guidelines, proper culvert signs, those kinds of things.

**The Acting Chairman (Mr. Helwer):** Are there any more questions pertaining to the map? No, just a minute, I asked you if there are any more questions pertaining to the map. Is this pertaining to the map, Mr. Angus?

**Mr. Angus:** Mr. Acting Chairperson, there may in fact be questions that are related to the map, but we can certainly ask the Minister to hold it up again. He does not have to stand there and hold it if that is your—the specifics.

**Mr. Manness:** If there are a series of questions, I will hold it.

**Mr. Angus:** There are a number of questions that relate to people such as the Channel Lake Loggers and those types of things.

**Mr. Plohman:** The Acting Chairman has let this get out of hand here.

**Mr. Angus:** I will turn it back to Mr. Plohman then, if he is upset about that. I do not have any specific questions about the map at this particular time.

**Mr. Plohman:** I asked earlier, but the Minister did not answer, whether he has allocated any annual allowable cuts through this deal of softwoods in that area.

**An Honourable Member:** In the southern where?

**Mr. Plohman:** In the mountain forest areas, the extension area of the cutting area. The Interlake, there is some, I guess, as well.

**Mr. Bessey:** Right, in the total southern area there is non-allocated softwood resource of about 100,000 cubic metres a year.

**Mr. Plohman:** That unallocated, Mr. Acting Chairman, as a result of a change in ownership, some of the existing mills, are some of them going out of business because—

**Mr. Bessey:** It had never been allocated.

**Mr. Plohman:** I will just leave that. It was clear a year ago that all of the softwood allocation annual allowable cut had been allocated that was accessible and marketable, in that area.

Mr. Acting Chairman, I just want to ask the Minister further, regarding this whole area of major expansion into an area that was expecting to receive a very different project in very short time, what steps has he taken under this agreement to maximize and ensure

benefits to local operators and residents of the area, the local mill operators now, the woodcutters in the area? What benefits, special benefits, will they get under this agreement now that this major resource has been allocated to a major company?

**Mr. Manness:** I can tell the Member, indeed, if he wants to verify this on his conversation with principals from Repap. They prefer not to harvest their own wood, they prefer not to sink in investment into the capital necessary to harvest. As a matter of fact, all of the companies that we dealt with sensed that their greater profitability would come, no doubt, from individuals who are prepared to provide wood as entrepreneurs to their company. Repap is no different than any other, to the extent that there are operations out there, operators who are prepared to harvest and even transport wood to the door of Repap. There is great opportunity, incredible opportunity, through that whole area. That is the extent that can occur.

Again, Mr. Acting Chairman, I say to you, with respect to the development within the mountain region, it was an either/or option. We had chose the highest value use because, in our view, the OSB facility was one in concept, but was one which had some considerable distance to go before it came into being real.

**The Acting Chairman (Mr. Helwer):** Mr. Minenko had his hand up first, Mr. Plohman.

**Mr. Plohman:** Well, I wanted to ask a question, Mr. Acting Chairman, on this issue.

\* (1110)

**Mr. Minenko:** I am sure Mr. Plohman, in the spirit of cooperation, would certainly be prepared to yield the floor for a few minutes seeing we started about ten o'clock. I am sure Mr. Plohman, in the spirit of cooperation, would certainly be prepared to yield the floor for a few minutes, seeing we started about ten o'clock.

With respect to the harvesting policy that the Minister just alluded to, one of the concerns that was raised to myself as well as other Members of our caucus who spent some time up in northern Manitoba in January, was that in some locations the Government had allocated a quota as to what would be allowed by a particular individual or group to be cut. Yet these people advised us they were prepared, willing and able and ready to carry on that cut, except that Manfor never really came around to actually purchase that wood and make the final arrangements.

I am just wondering if the Minister could advise us as to how this particular problem would be addressed and perhaps seeing that the Minister responsible for Manfor (Mr. Ernst) is not here today, if the Minister could possibly advise us: (1) about that Government policy; and (2) whether these same circumstances can be expected by individuals who have in the past and perhaps in the future will be allocated certain quotas, and yet are not able to harvest and earn additional funds for themselves because the end user, the user of that product chooses not to go into that area.

**Mr. Manness:** Mr. Acting Chairman, I can give you the general answer to those questions. Obviously, all of the wood that had been allocated in a quota sense to suppliers was not brought forward because there were negative margins on the product. The more wood that was run through that plant, the more money that was lost over the last number of years. So consequently, management, and probably supported by the Government, has said, we will take the amount of wood necessary to maintain the facility, maintain the employment, but there is no way we are going to take delivery of all the product that we could, the input, because of course it would just, given the negative margins in place, represent a greater loss on the balance sheet. Now that is where we were.

Where we are going is the requirement for three times the amount of wood supplied. I have been told by Repap, not only will they need the full amount that has been allocated to these operators who supply wood, but in cases where they or other operators are prepared to provide to the company larger amounts by whatever process is in place for them to gain that allocation, they need that wood. They are preferring a supply situation to them, a tenure whereby the individuals who supply the wood are their own entrepreneurs.

**The Acting Chairman (Mr. Helwer):** Does Mr. Plohman have a couple of questions to finish his questioning?

**Mr. Plohman:** Mr. Acting Chairman, I just want to draw the Minister's attention that he continues to talk about up to, now he is saying there could be more, but his announcement said up to 250 jobs in Swan River.

I want to ask the Minister whether he can say categorically that these are all new jobs or whether these are some existing operators that would be supplying some timber to the chipping facility at Swan River?

**Mr. Manness:** It depends how one defines jobs. I would suppose if Repap owned all of the activity from the harvesting onward, but in the sense that they are individual proprietors who come forward and are cutting a small area, now have an opportunity to cut and supply wood from a larger area, then that number would be included. There is still the economic activity associated with 250 new jobs and growing beyond that.

**Mr. Plohman:** So, Mr. Acting Chairman, just to clarify, these may or may not be new jobs that we are talking about. Some of them may exist, to a certain extent, already in the local industry that is there.

**Mr. Manness:** An individual is cutting an area of wood today and that expands tenfold, then obviously that individual is going to need to hire individuals to do that work. So obviously that is what we are talking about. Those are new jobs. Now, whether they are new jobs under the payroll of Repap or they are new jobs under the payroll of an existing operator who is going to expand his operation manyfold, just to me is academic.

**Mr. Plohman:** Okay, just to follow up on that and to remind the Minister as well that he is comparing 350

to 450, the figure that was the estimate when we were involved in the discussions for an OSB plant in Swan River versus 250 jobs, so when he is talking about a project he should keep that in mind.

The other thing that is evident from the Minister's statements is that he has sacrificed jobs in the Parklands Region for what he says is greater processing or value added in other areas of the province. I want him to clarify that as to what degree there is a greater processing from—and jobs therefore, and value added for the province as a result of the pulp and paper industry versus the oriented strandboard and how much of that will be done in Manitoba and how much, if any, will be done in the Wisconsin plant of Repap.

**Mr. Manness:** Mr. Acting Chairman, I will ask Mr. Bessey to answer that, but let me say firstly that all of the product from Swan, hardwoods, all of it is going to have to move north for processing into pulp. No part of it can go to Mid-Tech in Wisconsin until after it has gone through the pulp process, so every part of it is going to go—

**An Honourable Member:** Partially processed.

**Mr. Manness:** Well, most of the product, as we have indicated in the announcement, until you have a paper machine there, virtually all of that product is going to go out in pulp form to somewhere, until there is a paper machine there, and as Mr. Petty indicated in his announcement in The Pas and the Swan, that is the uncommitted Phase III of this whole process, having access to reasonable power, given the changes within the dynamics of his own company, that he can foresee by the end of the decade or sooner, provision for a number of paper machines. But let me not go off on that point. I guess the point we make is the value added and strandboard, I understand, is selling for—we do not have these numbers on the top of our head, but I thought strandboard was selling roughly in the area of \$150 to \$200 a tonne, whereas pulp is selling a factor three or four times that.

**Mr. Plohman:** The Minister has talked about no market and, of course, he knows that the oriented strandboard has been taking the place of plywood in house construction and various construction requirements. Over the last number of years there has been a rather phenomenal growth in its use so I would like the Minister to provide information that would demonstrate that there is no market for this product. As he said, his words, "no market" and I would like to ask him as well whether he can state categorically that the federal officials had indicated to him that there was no federal funding available for this project, as he has indicated that there was no funding available and, in fact, whether they had indicated as well that there was no market and no way they could provide assistance to this project.

**Mr. Manness:** Mr. Acting Chairman, at no time did I say there was no federal funding in place. I said that there was no total project financing. I did not see where it was in place. As far as the federal Government, I will let them make their own pronouncements specific to this project. It is not for me to speak on behalf of

the federal Government. My references to financing were the whole project. The views of the federal Government on the OSB, the potential and all that, they will have to speak for themselves. All I know is that the Government of Manitoba had to make a judgment call at a point in time and did so.

Mr. Acting Chairman, again, when I say there was no market, there is always a market at a price. When I say there is no market, I am saying at a viable return to all the people who invested, and the Member says no. All I can tell him is that there was not a buyer, that there was not a person that I have not spoken to in this industry, not all of them buyers, the people that we encountered along the way, that I did not ask that question to them, what is the future of the OSB industry in this country. All of them said that if you are prepared to wait a long time, if you are prepared to sink in a lot of money, shore it up, continue shoring it up for a period of time, that ultimately there may be a place. But what was happening today was that those major companies, Weyerhaeuser, MacMillan Bloedel, and so on and so forth, that all had these plants, they could not spin them off quickly enough. They were giving them away.

\* (1120)

**Mr. Plohman:** Modern technology.

**Mr. Manness:** Modern technology. The Member talks about modern technology. Weyerhaeuser has the two most modern plants going virtually in Alberta. They do not use 450 people, I say to Mr. Plohman, many hundreds less. And yet, talking to Mr. McGinnis, what has happened, they are—

**Mr. Plohman:** Forestry jobs.

**Mr. Manness:** Well, the Member now is saying to heck with economics. Now you are talking about forestry jobs.

**Mr. Plohman:** I said the forestry jobs as well.

**Mr. Manness:** Mr. Acting Chairman, I am talking about total, total harvesting right through the process. The fact of the matter is that today there is no viability associated with them. Now maybe the Member can make a point that 10 years from now there may be. If he can see that well into the future, then I will listen to his argument. But, at this point in time, given the circumstances, the Government had no alternative but to change the configuration of the cut and did not proceed, and to provide a guarantee, finally a guarantee to the 850 existing jobs in The Pas and the district area, plus the up to 300 new jobs in the Swan River area, that this represented a major initiative and one the Government on behalf of the people of the province should enter into.

**Mr. Minenko:** Mr. Acting Chairman, just to follow up my earlier question to the Minister, can I then take from his comments that it is really an open field day in northern Manitoba with respect to people providing

lumber to Repap in the future? Can an entrepreneur of whatever sort then expect to receive a quota from the Government as to how much they can cut, or is that quota determined by Repap?

**Mr. Manness:** Mr. Acting Chairman, I will let Mr. Bessey answer this question.

**Mr. Bessey:** Primarily the people who have quotas there presently are in areas where there are yet allocated quota holders. What happens in a share purchase agreement is that you have essentially grandfathered rights so that the purchaser inherits the supply contracts that Manfor existed with. So all those individuals who have been in this industry will have a tremendous opportunity not only to continue, but to expand the volumes with which they have supplied Manfor.

There are some, you might say special arrangements, that Manfor had with areas like the Moose Lake Band. Those survived the agreement, in essence, and they become transactions of the purchasers. Those contracts exist in the same fashion as they did prior. In the new area, people who have quotas now continue to have those quotas. If they choose to produce lumber or if they choose to supply Repap, they can do that. In the area which was unallocated, in essence, that was sitting idle and that Repap has harvesting rights to new, either people with quotas who want to expand into that area, can have those rights or new entrepreneurs can develop businesses in those areas.

**Mr. Minenko:** So then a group of people or an individual who had been in the past allocated quota rights, but who for whatever reasons Manfor did not purchase from them, what are their circumstances? How do they fit in? Can they then bid to supply wood to Repap or are they restricted by these people who are allowed the grandfathering?

**Mr. Bessey:** The survivor rights apply to all enterprises that were quota holders, so nobody loses out. The extent to which there was nobody operating in the unallocated areas, which are now allocated, anyone with the means, experience and equipment can develop new enterprises in those areas.

**Mr. Minenko:** I have a series of other questions, having waited for my honourable friends across the table. I had earlier asked the Minister on a point of order. Seemingly from his comments about an hour and a half, an hour and 45 minutes ago, he seemed to have suggested that perhaps due to a number of factors that he had cited that it would seem to suggest that the Government was prepared to allow Manfor to slowly disappear into the woodwork should Repap have not come onto stream. I am just wondering if the Minister could comment on that particular suggestion that one could reach from a number of the Minister's comments.

**Mr. Manness:** Mr. Acting Chairman, let the record show that those are the words of the Member, Mr. Minenko. First of all, we went to the people of the province saying that we wanted to divest of Manfor. We believe that we had the mandate to do so. We had six offers—hard, firm, serious offers—and so whatever hypothesis

that the Member wants to put into place or supposition really is not terribly in order because it never was considered for a moment. We did not need to consider that because we had hard proposals before us.

**Mr. Minenko:** Mr. Acting Chairman, I would like to just swing over a little bit with respect to the development in Swan River. Will the employees that the Minister seems to suggest will be employed in that area require any special skills that are not presently available?

**Mr. Manness:** Mr. Acting Chairman, I think that there are some special skills required to harvest wood. I think there are special skills required to transport these big rigs, special skills involved in the chipping and also in the forest management aspect that is going to be centered there—all special skills.

**Mr. Minenko:** Has the Government then done an assessment in the area to ensure that the people who presently live in that area can in fact take advantage of the new job opportunities, or will the employer end up having to bring people in from other provinces or other countries to carry out the new jobs?

\* (1130)

**Mr. Manness:** Well, Mr. Acting Chairman, it is obvious that the natural advantage always applies to those who live near or close by. That is the first natural advantage.

Secondly, as the Member knows, and under the Charter of Rights in this country, you can no longer specify as to who is given jobs. I mean this is a nation and mobility is in place. Certainly, we have made it known to Repap that we will expect through the natural advantage that our citizens have because of their location, plus an infusion of \$20 million of training money and retraining money, that our citizens will have obviously the first opportunity and the best opportunity to supply those jobs. But other than locking into agreement something which I would probably—I am sure the Courts would find ultra vires, and that is that nobody else, other than a Manitoban, and a Northern Manitoban be hired. I believe that we have built in all the safeguards that we could.

**Mr. Minenko:** Well, Mr. Acting Chairman, I think in order to engage in any form of retraining one certainly has to know what your working at and what you are working towards. And, again, I would like to ask the Minister has the Government done an evaluation of the available skills in the area?

**Mr. Manness:** Mr. Acting Chairman, when you talk about the skills in the area, all I can say is that Repap did their own research into the Swan River area, and I think you prefaced your question centering around Swan, and I can tell you that they were very very much impressed with the stability of the work force and were just delighted to be able to put a major subset of this development within that area.

So, Mr. Acting Chairman, I can tell you that Swan River has an awful lot going for it. Repap recognized that and was more than eager to, again, direct a

significant part of the investment not only to the region but, more importantly, as their belief that in the long run the contribution that they receive from the workplace will be strong and add to their profits.

(Mr. Chairman in the Chair.)

**Mr. Minenko:** The \$20 million that the Minister mentioned, is that Government money for retraining for the whole region, or has it been divided into how much will go into any particular area of this development through the sale?

**Mr. Manness:** Mr. Chairman, that is all Repap's money jointly administered by the company and the Province of Manitoba.

**Mr. Minenko:** So is there any Government money in that \$20 million?

**Mr. Manness:** I will make myself clear—all Repap money.

**Mr. Minenko:** I would certainly think that a Government that certainly prided itself before last year's election and certainly I believe still prides itself on management skills and things of that nature, being able to better direct the economy than the previous Government, I would say I am a little concerned in that it certainly appears from the Minister's comments that, one, there has not been any—(Interjection)—The Minister says there is a natural advantage to being there and that is all well and good, but I am sure any literature that the Minister or any Member or anyone would read on jobs and ensuring that people are employed to the best of their capabilities includes a very major component of actually having the skills and the education required to ensure that they are able to take advantage of new opportunities to ensure that any industry can expand based on the education and knowledge and experience and expertise of the people living in any particular area.

So the fact that someone simply lives there is one component of a multi-complex problem. I would certainly suggest that this Government falls somewhat short on its ability to really manage when they have entered into this agreement. I think correctly, without doing any assessment as to what are the job skills in the area to ensure that the people there are in fact able to take advantage of those jobs, that the retraining that Repap will be doing is geared to those people and not in fact to people that Repap may bring in, which leads me then, Mr Chairman, into another question with respect to a matter that I raised a week ago at our first meeting of this committee to consider the Annual Report of Manfor.

In a question directed to the present president of Manfor, I asked about the number of small businesses involved in providing services to Manfor. He advised me at the time that quite a number in The Pas and surrounding areas were involved. Has the Government with respect to its sale of Manfor to Repap put in any place provisions to ensure that many of the small businesses providing services, small and large businesses providing services to Manfor, will in fact

still be providing those services to Repap or will we find that Repap, using its economies of scale, bring in goods and services from other provinces, from other countries, thereby by-passing many of the small business people who provide those services and goods to Manfor at the present time?

\* (1140)

**Mr. Chairman:** Before I ask the Minister to respond to that question, I have one more resignation to deal with.

"I wish to resign from Economic Development March 28, 1989. Jim McCrae."

**Mr. Helwer:** Mr. Chairman, I would like to nominate Harry Enns, the Member for Lakeside.

**An Honourable Member:** Hear, hear!

**Mr. Chairman:** Harry Enns. Committee agree? Agreed.

**Mr. Manness:** Mr. Chairman, I really cannot understand the direction that the question is taking. I do not know whether the Member is indicating that we should have put up the \$20 million to do the retraining, I do not know what point he is trying to make. If the essence of his question is to what extent have we tried to safeguard that the benefits of these new jobs will be put into place and maintained for Manitobans, if that is the essence of his question, I can only tell you that Repap needs 1,200—when this is all done—they need 1,200 full-time employees in the region. I can tell you that a pulp mill cannot work at all if there is not cooperation from the area, indeed if there is not good labour-management relationships in place.

All I have to say to the Member is if you wanted to see how this can work is just to go to Mirimachi, New Brunswick or Newcastle, which is a location where Repap has taken a facility not an awful lot unlike Manfor and in the space of three years just turned it around and given everybody a new lease on life.

You can imagine the economic activity associated with a billion dollars. That obviously is not a safeguard that the Member wants to see me address. I say to him that we have put into the package a preferential clause to Manitobans and northern Manitobans but that it cannot be outside the Charter of Rights.

We have put that in and I do not know what else it is that we can do. As far as indirect jobs, we can see where there are going to be 5,400 over a period, once the whole development is in place, 5,400 jobs. Naturally, for the most part they will be indirect by their very nature, our local jobs. As far as the input, I know there already has been an understanding that some of these dreaded chemicals that we tend to talk about will be sourced out of, most likely, potentially out of Brandon.

So those are the spinoffs that Governments look for. To the extent that we fall within our commitments that we made as western provincial Premiers to setting up a free trade zone, and secondly, and more importantly, the Charter of Rights, so that no Canadian is excluded

from seeking a job opportunity in any part of this country.

We have built in every safeguard that we can beyond that point.

**Mr. Minenko:** Mr. Chairman, the Liberal Party is certainly very much concerned as the number unemployed Manitobans, and yes, there is this big new development that is supposed to be coming in. Yet what I am indeed concerned about is the question and, yes, like the Minister says about the Charter of Rights that we cannot exclude people, but I think what is critical here is that we not simply say that here is a group of people close by to where this new multi-million, multi-billion dollar development is going to be put in place and that should give a natural advantage.

Mr. Chairman, I think we have to take a much more responsible attitude with respect to that and to ensure that jobs that are becoming available in northern Manitoba, and specifically tied into this development, will go to Manitobans because (1) they are there, but more importantly or just as importantly, that they have the job skills that are required with any new industrial development. I am, indeed, concerned when the Government has not done this assessment. This development will not simply spring up in one month or six months or a year.

As we have seen in the projections that the Minister has provided us in his initial presentation, this is a long-term project. I am taking this opportunity to call on the Government to ensure that there are adequate retraining facilities in place, that they should ensure that (1) work together with Repap, to ensure that their retraining efforts are tied into the Government's retraining efforts in the province. As I said, I am a little concerned that we see in the economic impact slide that the Minister showed us last week, that he says there are direct jobs during construction, direct jobs, 7,000, indirect, 5,400.

I am concerned, Mr. Chairman, that Manitobans have those jobs because of two reasons: (1) they live in Manitoba, but also that they are adequately trained to perform those jobs, not that any company in this specific situation, Repap, but any company that comes into Manitoba says, listen, you do not have enough machinists or you do not have enough of this type of worker or that type of worker. Then all of a sudden we see out of those 7,000, say 5,000 people coming in from other provinces to take those high-paying jobs, and once the job is completed, they leave Manitoba. I do not begrudge them that and I certainly do not advocate the restriction of movements of people across this country of ours.

I believe that what is required is that any retraining done by Repap and retraining projects that the Government has in place or should have in place addresses this requirement that we see in front of us to ensure that Manitoba's labour force, in the South, in the North, in the West or in the East or any other part of this province can actually compete for those jobs and take those jobs because they are good at what they do, they have the skills to do those jobs.

Again, the same thing with the operation space, 10 years, direct jobs, 370, indirect, 530. Then again, Manitobans have the skills to take those jobs because those are the people who have made a commitment to stay in Manitoba, and I believe that the Government should address that need.

I would certainly call upon this Minister to discuss with the Minister of Industry, Trade and Tourism (Mr. Ernst) and other Ministers who tie into retraining and training period and education to ensure that the Government, industry and labour work together on this and perhaps, hopefully, turn over a new leaf so that we ensure that Manitobans have those special skills, have those skills necessary to ensure that these 12,000 short-term and 1,000 long-term jobs are, indeed, taken by Manitobans.

The other element to the question that I had posed or suggested that I pose to the Minister was this: Is he aware, and I realize that businesses have certain plans, and whether they brought that plan into the discussions with this Government, is the Minister aware of how Repap will be supplying its operation throughout western and northwestern Manitoba to ensure that the people presently supplying goods and services to Manfor will continue supplying goods and services to Repap, or does the Minister expect Repap to be bringing in, as I suggested earlier, through its economies of scale or whatever other business decisions the company would make, goods and services from outside the province, or has this matter even been discussed?

**Mr. Manness:** Mr. Chairman, specific to the final question, again I say there has been included in the agreement a clause dealing with preferential consideration in respect of hiring and in purchases. That is written into the agreement that Repap shall hire locally and they shall purchase locally to the extent they can within the laws of the country. That is part of the agreement.

Now, let me say, the Member—and I accept the Member's preaching and I use the word. He may argue with it because his views are no different than mine, indeed, no different than the Government's. I mean, it is one thing to have a large project but the net result is to make sure that citizens in our province have an opportunity to either put to work their existing skills or to upgrade their skills and to make a full contribution to society.

Indeed, I can tell the Member when we were going through the proposals, there were a couple of other proposals that came forward that although they did not bring Phase II, and we have talked a lot about Phase II, on stream quite as quickly as we wanted, one of the reasons that one of them in particular was ruled out is because we did not have the level of comfort that there would be that close working relationship between the existing work force. Secondly, those people within the area who thought that the additional, and believe and rightly so, that the additional jobs that come forward should be theirs. Indeed we ruled out one candidate because of that.

\* (1150)



So, Mr. Chairman, I say to Members of the committee, we are very cognizant of the arguments. I mean the potential here for Native economic development, there is no project that any Government can bring forward today in context of using our resources, there is just no project anywhere coming forward that has the potential of delivering Native economic development like this one, and so it has to be treated with that in full regard.

Mr. Chairman, we have done that and what we have said to Repap is okay, you are going to put up \$20 million in retraining. We want to have a say where that goes, and indeed the fact that there is a guarantee that the 850 jobs, present jobs and most of them associated with the sawmill, we want to be in a position to ensure that the vast majority and hopefully all of those jobs can find their way into the—through retraining to the better skilled opportunities and obviously work.

Mr. Chairman, to the extent that you now have Limestone and the training associated with that gearing down, you have sort of a natural fit. There are skills that are present in the North and they now will have those opportunities, an opportunity to shift a little bit west and fulfill the need that Repap has. But beyond that we are trying—and we will link northern training and employment with KCC in The Pas, as part of our call as to how the \$20 million will be expended to ensure to the extent that we possibly can that those 850 jobs again presently associated with the sawmill have an opportunity to be retrained and to move in to the Repap Corporation.

We have thought about this long and hard and I say to the Member if he has some other specific recommendations as to where we can do a better job, by all means we will gladly accept.

**Mr. Minenko:** Mr. Chairman, I am little concerned with an aside that the Honourable Member for Churchill (Mr. Cowan) mentioned that the Minister's and my views are no different. If in fact the NDP is not—if the Member for Churchill is indeed not concerned about the high level of unemployment, if the Member is not concerned about retraining and ensuring that Manitobans have the positions there, then let him and his Party, indeed, say that they differ from the views of myself and not agree with my views and follow up the Minister's example by agreeing with the position as I set it forward.

**Mr. Chairman:** On a point of order, Mr. Cowan.

**Mr. Cowan:** On a point of order, first, I would like to thank the Member for Seven Oaks (Mr. Minenko) for putting that on the record. I was not certain that comment had made it to the record and it is, in fact, a truism which I think has to be repeated on every occasion. But let me tell him that I do believe that his viewpoint and the viewpoint of the Minister are quite similar and quite different from that of the NDP.

On the one hand we have big Adam Smith and, on the other hand, we have little Adam Smith who say let the free market forces determine who is going to be hired and who is not going to be hired on this project.

The Member for Seven Oaks (Mr. Minenko) said yes, he agrees with the Minister in that approach and we see the Liberals and the Conservatives—

**Mr. Minenko:** A point of order, Mr. Chairman.

**Mr. Chairman:** Mr. Minenko, there is a point of order and Mr. Cowan is speaking to it.

**Mr. Minenko:** Mr. Chairman, I raise a point of order to a matter raised by the Honourable Member for Churchill (Mr. Cowan) at the first opportunity, and that is certainly upon the completion of Mr. Cowan's comments on that particular point because I know Mr. Cowan certainly can expand on things—

**Mr. Chairman:** Please do not interrupt Mr. Cowan at this point in time. Go ahead, Mr. Cowan.

**Mr. Cowan:** Thank you, Mr. Chairperson. We struck a nerve, perhaps because it is in fact true that both the Liberal Party of Manitoba and the Conservative Party of Manitoba are not prepared to go to the extent that is required to ensure that Northerners receive the benefits through employment and training that is due to them as a result of this project, that local businesses receive that sort of beneficial impact that is due to them. They are saying that in fact they are prepared to put their faith in the free market system. As a matter of fact, Mr. Chairperson, the Minister himself says that within the context of this free trade zone that the western Premiers have put together they have built in every safeguard there can be on that. Well, I suggest that what we have heard—(Interjection)—

The Member asks me how long I will continue on a point of order, Mr. Chairperson. I think the standard practice in this House has been to allow for a Member to make the point without undue interruption. I understand the sensitivity.—(Interjection)— Well, now we have the Member for Wolseley (Mr. Taylor) involving himself in the discussion because he too is sensitive when it is shown quite so blatantly that there is so little difference between the Conservatives and the Liberals in this province. But let me continue on with my point of order, Mr. Chairperson

**Some Honourable Members:** Oh, oh!

**Mr. Cowan:** I have not completed.

**Mr. Chairman:** Please, please, please! Members of the committee, let us give Mr. Cowan also the courtesy that other Members have had while he is speaking to it and hopefully he will get to that point. I am about—

**Mr. Cowan:** Well, now we know why the Liberals are really quite concerned, because the argument has turned into a philosophical one and they are bereft of any philosophy whatsoever and only react to the moment. But beyond that—(Interjection)— Mr. Chairperson, can I please ask for your intervention so that—

**Mr. Chairman:** Order, please. I would like to ask Mr. Cowan to state his point of order at this point in time.

**Mr. Cowan:** Perhaps, Mr. Chairperson, I could ask your intervention first because I am being distracted by the ramblings and the rumblings of the Members opposite who are quite sensitive and do not want to allow me to make the point. So, if you could please bring some control to the committee, I would be more than pleased to continue.

The fact is that we in this Party, the New Democratic Party, believe that there should be preferential clauses. We have shown that through own incorporation and preferential clauses in projects that took place under our tenure that go far beyond what both the Liberals and the Conservatives are prepared to allow to happen under the free market system without some direction. That is the point that I was making when the Member for Seven Oaks, Mr. Minenko, suggested that he agrees with the approach that is being taken by the Conservative Government at this time. There is indeed—

**Mr. Minenko:** Mr. Chairman, make the ruling here.

**Mr. Cowan:** Mr. Chairperson, again the Member for Seven Oaks (Mr. Minenko) prolongs the discussion by interjecting from his seat. I would ask if you could please ask him to contain himself for just a few more moments while I complete my point.

**Mr. Chairman:** Go ahead, Mr. Cowan, a few more moments.

**Mr. Cowan:** Thank you. So the fact is, Mr. Chairperson, that we do have a different perception and our perception does, in fact, dwell I think more so on the needs of local individuals and the needs of local businesses to ensure that there are guarantees, other than just allowing the free market forces to prevail; that they have access, first access, preferential access to the jobs; that they have first access to the business spinoffs, preferential access to the business spinoffs where that is possible. So I want the record to be very clear that we do not agree with the Liberals and the Conservatives in their approach with respect to allowing this open to free market forces.

Having said that, Mr. Chairperson, I would also seek some indication from you as to the timing of the committee and any lunch break that might be available.

\* (1200)

**Mr. Chairman:** Mr. Cowan, I would like to indicate first of all your point of order, I would rule that is not a point of order, a dispute of the facts. So now I would like to go back to Mr. Minenko. Do you have a point of order?

**Mr. Minenko:** Yes I do, Mr. Chairman.

**Mr. Chairman:** Speak to that point of order.

**Mr. Minenko:** One of the factors that certainly I came across during this past election was that people were, indeed, concerned on how Government was functioning. With the display that we have seen today by an

Honourable Member of this House and of this committee, who have much experience in the House, and should perhaps provide guidance to other Members, that was one of their concerns, and that concern has continued—

**Mr. Chairman:** Mr. Minenko, what is your point of order?

**Mr. Minenko:** My point of order, Mr. Chairman, is with respect —(Interjection)— Well, here again we find the difficulty from Members opposite, from the Member for Dauphin and Churchill, again interfering in my statement with respect to the point of order that I raised. What I would add with respect to that point of order is Mr. Cowan's suggestions with respect to the Adam's example he gave. Perhaps he should reconsider his remarks and withdraw those considering the fact that some many, in fact, all of his comments that have been directed to myself personally and the Liberal Party generally have not been once mentioned at this time. I would ask him to withdraw those comments with respect to some of the philosophical differences.

As the Honourable Member for Churchill (Mr. Cowan) will note, the matters that the Minister and I have agreed upon and, of course, in their loving way the NDP colour things as they like to choose. The record would indeed show that the Minister and I agreed on two points: one, that the high unemployment in Manitoba is a concern and there should be set in place retraining to ensure that all Manitobans are able to take advantage of these job situations. Should the NDP not agree with those two points, that is then fine to them because, as is evident over their record in this province over the last number of years, that was not their concern.

**Mr. Chairman:** Mr. Minenko, you do not have a point of order. A dispute over the facts is not a point of order. I would like to at this point in time ask the committee what is the intention of this committee in respect to time.

**Mr. Angus:** I would propose that we take a half-hour cooling off break to have some soup and a cup of coffee and get back to the business of the divestiture of Manfor.

**Mr. Chairman:** Whatever is the will of the committee, but a week ago when we indicated that we would reconvene today at nine o'clock it was stated that we would go right through to 1:30, I believe. It is the wish of the committee, whatever you suggest.

**Mr. Cowan:** Mr. Chairperson, I may stand corrected without having the transcript right in front of me, but I believe we agreed we would sit until—

**Mr. Minenko:** Until 1:30.

**Mr. Cowan:** No, I do not think there was any definitive time. I see the Member for Seven Oaks (Mr. Minenko) has been corrected by his colleagues who were here and understood what was happening.

**Mr. Minenko:** The point of order, I was clear.

**Mr. Cowan:** Yes, that means you did not understand what was happening all around you. With that the case, Mr. Chairperson, I would suggest that we adjourn for a half an hour and recess for a half an hour and come back at 12:30 and continue on with however long it takes to finalize today's meeting, and then we will have a further meeting if that is required.

**Mr. Chairman:** Is that the will of the committee?

**Mr. Taylor:** Mr. Chairperson, I suggest we make it 12:45 p.m. It is 12:05 p.m. already.

**Mr. Chairman:** Reconvene at 12:45 p.m. Committee agree? (Agreed) Recess till 12:45 p.m.

### RECESS

\* (1250)

**Mr. Chairman:** Mr. Minister, were you going to make some comments?

**Mr. Manness:** Only an aside, Mr. Chairman, that I have never seen a committee that so many people wanted to be on.

**Mr. Chairman:** Yes.

**Mr. Manness:** Obviously it says it is a good deal, and people in sitting here recognize that and want to move on.

**Mr. Plohman:** No, it has something to do with the rules.

**Mr. Angus:** Mr. Chairperson, fortunately the two key players are still here.

**An Honourable Member:** The Minister and Bessey.

**Mr. Angus:** On the previous meeting, the Minister advised that Repap will be granted a forest licence of about 3.3 million cubic metres. Is that an annual licence?

**Mr. Manness:** Correct.

**Mr. Angus:** Do they have to apply on an annual basis for these licences and are the individual licences subject to conditions?

**Mr. Manness:** I will ask Mr. Bessey to answer that.

**Mr. Bessey:** The five-year operating plan is what requires approval of the department and monitoring by the department subject to conditions established by the department, in addition to those contained in The Forest Act itself. It is actually 3.2 million cubic metres a year.

**Mr. Angus:** Mr. Chairperson, I am trying to find out when the first opportunity, representers of the public and/or the Government and/or whatever governing body grants the licence, have an opportunity to put the conditions on the cutting rights.

**Mr. Bessey:** The conditions established on the cutting rights are established primarily by the Department of Natural Resources in the negotiation and establishment of the forest's management licence, as is done in every case, every forest management licence they enter into. Most of those stem primarily from The Forest Act itself, condition principles of Natural Resources Management such as sustainable yield and that they have to harvest species and replenish them in such a fashion that they can sustain an annual yield, given a five-year management plan proposed by the company and proved by the department. That process will be subject to the environmental licensing guidelines under The Environment Act and will be part of the public hearing process.

**Mr. Manness:** Mr. Chairman, I would point out to Members that we are still talking about an 80-year harvest through the whole area on the softwoods. The hardwoods, a much shorter period, of course, because they grow so much more rapidly, but still we are talking about an 80-year harvest for the area as a whole.

**Mr. Angus:** The 80 years is because that is how long it takes to regrow the trees. For every tree we cut down today, it takes the 80 years to replace that tree. Is that accurate?

**Mr. Manness:** To replenish it to the state it is in now, yes, except for poplar, of course, which is a much faster growing tree.

**Mr. Angus:** Then the five-year game plan by the company is subject to The Forest Act, is approved by the department. The department subsequently will refer it to public hearings, environmental public hearings, for the cutting. At that particular stage, is the public allowed or encouraged or welcome to make representation?

**Mr. Manness:** The answer is to the affirmative.

**Mr. Angus:** At that time which body are they making the representation to? Is it the Public Utilities Board, as an example?

**Mr. Manness:** Mr. Chairman, it is to the Clean Environment Commission.

**Mr. Angus:** Is it safe to assume that the Clean Environment Commission can put conditions as to increasing the amount of allowable cutting area and/or reducing the amount of cuttable area within common-sense parameters? Are those the types of conditions they can put on?

**Mr. Manness:** I suppose, technically, they could. It would be highly unusual. What it is that is more important that we are asking them to pass judgment on is the pattern of cut so that, indeed, there is not a focus in one specific area for pure economic gains in the early end of running a plant. As Mr. Bessey indicated before, there is the proper pattern of cut throughout this huge resource area so that the environment is impacted upon the least.

\* (1300)

**Mr. Angus:** Mr. Chairperson, the hearings are to ensure that the cutting is done in such a way that there is a minimum impact on the environment and that there is an opportunity to regrow the trees over the next 80 years, that is okay. Is this the area where you affix what is called "stumpage charges"? Is this a condition of the licence, that there will be X number of dollars, either per tree or per cubic metric tonne harvested, or whatever formula you like to use? Is this the vehicle that you use to affix the charges of the money that will go to replanting the forest?

**Mr. Manness:** Mr. Chairman, those are royalties charged just for the use of our natural resource. They are renewable every five years. Certainly, the Government as the trustee in this case, on behalf of the people, puts into place and sets a fee which they deem to be the proper one that given the set of circumstances and particular events at that point in time.

**Mr. Angus:** Then the question is, is reforestation separate from stumpage charges?

**Mr. Manness:** Yes, it is distinct and separate.

**Mr. Angus:** Let me just make sure that I have this in perspective, Mr. Minister. Then there are, other than the Clean Environment Commission saying yes, the pattern you are indicating where you are going to be removing these trees is acceptable over the next five years, there is no other sort of public representation as to the reforestation? Every other decision, the royalty fees, the stumpage charges, anything of that nature, the reforestation charges are done by the department and/or by Cabinet? Is that accurate?

**Mr. Manness:** To my best understanding you state the case accurately. It is as if it were a tax. It is imposed upon the company for the use of our resources and also in this case for a fund to be established to support firefighting. It is a charge that we apply against Repap in this case.

**Mr. Angus:** Mr. Chairperson, it is prudent for the Minister now to share with us what forms of royalties they have established over the next 20-year agreement, whether or not it is firm, whether it is not renegotiable or not, what the stumpage charges are, how much of that money is going to be going to (a) reforestation and (b) to fire protection, etc., etc. I am concerned that we are entering into an arrangement whereby we do not know what the circumstances are in terms of the whip hand, if you like, on the protection of the trees.

**Mr. Manness:** This was clearly covered on Thursday last. It is in the record. The forest renewal charge that Repap is paying is \$4.63 a metre, a cubic metre. The stumpage fees again as set out are 65 cents a cubic metre for softwood, 31 cents for hardwoods. In addition, and across both species, is a 17 cent a charge fire suppression or firefighting cost. So in other words our softwoods are providing revenue to the tune of 82 cents,

and our hardwoods are providing 48 cents per cubic metre. That is a fee that given it is not varied, this is in place now for five years, but at that time, after five years, it can be of course increased after that.

**Mr. Angus:** Mr. Chairman, through you, it is renegotiable after five years. That is what the Minister is indicating?

**Mr. Manness:** Not necessarily. I will ask Mr. Bessey at whose call it is, but certainly the province has an opportunity at their call to increase it after that.

**Mr. Bessey:** The term "renegotiable" implies perhaps, at least to my mind, that it is up in the air all of a sudden and a new issue. That is not the case. It is adjustable by the department presenting its case, that it should increase on whichever basis they make your argument on. There is a formula that does sometimes adjust it and some provinces they simply adjust by CPI. In some cases they adjust if there has been severe forest infection problem. It is not an out of the air, unless we negotiate this number, it is resource related.

**Mr. Angus:** Perhaps then the Minister or the deputy can tell the committee what this money actually goes for and how it is to be reinvested in the forests of northern Manitoba.

**Mr. Manness:** As the Member knows, it is the same as a tax, so it is not as such designated by way of trust fund, but it is a tax that comes into the consolidated revenue of the province. But I can indicate to anybody who wants to listen, last year we directed upwards of \$18 million or \$20 million in support of our forests through firefighting and that obviously we are budgeting a figure this year that is a little bit more realistic than what used to be budgeted. That will be where ultimately funds like this are directed and designated.

**Mr. Angus:** Mr. Chairperson, I—

**Mr. Manness:** Sorry, Mr. Chairman. That was only specifically the stumpage. Now the forest renewal, \$4.63 per cubic metre, of course that will be directed completely into reforestation—

**Mr. Angus:** Those figures are?

**Mr. Manness:** \$4.63 per cubic metre that the company will be paying directly into forest renewal and indeed, if that is insufficient to maintain the standard of a growing tree for one harvested, then that number will be revisited and increased.

**Mr. Angus:** This is after five years, that would be negotiated? I am sure it is firm for the first five years, the \$4.63?

**Mr. Bessey:** It is firm, but it is a firm figure that goes into a fund. If the reforestation charges or costs are higher than that, the company has to pay them to 100 percent reforestation. So if in fact the cost of reforesting to 100 percent is \$10 per cubic metre, the fund is

depleted and the company has to pay those costs and at the five year will recognize that their cash flow is over and above the \$4.63 and adjust that fund.

**Mr. Angus:** What does it cost to reforest one cubic metre of forest?

**Mr. Manness:** Mr. Chairman, there is no standard. It depends on the terrain in which you are working. If you are working in shield, and we have no roads, you can imagine the tremendous cost associated with that. If you are working on the western side of the province where it is much flatter, and although access is not easy either, still you are working on a terrain that you can at least, once you access, you can plant and seed in pretty fast order.

The experience that we draw on is what has happened in northern Saskatchewan where there is a similar type of terrain and their costs were reflected around \$2.38. So we built in an increase on top of that and believe at this point in time it is the best estimate that one can provide.

**Mr. Angus:** Mr. Chairperson, I think it is important that we try to satisfy the committee. The Government has obviously negotiated something. They have given certain agreements and/or covenants to the company that they will have the rights to all of these trees in exchange for some other things. I am a little bit concerned about how tightly we are tied into ensuring that the trees get replanted and ensuring that the money comes back in to do the replanting and ensuring that we have appropriate control over the replanting program, the reforestation program.

I am a little concerned that with the high interest rate policies that have been established by the federal Government, and the indication that interest rates are on the rise and that money is going to be more costly, hence it is going to be more costly to do things, that is a bad time to fix ourselves into a five-year agreement when we might be faced with escalating costs. I wonder if in the negotiations some of these things were taken into consideration to help address the problem of reforesting the North.

\* (1310)

**Mr. Manness:** Mr. Chairman, let us start from a basic premise. The Member may disagree with my basic premise, but I have to believe that Repap is not here to mine our forest over 20 years and then run away. You do not make billion dollar investments. I do not know of anybody that makes a billion dollar investment, particularly dealing with a renewable resource, whether it is farming or it is forestry and is so short-sighted that they are going to take it all now and not plant trees to have it in place for the future. So that is one of the basic premises. Repap is going to—obviously if they believe that they have a future of another 100 years or more with the technology of producing for profit pulp and then paper, to do that there is going to have to be a resource. Beyond that, if in 30 years they want to sell the plant, there is only value in that plant if there is some growing renewable new stock of

forest. So obviously their concern has to mirror ours over the long haul.

The Member may say, but over the short run, maybe a company, an unscrupulous company will come in and they will want to take it all now for the sake of the bottom line. I can say, sure, maybe a group may want to do that. To that end, that is why they must provide an annual report and a five-year operating plan. That is why it has to be reviewed every five years, and to that end officials within the Department of Natural Resources will be directed to monitor exactly how it is they are cutting, and more importantly, how it is they are reforesting.

Because up to now, as you know, as most people know, Natural Resources have been concerned with what Manfor has been doing, but of course politics being what they were, had to sit back and sort of close their eyes when our own publicly-owned operation was not reforesting at 100 percent. I believe now that you have an outside entity, an at arm's length corporation dealing, finally you are going to have officials within the Department of Natural Resources who will now be just ever so happy to monitor and to report publicly to you and I, as elected representatives of the people.

**Mr. Angus:** I remind the Minister of two things. First of all, nobody wants to enter into an arrangement or into an opportunity with what the Minister referred to as, "potentially unscrupulous circumstances." For that reason, I think it is incumbent upon the Minister to give the assurances to the committee and to the Manitoba people that the securities are there in the first five years, and that we do not want to see a hit-and-run company. We do not believe Repap is a hit-and-run company. We believe they are here for the long stay because that is what we want to believe. But I will remind the Minister that we believed the Tories when they told us that CFI was here for a long time, and that perhaps if this type of scrutiny was paid attention to at that time we would not be in the problem we are in right now.

So, Mr. Chairman, I would like the Minister to give us some assurances that we have not locked ourselves in to a five-year arrangement of selling the trees without a guaranteed return to ensure we are going to be reforesting the North.

**Mr. Manness:** I do not know whether it is by design or glibber that the Member confuses two issues. He talks about CFI; he likes to hearken back 20 years ago or more and talks about, I guess, the great rape of our resources. Remember, Mr. Chairman, and Members of the committee what we lost there was dollars. We did not lose the forest, the forest is still there. That is one thing at least when, if you happen to make a bad deal, if you happen to make one, the forest is not taken away as long as you are monitoring it.

If the Member wants to move into some history with CFI, and I do not really think it serves a great purpose, dollars were lost because, I agree, there was not proper monitoring in place through two Governments, I might add. There was not the proper monitoring. If his concern is on the economic side of the question, the financial side, then I will gladly talk about what monitoring is in

place, even though the Government is not going to handle tens of millions of dollars like it did 20 years ago, because we are not building the thing this time. If he wants to talk about that, fine, but if he wants to narrow the focus of his remarks on the natural resource side, I can only tell him that the covenant written into the agreement is 100 percent reforestation, period. There is no qualification around that, it is unqualified. It is 100 percent reforestation, regardless of whether costs exceed \$4.63 a cubic metre or not. The monitoring to ensure 100 percent reforestation is taking place is within the hands of our own civil servants, within the hands of our own Department of Natural Resource officials. If the Member is concerned about that, if he is saying that we do not have the proper people in place—and I do not want to put words in his mouth—then I ask him to make that statement because I do not know what more he wants us to do.

**Mr. Angus:** Mr. Chairperson, let me go back to the stumpage charge of \$4.50. That is collected tax money for general revenue and where does it go?

**Mr. Manness:** Reforestation.

**Mr. Angus:** Is it? You have two figures on the table, \$4.50, a tax collected which goes into general revenue, was indicated. Then we have a \$4.63 per cubic metre reforestation charge. Can you explain the difference?

**Mr. Manness:** I am delighted to be able to explain the difference again, because the Liberal Party seems to have trouble with this concept of stumpage versus reforestation. Stumpage, in essence, is a royalty and/or a tax. All of it and more will be through the line expenditures of Government; the Estimates will, in some way or fashion, find its way back as an investment into the forest industry, that is stumpage.

**Mr. Angus:** Could we have clarification on that right now. The \$4.50 is stumpage. This is a royalty to allow them to go into the—

**Mr. Manness:** No.

**Mr. Angus:** No?

**Mr. Manness:** Mr. Chairman, I do not know who is confused here, but \$4.63 is not stumpage. What is the number?

**Mr. Angus:** \$4.50 is stumpage.

**Mr. Manness:** \$4.63 is reforestation.

**Mr. Angus:** Reforestation, okay, that is fine. The \$4.63 reforestation figure can escalate because of the 100 percent guarantee of replanting. If a tree does not grow in seven years, you replant it. The company is required by agreement to top up the costs of that floating fund, okay. The \$4.50 is a fixed fee. Where is the \$4.50 coming from?

**Mr. Manness:** There is no \$4.50.

**Mr. Angus:** What is the royalty charge?

**Mr. Manness:** Mr. Chairman, the royalty charge is the stumpage. The Liberal Party have got the Ontario experience and that seems to be their draft. As I have said five times in two committee hearings, the stumpage is, in essence, the royalty. It is 65 cents a cubic metre for softwoods, 31 cents a cubic metre for hardwoods. Then there is a figure of 17 cents added to both those numbers for fire suppression.

**Mr. Angus:** Mr. Chairperson, that money just goes into general revenue?

**Mr. Manness:** Correct.

**Mr. Angus:** Thank you for clarifying that for me, Mr. Minister. Let me ask you, in relation to the roads, you had talked about the cost of getting in to do reforestation. You alluded to the roads to get into the cutting areas that would be there to take the trees out. Who owns the roads?

**Mr. Manness:** Given that it is all on Crown land, the province owns the roads.

**Mr. Angus:** The province would own the roads. Then so that I understand it, Repap puts the roads in to get into the areas where they want to cut, and the province owns the roads. Is that accurate?

**Mr. Manness:** Mr. Chairman, let us make a differentiation here. The company puts in the access roads. The Government handles highways, the major long haul highways. In due course, if the Government of the Day decides that the access roads serve a public purpose, and should be converted over to the basic highway network, then the Government of the Day of course will make that decision.

\* (1320)

**Mr. Angus:** Mr. Chairperson, on the \$90 million for upgrading the highways, is that designated as new money and/or is this money that is being designated from the existing highway rejuvenation programs?

**Mr. Manness:** Mr. Chairman, it is always hard to quantify some matters. There is no doubt that a significant portion of our capital budget—indeed of our total road budget—will and has been and will continue to be contributed to northern road development and improvements.

I can say in this case because those decisions are ultimately made basis the highway development plan and the set of circumstances that are in place at the time that a budget is prepared, it is hard to fix at this point in time what otherwise what might be the road costs associated with northern Manitoba within the Manfor cut. To quantify it, to attempt to quantify it, I can tell you that the majority of the \$90 million commitment will be new found money.

**Mr. Angus:** Mr. Chairperson, I would like to just ask if the royalty fees have been established for five years

and whether or not they have any escalation provisions or are they indeed established for the 20 years of the cutting rights? I made a note that I thought it was five years.

**Mr. Manness:** Mr. Chairman, both Mr. Bessey and myself answered that and we said that they would be reviewed in five years.

**Mr. Angus:** Thank you, Mr. Chairperson.

**Mr. Taylor:** Have either the Minister or Mr. Bessey—can they make a comparative statement on the cutting practices today to the cutting practices expected to be employed by Repap? I would like that on the public record.

**Mr. Manness:** I will make just a general statement in that Repap has certainly, given that the wood costs in place today are, I believe, \$40 or more a cubic meter, and given that it was one of the great problems associated and has been the great problem associated with the existing company for a large number of years, and given that profit will only be generated, indeed therefore, taxes will only be generated if that wood cost is brought down, Repap will be moving to modernization of cutting.

Mr. Chairman, that is the general statement. I will ask Mr. Bessey to clarify it.

**Mr. Bessey:** Manfor's record in forest management over the long run is, in terms of standard resource management principles, let us say, less than a shining example. That includes practices relating to environmental control, that includes stand management and concepts such as long run sustainability.

Manfor presently is not at 100 percent reforestation, for example, and traditionally has not operated at 100 percent reforestation even though it would have been in its own best interest to do so. It is a costly thing to do and they had not done it. Those kinds of parameters will certainly be vastly improved upon by Repap.

I will just state very clearly some of the management principles which are ingrained in the forest management agreement and which it is not very hard to get a progressive growth company to agree to. It is not an arm twist at all, because this is their future.

But a sustained yield management, utilizing the most current management principles and practices monitored by the Department of Natural Resources and the Minister retaining the right to invoke any further management principles he, whoever he is at the time or she decides, are required to improve the resource itself. (2) Achievement of the maximum growth potential of suitable species within the FMLA, Forest Management Licence Area. (3) Maintenance of a standard of environmental quality acceptable to Manitoba in accordance with the Acts and regulations of Legislature of the province and of Canada, and (4) Public access for recreational and other resource uses of the forest areas.

So these principles have been ingrained into the agreement itself, will now form, in essence, the approach

to forest management that the company will take under the supervision, if you will, of the province itself with the Minister retaining the right to take such actions as he or she requires in the future, to add emphasis on further resource-related matters.

**Mr. Taylor:** Mr. Chairperson, we are starting to get into the subject matter but we certainly have not got a statement of the forestry cutting philosophy employed today by the concern and that to be employed by the new owners, Repap, and I want that into the public record and on a comparative basis. Hopefully, that will be an avenue to ask a series of questions by all Members here and I think is very, very important to understand how the forest resource is being used today and how it is to be used in the decades to come. I think that is very important when considering the sale of this corporation. I would ask again for the Minister or Mr. Bessey to try to answer the questions.

**Mr. Manness:** Mr. Chairman, I do not know specifically what it is that the Member seeks. If he is asking for the forest management agreement and if he wants to know specifically the cutting plan that is going to be in place, that will all be provided. During the licensing process, it will all be part of the public record. We are not trying as a Government to hide one aspect of this. I can tell that we have entered into an agreement in principle to sell this company. We have imposed upon ourselves and the potential purchasers some very strict guideline, again in principle, but strict guideline covering a number of years, covering the processes of receiving the environmental licence and the forest management renewal licence.

Those are strict processes in place, but those processes, per se, are not part of the agreement. Those processes are policy and law in the Province of Manitoba, and anybody who wants a licence under those processes or law has to come forward in a public way and state their case. Mr. Chairman, that will be done, but we have not asked Repap to come forward and state its case as to specifically what area they are going to cut five years hence. That is not the way the process works, and so maybe Mr. Taylor can tell me whether I am giving him any part of an answer to his question or not. But the point I am trying to make is that if he is saying these agreements that we have already negotiated, the cutting plan that Repap is going to institute for the next 20 years, specific to every location and local, the answer is no.

**Mr. Taylor:** The first cut by the Minister and Mr. Bessey was a good opening. What I want to get into is saying, what is the role play today between the various departments that are involved and the corporation? What is the role play in the future? What changes or are there changes between Natural Resources and Repap compared to Manfor and Repap today or, the Environment and Repap? That is one case.

Another is, there is a certain cutting strategy that has been traditionally used by Manfor and it is known in the public sphere. I get the impression from comments from Mr. Bessey that there will be changes in the cutting practices employed as a norm. I am not

asking what little group of hectares over on what knoll is done in what year. I could not give a hoot about that sort of level of detail; I am not interested in that. What I am trying to find out is, a comment made by Mr. Bessey that in the past Manfor has not been reforesting to 100 percent. I think it is important that it be in the public record, but what does 100 percent really mean down the road? That is the sort of thing that I want to get into. I also want to know which department, if any, is playing a role in reforestation. Is it entirely by the Government? Is it mixed Government and private or is it entirely Repap? That is the sort of thing that I want on the table on a comparative basis, say, this is what you have today, this is what Manitoba is buying into.

\* (1330)

**Mr. Manness:** Mr. Chairman, the processes in place were for the most part sound; unfortunately, they were not being followed. The processes in place will be followed now whereas they were not before. We will be happy to divulge in greater clarity what those processes are, but I say to you that the processes in place with respect to licensing for environmental concerns and forest management concerns, those processes are in place. We will spell them out, but they will be followed in this case whereas they have not been previously.

**Mr. Taylor:** Yes, I find that interesting that there was established practices of the corporation in the record but they were not being followed. I think that should be out in the record.

The issue specifically of the cutting practice, which is one of the reasons for the cost because it was selective cutting, it was taking that from the forest that was most ready as opposed to a clear cut practice, which increases the cost quite obviously.

Now, Mr. Bessey has made it quite a point and I think that may have been probably a point in serious discussions with the firm about how do you get that per cubic metre cost down. So what I want to know is what leeway at this stage in negotiations has the firm been allowed in what it can take as a strategy, a philosophy if you will, to cutting practices as soon as the deal is concluded.

**Mr. Manness:** Mr. Chairman, there is absolutely no difference as to what was imposed on Manfor as to what will be imposed on Repap other than the mechanization of the wood harvest whereas through either a combination of Government refusing to invest millions of new dollars that would be needed to mechanize that and/or a deliberate policy decision made by Government that mechanization had a downside to it, all the two factors which in combination caused those wood costs to go up. That has been removed. That onus and that restriction has been removed and now the successful bidder, that being Repap, can move into a mechanized harvest so that they can reduce the wood supply cost so that ultimately they can make a return there that can guarantee the thousands of jobs that are there now.

**Mr. Taylor:** What I am hearing from the Minister is the reduced cost is strictly on the basis of mechanization and not a change in cutting practice, one. Two, he is also saying that—I am reading between the lines and he can clarify it for me if he will—there might be job reduction at the cutting end but the overall job numbers would be greater. Is that what I am hearing him say?

**Mr. Manness:** Mr. Chairman, it depends on how you want to weigh it. Certainly on the volume, on a per cubic metre sense, yes, there will be fewer employees required. That is the very nature of mechanization. But because the total requirement of volume is so much greater, threefold, there will not only be the requirement to maintain the number of harvesters, there probably will be more harvesters needed.

So mechanization is requiring fewer people to harvest the same amount but, because the amount is increased threefold, that more than offsets the benefits and the job numbers as a result of mechanization.

Now there is something else that has changed and will change in that the highways themselves will be upgraded to allow a higher haul. That too will have positive impact on the wood supply costs.

**Mr. Taylor:** Mr. Chairperson, does the Government have at this time a feel for the additional infrastructure costs required on the part of Manitoba?

**Mr. Manness:** Mr. Chairman, I am sorry. Could you repeat the question.

**Mr. Taylor:** The question was following on the Minister's last response and could he tell the committee whether the Government at this time knows the additional infrastructure cost that Manitobans will be required to pay for?

**Mr. Manness:** Mr. Chairman, we have not hid one aspect of the provincial commitment. Our handout on Thursday last clearly pointed out—and I guess these pages are not numbered—but two-thirds of the way through we talk about provincial commitments. It says highways, the province will spend \$90 million upgrading highways from Swan River to Thompson over seven years. The highways load limits will be increased to 62,500 kgs from The Pas to Thompson, 75,000 kgs in the winter. That is the sum total of infrastructure commitments made by the Province of Manitoba.

\* (1340)

**Mr. Taylor:** I understood the \$90 million. What I am looking for, what is incremental? What is different than what would have had to have been done for regular highway maintenance anyways? In other words, if you are raising the axle load bearings for the vehicles hauling to what is today the legal limit, then you have probably an upgrading of the base and the pavement to sustain that load over time. So it is the incremental amount I am looking for because that is what is new.

**Mr. Manness:** Well, Mr. Chairman, as I indicated, a similar question from Mr. Angus (St. Norbert), that the



majority of the \$90 million approaching \$60 million is incremental.

**Mr. Taylor:** Thank you very much, Mr. Chairperson, for that answer. The figure of \$11.2 million was spent last year.

**An Honourable Member:** Are you going to spend \$100 million in 1993?

**Mr. Taylor:** Now that compares, that is saying that—

**Mr. Manness:** Why do you not ask your question?

**Mr. Taylor:** —the numbers that you have got then, you said of the \$90 million, \$60 million is incremental. That is over 5 years, is that correct?

**Mr. Manness:** Seven years.

**Mr. Taylor:** Over seven years, all right. So the comparison with last year is \$11.2 million, you see that as not being at odds then.

**Mr. Chairman:** Question, Mr. Taylor.

**Mr. Taylor:** Yes, I asked the Minister if he saw that as being comparable to and compatible with the sort of numbers we saw spent in fiscal '88-89 of \$11.2 million or is that not in line with?

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**Mr. Chairman:** Question, Mr. Taylor.

**Mr. Taylor:** Yes, I asked the Minister if he saw that as being comparable to and compatible with the sort of numbers we saw spent in fiscal '88-89 of \$11.2 million or is that not in line with?

**Mr. Manness:** Mr. Chairman, there is no doubt that we are going to expand the road building program

significantly in the North. We already have in other parts of the province. We feel that this can be done and yet bearing in mind that one of the restrictions is design and designing these roads, but nevertheless it is a commitment that we have entered into on behalf of the Province of Manitoba.

**Mr. Taylor:** A question to the Minister, are there any other incremental infrastructure costs that the Minister is aware of that we have not had presented to us?

**Mr. Manness:** The answer is no.

**Mr. Taylor:** The Minister, in his presentation, had talked about softwoods and hardwoods, and the hardwood really being the poplars which are a hard/soft wood and the fact is they are faster growing trees than the softwoods, has there been any consideration given to a reforest initiative by the Government for there to be a reforestation with more poplar trees than is the natural mix?

**Mr. Manness:** Mr. Chairman, the Government is very much interested in seeing developed a new industry of growing hardwoods in certain areas and there will be an announcement possibly in due course.

**Mr. Chairman:** Any more questions, Mr. Taylor?

**Mr. Taylor:** There certainly are, Mr. Chairperson. There are breeds of very fast hardy poplars that are available for reforestation into northern climes at this time and I would ask the Minister, given the nature of this very major endeavour in the province, if they are not considering requesting Repap to use species of that nature to speed up the regrowth and to hence make the forest even more productive in this province.

**Mr. Manness:** Mr. Chairman, there is no doubt that we see great potential in seeing a larger area. We voted towards a different species, faster growing, hardwood in nature, but let me say that Repap ultimately will decide what is in the best economics at the point in time. Now, we cannot force technology. Right now they have an opportunity to use roughly of their total take one-third hardwoods and they are an industry leader in that respect. If we can see where they can increase that percentage, then naturally we would love to help ourselves work towards a greater area being planted with hardwoods.

**Mr. Taylor:** Does the Government consider it a policy to try in every way possible to lower the regrowth rate of the present 80 years in Manitoba?

**Mr. Manness:** Mr. Chairman, as the Member knows fully well, one could possibly do that once you move from logging, for the purposes of lumber, to a situation where you can take, maybe younger trees for pulp purposes. Yet, for the basic parameters that we have put in place and to safeguard our forest, we have used very conservative numbers and have, at this point, still made the decision to stay with an 80 year harvest, recognizing though that once you remove the pressures dealing with the growing softwood trees to a certain

diameter, because of no longer requiring that diameter for sawmill purposes, but in essence you probably could reduce the harvest. That may come, but today we have taken the very conservative approach and imposed an 80 year harvest cycle on the Manfor cut area.

**Mr. Taylor:** The reason that I question it is that in this proposal we are seeing the extension southward by quite some distance of the licensed cut areas for Repap compared to where the boundary is today for Manfor, and you are moving into an area that has significant amounts of poplar in it in certain locations. If that is going to be one of the first areas of cut to be done by Repap, then I think in the poplars we are already successful there, in a natural sense, then obviously the question is there: should that not also be seriously considered for replanting with poplars of the new varieties that are compatible to our climate?

**Mr. Manness:** Mr. Taylor makes a very good point, sure. Given that, for the most part, the new cutting area to the south is dominated by aspen, certainly it will be replaced with hardwoods, hopefully, highbred species that are even better in the process. There is no doubt that Repap is interested in it. There is no doubt that the province, too, would like to see come forward a species that has utilization, but also has a fast growing life. There is no question about that. I can indicate to the Member that Repap have indicated to us they are more than prepared to work together with us to try and bring that to be.

**Mr. Taylor:** Mr. Chairperson, speaking again of that southern area, much of that area has terrain different from some of the northern cutting areas. It is much more hilly. Have there been discussions, in the acquisition with Repap, of the environmental impact of roads into those fairly hilly areas, and the impact if they should get into heavy stands of one species, and therefore there is the, in effect, a clear-cut practice employed and the slopes are denuded of what sort of concerns there might be for significant erosion? The example is only too clear in the hillier sections in Ontario and, of course, the mountains and sections in B.C. where reforestation did not grab hold fast enough to prevent very, very major erosion problems.

**Mr. Manness:** Mr. Chairman, the Member makes again a good point. I would indicate to him that through many areas of the southern wood area, which tends to be more mountainous, there are access roads in place right today. The roads are there for a large measure. But secondly, his greater concern is to the environmental impact of taking trees off slopes. Certainly, that will be discussed fully during the licensing process, so that will be up for open discussion.

**Mr. Taylor:** Mr. Bessey employed the term, "sustained yield management," referring to the practices to be employed by Repap in managing their stands of forest. I wonder if he could elaborate on what he sees that definition as meaning in the context of Repap.

\* (1350)

**Mr. Bessey:** That definition in the context of any company or any harvester means that you harvest an

area at an annual rate, which if you break the area down into 10 periods say, you are harvesting over 10 years and your regeneration is 10 years; say they were hybrid poplars, by the time you have harvested your 10th year, your 10th little square within that area, the 11th year you are ready to come back to Square One. In essence, it now is ready for you to harvest at the same rate, so that what you have is a sustained yield on an ongoing basis, in perpetuity, forever.

**Mr. Taylor:** One of the things talked about here today was the concept of 100 percent reforestation. There was also mentioned, at some length, about the reforestation charge proposed to Repap of \$4.63 per cubic metre harvested. That is money being collected by the province, and I get a feel for the role play of who and how the reforestation will be done by. Who is to do it? How is it to be done, the role play by Natural Resources, the role play by Repap?

**Mr. Bessey:** The 4.63 goes into a forest renewal fund, jointly administered and monitored by the province, to ensure those funds are expended on reforestation activities, which fall within the guideline of the fund management documents itself. The company is responsible for the reforestation. Those are their costs. The guidelines, the criteria, the environmental factors are established by the province, monitored by the province, and controlled by the province.

**Mr. Taylor:** If I understand Mr. Bessey correctly, then it is the company, and I was hoping that was going to be the answer, is fully responsible for the reforestation within its licensed area. The fund, however, is created by the levying of a certain amount of money on a volume of wood cut. Now, that money, it sounds like, goes into a fund that is set up for a specific purpose but administered by the company, but monitored periodically by the Government. Is that correct?

**Mr. Bessey:** Periodically it would not be correct, jointly administered—

**Mr. Taylor:** Jointly administered—

**Mr. Bessey:** —and monitored regularly because it is—

**Mr. Taylor:** By Government auditors?

**Mr. Bessey:** By the Department of Natural Resources officials specifically.

**Mr. Taylor:** And auditors?

**Mr. Bessey:** It would be the Administrative and Audit Branch of the Department of Natural Resources in conjunction with the Chief of Forest Management.

**Mr. Manness:** I just want to put one qualification on the statement, Mr. Chairman. The terms of the agreement allow us to send in auditors, our own paid for auditors, to search and investigate any of the major elements of the agreement plus any side agreements, any of the appendices to the agreement. So, for instance, if we had some concerns as to the money,

specifically the money, we then would have the right, under the covenant, to name our own auditors to go in and seek and search.

**Mr. Taylor:** What would happen if it was found that some of the monies were not being used for the purposes of which they were intended? What recourse does the Government have in a context like that?

**Mr. Manness:** Mr. Chairman, the question is certainly hypothetical, but let me say it is a covenant of the agreement. We have all of the instruments of law available to us to proceed an action against the company.

**Mr. Taylor:** The question wa, are there in the agreement means to redress, to be specific, or you are saying, in effect, no, that the means to redress are through the normal civil courts process?

**Mr. Manness:** Mr. Chairman, the Act provides, allows the Minister of Natural Resources (Mr. Penner) to intervene at any time and break the agreement if, indeed, the agreement is not being lived up to.

**Mr. Taylor:** The concept of 100 percent reforestation is something that has to be adhered to I feel, and I am making that philosophical statement. The question I have specifically is that we all know what happens after reforestation. There can be soil problems, deficiencies in the soil, erosion; there can be a storm that would knock out some of the seedlings; there can be disease; there can be forest fire. Any of those sorts of things can cause significant loss in replanted areas. Is there something in the agreement that requires the firm to go back in and reforest when there has been a major problem in a given reforested area?

**Mr. Bessey:** The province has the rights through the Minister to either itself contribute to such a problem should it develop, to contribute monies itself to the fund should it desire to force the company to take practices, whatever is required so that the reforested site—and each is specified in an area—meets standards sufficient to be given a certificate of reforestation. The province will issue on each site a certificate of reforestation and once that stand meets our standards and we are satisfied with it, and not until it reaches those standards will we issue a certificate of reforestation.

**Mr. Taylor:** Just to clarify that point Mr. Bessey made, I am talking about a case where it might have been replanted two years ago. You issue the certificate that it has been properly done?

**Mr. Bessey:** Sorry, we do not issue that certificate of reforestation until it reaches the stand densities and is reforested so that it is actually renewed.

(The Acting Chairman, Mr. Harry Enns, in the Chair.)

**Mr. Taylor:** Mr. Acting Chairperson, a different tact here. I would like to ask questions as to what are the expectations of your Government of Repap in the

retraining of Northerners and in particular retraining of Native people for new jobs in this revamped pulp mill.

**Mr. Manness:** Mr. Acting Chairman, as we indicated before lunch, we expect Repap to honour up to the commitment they made by way of agreement, \$20 million dollars to be directed toward retraining, jointly administered by ourselves and the company, highest emphasis being given to those individuals today who are part of the sawmill operation, those individuals with lesser skills. I choose that word carefully, "lesser" skills, to have an opportunity to upgrade those skills.

So we as a province will have a lot of say as to how that \$20 million is directed, to what extent it goes to on-site training and to what extent a portion of it finds its way into Keewatin Community College under a more general training program. So I honestly believe that the province and indeed individuals around The Pas and district are safeguarded to ensure again that their first natural advantage, being located where they are, gives them the greatest advantage to fulfill those new and challenging jobs that are about to come.

**Mr. Taylor:** One would think that is the case. What is it that your Government, in conjunction with Repap, is prepared to do to encourage that that happens, given the bounds of the Charter?

**Mr. Manness:** Well, Mr. Acting Chairman, I say to the Member we are still negotiating. Negotiations deal around principles entered into, hopefully, in good faith by both parties. I am saying to the Member that Repap is committed to put \$20 million forward. They have also agreed that the province will have a significant responsibility in the role as to how those funds are directed for the purposes of retraining. That is as far as it goes today.

We have indicated that we want to see a component of that delivered through Keewatin Community College. We have indicated that we expect to be able to monitor the opportunities of existing work staff in the sawmill and to ensure that they have the first right to be retrained under that.

The Northern Training and Employment Agency, also we will endeavour to bring that component into this retraining area. But beyond that, Mr. Taylor, in all honesty we have not put into plan—and certainly action—but into plan the whole retraining program.

Today we do not even have an agreement, a final agreement yet with the company. It would be foolhardy at this time. What we have put to paper are the broad principles which I am sharing with you today.

\* (1400)

**Mr. Taylor:** Mr. Acting Chairperson, I have one final question on this. Yes, it would seem to me that given the fine opportunity that Manitoba has with a redeveloped Manfor to really do something about the employment context in the North, that we are not hearing enough principles here on the table this afternoon. We are hearing some things. Yes, we hear

the tie-in with the regional community college. We hear the comment of the people who are employed in the sawmill should be given first cut at things, and that we should look at people in the employ of Manfor who are not as skilled as some others, have the opportunity to have a skill upgrading.

I would agree, and I think the Liberals would agree, that those are commendable principles to put on the table. What about some other principles? What about encouragement of the communities that are within the newly licensed cut area? What about dealing with communities that have and will have chronic unemployment problems, and having overt strategies that would lead to the retraining of people from those problem communities? What about dealing in that sort of an overt fashion? I think that we are dealing with a company here that is not from Manitoba. It does not know Manitoba's history and problems. I think it is incumbent upon the Government to put all the principles on the table. It sounds like we have half a solution here. I am hoping we can hear the other half of the solution. It sounds like we have some principles on the table for an employment strategy benefitting from a redeveloped Manfor, but hardly a fully baked one.

**Mr. Manness:** Mr. Acting Chairman, we do not even have a final agreement. It would be foolhardy, absolutely foolhardy at this time to devise complex plans and strategies when we do not even have an agreement.

I remind Members of the committee, and specifically Mr. Taylor, that we are trying to share the broad and basic and the most important principles of the agreement, as we see it, the moment we have a final agreement, hopefully, with the encouragement of the Members around this table. At that time, then it becomes incumbent upon Government to develop those plans, given the opportunities under the broad principles written into the agreement. At that time Members can help us devise those plans and, indeed, I am sure if we do not do it well in ourselves, they will be critical, as is their role and their responsibility.

But, Mr. Acting Chairman, at this point in time to lay out specific plans with a company when we do not even have a final agreement yet, to me is foolhardy, it cannot work that way.

**Mr. Taylor:** Mr. Acting Chairperson, I just fail to understand how you cannot put all your expectation, your statements of principles on the table, in a period of negotiations and then, when a deal is concluded, expect a firm to buy into certain expectations or principles when it has not been a party to it during the negotiation. One does not have to talk about the details of various plans and programs and how they will be implemented, and the detail of the dollars and the start dates and all that sort of thing. That is not what we are talking about here. We are talking about the issues of principle. If the Government is not prepared to put more of its principles on the table here, and it is saying it is not prepared to do it with Repap at this stage because the negotiations are incomplete, I think in itself it is making a statement that it has no further principles to put on the table in this vital area of northern employment.

**Mr. Manness:** Mr. Acting Chairman, nothing is further from the truth. Every one of the principles that was indicated and as spoken to by Mr. Taylor, we have spent countless hours addressing with Repap. Indeed, if I were to show him the document where it stands today, he would see them fully covered in printed form within the covenants. Every one of the points he has made here over the last 10 minutes is covered within the agreement. If he is saying then he is more concerned about principles and if we covered all their principles, we have covered every one that he has addressed over the last five minutes.

**Mr. Taylor:** Why were you not prepared to enunciate it?

**Mr. Manness:** I said that, I said it before dinner, Mr. Acting Chairman. I said this, this is the most important Native economic initiative that the province can conceive over the next decade, Native economic development initiative. We have also said before dinner, how important it was to Repap and to ourselves that communities be given an opportunity to supply, first call, to supply woods as either groups of people coming together, either reserves, groups of people, I do not care really, but to entrepreneurially supply wood. Beyond that, individuals from these communities to come forward, and we have talked about it over the last 15 minutes, to be retrained if they are part of the existing work force today, but beyond that, to present their credentials and to be properly trained, if that is required, for the new jobs. Every one of those areas has been discussed, as a matter of fact, at this table, Mr. Taylor, over the last two sittings. They are all included within the agreement and addressed within the agreement. If the Member wants us though to lay out plans beyond that, how it is we are going to deliver a course and retrain a specific person from one area, I cannot do it today.

**Mr. Harapiak:** I would like to make one comment, that there has been a lot of dollars poured into the development of the reforestation program and since reforestation is going to become part of the responsibility of Repap, what will be happening to the facilities at both The Pas and Hadashville that the Department of Natural Resources presently have?

**Mr. Bessey:** The department will continue these efforts because those are not specifically geared just towards Manfor. They also provide seedlings, etc., for Abitibi and for other forest initiatives the Government will be embarking upon. It will continue to provide some seedlings as seed stock that the company will purchase from them as well. The company—one of the things that I was looking at in addition to the facility and maintenance in Swan River is a reforestation initiative and some research on hybrid poplars at that location.

**Mr. Harapiak:** Mr. Acting Chairman, we are into a new way of harvesting now because of the fact that the aspen now becomes a harvestable tree. I am wondering if the method—it was touched on earlier—has there been any discussion of a new or, going back to an old method of harvesting, of making a selective cutting

where there will be reforestation done naturally rather than a uniform species planted over a large area?

**Mr. Bessey:** Depending upon the terrain and the area, whichever method is most suited, given the environmental or context factors, will be the one utilized. In some cases scarification, especially with what resources people would call a weed species like poplar, which has a tremendous ability to out compete any other species it is growing with, that is the most efficient method of reforestation. It will depend upon the terrain factors, and where it needs to be assisted it will be.

**Mr. Harapiak:** In a large portion of the area the poplar and softwoods are competing, and the poplars grow much quicker than the jack pine, spruce and other softwood. How are you going to control or what method will they use to balance that?

**Mr. Bessey:** They primarily reforest to maximize the growth potential of the species that were harvested. So if you have an area that is well suited to spruce and you have harvested spruce, you will reforest and prepare the soil and the site for spruce replantation. If the area is primarily an aspen species, and this will be done in conjunction according to the management plan jointly administered by the company and the Department of Natural Resources, these decisions, then the most likely method would be scarification and natural regeneration of the poplar.

**Mr. Harapiak:** Has there been any discussion about utilizing the selective cutting process rather than the clear cut?

**Mr. Bessey:** I cannot answer that question specifically. A Stothert management individual would have to tell you that, and the Forestry Branch mainly.

**Mr. Harapiak:** Has there been consideration given for the areas that have been given as additional cut areas now for wildlife preserves? For instance, the Swan Pelican Forest Reserve, how that will be affected?

**Mr. Bessey:** Where there is a forest reserve, for example, in the map we showed and the park itself, those areas have been deleted from forest management licence. One is in a park; one is a forest reserve as opposed to a park.

**Mr. Harapiak:** Pelican Rapids, I was referring to the smallest one, is not marked in there. How will that be affected?

**Mr. Bessey:** There will not be a change in the harvesting practices in areas where there is already an allocation of the timber supply. So, for example, if it is a forest reserve and it is being harvested by local people, it would still be harvested by local people on the same basis. Repap will not be going into any of those areas to harvest or to change the harvest practice.

**Mr. Harapiak:** Has there been consideration given to making dollars available for environmental groups to make presentations to come up with some alternative

methods for harvesting and reforestation by environmental groups.

**Mr. Manness:** Mr. Acting Chairman, that is not a public Government policy at this point in time. It happens at the Public Utilities Board, as the Member is aware, and is charged against those applying for rate increases. I cannot foresee a set of circumstances that would cause us to want to, I guess anybody, to come forward to make what may be general or in some cases, I suppose, good comments. We believe it is an open forum for all to attend, if they so wish.

**Mr. Harapiak:** I had a few more questions. I guess the precedent has been established in Ontario where there was, under their Environment Assessment Act, there are dollars made available to environmental groups to make presentations, and in one instance, where Ontario Hydro was proposing an extension of their line. There were environmental groups becoming involved in it, and there was an alternate route chosen because of the fact there were environmental groups.

I think when you are looking at some of the practices that are going into place for reforestation, as well as the new system for—we have been told has been the state-of-the-art facility being built there. We want to see if there are alternative methods that may be available that these people may be aware of. So I am wondering if the Minister would consider making some dollars available for environmental groups.

**Mr. Manness:** Well, Mr. Acting Chairman, I guess it is hard to make a general statement. I am aware that some environmental groups in this province draw some funding by way of lotteries. I do not know to what various categories they fall. You never ever make the perfect decision in this regard. I know, for instance, the NDP political Party had an environmental task force of their own and they still do, and of course, there may be some wanting that be funded by the Government. I wonder how far you carry these certain matters. I hear the Member's statement and certainly they still have an open mind on this.

**Mr. Harapiak:** The NDP task force is functioning quite well and we are not looking for funding, but if you are coming forward with the suggestion we should have some we would certainly—

One other area I wanted to pursue very quickly was in the area of transportation. When you are putting \$90 million into upgrading the highways, and I realize it will probably be taking away from some other highway program, but I am glad to see it is coming in the North because the last couple years there has not been—or the last year there was not much money coming through highway construction in northern Manitoba so I am glad to see that.

I am wondering if they ever looked at the option of utilizing the rail line because there is a rail line that runs from Swan River right to The Pas, and from Thompson as well, which can be utilized. Has there been some thought to opening up the Irwood Sub once again, to utilize that portion of track that at one time

was utilized for harvesting forest right across that area. I had the privilege of working on that Irwood Sub and I know that there was a lot of bush that came out of there. I think that would probably be utilized to a great degree again. So has there been any consideration given of opening up the Irwood Sub?

**Mr. Manness:** Mr. Acting Chairman, I can indicate because of the new development should it go forward, there is an expectation that line will now increase its capacity, its moving capacity in serving and supplying wood to the mill, of 130,000 tonnes to 175,000 tonnes by 1990 and to 600,000 tonnes by 1993, assuming competitive rates. So there is no doubt, in our mind, that Repap, because of the increased draw of wood will be increasing its reliability or its reliance, I should say, on CN, given that the rates stay competitive.

\* (1410)

**Mr. Harapiak:** I take it for granted then the Minister of Finance (Mr. Manness) will encourage the Minister of Transportation or Minister of Highways (Mr. Albert Driedger) to become very aggressive and see that they can get this line back in CN's operating schedule.

**Mr. Manness:** Mr. Acting Chairman, along beyond that, when we were in the early throes of negotiating this, we were very interested in somebody coming along and purchasing this plant and being prepared to export pulp to Europe through Churchill. We pursued this with every company that came along. Unfortunately, ultimately no company was terribly interested although Repap certainly has not ruled it out as sometime, depending on its potential pulp sales and paper sales in its corporate empire, how it is that their product may ultimately flow.

So a lot will depend on CN and whether and if and hopefully they will maintain that route, and secondly, what rates they have to charge in accordance with maintaining that route.

**Mr. Harapiak:** One other area that I would like to pursue and that is, we are dealing with job creation here and I am wondering if there has not been a sacrifice of 60 jobs in order to accommodate this sale. I am referring to the Bertram plant where there was Ecolaire originally, and then Joy Technology had 60 jobs and there was a promise of, they were building the gates for the Limestone and they were high tech jobs, well paying, and then they were supposed to be getting another contract dealing with the manufacture of some scrubbers for Manitoba Hydro on March 1. Unfortunately there were some difficulties with Manitoba Hydro and they would not put that contract forward.

I am wondering if these 60 jobs were sacrificed in order for this sale to be completed with Repap.

**Mr. Manness:** Mr. Acting Chairman, let me state right for the record, there certainly was no communication between Manitoba Hydro and ourselves with respect to this. So what decisions Manitoba Hydro made with respect to awarding another contract that would employ—I believe the number that I last saw was 11

people working out of the Bertram plant, not 60, Mr. Harapiak, but 11, what final decision that Manitoba Hydro took in awarding or not awarding a contract that somebody thought was maybe or maybe not coming, I cannot speak to.

Certainly your mention of it today is the first indication that I have. I can say that the facility will be used by Repap. We asked them toward the end specifically what they were going to do with it and they see it as an important storage facility which will also require, obviously, labourers to store the product, pulp.

**Mr. Harapiak:** I recognize that there is a need for a storage facility, but I also recognize it was high tech jobs. It was 60 jobs when the manufacturing was going on. It has been cut back recently because of the completion of the gates for Limestone, but if the MIL contract was coming there, the employees would have been called back. Therefore, you are looking at what they are operating right now, with 11 employees, when they are at reduced capacity. But I think this was a manufacturing firm that felt that they could compete in a western market and unfortunately they have been closed down because of Manitoba Hydro's wish not to utilize it. It seems to me like there was a little bit of gerrymandering going on there, causing Ecolaire to pull out, or Joy Technologies.

**Mr. Elijah Harper (Rupert's Land):** I wanted to ask some questions regarding the divestiture of Manfor, and I wanted to get into the area of Native employment and what the Government has done with regard to that area.

I have some background so that the Minister will realize what I am talking about. As you know, the North has been developing for some time and generally there have been two Norths that have been developing. One, of course, is the flurry of economic activity in certain areas of the province and certain areas of the northern part of Manitoba. Generally those are mining towns or Hydro dams and forestry industries. These towns tend to develop rapidly. They tend to have good houses, good facilities, good health facilities and education facilities, recreation, they have roads coming into them.

There is another side of the North which is the remote, isolated northern communities. These northern communities tend to be isolated and they tend to not have access to roads coming in. They tend to have poor living conditions, high unemployment, well over 90 percent, and generally those are Indian reserves. They tend to remain stagnant. The economic activity is virtually nil. These people have been left out of the mainstream society. They tend to not have access to job opportunities, or they tend to have jobs that are low skilled if they do get a job at those facilities.

It is with this in mind that I ask those questions. I believe I am most qualified to ask those questions. If you look at the cutting areas you have granted to Manfor, those areas have been devastated by flooding, mainly the Forebay area, Grand Rapids, Easterville, Moose Lake. Those areas, their traditional activities and livelihood have been destroyed. They should be the first priority of the Government for any access of those jobs.

If you go into other areas of the flooded areas, the Northern Flood Bands, Nelson House, Norway House, Cross Lake, Manfor has those cutting areas provided that Northern Flood Bands do have old areas in those areas. What has the Government or Repap, what negotiations have taken place so far? I guess we will find out later. Generally in those areas Government has had a negative impact in the name of progress, taken away their traditional activities. But on the other hand some of those bands have outstanding Treaty Land Entitlement areas, lands that still belong to them, but outstanding because the federal Government has not fulfilled its treaty obligations.

Those resources should be first negotiated with the bands that have Treaty Land Entitlement areas because I feel the Indian bands have given so much to the federal Governments and to the provinces, and yet they have not received any benefits from the land and resources that they gave away. I feel that the Government should be taking strong aggressive measures with Manfor and Repap to guarantee some employment conditions' training, not just merely a clause, a hiring preferential clause.

\* (1420)

The Minister had mentioned about the Charter of Rights and Freedoms, about hiring, mobility rights. There are provisions in the Constitution for affirmative action programs for disadvantaged people. Yet we are disadvantaged in that sense, but we should be more economically viable. I feel that the treaty should be upheld. I believe the Northern Flood Agreement should be upheld. It is one of the modern-day treaties as mentioned in the Constitution that should be upheld and followed through.

Being a Member of the Government, we have tried to resolve some of those differences. I took some of those experiences and tried to apply some of the experiences I had as being part of the Government in the sale of Manfor. Those areas, we tried to negotiate the northern preferential hiring clause. I believe we had a qualified northern Native provincial hiring clause in there in which a qualified northern Native would be the first preference hired on a Limestone site. We also put in place, of course, the Limestone Training Agency to train a number of Native people. In the course of that period, we trained, I believe, over 1,700 people, institutional training. Also we have the Manitoba engineering program. I believe now that part of that program has been transferred over to our northern training agency in The Pas.

I commend the Government for having some vision, but yet the Government has to be a lot stronger in trying to rectify the situation that exists among the aboriginal communities. Here is an opportunity for the Government to fulfill many of its treaties and obligations under the Northern Flood, Treaty Land Entitlement, and the Forebay area. We also have The Pas Band that is interested in being involved in probably an equity position with Manfor and I hope that this Government takes seriously their proposal and also Repap takes their consideration very seriously.

Some of the examples that we had in the Limestone Training Agency and some of the negotiations that went

on were like local content provisions. We also had Canadian General Electric put aside \$2 million for northern Native business development in which we had Knee Lake, a tourist lodge; we had Berens River—they purchased a rock crusher. You know those are some of the imaginative, innovative ways of dealing with some of the things in the North and I hope the Government would be able to look at the experience that we had in Limestone and initiate some of those positive experiences that we have had.

I am sure that the people in those areas are looking forward to receiving some benefits, some guarantees of jobs, especially people like Moose Lake Loggers. They were involved in harvesting of timber there, and I am putting forward here that the Government should be very seriously and aggressively dealing with the situation, economic situation, of the people in those areas. I hope the Minister will be able to provide some response as to what the Government has done so far. Thank you.

(Mr. Chairman, in the Chair.)

**Mr. Manness:** Mr. Chairman, I thank Mr. Harper for an opportunity to enter into a dialogue at this time. Let me say I only wish my colleague Jim Downey was here, Minister of Northern and Native Affairs, because certainly he was an integral part of some of these same facts and elements which the Member discusses.

Let me say, Mr. Chairman, from the outset, that as far as the development and the opening up of the North, it is one of the decisions I suppose that a number of northern communities are going to have to decide upon, because there are going to be an awful lot of access roads built. I mean, this is going to be—if it proceeds and, from my position, believe it should—a tremendous economic boom. It is going to cause roads to be built in a lot of areas. Now some may see a down side to that and I understand that.

But nevertheless, there will be communities in northern Manitoba who will have an opportunity in a physical sense to be part of mainstream society. The isolation will be removed from them to a large degree and this will cover a large section of this particular area.

The Member talks about the guaranteeing of jobs. I do not know how it is today you guarantee jobs. I first all—the first guarantor of jobs in a private sector sense has to be positive returns. If there are not positive returns there is not a job that can be guaranteed. It is only if you work for Government or if you are a Crown corporation that it seems that your jobs are guaranteed, as has been the experience in this province over the last number of years. So there is no guarantee, firstly, other than positive returns. Secondly, beyond that as to who will have an opportunity to contribute to their own well-being and in doing so through the combination of a lot of efforts make positive returns on behalf of a private company, who should have that right?

Again I say to Mr. Harper and I say to anybody that wants to listen to the extent that all of our conversations, all of our negotiations were directed toward that the Native and northern Manitoban should have first

opportunities, first preference, if you will, for hiring; and secondly, for the provision of services and goods to this major development. We have safeguarded that by inclusion within the agreement.

\* (1430)

I honestly do not believe that we could go to the point and demand of a company that they do certain things. I honestly believe that we would be tested in court and that that would be challenged. We have come an awful long way over the last six years within the area of basic human rights as determined by the Charter, and I say to the Member what could have been written into the Limestone Agreement of 1983 I do not think could be written into this agreement. As a matter of fact, the best advice we have says it could not be, and yet we talk about the preference, still within the laws, within the context of Canadian laws.

I honestly believe that we have come as far as any Government could under the circumstances to provide the guarantee that the Member seeks. I can indicate that as a province, we have a lot of conditions that we will fulfill if the intent of Repap—and their intent is to provide first opportunity to the extent possible to northern and Native Manitobans, but in the sense that their intention is not sincere, is not provided in good faith, then the province has a number of other areas that it can begin to withdraw to exert some pressure.

I say to Members of the committee, not being able to guarantee in a fashion that would satisfy the Member, I believe we have safeguarded our opportunities to ensure that northern and Native Manitobans are given first opportunities.

Now the Member talks about northern training; he talks about the Limestone training initiative. We are not going to wind that down. As a matter of fact, the diminishing focus as a result of the wind down of Limestone will now be moved in location and emphasis to the forest industry, and it will be centered in The Pas and district. So we will be using that vehicle that has been in place. I say to him that we are mindful of all our responsibilities with respect to training. The province has some major responsibilities here and they have been spoken to over and over again in all of our discussions, with all of those that have come forward to make a proposal, and specifically with Repap who we, of course, entered into an initial agreement with.

The Member talks about the proposals coming forward from some of the Indian bands, particularly The Pas. That proposal reached us very, very late in the negotiation. I can indicate that the Province of Manitoba took it seriously, is supportive of it, and to the extent that the band is able to find equity, upwards of \$80 million to \$100 million from whatever source, including the federal Government, we would be more than delighted to be on their side, to see how it is they can provide for themselves an equity position within Repap, bearing in mind that Repap is the owner of the shares and ultimately has the final say. Yet with respect to the supplying of wood in the sense that the Native communities can have a larger, entrepreneurial role in providing that wood to the plant, we are fully in

agreement with. Not only are we fully in agreement with, I can tell Members opposite that when that concept first became known to me in early fall that I spent a considerable number of hours in Ottawa trying to put it into place, to get a better understanding of it, to see what support it had in Ottawa.

Mr. Chairman, it is a concept that is intriguing, to understate it. It has great, great potential and I encourage its development, and the Government of Manitoba encourages its development and will lend whatever support it can to it. It has a natural role. It is a resource that is renewable that really should be entrusted, in my view, the harvesting of it, as far as we can go up the vertical chain, should be entrusted to the people who are acting as our trustees, and that is our Native and our northern Manitobans.

With respect to Moose Lake Loggers, I can tell you we consulted with this group extensively. There is no doubt in our mind that they are ready and willing to take up the challenge to provide under some different sets of circumstances, but to provide for themselves a greater opportunity to share in the economic benefits that are going to come and greater opportunities to employ a larger number of their people.

Mr. Chairman, there are other moves that the Minister of Northern and Native Affairs (Mr. Downey) could speak to, but I can indicate that the whole thrust of this development was not only to divest ourselves of Manfor, but to put into place a vehicle which would allow again an opportunity to northern and Native Manitobans to move to their rightful place in the economic sphere of this province.

**Mr. Harper:** I thank the Minister for those comments. I wanted to I guess ask more specific questions, but would the Minister of Northern and Native Affairs (Mr. Downey) be here at the next meeting at all or whenever the next meeting would be?

**Mr. Manness:** Mr. Chairman, whenever that meeting is called, we will endeavour to have him here and naturally he would welcome an opportunity to expand on some of these points.

**Mr. Harper:** I will wait for that opportunity then to question him on some of the activities and consultations that he has done with the Native communities and people involved.

**Mr. Chairman:** Mr. Plohman, did you have something?

**Mr. Plohman:** Yes, I had a few questions. Mr. Chairman, this morning I raised a number of questions regarding the cutting area, the changes that were made and there are a lot of areas that were not answered in detail. I want to ask the Minister, I did not ask him specifically, although I referenced it in my comments this morning, whether the area that is being removed from the cutting area has any marketable hardwoods and to what extent that is the case versus the area that has been added. What is the comparative value of the forest in those two areas, the area that is being deleted? Because the Minister did say, and I think it is misleading to say that



there is only a very small increase in the total cutting area, as if that was somehow significant. What is significant is where that cutting area is and the kind of timber that is available, and I would like him to attempt to answer that question.

**Mr. Manness:** Let me state for the record that area that has been removed from the cut area, that which is basically lying in the central portion east of The Pas, has some good stand of softwoods. There is absolutely no question, there is some good timber in that area.

**An Honourable Member:** No roads.

**Mr. Manness:** Mr. Chairman, I hear somebody say the word "roads," and unquestionably there is an incredible cost associated with accessing that particular wood area. Now, that is not lost, and when one looks at the technology that is coming into place today and I again refer to this Alsel technology, whereby all of a sudden you could produce wood or you could produce final product, given that you do not have to build a 1,500 tonne a day mill, but you can maybe build one that produces 300 or 400 tonnes.

I say this area that has now been removed and indeed many other areas of the province all of a sudden, I would say within the next 10 years, become prime candidates if Governments of that day are willing to develop yet other sections of our forest industry. This is a prime area, but it will have to wait until the technology is in place to offset the horrendous cost of bringing wood out of that area. Because that is what has hurt Manfor to such a large extent before was the cost of accessing some of the good stands of wood, both for sawmill purposes and in the pulping industry, which had incredible high costs associated with bringing that wood out.

**Mr. Plohman:** Mr. Chairman, it was a long answer but did not answer the question dealing with the value of the timber to that company. In the area that has been expanded, insofar as the cutting area is concerned, in comparison to the value to that company of the area that has been removed, the fact is—and I think the Minister could disagree if he chose to do so—that this is much more valuable timber.

There is an extensive road network in here, it is much more merchantable, more marketable timber and therefore much more valuable to the company than what was given up by the Government in this deal. He should point that out when he is making the comparison to the cutting area rather than just simply saying, well, it is very comparable in size overall. That totally leads anyone listening to that as to the comparative value of what the company is getting.

\* (1440)

Now, I want to point out to the Minister, I believe that he in many respects has made some good decisions about the future of Manfor, the jobs and so on at The Pas. But I think there are some serious problems with this whole deal, the lack of consultation that went on in the Parklands area with regard to this whole cutting

area. The fact is that people in this area had a strong belief that they were going to have an opportunity to have a major development centred in the Parklands area of the province. That has been forever removed with a satellite project to the Manfor operation, and not nearly as extensive as the one that was planned, regardless of what the Minister has said.

I was involved in this just over a year ago, as a matter of fact. At that time I recall that the senior staff in the Forestry Branch and Natural Resources were very supportive of our policy that we would not allow the sale of Manfor to impact on the hardwoods, the trembling aspen in the Parklands Region, so that both plants, both products could be viable, the OSB plant as well as the future plant that would replace an upgraded Manfor. They emphasized that. When I travelled the Parklands area and went to public meetings just over a year ago I promised the people of that area that they would have input into any decisions made with regard to the cutting areas for this resource, that they would be assured that local people would have the benefits maximized to them.

This Minister, without any consultation with this area of the province, made the unilateral decision, flying in the face of evidence that was made available to the people of Swan River by their political representatives, by their MLA, who I do not believe knew exactly what was happening here, by the Conservative Member of Parliament who stated even the day of the sale: "I have been working closely with federal officials, Penn-Co and local municipal people over the past several months in an effort to expedite approval for the application. The final stage was to be a federal Cabinet submission as early as this month. However, everything is now up in the air. It all depends on clarification of the cutting rights issue."

So what was there was a project that was imminent. That is what the federal Member of Parliament was saying. The lead Minister from the Conservative Government federally, Jake Epp, had said there was funding available. Then the Western Diversification Fund changed the criteria for the funding. They said waferboard plants were not going to be made available. I believe that, in fact, this Conservative Government provincially, in essence, bailed out the Federal Government from funding commitments that they had gotten themselves into a very tight corner, away out on a limb, having made promises of funding, and then could not deliver on it. I think that is a slam to the Parklands Region and I believe that they deserve better than this.

I believe that there was a great opportunity here that the Minister has thrown away because he is more concerned about expediting a sale than seeing major diversification of the economy in the Parklands Region, as well as in the North. I can tell him that this is going to be a decision that will haunt him and his Government. When the hearings are held in that area, he will find out the depth of the anger and concern that the people have about the way the natural resources were given to one major company, one company tied up in their hands, without giving the local people any input into that resource. They are tired of that happening. They

have seen it happen before in the '60s with Abitibi, with the softwoods, and they thought things would be done differently this time. They had that commitment from our Government and it was not followed through by this Minister.

Clearly his negotiators initially had taken the position, Mr. Chairman, that it made sense to have two developments. That is why the Minister had promised the people of the Parklands Region that he would not let the sale of Manfor impact on the development of an Oriented Strandboard Plant in the Swan River area. Then he quietly changed his position without telling anybody, and then announced the decision that now at this point perhaps is irreversible. Those people do not want to see that this is irreversible. They want to have another chance at this because they want to ensure that their people have an opportunity for those kinds of jobs that we are talking about, many more than the jobs that this Minister has announced with this satellite project in Swan River.

I assure the Minister that he is going to hear a great deal more about this, and the public is going to hear more about these terrible discrepancies between the two levels of Conservatives here at the federal level and the provincial level who have not gotten their act together on this project, who were not communicating or else who were communicating in a sinister fashion to get the one level off the hook.

It is either one way or another. They cannot have it both ways. The Western Diversification Fund was, according to Brian White, ready to make a decision on this. Penn-Co says that they were ready to go. Their financial advisor, Gary Gaul (phonetic) of Sherwood Associates said that the project was moving along quite nicely, the markets were there. The project was being put together and the Minister pulls the rug out from under the whole project.

It is a disaster for the Parklands Region and he will live to regret it.

**Mr. Manness:** Mr. Chairman, I can see one thing. I can see that the Member for Dauphin (Mr. Plozman) who loves to go on crusades is now leaving oats under the Wheat Board crusade behind and he is now taking—

**Mr. Plozman:** No, I will take more than one at one time.

**Mr. Manness:** So, Mr. Chairman, you know we get used to the blusterings of the Member for Dauphin. He is all over the place on some of these issues and will probably vacate the room now that he has said his piece.

Mr. Chairman, let me say that I have an awful lot more confidence in the people in the Swan Valley than the Member for Dauphin. I have complete and total confidence that they will take this opportunity provided to them by Repap of Montreal, and that they will show that corporation that they have the basic elements of geography and attitude to work that they will provide for them opportunities for years to come.

They will run with that challenge and they will turn it into something that will augur well not only in the

next few years but for years after that. To me it is a natural marriage as between one of the world's great and merging pulp and paper companies and the people of Swan River. I have an awful lot more confidence in them than the Member for Dauphin.

Let us cover some of his points because I know he is wanting to make an issue of this. He is desperate. He cannot find anything. There is no way he can find anything to criticize with respect to the finances or indeed the forest management concerns or indeed the environment concerns or indeed the highway concerns. He cannot find a darned thing to criticize so now he feels he has fallen upon something. He is trying to salvage something.

Mr. Chairman, let me say this. The strandboard plant—50 percent funding required from outside. Mr. Chairman, to me in today's age a viable industry that comes forward cannot call on Government to provide 50 percent funding. Those days are long gone. There may have been a time in the past in the '70s when Governments would throw money after any issue just to try and buy jobs.

Indeed we have plenty of experience with that in the Province of Manitoba. Throw money at it in the belief that you are going to create a long, sustainable job. It does not work. I do not care what stripe is in Government. The realities of finances today in Canada and all its provinces, the days of Governments throwing 50 percent financing to try and create jobs are gone. They are no longer with us. They just do no longer occur. So let us set aside that, Mr. Chairman.

The Member talks about major diversification. Major diversification is being offered to the Swan Valley—major diversification, upwards of 300 jobs, two-thirds of them, not factored into the 250 by the way as this element that Mr. Bessey was talking about and that is hybridization of hardwood species and putting into place in due course an experimental farm to ensure that there are species in place for reforestation, not factored into the 250.

But anyway, Mr. Chairman, I digress. I say for the record that virtually two-thirds of all the jobs are the same jobs that the Member is talking about—cutting the wood and transporting it to a site, the same jobs. So whether he wants to double count them, at least recognize that we are talking about basically the same jobs, for the most part. So he wants to put Swan River down, he wants to call them hewers of wood.

\* (1450)

Here we are moving into a chipping facility. We are moving into a major maintenance area, all I would say, value-added jobs, ones which can be built upon, ones which have great opportunity to be built upon. I say that in my view is better than something that may not have ever been, may never have been, in spite of comments made elsewhere.

Now, what the Member seems to forget is that Phase II makes the Manfor divestiture an economic project. Without Phase II there were no economics. Now the Member can say well, we were going to not allow entry

into the southern wood areas. Well, Mr. Chairman, if that is the case, then they bargained in bad faith with Weyerhaeuser, because Weyerhaeuser did not know that. Under no circumstances did one of the major bidders of the time know that they were precluded, precluded from moving into the southern areas. That says something about their negotiating. They wanted to have then just Repap, and Repap believing the Weyerhaeuser was coming.

**Mr. Plohman:** It is not true.

**Mr. Manness:** Well, it certainly is true, we have got the evidence. So we know fully well, if they want to revise history and as someone once said, God cannot lie about the history of the world, so he created historians. Mr. Chairman, we have a little bit of revisionist history that is being thrown at us today by the Member for Dauphin (Mr. Plohman). So—

**Mr. Plohman:** A point of order, Mr. Chairman.

**Mr. Chairman:** Mr. Plohman, on a point of order.

**Mr. Plohman:** The Minister should withdraw his statement about revisionist history. He has to, as according to the Rules, take as fact in my statement that we were not prepared to give up the cutting area in the Swan River area. That was Government policy and that was a fact, one of the conditions of our negotiations. The Minister is talking about revisionist history as if I am changing that position at this time. That is not a fact. He is the one who gave up and negotiated the cutting area in the Parklands, not the previous Government. We would have no part of that. That was a position of Weyerhaeuser, but that was not the position of the Government.

**Mr. Chairman:** A dispute over the facts is not a point of order. The Honourable Member for Dauphin (Mr. Plohman) does not have a point of order.

**Mr. Manness:** Mr. Chairman, I accept the Member's response. He is going to have to accept mine and when I say that the former Government did not in any way indicate to Weyerhaeuser that they were precluded from looking at the southern resource, the records do not in any way support his statement.

Let me say today that there probably would not have been a sale if there had not been an alteration in the configuration of the Manfor cut area and that is something to do with the cost of supplying wood. The cost of supplying wood from that area, as the Member has indicated on his map, that has tremendous costs associating with securing that wood.

So the Member can say, well, who cares, we would have done a better job or something—I am putting words in his mouth—but the point being whether or not Members believe that this was a good utilization of the wood resources. They will have an opportunity to pass judgment on it; and secondly, whether or not Manitoba struck a deal which secured 850 jobs plus more in The Pas, in Swan River, and in the district in between. Mr. Chairman, I submit to you that the project

is a good one and I hope that Members will encourage us to move forward with it.

**Mr. Plohman:** Mr. Chairman, as a last comment to this Minister, let me just say to him that the people of the Parklands who were misled on this issue by the Conservative Governments, and therefore they feel that they have been jobbed by this project—yes, that they have been misled and that their interests were not put paramount and that is the view that I am representing. I stick by that, I believe that is a fact. I think it is very unfortunate that this Minister and his Government did not see fit to ensure that the facts were on the table for these people in this area of the province so that they could have an opportunity to put forward their views as to whether this was a better opportunity for them than the other one.

**Mr. Manness:** Mr. Chairman, I guess that is the basic philosophical difference between the NDP and the Conservative Party. The NDP run around telling people that they can do certain things, that they will have it in place, and that they will whether economics are important or not, that they will provide.

Mr. Chairman, what we said was that the project, the development, had to make good economic sense. It had to make good economic sense for the province, it had to make good economic sense for The Pas and district and it had to make good economic sense for Swan River. The last thing that this Government was going to do was find itself entering into supporting a project which may or may not, in due course, have proven successful. The people of Manitoba spoke loudly and clearly in the election last April 26. They said they did not want to see Governments move into major adventures as far as financing risky concerns.

The Government of Manitoba waited for a period of two years. Over two Governments waited for this project to come on stream, this so-called Parklands project. It never did. That was given the fact that the Province of Manitoba previously indicated somewhere that it was prepared to put up a significant loan guarantee. This project did not seem to be coming forward. We waited and we waited. So, Mr. Chairman, what happened to it? What went wrong? Certainly it was not hit on the head from the provincial Government standpoint.

But, Mr. Chairman, what Members have to realize is that the only guarantee of the jobs in the large area and the best utilization of the forest resource came about because of a commitment from the large company to infuse \$1 billion to make in that area a world class production facility to be followed, most likely within the span of the next eight years, if George Petty's word is worth anything, by an additional \$800 million directed towards paper machines, all of which will have tremendous economic spinoffs to not only The Pas and district but certainly Swan River and the Parklands Region. Everybody shares in this, every Manitoban shares in this announcement.

**Mr. Plohman:** Quite frankly, we could have had all of that without giving away the Parklands and that was where the negotiations were when this Minister took

over. He never received any unique mandate to negotiate for the sale, that was already being done. Repap was the company that was most favourable at the time that our Government left office. There were no major inroads made after the election by this Minister. I can say to him that he gave away cutting areas that were not necessary to get the deal he got. All of the things he said are good in terms of the investment and the jobs in northern Manitoba, but he did not have to sacrifice this other area.

Just in closing, Mr. Chairman, it was not me who went around the Parklands saying these things, it was the Conservative Member of Parliament who made these statements. He, even on the day the sale was announced, in Swan River, was saying I have been working with these officials closely and the deal was going—the final stage to the federal Cabinet submission. He is the one who said those things in the press. I would have thought that the present Minister would have at least discussed this with his counterparts at the federal level, as opposed to keeping them in the dark on this project that he announces, the negotiations with Manfor and leaving them totally surprised by this announcement when they are going around saying that it is imminent. They mislead the people of the Parklands, not the NDP.

**Mr. Manness:** A final comment. We look forward to visiting the state of negotiations when we inherited Government. I did not really want to move into this area but, at the next sitting of this committee, if the Member for Dauphin wants to revisit exactly what we inherited, the positions that were on the table at that time, if he wants to move into that area, I can hardly wait.

**Mr. Plohman:** Good.

**Mr. Chairman:** The hour being three o'clock—

**Mr. Angus:** Before the committee rises, it was just in a committee agreement that we adjourn at three o'clock, and I am certainly prepared to hold to that.

**Mr. Chairman:** —what is the will of the committee?

**Mr. Angus:** I would like, Mr. Chairperson, to—

**Mr. Chairman:** Excuse me, we had one other speaker prior to you.

**Mr. Angus:** Okay, I am sorry.

\* (1500)

**Mr. Chairman:** But, the hour being three o'clock, what is the will of the committee? Leave for Mr. Enns. Does Mr. Enns have leave to make a few comments? (Agreed)

**Mr. Enns:** Mr. Chairman, one could literally spend a lifetime in reading the thousands of pages of the Journal of this House; the various judicial commissions of inquiry; transcripts of court cases, both this country, the United States and in Europe, all concerning the

matter of forestry development in northern Manitoba. But I am prompted to add just a few more comments to that realm of material, mainly because of the contribution by the Honourable Member for Rupertsland, Mr. Harper, and the Minister's response because, in closing my eyes, I could literally see a former colleague of mine, the late Jack Carroll, making the same arguments on behalf of the same group of disadvantaged people, namely, our northern Native people principally, who in the mid-'60s were not in any way significantly participating in some of the economic developments that were occurring in the North.

The previous Liberal administration had successfully brought Inco to the North. Thompson was growing out of the wilderness and a traditional and historic community of The Pas, rich in history, rich in commerce in the original early days of this province in this area, was sliding into a backwater community with little hope for economic development. It was those kinds of arguments, that kind of vision, that led the Roblin administration into a forestry venture in The Pas. I still count it a privilege of having my signature on those original documents.

You ask yourself why did successive Governments of Mr. Schreyer, of Mr. Lyon, of Mr. Pawley, continue to cling and to hold to that concept despite the horrendous amount of debate, frustration, the tremendous cost in public money, why did these successive Governments hold on to the vision that was initiated by the Roblin administration in the mid-'60s.

Because of the very reasons enunciated by Mr. Harper just a little while ago, it was believed, and it has to some extent been demonstrated, that particularly in the area of forestry development more opportunities exist for our Native brothers. Although there had been some success in training programs, some success in bringing northern Native employment opportunities within the mining industry, I think in total that success has been less than one that we could accept. Partly that has to do with lifestyles, I suppose, rigid discipline required with respect to shaft and mine work. I have been told in some instances even the nature of the work, underground, different, is something that our Native brothers in many instances have difficulty acclimatizing to and prefer the kind of work available to them, for instance in the woodlands division of a forestry project and for that reason have been eminently more successful, and for that reason there is a far greater hope that the present Minister's wishes and hopes for opportunities for our Native brothers are that much greater in a revitalized forestry complex in The Pas.

So, Mr. Chairman, you know, without taking the time of this committee to regurgitate all that has happened in this instance, let me be among the very first to—well, not among the first, he has already received so many accolades within the first year of his mandate, within the first year of the mandate of this Government, in having brought together what certainly the people most directly involved, the Northerners, are applauding as a bright new day for northern Manitoba, as a bright new day in future for the development of that natural resource, that has since the first coming rotted and burned.

Now there are the purists among our environmentalist friends—I do not know, maybe Mr. Werier is one of them—who would prefer of course that nothing be developed and that the forests burn and rot as they have burned and rotted since the dawn of the last ice age. But even that is a cost to the public because we do try to fight fires from time to time and we have received no economic benefit for them. But from what information has been provided and, for me more importantly, I have never heard Northerners respond so enthusiastically to a southern initiative as they often describe it.

I commend the Government, I commend this Minister on the way it was handled, and all those persons involved in it. And I want to say to each and every Member of this committee, I hope that what this means, particularly to some of the newer Members of the Legislature, that they will experience something that I have not experienced in the last 14 years. That is literally every year listening to a Minister responsible for that complex standing up in the House and with the best of intentions explaining why another \$10 million, \$14 million, \$13 million, \$17 million, \$34 million of tax money have gone down the drain that year, money that should have gone to our schools, should have gone to our hospitals, should have gone to do something about the environment. I look at that being the bottom line in this whole issue.

I am accepting the track record of the individuals, of the principals involved in the Repap organization. I am accepting the integrity of the Minister that the jobs will be there and will be increased, but for me, far more important is that perhaps the Minister of Health (Mr. Orchard) and perhaps the Minister of Education (Mr. Derkach) or perhaps maybe even that ordinary taxpayer has \$10 million, \$12 million, \$14 million, \$15 million or, indeed, up \$30 millions of dollars, that every Minister responsible for this venture, for this organization, has had to stand up in the Legislature and acknowledge was lost, in virtually every year of its existence, that that no longer takes place in the Legislature of Manitoba.

If that happens there is indeed some poetic justice to the fact that a Progressive Conservative Government initiated this vision and a Progressive Conservative Government and a Progressive Conservative Minister had the courage and acted with dispatch in bringing it to a successful fruition.

**Mr. Angus:** Certain portions of the Honourable Member's remarks I would like to disassociate myself with. I do not believe that it is fair to pigeonhole any group of individuals as to being specifically designed for any particular type of job. I think they should all be encouraged to reach their maximum potential. I also believe, Mr. Chairperson, that it is incumbent upon business to cooperate in the best interests of long-range ecology and environmental circumstances and that we do not do it at the expense of those investments.

Finally, Mr. Chairperson, I would like to simply say that as the Honourable Member was part of the original negotiating team and we saw the disastrous results of incumbent Ministers having to defend the poor decision-making process, that we do not have to subject ourselves to the same type of process and that in good faith and in good management and in the ideas that we have been able to discuss and share with the Minister of Finance, that he will be able to incorporate an opportunity for all of the citizens of Manitoba to secure our future and not have us face the same type of penetrating, unfortunate questions that have to be asked as to why this deal fell apart or why it did not work.

We want to see it work; we want to see it work for the best interests of all Manitobans, and I do commend the Minister for bringing it to this stage. I feel strongly that it is heavily weighted to the future and that it is a gamble that we are going to be taking. There are many, many more questions that I would like to ask in relation to the economies, to the environmental protection, and I wait, and would like the Minister's assurance to the committee that the meeting will be held before the end of April after discussion with the three House Leaders to identify a specific date.

**Mr. Manness:** Mr. Minister, let me say in closing that I will make myself available and hopefully the Leaders of the Parties will be able to find a date mutually satisfactory to all.

**Mr. Chairman:** Can we deal with the 1987 report now then? Committee rise.

**COMMITTEE ROSE AT:** 3:12 p.m.