



*H. Pankratz*

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

**STANDING COMMITTEE**

on

**ECONOMIC DEVELOPMENT**

38 Elizabeth II

**REVISED**

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



**VOL. XXXVIII No. 1 - 8 p.m., TUESDAY, MAY 23, 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>       | Virden             | PC      |
| <b>GAUDRY, Neil</b>             | St. Boniface       | LIBERAL |
| <b>GILLESHAMMER, Harold</b>     | Minnedosa          | PC      |
| <b>GRAY, Avis</b>               | Elice              | 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>WASYLCIA-LEIS, Judy</b>      | St. Johns          | NDP     |
| <b>YEO, Iva</b>                 | Sturgeon Creek     | LIBERAL |

**LEGISLATIVE ASSEMBLY OF MANITOBA**  
**THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT**  
**Tuesday, May 23, 1989**

**TIME — 8 p.m.**

**LOCATION — Winnipeg, Manitoba**

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

**ATTENDANCE - 11 — QUORUM - 6**

*Members of the Committee present:*

Hon. Messrs. Downey, Enns, Manness  
Messrs. Angus, Ashton, Mrs. Charles, Messrs.  
Helwer, Pankratz, Rose, Storie, Taylor

**APPEARING:** Mr. Mike Bessey, Policy Management,  
Executive Council

Mr. Norm Brandson, Department of  
Environment (Director of Environmental  
Services)

Mr. R. H. Lamont, Chief, Forest Management  
Mr. Harry Harapiak, MLA for The Pas.

**MATTERS UNDER DISCUSSION:**

Continuation of Economic Development  
Committee recessed May 1, 1989, regarding  
the Annual Report for Manfor Ltd., year  
ending December 31, 1987.

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**Clerk of Committees, Ms. Patricia Chaychuk-Fitzpatrick:** I have before me the resignation of Harold Gilleshammer, Member for Minnedosa, as the Chairperson of the Standing Committee on Economic Development. We must, therefore, proceed to elect a new Chairperson. Are there any nominations for the position?

**Mr. Harold Taylor (Wolseley):** On a point of order. Possibly the Clerk also should be aware that it may be in order for there to be a second resignation, the Member for Selkirk (Mrs. Charles), in that she chaired the later meeting.

**Hon. Clayton Manness (Minister of Finance):** There was no later meeting.

**Madam Clerk:** I regret to inform you, Mr. Taylor, that I am not in a position to deal with points of order. I can only elect a new Chairperson.

**Mr. Taylor:** The point of order I am bringing to the Clerk is that maybe there should be two resignations on the table to officially clear the deck for there being the nomination of a new Chair.

**Mr. Manness:** You cannot do it on a point of order.

**Madam Clerk:** Unfortunately, I cannot deal with that. The instructions I have, Mr. Taylor, from the Clerk are that, at this point in time, we have to elect a Chairperson. Mr. Angus.

**Mr. John Angus (St. Norbert):** Madam Clerk, perhaps for the information of the committee, two things—first of all, it is my understanding that we have agreed to at least terminate this portion of the meeting by 10:30 this evening.

**Mr. Manness:** Is this a point of order?

**Mr. Angus:** Well, she has already ruled that point of order out.

**Madam Clerk:** I did not rule on that.

**Mr. Angus:** But before we begin, the second concern that I have to express is there was some contention and a matter of privilege raised in the House, etc., etc., etc. I am sure that information will be straightened out by the Speaker and by the Legislative Assembly. I think it is in order to appoint the Chairperson to conduct this meeting.

If we, as a group or as a committee, decide to put a motion on the table recommending or suggesting some improprieties by the committee, that would be dealt with perhaps later on this evening but, in the meantime, I think we have to have a Chairman to get started.

**Madam Clerk:** Are there any nominations for the position of Chair? Are there any nominations?

**Hon. James Downey (Minister of Northern Affairs):** I move that Mr. Helmut Pankratz be the Chair.

**Madam Clerk:** It has been nominated that Mr. Pankratz be Chair. Any further nominations? All those in favour? (Agreed) Mr. Pankratz, please take the Chair.

**Mr. Chairman (Helmut Pankratz):** Members of the committee, I want to thank you for putting your trust in me. We shall proceed. I would like to ask, first of all, whether the Minister in charge has any opening comments to make.

**Mr. Manness:** Only a very few. I was pleased to be able to table the final text of the share-purchase agreement that is between Repap Pulp and Paper and the Government of Manitoba.

I look forward to specific questions emanating from the final agreement and, hopefully, the support of both of the Opposition Parties as we attempt to provide economic development in northern Manitoba, indeed all of Manitoba, in the fashion that it has not been

delivered in some period of time. So I look forward to answering questions of substance that are put forward by Members of the committee.

**Mr. Chairman:** Mr. Angus.

\* (2005)

**Mr. Angus:** Thank you, Mr. Chairman, and welcome back. Mr. Chairman, the more I get into this economic opportunity for northern Manitoba, the more concerns I have. Some of the questions I feel hopeful that the Minister will be able to answer. Some of them will be political differences that we will simply have to accept. I suspect that if I had been in an opportunity to help the province divest itself of this particular Crown corporation I would have taken a number of different steps, but that is hindsight.

I would like to indicate on the record that it seems to me that without the benefit of an economic or environmental impact study that it creates a hypocrisy and flies in the face of the very words of "sustainable development." It makes a mockery of the terms. We are looking at two-and-a-half times the production output and it means a minimum of two-and-a-half times cutting of material in order to meet that production; a major change from a no bleach to a bleached process, and we have not even asked the question of what will it mean before we have signed the opportunity.

So there are a number of questions in relation to the divestiture and the environmental concerns, questions that relate to dioxins, questions that relate to the chemicals that are going to be used in the bleaching process, the transportation of those chemicals, etc. A number of them, I hope, will be answered at the public hearing where the application for the changing process will be dealt with and fully detailed.

Mr. Chairperson, I also am of some regret that the decision to divest ourselves in this fashion has relegated us to exporting pulp to the U.S.A. or product to the U.S.A. This is the next step to exporting our trees. I would have preferred to see paper produced in Manitoba. I recognize that there is a loosely worded intention that eventually we may, in fact, be able to produce paper in Canada, but I would have preferred if we had been able to produce an end product that we are proud of. I am very much concerned that we are producing an end product now that we are proud of. I am concerned that we have cornered a market on a product that is respected throughout North America, and I am concerned that by changing the process we will be foregoing all of the investment of time, effort, and money to corner that particular market. I am not sure that it is the wise thing to do and unfortunately it may in fact be too late. The Minister, hopefully, was privy to more information than I was, but again shipping raw product out of Manitoba into Wisconsin in order to make the paper seems to me to be not as productive as it could be in terms of economic development.

The second area of economic development that I am concerned about is the chipping plant. It is not the

chipping plant specifically that I am concerned about but it is the fact that it is only going to be a chipping plant instead of what I understand was an opportunity for a waferboard plant. The waferboard plant would have given an opportunity to stimulate manufacturing and/or lead to additional development. I could see enterprises and businesses springing up around a waferboard plant to manufacture product, but wood chips are just wood chips. They are just going to be cut down and shipped off to the pulping process.

A number of other concerns, Mr. Chairperson, in relation to Native rights and the effect of Treaty lands and the selling of the material, the financial statements that are finally attached seem to indicate that it is what I would call a leveraged buy out. I have a number of financially specific questions. It appears to me that there is about \$14 million in cash reserves and the Government has given back shares of \$90 million or taken back in shares \$90 million of part of the down payment. It seems to be a gamble into the future in terms of building a high risk venture. I am not sure what would happen if this company decided to proceed with Phase 2, as an example, for whatever reason, the market trend sags, they cannot sell their product, the high cost, whatever fears there are and what would we be left with and what would be cost.

\* (2010)

I would like to ask the Minister specifically, I have four or five questions, and then I will turn it over to my colleague in the third Opposition. On page 16 of the agreement, the company has never claimed capital cost allowance for federal and provincial income tax purposes. I am not sure what that means. Does that mean that because the company has never made any money they have never been able to write down any of their capital retirement debt, and is this an opportunity to Repap to reduce the profits that they have in their corporation as a result of not writing down the capital cost allowances?

**Mr. Manness:** I will give a broad response and then I will ask Mr. Bessey to respond in greater detail.

It is a Crown corporation. As such, it pays no taxes. Secondly, the accumulated capital depreciation allowance, and because Manfor has not been in any way profitable, has not been required to be used. And so, therefore, there may be a potential for Repap to use some of those carry loss provisions but mainly more so on the unused capital cost allowances, bearing in mind that the Province of Manitoba has not warranted how it is that the federal Government may treat those particular provisions. I will ask Mr. Bessey to add to that.

**Mr. Mike Bessey (Policy Management, Executive Council):** The only thing I would add to that is that this clause is simply a representation to the effect that as a Crown corporation we have not claimed capital cost allowances as a commercial corporation would.

**Mr. Angus:** Mr. Chairperson, I understand, through you to the Minister and Mr. Bessey, that it is not unusual,

if there are tax advantages, it is up to the purchaser to verify with the federal Government what benefits they may have. I suspect if we find in the first phase of the installment that this company is putting down \$40 million, 14 of which is in cash dividends or cash flow within the corporation cash reserves, that they are actually only putting down \$26 million, that the capital cost allowance as a reduction in federal tax benefits will be considerable, more than the benefits that they are going to receive. I would just like some clarification on that.

**Mr. Bessey:** There are two elements to the question. One is the 40 down, 40 in change and the prefers are simply a way of structuring payment saying we will take 40 in cash and the rest over time if you invest a billion dollars. It is a purchase of shares so they, in the purchase of shares, get assets, both liquid and fixed. So regardless of what the cash is or, let us say inventory or fixed assets, they are purchasing the shares. All of the assets go with it.

The other side of the question as to tax benefits, what we have warranted later in the agreement and in other clauses is that notwithstanding the fact that they can receive, if they can receive, any tax benefits that there is a minimum equity amount in Phase 1. So any tax benefit achieved comes back into the project on top of the \$65 million in equity.

**Mr. Angus:** Is that then the amount of the purchase tax benefit used to replenish the MRTB Clause on page 58 under Tax Benefits of the agreement or is that something different? Perhaps you could just explain what the tax benefits are? It says, tax benefit means the amount of loss carried forward, investment tax credits and utilization. What tax benefits have they been able to get?

**Mr. Bessey:** Perhaps none. This is if in the future they obtain them. It sounds like a complicated formula, whereby we are saying if there is a tax benefit here which you use to shelter your income elsewhere. In other words, they cannot use it unless they are being profitable elsewhere, and what we are doing is taking tax that they would spend in another province and inserting it in here. So there are two ways they can use that tax benefit: (a) to take taxation dollars in another province and invest it here; or (b) to shelter tax generated from this project itself. It is these two pools of sheltered revenue that this clause applies to. We are saying that if you are using the taxation benefits, let us say from our pool, it comes back right into this project here. To the extent that you defer your own taxation on another project, your tax revenue fills up our pool again.

\* (2015)

**Mr. Angus:** I understand that correctly and I could very easily be wrong. This is a complicated issue and I understand that. Theoretically, Repap then can take the capital cost allowances, if there is a tax benefit there, to the federal Government. The federal Government will allow them to write down off of the taxable income from profits they would have in, say,

another plant, the Quebec plant. They could use the money they have found to put back into this project to buy the company.

**Mr. Bessey:** No, for development.

**Mr. Angus:** For development only, is that spelt out?

**Mr. Manness:** The basic principle at work here was if there are to be any benefits, tax benefits derived from the purchase of Manfor, those benefits are to flow to the Manitoba project and only the Manitoba project, either in the form of increased equity or indeed in direct developmental associated costs. In other words, Repap is covenanted by their signature in this agreement that any benefits they are able to derive out of taxation benefits, they are able to derive from Ottawa will, in essence, and totally and completely come to this project in Manitoba.

**Mr. Angus:** Mr. Chairperson, Clause 9 suggests there is a Manitoba Hydro arrangement. The company will enter into an agreement with Manitoba Hydro before the agreement is signed—it is on page 38. I just wonder if you would be kind enough to share the details of that particular agreement with the committee.

**Mr. Bessey:** That is the standard Manitoba Hydro agreement they have with every major industrial consumer. Contrary to the past where Manitoba Hydro had preferred rates with some corporations, those expired about five years ago. Now they have nothing but a standard rate process whereby all corporations in a rate classification, and they are in that rate classification by virtue of the fact they share the same capacity and demand characteristics, they all pay the same rate. The agreement attached—there is a schedule to this agreement and you will see—is the standard contract provided by hydro, negotiated by hydro and the corporation.

**Mr. Angus:** If I may paraphrase again just for clarification, there is no hydro-specific special rate for Repap or Manfor. They would pay the same rate that, say, Inco at Thompson would if they were in the same consumption category.

**Mr. Bessey:** And consume the same.

**Mr. Angus:** Okay, another question, Mr. Chairperson, on page 170, the sale of assets or shares, it suggests here the company agrees that notwithstanding anything else contained herein, if it sells substantially all of the assets of the business to a non-affiliate, so on and so forth, does this mean they can actually sell the assets of the company? It seems to say to me they can sell the assets.

**Mr. Bessey:** Certainly, it means they can sell their corporation but we have right of first refusal and certain calls on the transfer of assets.

**Mr. Angus:** Mr. Chairperson, my understanding of this particular clause is different than that, Mr. Bessey. My understanding is that you can redeem your shares. They

will agree to buy them at a particular fixed rate. It does not seem to say to me anything that you have the right to buy those assets or to prevent the sale of those assets, only that you can redeem your shares. Now, I could be wrong.

**Mr. Bessey:** That provision is provided elsewhere in the schedule. I believe it is the share capital agreement or it is the related schedule. I forget off the top of my head which one, but you will see later in the schedules that provision is provided there and it relates to this provision.

**Mr. Angus:** On terms as defined in the share purchase agreement?

**Mr. Bessey:** It is either share purchase or it might even be the shareholders. We would have to go through it.

**Mr. Angus:** All right, I will look into that perhaps and ask you again before the meeting is over, or if you can find it you can trigger it for me. Quite frankly, I would be very concerned if this company could sell off the assets. I would hope the Government would be as concerned as I would be that if they could just turn around and sell off the assets without any recourse, that would not be a very good arrangement.

**Mr. Manness:** Again let me state for the record that Repap can only sell the assets, the shares of Repap Manitoba. They can only do so if indeed the Government of Manitoba countenances that. The Government of Manitoba, the way this share agreement is structured, has the first right of refusal even to purchase back those shares.

\* (2020)

**Mr. Angus:** Mr. Chairperson, not to get into a harangue—and I am not a lawyer and unfortunately, when these get to courts, lawyers tend to put their interpretation to them. It seems to say here the company agrees, notwithstanding anything else contained herein, "if it sells substantially all of the assets of the business," etc., etc., so that came out and it flagged me. I said to myself, you know, if we do not have the right to buy back these assets in some way, shape or form—you have assured me that we do, I will look for finding that. If we do not, then we will make an issue of it at that time.

**Mr. Bessey:** We can, if the Minister concurs, have our legal counsel and financial advisors pull out the provisions of clauses specifically related to that and send it to you.

**Mr. Angus:** Thank you. I would appreciate that if the Minister would concur.

My final question for this particular section, on page 188, the fees of the management services, Provisions for Management Services, you are paying \$1.5 million annually, calculable monthly in advance beginning immediately, yesterday, three weeks ago, four weeks ago, and that is bumped up to \$5 million when Phase

2 kicks in, given the public inquiries and the hearings and the dates that are there—page 181.

It is not unusual for leveraged buy-outs to extract from the vendors high management fees under the broad umbrella of being able to provide a management service. I would like, first of all, an explanation as to this, the fees, the payables and the amount of money that is being paid, and then I would have some subsequent questions. My major concern is that they have bought this company. It seems to me that if they are able to make profit on it, this company has never generated \$5 million in any one year, as I have looked at the statements, so I am a little bit concerned that we would be able to drive it into the hole, if you like. I am not sure if that is before taxes or after taxes. Perhaps a general explanation and then some more specific questions would be in order.

**Mr. Manness:** Mr. Chairman, first of all, let me make the general statement that this area of management fees probably consumed as much time as any of the principles of the agreement. We are very mindful of the history of CFI leading to Manfor and the nature by which companies in the past, in this particular location and indeed elsewhere, parents can extract funds in support of head office operations. I am very cognizant of that and, to that end, we spend an awful lot of time discussing these basic points.

I am going to ask Mr Bessey to probably provide some greater detail. We have built, in our view, some of the major safeguards for the province such that our share capital, first of all, does not lose value; and secondly, also that this project moves ahead in a fashion as the intentions of Repap are spelled out. I will ask Mr. Bessey to deal specifically with some of the fees in question.

**Mr. Bessey:** Primarily these are not fees extracted from the vendor at all. They are fees extracted from their own subsidiaries since they own the company.

**Mr. Angus:** Manfor, from the company, yes.

**Mr. Bessey:** Importantly, they cannot extract any fee or pay themselves any dividend or receive any financial benefit themselves whatsoever unless all our financial obligations are current.

**Mr. Angus:** Mr. Chairperson, what is the \$1.5 million management services provided? What is that for? What does it do? What does it give them and why did it have to be written in there? Why could we have not just said to them, look guys, if you want to buy it, we are giving you a good deal, here it is, take it. Why did they have to have a \$1.5 million management services?

\* (2025)

**Mr. Bessey:** Primarily because almost the entire arranging and corporate financing, corporate management, construction management is provided by Repap Enterprises Corp., and Manfor, now Repap-Manfor, does not have that ability itself and is not intended to have it in the future.

**Mr. Angus:** What ability is that?

**Mr. Bessey:** Engineering, financing.

**Mr. Angus:** Right now we have got a company that seems to have been turned around, that has \$14 million cash reserves. It has made a million dollars at the end of 1988. They are coming in, they are getting by in our company with a lot of our own money and making a lot of promises. Then, Mr. Chairperson, they are turning around, they are saying we are going to change it to a bleached plant from an unbleached plant. We are going to have to bring in our engineers, and we are going to have to finance this whole deal whereby the province is going to buy \$90 million of the shares from us. We want to be able to take \$1.5 million out of that company in order to pay ourselves to do that. Is that a reasonable approach?

**Mr. Manness:** First of all, let us correct the record. Mr. Angus says that they made \$14 million at the end of '88.

**Mr. Angus:** Just a minute. I said they had \$14 million in cash reserves. Let us be clear about it.

**Mr. Manness:** But cash reserves and profit are two different things. I mean, surely we all understand that at the table. So if Mr. Angus is trying to make the point that they had \$14 million with which to go out and buy engineering services, financial services, and all the necessary marketing services necessary to support a billion dollar expansion, if they could do that because they happen to have a cash float, at a point in the year, of \$12 or \$14 million—which is not profit, Mr. Chairman—if he is making that point, then I would say that there are millions of industries out there who would love to come to his door to see how you could balance that equation. There is no way you can build a billion dollar investment in the terms of a few millions of dollars of engineering. The engineering alone, with respect to this major development, has to move into the areas of tens of millions of dollars. The financial requirements alone, and to secure the financing in order of a billion dollars, has to be in the terms of tens of millions of dollars.

Now, Mr. Angus has been in business. He understands the profit desk centre. There is no way that Repap Enterprises, Montreal, is going to do that as a free cost. Indeed, that cost is going to have to be passed on and so there is a charge imposed against Manfor for the parent company undertaking the engineering and the financing. And that is the way the business and corporate world works. I know Mr. Angus knows that.

**Mr. Angus:** Page 188 indicates the remaining terms of this agreement. What are the remaining terms of this agreement, that we are going to be paying the \$5 million annually for—page 181. This is the Forestry Agreement that we are talking about in that section, I believe, and that seems to be a 25-year agreement to me. By my calculations, that is \$150 million that we have allowed them to take off. Is that taxable money? Is that money that goes to somebody—

**Mr. Manness:** Sure it is taxable.

**Mr. Angus:** It is taxable. It is taxable fees so that I would—as a manager of Manfor, do I have to pay for it? Does it go to their Montreal plant?

**Mr. Manness:** Mr. Chairman, in the essence, to the extent that one is a corporate entity different from Repap Pulp and Paper and it is a transfer, company transfer, certainly it is taxable income in the recipient corporation.

**Mr. Angus:** Taxable in Montreal or wherever their head office happens to be, wherever they transfer the management fees to? Is that it?

**Mr. Manness:** The Member has it correct, but only after. That is only transferable after and only after the shares that we have and the schedule of repayment back to the Province of Manitoba is met.

**Mr. Angus:** That is really great. They pay their debts which they have to do anyway, or they pay the interest on the loans, or they pay whatever they have to pay, you know.

Mr. Chairperson, the Minister seems to be quite anxious to make an explanation to me. I would say that, yes, I have been in business and I have kicked around some of these deals and I would very much like to be able to sell my business and/or anybody else's business to the provincial Government. It is a great trip, it is a great trip. I mean, you come in and you say, look, buy my company from me and I will take back shares, and you pay me a management fee to run it, and I will improve it and build it up. Maybe the Minister can just explain to me.

\* (2030)

**Mr. Manness:** Mr. Angus seems to be on the other side of the issue now. We, as a province, were not buying a company, we were selling one. He said he used the hypothetical case that he was going to sell his company to the Government. The Government was divesting it, it was selling a company, so I do not know what point he is trying to make. But let me say that if he expects that Repap-Manfor now should build into its operation in The Pas engineering expertise, should build into it financing expertise, and as a cost of business deduct that from net revenues, then I say to him then obviously there is not going to be the profit flowing to the province anyway, I mean as far as the commitment on its shares. So he cannot have it both ways and tell us which way does he prefer.

**Mr. Angus:** My final comment, Mr. Chairperson, on this and then I will turn it over to the third Opposition who have been very patient. I thank them, the Second Opposition, I am sorry.

This company has decided they would like to buy a Crown corporation. The Government has decided they would like to sell it to them. The company has agreed to pay a certain amount of cash down and they want to make improvements. They want to change that

company to make it more productive, to make it more profitable, to make it more of a benefit. We have said that is great. We will pay you a management fee to do that or we will allow you to take a management fee out of the company to do that. It just sounds like a very, very opportune avenue. If they think they can turn it around, if they think they can make the money, if they want to make the investments and make the profits, then let them take the risks and let them reap the benefits but do not pay them to take the risks and then let them reap the benefits as well. The question I had asked earlier was, how long is this agreement? What are the terms of this agreement? That has not been answered yet.

**Mr. Manness:** Mr. Chairman, I will ask Mr. Bessey to answer the second part of the question.

Let me say again, Mr. Angus has not indicated how it is that Manfor, under its existing corporate standing, how it is that Repap or Manfor, whoever purchases it and whoever was prepared to see it invest a billion dollars, how it is that Repap-Manfor was to have the expertise to commit a billion dollars of capital to a new plant, a new facility? From where were they to get that expertise? They could go out into the market and hire it and have it a cost deducted from net revenue or they could hire it from their head office where it exists. I mean, there were two choices. So Mr. Angus has to tell me then that they could either get it free or, No. 2, hire it independently, at which there would be a cost against net revenue or, third, hire within the corporation. Those are the only three choices available.

If he is saying that the one that has been built into this agreement is the wrong one, well let him say so, but then let him also say from where they are to get that expertise, Repap-Manfor, for engineering and financing with respect to a billion dollar operation. I will ask Mr. Bessey now to talk about the term of the management fee.

**Mr. Bessey:** The term of the agreement is laid out, depending on the clauses you are specifically talking about and the clauses respecting the MA and MB shares provide the dates. Now those should be seen to be somewhat variable depending upon accelerated redemption rates, given certain circumstances, i.e., they make extra money, they have to redeem us first, they do not perform, they could accelerate it, so it is somewhat variable.

In terms of the shares being there, again I would simply say that all that has happened here is simply that there is a purchase price. What we are saying is that if you invest a billion dollars we will let you pay some of that purchase price over time. As long as our financial obligations are current, the company passes the equity test and is paying its obligations to us, it is their company, not our company, so they are paying themselves and we are not paying them anything.

**Mr. Chairman:** Mr. Angus, a last question before I turn it over to Mr. Storie.

**Mr. Angus:** Mr. Bessey has been hanging around the Minister too long. He is learning how to skate. He can

tell me what management expertise for engineering, plant design, upgrading, and everything else is going to be needed in the 12th year that is going to warrant \$5 million. If they had to have it, if they could have had it, then why not leave it on the books and let them take it? If it is a legitimate expense, let them use it. Why does it have to be written into an agreement?

**Mr. Manness:** Again I repeat, in the essence that our shares are redeemed in an orderly fashion, on schedule, we could care less how much Repap takes from that company. It is their company but in the first number of years, because we had share capital, in essence, at risk, we wanted to ensure that there was not an overdraw on the liquid assets of Manfor. That was to guarantee our investment, so what we said was, as we have moved along the flow of redemption of dividends to the province and as our risk is diminished, as our share capital is honoured over the period of time and ultimately once it is totally redeemed, Repap can take anything they want out of it, as they have the right to do as the owners, so it is written here for the guarantee of our shares.

We wanted to make sure that we provided them with a fair amount. We do not necessarily want to see that expertise built within Repap-Manfor because that is inefficient, that is redundant. If it is inefficient and redundant, that puts at risk our share capital. So what we said is we understand that you are going to go to head office for the engineering and for the financing, but in doing so we are going to curtail how much you provide to the head office. That has been covenant into this agreement but, once our shares have been honoured and our province's risk has been reduced, you can take as much as you want out of Repap Manitoba, as you have the right to do as an owner.

**Mr. Jerry Storie (Flin Flon):** Just before I get to some of the specific questions, there are a couple of things that have been left on the record over the last few days, both at previous committees and on the public record that I think need to be corrected. I want to say again for Mr. Manness' benefit and for the benefit of Government Members of this committee that the goal of each of us as committee Members and as Members of the Legislature has been in this exercise to, No. 1, ask pertinent questions about the proposed sale, the sale at this time, and to do our best to understand what the agreement means for the province and for our respective constituencies and, for speaking for myself as a northern MLA, to understand what it meant for my own constituency in northern Manitoba.

I believe that the Opposition had raised a number of constructive questions in committee, in public, prior to the sale that has been negotiated by the Government. I think, as a preface to many of my other remarks, I am going to say it is unfortunate that more of the advice that was offered, tendered, was not accepted.

Our goal was to make this agreement a better agreement. At no time did anyone, certainly on behalf of the New Democratic Party, suggest that we were upset at the choice of the company with respect to divestiture. In fact, it was the company of choice prior to this Minister's involvement.



That was known in the community. It had been expressed by the Government to the people working at Manfor, to the communities around Manfor on many occasions, so any of our comments with respect to the agreement should not be construed as reflecting negatively on the company. We have some serious questions, questions about the negotiating strategy and the negotiating positions of the Government, and we were trying to raise those in a legitimate way to the Minister responsible for the negotiations.

\* (2040)

The Minister, in perhaps some heated comments, suggested that he had been the most open, and that this had been the most open process, and no one had ever undertaken any kind of similar public discussion of either a share purchase agreement or divestiture. Mr. Manness unfortunately did not have his facts for it. In fact, when the share purchase agreement was signed with new Flyer, the share purchase agreement was made public at the time of that agreement, not months later, not surreptitiously obtained from other sources but released publicly when Flyer was sold. There were two committee meetings before the closing date, two committee meetings and ample time for the Opposition to ask their questions. Mr. Chairman, I want to assure the Minister that at no time did the previous Minister walk out of those discussions, refuse to answer questions, frustrate the work of that committee or deal in a contemptuous way with any of its Members.

So the record needs to be clear that this exercise has been one of frustration for many of us in the Opposition and Members of this committee most certainly. The fact is this process has been followed in the past and it is an unfortunate reflection on this Minister's public accountability that he failed to live up to his responsibilities as Minister.

Mr. Manness, the Minister and other of his colleagues have tried to suggest to the public that the committee had unlimited access to the Minister to ask questions. The record will reflect that during the first meeting on March 21 the Minister had to be called by this committee. He was not here to answer any questions. I was going to use a negative, pejorative term for the person who stood in his place, but the individual Minister who was to answer questions could answer none of them effectively and kept referring to the next meeting, at which time the Minister would attend.

Subsequent to that, the Minister did attend a meeting, and a follow-up meeting on the 1st of May—I believe it was the 1st of May—the evening which will go down in the history of the Legislature as certainly one of a sorry day for the Minister and his reputation as a legislator and as a Minister responsible. During that time, the Minister continued to suggest that he could not answer questions because the agreement was not finalized. For the Minister to suggest publicly that he answered the questions in a forthright way is nonsense. Virtually every time he was asked a serious question, he said, well, I cannot answer that—well, of course you understand the details are not here, of course we do not have the people here who can respond to those questions. Instead he insisted in continuing with his

charade, a PR exercise in which the committee got presentations but was not allowed to ask any questions or if they did ask legitimate questions were not given any substantive answers to those questions.

It is unfortunate that the Minister decided, either on his own or in concert with others, to ignore the legitimate rights of Members of this committee to ask legitimate questions, chose to walk out of a committee and frustrate the committee and certainly there are some of us who believe that the Minister acted contemptuously of the committee and the process.

The record needs to be clear that although we are here discussing the final agreement, there are many of us who believe that this agreement could have been improved. I want to spend a couple of minutes raising questions and illustrating some examples of where this agreement could have been improved substantially.

First, I want to note that there is one area in this agreement which has seen a modest degree of change and, I think, a constructive degree of change but Mr. Manness continued to suggest that—the Minister, I am sorry, Mr. Chairperson—the Minister continued to suggest that despite the fact we had a copy of the share purchase agreement dated March 10, 1989, that was not the final copy, that oh there were still many things to be negotiated and he could not answer so many of the questions.

I want to note for the record that the agreement that he tabled on Friday of last week was dated an agreement made on the 10th day of March, 1989. So in fact, Mr. Manness was not being forthright with the committee or with the Legislature or the people of Manitoba about the nature of the negotiations. The fact of the matter is that Mr. Manness would not answer questions when he had the agreement in his hip pocket. He knew what the terms and the conditions were, by and large, and continued to hedge for Members of this committee, refused to answer questions when he had access to the information—totally unacceptable and not particularly straightforward or truthful, if the facts be known. Mr. Manness continued to hedge on that until the tabling of this agreement, which is the March 10 agreement which is essentially the same, if not the same in 99 percent of the pages. It is the same agreement and Mr. Manness knew it at the time he was saying otherwise. That is also a sad reflection on someone whom many of us had more trust in and more faith in.

Mr. Chairperson, the article in the agreement, the only substantive change that I can see, did reflect input from the New Democratic Party Caucus. The fact is that the only substantive change that I have been able to discover comes with respect to the Manitoba Hydro arrangement. If you go to the original agreement, the agreement that we had to obtain surreptitiously from somebody who had the ingenuity to track down the agreement in the United States, showed us some conditions which were attached to the Hydro Agreement which were clearly unacceptable. Those were raised in the committee.

So that the record will be clear, I would like to read the March 10 agreement, a copy of which we obtained

on May 1. It says, "Item No. 9, Manitoba Hydro Arrangements: The Company shall have entered into an agreement with Manitoba Hydro in form and substance satisfactory to the Company, which makes available to the Company hydro-electric power sufficient to operate the business of the Company including Phase 1, Phase 2 and which provides, if in the future Manitoba Hydro has uncommitted capacity, then Manitoba Hydro will enter into agreements to provide additional hydro-electric power for any future expansion of the business of the Company in Manitoba on terms no less favourable to the Company than any of the other industrial consumers Manitoba Hydro has supplied."

Mr. Chairperson, that has been eliminated. The condition of surplus power, that clause has been eliminated. We find on page 38, No. 9 now says, "Manitoba Hydro Arrangement: The Company shall have entered into an agreement with Manitoba Hydro which makes available to the Company hydro-electric power."

Now, that may give some reason for optimism, but certainly there are ways of getting around other conditions. We have heard from Mr. Bessey and the Minister that there are no special arrangements. Manitoba Hydro now is going to deal with Repap in the same way, an identical way, to other large industrial power users in the province and we have an assurance that "no special deals." The Manitoba Hydro Board has not been asked nor considered any under-the-table deals or any other way to finance lower power rates under any circumstances, additional power, surplus power, any conditions. I hope that is on the record and I hope that is firm. I hope it is accurate.

Mr. Chairperson, I want to say that is one example of where I believe this agreement may have been improved by public scrutiny. Never mind the rhetoric of the Minister (Mr. Manness) or the First Minister (Mr. Filmon) or any of his colleagues that the New Democratic Party were trying to scuttle this deal. The purpose was to make it a better deal because we would have had the same deal in essence with the same company, the same job performance guarantees, but better ones actually, and the same kind of total investment. So all of this is simply to let the Minister know and the public of Manitoba that in his haste to sign this agreement, in his haste to live up to a political commitment, in his haste to ignore, to frustrate the wishes and perhaps the knowledge even of Members of the committee, the Minister has rushed into an agreement that I think has some gaping holes.

\* (2050)

I have indicated that there is one area where this agreement may have been improved. As I said, we do not know. The final chapter has not been written, because Manitoba Hydro may in the fullness of time, as the saying goes, make some other deal, but to this point we believe we have perhaps improved the agreement.

Mr. Chairperson, the Minister makes much of the investment of Repap into the Province of Manitoba. That is true, it is a significant investment. Certainly a

billion dollar enterprise is of major importance to the people of Manitoba and to northern Manitoba. The fact of the matter is that this agreement is also supported by the taxpayers directly and indirectly.

The Minister may want to explain why there is \$12 million cash on hand and the province obtains only a portion of that—14, I am told. The Minister may want to explain why the province is providing a \$150 million loan guarantee, \$120 million to \$150 million, and that is only an estimated tax benefit from the people of Canada and the people of Manitoba, and \$100 million-plus, I believe that is a very unreliable estimate of the cost to the province of repairing and undertaking all of the road work which is part of this agreement, so we are talking about \$500 million in one way or another direct and indirect commitment of finances from the Province of Manitoba, a half of the billion dollars that are being touted as the total investment. That is substantial, not to be pooh-poohed at all.

What concerns me is that when we raise questions, and I think legitimate questions, about the tax provisions that were being talked about with respect to this sale, how the capital cost allowance is going to be dealt with, what was going to happen with respect to losses, loss carried forwards and so forth, the Minister responsible at first said, well yes, it may be quite a bit of money, maybe 90, 100—who knows—millions of dollars, and today when he was asked substantially the same question, he still could not provide precise figures about the cost to the taxpayers of Manitoba.

He wants to pretend that just because there are provisions, and I give him credit for including those provisions, rather than a simple gift, requiring them to reinvest or to increase the equity in Manitoba, that is a legitimate provision, but let us not pretend that using taxpayers' dollars to increase the equity of Repap is not asking the taxpayers of Manitoba to pay for that project twice. It is the same thing. If they are using capital cost allowance or tax losses and they are using that to increase their equity, they are still asking the Manitoba taxpayers to pay for it twice. I am not sure that those provisions should have been a part of this agreement at all.

Mr. Chairperson, on page 53 of the agreement there is a section which we raised—I raised at committee when it last met on that infamous night—that dealt with the second phase construction. If the Minister will refresh his memory, on page 53, 9.02 of the agreement, it says construction of a new bleached softwood kraft pulp mill, "The purchaser shall, following the completion of the purchase and sale of the purchase shares, unless changes are made in provincial law which materially adversely affect the economics of the construction of Phase 2, cause commencement of Phase 2."

Mr. Chairperson, I objected. We in the New Democratic Party objected to that clause because it is much too open-ended to be of any real value to this agreement, other than to the company. It is not a clause in the agreement which protects the interests of both parties. It is a clause which prevents the Government, in my opinion and I believe in the opinion of many others, from introducing many substantive pieces of legislation, legislative change which would be of benefit to the Province of Manitoba.

It prevents, in my opinion, the Government from introducing changes to The Workers' Compensation Act, to The Workplace Health and Safety Act, to The Environment Act, to The Construction Wages Act, to The Finance Act, many of the Acts that are changed from time to time by Governments to increase provincial revenue. It is open-ended. It gives a blank cheque to Repap to cancel Phase 2 any time the Government acts to ameliorate any other situation in the province which it feels it wants to ameliorate.

It has written into the agreement conditions unprecedented in terms of binding the hands of this Minister and this Government. It is a sacrifice which, in my opinion, is not warranted under any circumstances and I do not believe would have been a deal breaker if the Minister had stood his ground and said, no, that is not acceptable. We are an independent Government and we are going to act like it. It is clear that this Minister wanted a deal so badly he was not prepared really to look after the interests of the province in negotiating this deal.

Mr. Chairperson, we and others in the Opposition have said on other occasions that provisions covering local benefits are not acceptable, are not adequate. There is no provision to make sure that the small business community in The Pas, the small contractors in Cranberry or Snow Lake or Wabowden have any access, any piece of this billion dollar project. There are terms called best efforts. This Government could have done much better. The business community, when they see large contracts going to companies from B.C. and Alberta—

**Mr. Downey:** You talk about that with your Limestone . . . and trading of Manfor should be . . .

**Mr. Storie:** —the Minister of Northern Affairs (Mr. Downey), who does not know anything about this issue nor any other issue, says from his seat that the jobs at Limestone and the contracts at Limestone were no model.

**Mr. Chairman:** Order, please. Mr. Storie has the floor.

**Mr. Storie:** Mr. Chairperson, the ignorance of the Member for Arthur (Mr. Downey) shows once again, because 90 percent of the contract services provided at Limestone, the employment, 80 percent to 90 percent went to Manitobans. There are no spinoff employment benefits guaranteed in this agreement. There is no guarantee that local businesses, local contractors, local manufacturers are going to have first crack at any of this and that is unfortunate.

I think the largest shortcoming perhaps in the agreement deals with the question of employment. We have gone over this issue before. There is no reason whatsoever. It would have made absolutely no difference to Repap to have employment guarantees and training guarantees tied in for at least the communities that currently are involved in Manfor's operation, that Moose Lake, Easterville, Grand Rapids, Wabowden, Sherridon, Snow Lake and Cranberry Portage, and all of the rest of them that currently have some economic tie to Manfor

should have been given preference. There should have been a northern and a Native preference in this agreement. It would not have been impossible to negotiate. We are giving away the largest single wood resource left in North America.

**Mr. Manness:** There is one left. There is a better one on the east side.

**Mr. Storie:** I just hope this Minister is not around to negotiate it away and it is unlikely that he will be. The fact is, Mr. Chairperson, that this is a serious matter for thousands of people who live in northern Manitoba. The Minister had a model at his disposal which was used at Limestone. It was not perfect but it was effective, relative at least to other programs that have been tried and other projects that other Governments have implemented across the country. It did work and it could have been there as a symbol, if this Government would have cared to make it a priority, of the commitment to northern Manitoba and the training.

Mr. Chairperson, the Minister also made a great deal of the Section 9.08, the Community Adjustment Training, the \$5 million fund which was touted, being put up by the company and a commitment to an additional \$15 million.

**An Honourable Member:** Twenty total.

**Mr. Storie:** Twenty total. But, Mr. Chairperson, there is—unless the Minister can share with us tonight, whether in fact the company has tabled the training plan. Is there a training plan in place? Because the Minister knows that when that conversion of the existing facility, when the conversion to the 500-tonne bleached pulp is completed in December of 1989, the end of this year, that the jobs, the new jobs, the jobs for which there is training required are going to be filled, if there are additional ones at this time, not likely, by other Manfor employees other than those perhaps working at the mill at the current time because there is simply not enough time to begin the training process.

\* (2100)

Certainly, unless there is a training plan in place and well-funded, well-advertised, well-understood in the communities of The Pas and the surrounding area, in place immediately, what you are going to have, I predict this now, is a situation where the time comes to open the new 800, or no, 1,200 day, no 800-tonne-a-day plant, the new plant, constructed in Phase 2, you are going to open the doors and workers from every part of the province except northern Manitoba are going to be flooding in because the companies will say, and quite legitimately, we cannot operate unless we have trained people. The training has to start, not today, it should have started six months ago when the Minister knew they were coming close to a deal.

There are other concerns with respect to the environment and some questions I have on the Forest Management Agreement, but I will leave those to a subsequent round of questioning. I just want to say, Mr. Chairperson, that it is indeed unfortunate that

Members of the Opposition were not given a full chance to air their concerns and have them addressed forthrightly, because this agreement is flawed and obviously the people of Manitoba are going to live with it at this point because they have no other choice. But I hope the Government takes seriously the concerns we have raised, particularly with respect to employment and training, and starts to address them to the extent that they have not done to date.

**Mr. Manness:** Well, Mr. Chairman, I do not know where to begin. Certainly, Mr. Storie makes a lot of points. It is a very interesting phenomenon we have just experienced over the last 20 minutes or so. We have the case where the NDP is trying to extract themselves from any major criticism of the deal, and that is fine and good because I really do not think there are too many areas here that should be criticized.

If you noticed, Mr. Chairman and Members of the committee, that the basic principles put into place in the deal have not been attacked by any of the Opposition Parties. The basic principles, the basic criteria that have guided us throughout all our negotiations indeed are not under attack here. Certainly the New Democratic Party has a basic understanding of what we have tried to do and an understanding of those principles. So I guess I take their criticism with a little bit—or indeed, and there are charges that some elements of the agreement are flawed, I guess I listen to them pretty carefully because I know they have had some understanding from where we have come.

Nevertheless, let me say, I acknowledge the interest of particularly northern MLAs who are part of the third Party and some of the support that has been expressed over the number of weeks with respect to this agreement. Many of the questions put forward are legitimate. Mr. Storie questions the negotiation strategy. I do not know what point he is trying to make. I do not know if he is trying to say that the deal was too large, that we struck too large—you know, we gave away too much. He seems to say that we have given away \$500 million, direct or indirect. That is a complete distortion, Mr. Chairman. I do not know on what basis he possibly can make that statement. He seems to claim that our taxpayers are paying twice.

Mr. Chairman, if the Member knows the tax laws of the country, of this land, he knows that if they do receive some good judgments or rulings from the federal Department of Finance, all Canadian taxpayers, indeed, pay for there, and as the Member would know our share of the total tax bill is 4 percent. If you want to use a direct comparison, relationship, we are 4 percent of the population of the country. So, in essence, if Repap is able to achieve a \$100 million tax benefit by way of appeal to the federal Department of Finance and indeed have an acceptable ruling, the cost to Manitoba taxpayers would be somewhere around \$4 million, because of course all the other Canadian taxpayers would share in a pro-rata basis. So, Mr. Chairman, let not the Member inflate to somehow try and make it appear like we have a \$500 million commitment out of a billion dollar project, try to use that logic because it is so far-fetched.

The Member talks about the guarantee, a \$150 million guarantee. That will only be drawn firstly if the whole

project goes into the tank. That would only happen if the world-class facility, which it would become, the least cost producer was not wanted by anybody. If the McMillan Bloedel's and some of the other companies who are cash rich today, so to speak, and who are waiting for a downturn in the industry, if they deemed that there was not value in Manfor after Phase 2 and therefore everybody walked away from it after a billion dollars was invested, there then would be a call on the province for \$150 million.

So the Member then, when he says that we are putting \$500 million on the table, is presupposing that the whole thing is going into the tank. Mr. Chairman, he said that we are putting up \$500 million. That is only being called if the whole project goes into the tank. So he is saying, in essence, it is going into the tank. So, Mr. Chairman, let us put a little logic into the arguments. It is at risk if the whole thing goes down and McMillan Bloedel and Daishowa and all the world companies do not want it. How is it that they would want it when the Member says by his own very words it is one of the last major forest cuts in North America. How would they not want it when it would have the newest state of the art technology available anywhere in the world? Who would not want it? So, Mr. Chairman, the Member's argument is facetious.

Let me also say that our loan guarantee is not the first one out. Indeed, our loan guarantee is called at the same time that the banks also would lose upwards of \$300 million to \$400 million after, by the way, Repap's equity is all gone. So, Mr. Chairman, that loan guarantee, if there is one thing I am proud of in this deal—and I am proud of many things—but one of the things I am most proud is the *pari passu* aspect we have with respect to the loan guarantee.

That means that the province does not lose \$150 million before the banks or the lending institutions lose a dollar. It means we lose a dollar for a dollar, and that means they are our governors. They make sure that project is working because we do not have the expertise in place to make sure. The lending institutions are our greatest risk moderators because they are there to make sure that their investment is not lost.

But, Mr. Chairman, I digress. The Member talks about how open we have not been. We spent 17 hours in this committee previous to tonight. The Member can look at this and I refer to committee minutes, March 23, March 28 and May 1. The Member says I did not answer very many questions. I have read the record. There were very few questions I did not answer. Again, I begged and beseeched questions on the basic principles, and the basic principles were laid out in a very forthright open fashion. Any individual who wants to review the record, I would ask them to sit in judgment as to whether or not the Government has provided pretty open and fair responses to the questions put forward. How many hours did the Member want us to sit down before the final agreement was signed—30, 40, 50? What was the magic number? I leave that as—I guess I beg the question.

Mr. Chairman, the Member says it could not be proved. First of all, he indicates that the legal document, the final has the same date as the first. That is the

legal procedure in place. That is what is the process, the legal process that has been in place for virtually hundreds of years. The first agreement in place was preliminary but the date does not change. So when we were delivered the final agreement, we too noticed that the date had not been changed but that is the legal procedure.

\* (2110)

The Member said that I, in essence, misled the committee when I said there would be major changes or significant changes. I am on the record as saying 90 percent of that agreement would not be changed between March 10 and the signing date. I said that on the record on May 1. So the Member tries to make the point that I am misleading the committee.

Mr. Chairman, I made the point that the basic principle—

**An Honourable Member:** You cannot have it both ways.

**Mr. Manness:** No, I can have it both ways because I said the basic principles—

**Mr. Chairman:** Order, please.

**Mr. Manness:** —and tenets, it is on the record, May 1. I will try and find the particular chapter and verse. I said that the basic principles and tenets entered into March 10 would not be changed for the final agreement and they have not been. There were scheduled changes and they have been addressed. There was a reference to Hydro. That was one of the changes, one of the many smaller, minor changes which took for the most part six weeks to two months to complete.

Mr. Chairman, speaking of the Hydro agreement, the Members and the NDP like to take credit. They claim they are responsible for that change. Let me say to the Member that although the terminology is different that the intent is no different, that if we took to a court of law the first writing or the second final completed version of the reference to Manitoba Hydro, the meaning and the intent is not different in either.

As we said for the record at that time, any agreement with Hydro—George Petty never asked once, never once through the negotiations, for a special deal on hydro rates to the credit of the company and to him. We were never asked for it once. All that Repap said was we may want to put in a number of paper machines in the future, each of them costing \$400 million, and if we do we want to make sure you treat us fairly, that you treat us fairly and you do not hold us captive. We said, of course, we will treat you fairly and we will put it in the agreement and that is what we have done. That was the reading in the first version and in the final text.

The Member says we have provided again a great deal of support. I do not know whether I want to spend all the time with him going through what has been provided by other provinces in support of their forest product expansion. I could tell them and I did this—this is on the record—what the Province of Alberta

has provided to Weldwood of Canada for much smaller projects, 285 million loan guarantee, not a guarantee structured like ours on a \$360 million project; to Miller Western, 120 million participating debenture on a \$194 million project; Daishowa of Canada, 65 million grant for infrastructure on a \$500 million project. The big one, the Greenfield Operation in the Athabasca area, a \$75 million grant infrastructure and a \$150 million subordinate loan for a \$1.1 billion project.

Then I could recite to him, because I know the Member is more aware of the Prince Albert situation, where the incentives in the Province of Saskatchewan that have been provided, and where their profitability at Prince Albert was certainly much greater than the existing Manfor. If he wants, I have got them for him. Where are the best ones here—either road areas or loan guarantees if he wants, if he wants to talk about stumpage and forestry commitment.

So let him not make the point. Let him try not to leave the spectre that the province has given away because we have had countless numbers of calls from people in the industry, not located in Manitoba obviously, but located in British Columbia and located in eastern Canada that the province struck a very, very good deal. We have also heard from Repap that they have had people in the industry who wished they had the courage to have moved on this like Repap has, not that they claim that Repap got a good deal, but they recognize if the industry holds when you take into account the forest, and let us all say that was the plum, the forest. That is why, if Repap does not do what it covenants to do in this agreement they lose the forest. It is taken away from them.

There are other people anyway in the industry who have said to Repap, who said to George Petty, we wish we had the courage to have gone into this one because we see it as a tremendous deal for Manitoba and a tremendous deal obviously for the company that hits the right timing. It was a good deal all around. I accept that and Repap accepts that.

The Member refers to page 53. He talks about what it is that we are doing, that we are going to allow. We talk about changes in provincial laws which materially adversely affect the economics of the construction. All we said in this section is and all that Repap has asked, they said, look, we are going to put \$1 billion into here. What happens if an unscrupulous Government comes into place, maybe the Liberals? They never said that. What happens if an unscrupulous Government comes in, decides to raise the sales tax, double it from 7 percent to 15 percent when we are going to put \$1 billion in, recognizing that if you do that on a \$1 billion project and all of a sudden your financial projections on which you have based the project are no longer sound? What they said is, if a Government wants to do that, change their laws so significantly, then obviously we have the right to remove our commitment as to the timing on Phase 2. I would say that if I were in their places I would have demanded the same thing.

The Member says that Repap will negotiate or has not treated fairly or has not spelled out the commitment to the community groups. Let me say that Repap is attempting and is hopefully and wanting to enter into

contracts with communities to supply wood and to supply services and to supply goods to their operation. We spent much time within this area. The Member can say you did not lock into place hiring quotas or employment quotas. I guess that is a philosophical difference as between the NDP and ourselves.—(Interjection)— He says a shame.

Mr. Chairman, it is one thing to force a Crown corporation like Hydro to do certain things. When you are dealing with a company who has a profit motive—and I say that openly, that is their motive, to make profit—then obviously one cannot impose those types of restrictions. If you do impose upon them, then you are putting at greater risk the whole situation.

I do not have to tell the Member but he knows fully well that the costs of supplying wood to Manfor were over \$40 a cubic metre. He knows that. He knows that no company, I do not care how much money they have in the bank, could continue to operate that facility at wood supply costs at \$40 a cubic metre plus.

It has obviously something to do with it because with greater flexibility to train people accordingly, to set up the manner in which wood supply is going to be brought forward, negotiated with by various groups, the company has to have that greater flexibility to try and minimize their wood supply costs. Failure to do so puts the whole project at risk regardless of who owns it.

Now the Member talks about training. I say to the Member, \$20 million is provided for training. He says what plan have you put into place? This is the difference, because the Government is not imposing a training plan upon Repap. What we have said to Repap is that whatever training plan you do develop has to be developed in conjunction with local people.

That is why Chief Lathlin, the mayor of The Pas and indeed the president of KCC were in Midtec, Wisconsin, last week to talk about this training. What Repap officials said to them at that time, and I paraphrase, is I will put up the money, here is a million dollars, you develop the training plans that you want, that you feel best serves the area of the Natives, indeed affirmative action. I will pay the bill, you develop the plans. What a challenge to put toward the people, direct Native involvement in establishing and building the training program, not set by Government, not set by Repap but set by the people in the communities most affected.

Mr. Taylor says it would be nice if they had been consulted. They were consulted. They were brought down to Midtec. Indeed, we knew that was the basis of what training would take place. That is why Chief Lathlin today in the Free Press has nothing too critical to say about the agreement, because Repap is dealing outside the Government, dealing directly with the community and the affected groups of people. That is the way this Government believes the training plan should be developed. That is the difference in philosophy as between the NDP and ourselves.

\* (2120)

Mr. Chairman, let me finish my comments by saying that if Members opposite had joined the MLA for The

Pas (Mr. Harapiak) and been in attendance at the arena, I believe the Johnson Arena, when 1,500 people from The Pas were there and were spellbound because of the commitment that Repap was making to that community, if the media from outside The Pas could have been there to have seen the sense of renewal and hope and spirit that was obviously evident on the faces and indeed in the comments of northern Manitobans, they would be elated with respect to this development plan. They would tell us to go ahead and to complete our final commitments as a province. Thank you.

**Mr. Storie:** The 1,500 people who were at the arena, by and large, were people from The Pas, and there is substantial benefit to The Pas area. I referenced the job guarantees. They referenced The Pas area, and I am telling the Minister that if the Minister had gone a little farther afield into some of the 12 or 15 communities that supply Manfor, that work for Manfor more directly, if they would have had job guarantees, if they would have had some training guarantees, if the interest of the people who work in those communities would have had access to those opportunities, either direct ones in terms of the training program that Repap is undertaking or in terms of the construction jobs, it would have been a better deal. That is all that we are saying, that in fact it could have been improved.

The Minister went on at length about how, well, you had to realize that they were going to rationalize the woodlands. Well, I understand that. I understand that they are going to triple the volume of harvest in the area, but the training program involves more than simply the hewers of wood. There are going to be dozens, hundreds, if not hundreds, of skilled trades positions available. The training for those take two years or three years or four years, and it has to start immediately.

The Minister wanted to suggest that somehow is suggesting the Government should do this. No, the agreement says that Repap, the purchaser, will table, submit a manpower training plan, and I simply asked, is that training plan in place? The Minister now tells me that, well, yes, there are plans afoot for Repap to come up with a training plan. Well, obviously we want to encourage them. We want to see what that training plan looks like. But it is unfortunate that the Minister and some of his colleagues were not a little more foresighted in terms of developing their own strategy in consultation with those communities so that something could have been put in place and would have been available for Mr. Petty to say, yes, we want that and we will buy it as soon as the deal was done and not wait for six months while they develop a plan.

So the Minister misses the point that the agreement could have been better, and that was a point that I made to begin with. I pointed out some areas where I thought there could be improvement.

If I may return to page 53, Section 9.02, the Minister wants to pretend that has to do only with tax provisions. We went over this before and it is apparent that the Minister is not listening. I do not know how anyone can read that and not come to the conclusion that it is much more broadly, the wording is much more broad

than simply to talk about the taxation issues. That talks about any legislative change which adversely impacts the project. That is what it says.

That is not necessarily a taxation issue. It could be any kind of legislative issue. It could be pay equity, for heaven's sake. Who is going to interpret that? Is the Minister saying that he has some sort of schedule attached to this agreement that says we are only talking about taxation issues? We know that there is another section of the agreement which gives special provisions to Repap when it comes to the a refund or a reduction in the sales tax on manufacturing equipment. We know that those special provisions are in here, unusual as they are, but we are not talking about only those things. We are talking about all of the other legislative responsibilities that the Government has its hands on. This clause is so wide open you could drive a truck through it, probably a Manfor truck.

**Mr. Chairman:** Okay, Mr. Storie. No question? Okay, Mr. Minister.

**Mr. Manness:** Mr. Chairman, just let me say with respect to it, the Member is right in a sense. There are areas outside of tax law that may have an imposition, but their impact, if they are imposed upon any company, Repap, during its development stage, during its building stages, and it has the impact of drawing out of that company or causing it to forego \$20 million or \$30 million, all we have said is that we have to recognize and we might not be able to hold Repap on the schedule of completion. That is all it is saying. It is saying that if the Government in its wisdom is responsible for a drawing out of funds from new Repap-Manfor of \$20 million or \$30 million, which would have otherwise gone to development, then obviously the development cannot proceed as covenant here. That is all it is saying.

**Mr. Storie:** One short one, I recognize that the Members opposite have been very patient. Mr. Chairperson, the Minister references \$20 million or 30 million. The Minister should get some good legal advice. This does not reference any amount. It does not reference \$20 million or \$10 million, \$500,000 or \$10.00. It does not reference an amount. The fact is that it is ridiculously open-ended, and in fact if conditions change in the next six months could lead to an easy out for a company that wanted out. It just simply does not make any sense. The Government has too much responsibility in so many other areas of legislation that impact upon every company and every worker in the province to leave this kind of threat hanging over its head. I do not understand it.

**Mr. Manness:** The Member says easy out. I do not know how it is that we can sign an agreement or write a law that can force any company in any industry to make money. I do not know how it can be done. If the Member can indicate how it can be done, then I hope he would share it with me and the people of Manitoba.

Similarly, with this agreement, if the forest products industry were to go into the tank and finished coated paper were to drop by three-quarters before the environmental process was completed, then obviously

I would think possibly Repap would have to think seriously whether or not it honoured the contract, the agreement. That is the nature of the real world. Some people walk away from a business. I have nothing but the highest regard for Repap and fully expect that, first of all, the industry will not experience a serious downturn. Under that scenario we have covenant to do certain things as the province and I know Repap will follow through their covenants also.

**Mr. Taylor:** It is unfortunate that we are dealing with this matter after the fact and not before the deal was signed. I think it would have been much more appropriate if we had dealt with this beforehand. I want to make a few comments and get them into the record before I go into the specific questions, of which I have quite a few for the Minister.

The reluctance on the part of this Minister to attend meetings of this committee, I think, should be remembered because back in March, twice the committee requested his presence and twice we did not get an answer other than about a two-minute appearance. The comment by the Minister that he was always open belies the facts and the actual events as they took place. The comment that was made at one point by the Minister was that I walked out because the questions had become repetitive. I think the questions were only as repetitive as the Minister's answers were lacking in content.

\* (2130)

The case of the matter was that there were many, many times that questions had to be repeated in order to get an answer. These were not trick questions. They were very straightforward questions in which a simple answer would have sufficed. I know on one occasion myself, I asked a question four times and another case three times before I got an answer. I know that there were others who asked as many times and did not get an answer. Let us just be straightforward about that.

I also think though, the whole event that took place on the early morning of May 2 was unparalleled in this country, be it in the federal Parliament or whether it be in the Legislature of any of the other provinces. I think the fact has to be put on the table is that the time was not of the choosing of the Opposition Parties. The meeting that we were having on May 1, 2, was later than what had originally been set. It was as late as could be possible and the times offered by the Opposition Members were many. The Minister was unavailable, and it was to suit the Minister's schedule that it was agreed to go into the early hours of the morning.

Let us not forget that. The choice was his. The results of the walkout were flaunting democracy, as far as I am concerned, and I do not make that comment lightly. I am not prepared to go through this meeting without putting it out on the table. The behaviour was cavalier. It was that of wayward schoolboys, and I think the Members involved should be ashamed of themselves. Hopefully, this Legislature will never see a repeat of that.

Now I will get into the questions. I have a series of questions on environmental matters and I want to know

what sort of role we will see Repap playing in these concerns.

There was a study done not too long ago about the Bunker "C" spill—or seepage, I should say—the seepage of Bunker "C"'s fuel into the ground and the ground waters in the area. We dealt with this to some extent in the meeting before the Minister chose to attend and I got some of the answers from Mr. Ernst. However, in the report it says quite clearly that the extensiveness of the Bunker "C" spill has not yet been determined, as there were not sufficient test wells sunk to so determine. So my question is, specifically, what responsibilities will Repap have for further determining the extent of the clean-up of and the mitigation against this Bunker "C" spill which, it is stated, will pollute the local aquifer?

**Mr. Manness:** Mr. Chairman, I would ask Mr. Norm Brandson, Department of the Environment, to answer that question but, before he does I would like to respond to a few of the remarks made by Mr. Taylor.

First, let me indicate that I regret having to withdraw from the committee on May 1. I did so when it became very evident to me—and let the record be my judge, I mean, it is part of the text—that the Opposition Parties either together or separately had decided that they wanted to prolong proceedings through the night, all the way through the morning, and who knows how long, Mr. Chairman? The questions that were being asked, and if one again wants to search the record over, particularly the last hour of that evening, they would see that those same questions had been posed and had been answered at committee meetings before.

I remind Members that the rules in committee are the same as indeed in the House, that Ministers are asked to answer questions and do so to the best of their ability and/or to the best extent they feel that they should, in the fullest context that they feel they should.

I indicated when I first sat before this committee—the Member indicates dragged here, that is not fair and it is not true. I had indicated a week before when I could come to this special meeting of the Economic Development Committee of which I have no requirement, which there is no incumbancy on me to be here. I had indicated when I could come to that committee and I did so, the day that I had indicated that I could come, not when this committee said I had to come, because that is not its mandate, to order me to come.

Nevertheless, I digress. I regret having to leave on the early morning of May 2. I did so once it became apparent that the Opposition were trying to filibuster the whole negotiation process. Mr. Chairman, I had to be, with clear mind, involved in negotiating the completion of this deal early that same morning, upwards of seven o'clock the next morning. It was a billion dollar deal. I sensed that I should go to those negotiations and prepare the negotiating team to be at those negotiations with clear mind. Once it became apparent to me that there were games afoot—and the Members may ask me to withdraw that—I made the

decision to leave the committee. I regret having to do that, but I saw no alternative at that point in time.

With respect to the May 1 meeting, that May 1 meeting was held because I wanted to honour my commitment to Mr. Taylor, who asked a very sensible request. That was, can you present to those of us, as Members of the committee, in a layman's approach, specifically what Repap is proposing to do? I sensed that was not only fair but a responsible question, one that should be responded to. I brought forward resources that only came to me, as I have said in the committee before, late Thursday before the Monday. Otherwise, that meeting would have been held two weeks sooner, but I had nothing to present.

So they arrived in my hands the Thursday before, and I sensed the fair thing to do was to try and call that committee before the final signing. As the Member knows, I went to some considerable effort to cause that committee to be brought into being, to sit that particular day, and it was at his request that I did so. So he can attack me for, first of all, not sitting earlier. I could not sit earlier, I had nothing to present. But, secondly, if he is saying that we do not present answers to the questions, we brought the experts forward to do so.

Now, Mr. Chairman, I am going on too long. I would ask Mr. Brandson to answer specifically the question of Mr. Taylor.

**Mr. Norm Brandson (Department of Environment):** I believe Mr. Taylor is referring to an initial study that was done to attempt to define the extent of the Bunker "C" oil contamination. We have developed subsequent information that better defines the extent of that contamination. We have developed a clean-up plan. That clean-up plan will be put in the form of an order which will be issued by the department for the complete clean-up of both the soil contamination and the groundwater contamination that has resulted from a number of successive small spills over a period of years.

In addition, as part of their Phase 1 proposal, which we have and it is filed on the public registry as of April 18, I believe, Repap is proposing to relocate and reconstruct the bunker fuel storage according to provincial standards and specs so that the historic problems that have been associated with the existing facility will not recur.

**Mr. Taylor:** It appears that Repap will be assuming responsibility and that the clean-up plan has been developed. That was information not available at a previous meeting. My concern was that the Government not be left with the responsibility of undertaking the clean-up itself, but that the new owner assume that responsibility, which is the normal situation in sales of this kind.

**Mr. Manness:** Mr. Chairman, let me be completely open and candid. The province will accept the responsibility, as usually is the case. Indeed, it is the liability of the province, through its Crown created the problem, and the province through its budgetary efforts will have to resolve the problem. The commitment by Repap is more



directed towards its requirements in the future, so as much as we would have loved to have passed on that liability to Repap, indeed they would have done so but it would have come right out of the working capital, so it would have been no difference, net, to the province.

\* (2140)

**Mr. Taylor:** Can the Minister then tell us what the costs will be?

**Mr. Manness:** Mr. Chairman, I cannot. I can tell you that Repap will probably do the work and bill us accordingly. I would have to think that the costs are certainly going to be greater than a million or two dollars.

**Mr. Taylor:** If the Minister could undertake as Minister responsible for this sale at a future date to provide that information to the Legislature, it would be much appreciated.

**Mr. Manness:** Mr. Chairman, that is public budgetary information. It will have to be reported once it is ascertained what the cost is. That is information because it will be paid by the taxpayers of this province, which has to be made public.

**Mr. Taylor:** Mr. Chairperson, the Manfor plant, because of the period in which it was built, is absolutely full of asbestos, whether that be exterior insulation or wall panels, insulation on various types of piping throughout the building. There was a preliminary bit of work done in '87-88 and then there was a new plan announced of some \$8 million to be spent over the next five years culminating in 1994. The question is, what is the intention of Repap regarding this plan that Manfor had just put in place to clean the asbestos out of that workplace?

**Mr. Manness:** Mr. Chairman, the asbestos siding is our liability. The rest is Repap's.

**Mr. Taylor:** Mr. Chairperson, will the extensiveness of the asbestos removal be as great and will the time lines originally set be met by Repap?

**Mr. Manness:** Mr. Chairman, as far as we know and as far as we have been able to write into the agreement, the answer is yes.

**Mr. Taylor:** The agreement refers to Repap's responsibility regarding the environment, and speaks of compliance except for those breaches that the vendor has made and the purchaser is aware of. These breaches go back in time and were made by, I believe, largely the previous administration. It is referred to in page 15 as Schedule K. Could the Minister further bring out just what the breaches are? In other words, describe the breaches that it is that Repap is inheriting that allows there to be deviation from the environmental Act and regulations.

**Mr. Brandson:** My understanding is that refers to two specific areas of the existing plant. The first is with

respect to air emissions, and those come from three main boiler installations in the existing mill. Those are problems that will be part of and standards imposed that have to be met in a Phase 1 licence. In other words, the modification of the mill will receive a licence that will require the company to meet state of the art air quality standards.

In the meanwhile, until Phase 1 is constructed and in place, there is no way that the present boiler setup can be run and be in compliance with air quality standards. So that is No. 1 that is referred to I believe in that schedule.

No. 2 refers to the liquid effluent emissions from the plant and, again, these are emissions that exceed existing standards, in this case, for the moment that is a federal standard mandated under the Fisheries Act. However, the standard will be written into the provincial licence for Phase 1. Again, the company, as soon as Phase 1 is up and operating, will have to come into compliance with that provincial licence and the terms therein.

Those are the two outstanding concerns, I believe, that are referred to because of the fact they cannot be addressed except with a major retooling, which of course is part of this Phase 1 proposal. So they are not things that simply changing ownership really can do anything about immediately but, as soon as Phase 1 is in place, the standards will be met at that time.

**Mr. Taylor:** Mr. Chairperson, just to clarify, what Mr. Brandson is saying is that the licence will not be valid for Phase 1 operations after renovations until those two points are met, the two standards are achieved. Is that correct?

**Mr. Brandson:** Yes, if I understand you correctly.

**Mr. Taylor:** Otherwise, they would be in breach of this.

**Mr. Brandson:** Yes, in other words, they will be issued a licence for bringing Phase 1 into operation. When they bring Phase 1 into operation, they will have to be in compliance with the terms of that licence. That is correct.

**Mr. Taylor:** The Environment Act and the environment regulations of this province are expected to be adhered to by various departments, all departments, all agencies of the provincial Crown. We have a situation at Manfor—I am using the past tense here—where forest practices were not followed, as an example, forest practices which deviated from a forest management plan. I think the Minister at an earlier meeting even referred to that himself.

What I want to know is, in the Department of Natural Resources would be the inspection, enforcement arm of the Government, if you will, because it is their functional specialty, what assurances does the Department of the Environment have, by any means, that there will be enforcement carried out by Natural Resources in the future, in marked contrast to what has taken place in the past?

**Mr. Brandson:** This is a question that has come up in a more general context because of the fact of a broad

scope of The Environment Act necessitates that the department use personnel from other departments to inspect and enforce some of the terms and conditions of some of the licences issued under The Environment Act. The department is conducting periodic monitoring of the performance of that delegated authority to inspect and monitor, and certainly will do so in the case of future inspection and monitoring related to any of the forest management activities associated with Repap.

**Mr. Taylor:** That is very interesting, what Mr. Brandson brought out. It would be the sort of answer I would have hoped to have heard. However, the information I have is that the monitoring process or function by Manitoba Environment has until very recently at least been almost non-existent. I am referring to the monitoring of other Government departments and other Government agencies to ensure that the delegated authority is adhered to.

\* (2150)

**Mr. Chairman:** Excuse me, could we have the attention of the committee, please? Those Members who would like to visit, please leave the Chambers. If they want to visit, they should leave the Chambers.

**Mr. Brandson:** My response to that is, first of all, that the Environment Act has been in place for roughly a year so. That is a very short period of time. We ourselves are in the process of doing a first-year review to determine what the track record has been under that first year of new experience and changing conditions.

I have not had that particular criticism brought to my attention. I would be interested if there are specifics. Certainly we would like to know that as part of our review of the first year of implementation of the Act, but it is not one that is certainly widely raised with us to this point.

**Mr. Taylor:** I had one question for—really it is a supplemental to the one on the asbestos which is, in that there is a split responsibility to continue the program of asbestos removal from the workplace, does the Minister have a scale number that he can offer us of what it will cost for the Government to replace the siding on the Manfor plant?

**Mr. Manness:** Not as yet, Mr. Chairman. I do not have a guesstimate.

**Mr. Taylor:** Will we be able to get some sort of a feel for the scale on this in the near future? The Minister mentioned the clean-up cost would be in excess of a million. That is a very rough number, but I am not sure what we are talking about and how much we have to do in the form of recladding here.

**Mr. Manness:** I hesitate to even provide a number. I am sorry I am not intimate with this specific cost. So I will undertake though to—if the Member would ask us the question after a month or two, we will certainly at that time, hopefully, have an answer to give him.

**Mr. Taylor:** You will be hearing from me.

**Mr. Manness:** Fair enough.

**Mr. Taylor:** Okay. The next question I have is, the Minister had spoken of the Forest Management Plan and the noticeable deviation that there had been by Manfor. The implication in his comments at an earlier meeting was that Repap would comply with that Forest Management Plan until such time as there was a new one put in place. The confirmation that I am looking from the Minister is that, will the cutting be done as was the original Manfor Forest Management Plan on the basis of species and caliper selection?

**Mr. Manness:** I would ask Mr. Lamont from the Forestry Branch of Natural Resources to come forward and answer that question. Do you want it repeated?

**Mr. R. H. Lamont (Chief, Forest Management):** Just an explanation on caliper, you said?

**Mr. Taylor:** Size, the trunk size.

**Mr. Lamont:** Clarification on the size then of the trees. The sawmill operation at Manfor tended to designate what kind of size range. In the case of pulp and paper then, it is maturity, No. 1, and all size ranges relating to it. So we expect a better utilization of mature wood, and indeed in the past it tended to be mature wood even though it was a larger size range. Other stands of trees containing smaller, yet mature, and older mature trees would be bypassed because of that size requirement of the sawmill.

The waste products, as you recall, from the sawmill fed the small pulp mill that is there now. So the pulp mill always had more than enough furnish from the sawmill operation, and this will now change around such that the timber stands in the area will be feeding that pulp mill on a reasonable basis.

**Mr. Taylor:** What I am seeking is an assurance that a Forest Management Plan will be followed and that we will not be seeing, as part of the Forest Management Plan, a practice of extensive clear-cutting.

**Mr. Lamont:** Okay, the clear-cutting pattern is for boreal tree species. It is one of the most effective methods of attaining natural regeneration and you always want as much natural regeneration as you can possibly get, to be supplemented of course by the reforestation through planting.

So the discussions now come on the size of the clear-cuts, and I am sure that is what you are aiming for. That is what we are looking at with respect to configuration and contouring of the edge of the cuts. We are getting quite a bit of cooperation, as you would expect, from our wildlife people who also want to see that kind of configuration.

To obtain the wood volumes from an operation site, which is set up to harvest the trees to feed the mill, bringing in people and equipment to operate that site, you want to get as large an area as possible if you are a company, because that way you can effectively take advantage of all your resources you have put in and get delivered to the mill at a relatively low cost.

However, there are requirements now. I believe it is around 100 hectares, if I am not mistaken in the size. The wildlife people would like to see 40 to 60 hectares in size. They can agree to go higher in area, providing the area is configured and contoured on its size such that you cannot look at the side of a square and see a mile and a-half straight in front of you, which was one of the problems before. Even with buffer zones, it still had difficulty.

There will be a fine balance that is coming because the areas that are going to be harvested are larger and, therefore, we have a concern and so does the company. The area that will be harvested, of course, is larger again where the wood supply will come from. So there are some good opportunities there, providing the access can be put as far back into the corners of the area as possible. The area has been reduced in size to the north and to the east, which allows some configuration there to get roads to those corners. There is a cost and we have heard some of the cost talked here at the committee meetings in the past of the amount of money that would have to be put forward to get the main provincial road network extended, paved and the like, to get a quality surface for having truck hauls.

That is where we are and we expect that the number of those large areas that have been put side by side, which was a sign of the early days of operation of the company where there was really no road system in place for them—in other words, to feed the mill, to provide the jobs, that road system that essentially ran to Thompson with very few feeder lines from it, and a line to Flin Flon with almost no feeder lines to it, caused the cut to be concentrated. Again, in the Moose Lake area, another area where the trees were overmature, the trees started to delegate what operations and size of cut could be because they were overmature on a very thin soil base. In other words, if you left contoured lines along the size of those cutovers, you tended to get a tremendous amount of windfall.

So, a straight edge in that case was better than the curved edge. Again, every site, every area, every forest cover is a different situation and decisions are made on the site by the regional foresters, biologists involved in The Pas area.

**Mr. Taylor:** Mr. Lamont mentions about roads going in and I can understand exactly what he is saying in the sense of lack of roads means concentrated cuttings and all the problems attendant thereto. However, the extensiveness of the road system and the expectation of the provincial coffers needing to pay for that, No. 1; and No. 2, the type of road being installed again has a big cost factor.

\* (2200)

Are we talking a good quality gravel forestry road as, for example, I am quite familiar with in Alberta, or are we talking about, in effect, a paved highway for the almost exclusive use of the forestry trucks? Do forestry trucks in reality, if you have a good gravel road, really require a paved surface on top? I would think not.

**Mr. Lamont:** There is of course the full range that you have said. Most haul roads will be gravel. Some of the main roads will be winter roads. They will be on permafrost and minimal cost—or not permafrost but frozen conditions. The main summer and winter haul roads, namely, No. 10 Highway for example, which would be the feeder for the chips and the like coming from the Swan River, Mafeking, Duck Mountain, Porcupine area—I suppose even Saskatchewan, is an opportunity from the border side—would suitably require a paved surface. Of course, I believe there are probably bridges that have to be enhanced over time. Again, the large volumes do not start to move until 1992-93 when the 1,200 tonne per day plant comes into operation, if all goes to schedule. So there is a five-year period to upgrade the access routes.

The actual harvest roads, of course, will be very little different over present. You will need your main haul roads but your access roads to stands and the like are temporary roads and will grow in over time unless they serve a purpose to access a community or something like that where an alternate use is available for it and, therefore, the road should be maintained open.

**Mr. Taylor:** Mr. Chairperson, the question is, is this new money that we are talking about for these roads? To what extent is it that? To what extent is it only, maybe in some cases, a prioritizing of a scale of the highways budget in future years and saying it will go into this area as opposed to going into other parts of Manitoba? The degree to which new money is involved here, I think, is very important because it will be then one more attendant cost to the Repap sale.

**Mr. Manness:** Mr. Chairman, obviously there is a component of the \$90 million agreed to road portion that has been put into the agreement. That really represents a commitment to the existing road network that is now in place. It is hard to specifically—

**Mr. Taylor:** Excuse me, Mr. Chairperson, I am having a bit of difficulty hearing the answer the Minister is giving us.

**Mr. Manness:** Mr. Chairman, let me draw a little closer.

**Mr. Taylor:** There is too much noise in the room.

**Mr. Manness:** Mr. Chairman, I will come closer to the microphone and then Mr. Taylor can hear me.

Let me say that there is a portion of the \$90 million that we have committed the province to by way of the agreement. There is a portion of that we would deem to be ongoing commitment to the northern road network. I guess, if we were to quantify it to the extent that one can, I would have to say to Mr. Taylor the amount would be roughly 55 million, 57 million new additional money and 33-34 ongoing commitments by way of the existing road program.

**Mr. Taylor:** Mr. Chairperson, while full reforestation appears to be a goal of this Government in the agreement, Schedule D, page 133, allows for an out

for Repap if there is a supply problem with the reforestation stock. My question is, would it not be more prudent to have Repap itself require to guarantee the needed supply of the seedlings to be used in the reforestation? In other words, that would be an assumed responsibility up to them to provide, whether directly with others or in a combination thereof, but that seems to be an interesting out.

**Mr. Lamont:** I know where you are coming from here on the number of trees. First off, the provincial nurseries are designed to provide basic levels of numbers of trees for reforestation. We believe that we can produce a good percentage, if not all, of the millions of trees that would be required by Manfor. There may well be a shortfall, and by that you have to say at full production, of full harvesting.

We have five years to look at the alternatives for that, either increasing the nursery capacity at The Pas or supplementing it from the Hadashville nursery or suggesting that private enterprise enter into it. This has also been brought forward at meetings in the western portion of the province and with some interest been picked up by people at those meetings. There is an opportunity. There will be a requirement for additional seedlings and the opportunity appears to be good for people who might want to get into that.

**Mr. Manness:** Mr. Chairman, I want to supplement the answer and say that the Government is very wanting to see private concerns come forward and provide these goods and services to Repap, and to that end I point out that the numbers that we have used, particularly around Swan River, do not yet include a component of species tree nurseries that grow species native to that particular area. Yet I can tell you the Government is wanting very much to the extent that it is required, additional seedlings are required, to see that developed in a private enterprise sense.

Certainly Repap, I can tell you, is very much mindful of that and also very encouraged that the Government wants it to go that way.

**Mr. Taylor:** My concern is that we are going to be looking at an operation that will be cutting four times the volume that Manfor does today. We are also looking at having had a second year of bad forest fires, which means we have lost more forest, some of which are lands that are under lease, some of which are lands that probably are not under lease to private operators.

The question, I guess, is will the provincial nurseries, the two nurseries, be able to supply, No. 1; No. 2, should they have to supply; and the third point is, would it not be better to have a direct responsibility upon Repap as opposed to the out that is potentially there?

I am nervous about that. I do not see that absolute guarantee. I think it could have been addressed in a different way. When Ontario finally started to get serious about its reforestation in the last eight, ten years, we did see a blossoming of private silviculture operators. I think that was great. I know around the Thunder Bay area we have seen a major activity start that was almost not there at all in the private sector. If you fly over the

area you can see the new operations there, but there is no assurance of that taking place in the sense of responsibility by the operator, i.e., Repap, because if there is a shortfall they can get out of reforestation responsibility.

I am well aware of what has happened in the case of reforestation in urban areas of ornamental trees where there has been shortfalls, and shortfalls in the private sector. The programs just were not carried through.

**Mr. Manness:** Mr. Chairman, firstly let me again point out for the record that what happens in Ontario is that the Government, i.e., the taxpayer, pays corporations to reforest, which we have written into this agreement. I hearken back to what I said to Mr. Angus when he said, well, you should not be providing a management fee to Repap Montreal for the service that they provide. I do not know whether he should not be, but he certainly drew it to our attention. That was part of his concern.

\* (2210)

Let me say as an offset to that, you have a company that is prepared to commit 4.63, I believe, to a forest renewal, not taxpayer money, Repap money for reforestation. Indeed it is to be reviewed after five years, I believe it is. If it is not sufficient, then the number will increase accordingly so that reforestation will in essence be—the cost will be met by Repap, not as is the case in Ontario which is being met by the taxpayers of the province. I think we are light years beyond what they are doing in Ontario. This was an incredible commitment that we have got from Repap when you take into account the Manitoba context and the position in which they find themselves.

**Mr. Taylor:** To what extent will Repap be conducting cutting operations in provincial parks contained within the boundaries of the cutting area?

**Mr. Lamont:** The provincial parks system in place is zoned for resource utilization, be it mining, forestry, whatever. In the case of the three provincial parks that are involved in the area—Grass, Cormorant and Paint Lake—they have been zoned. In the case of Paint Lake, it is closed and restricted, there is no open zone. In the case of the other two provincial parks, there are open zones for harvest. There are back areas, areas that—I should not say back areas because that is a wilderness-type term—are open to operations of all kinds. General use areas they are called. They do provide an annual overcut under parks direction—site specific. The restricted zones in those parks are very much the same except much more specific as to where operations could occur. The closed zone, there is no operation other than cleaning up disasters and the like where it is hardly a commercial operation. It is a clean-up, maintenance type.

So the parks are zoned, and the actual harvesting operations that would take place in there are according to the The Parks Acts and regulations and would be a one on one with parks and the company.

**Mr. Taylor:** And will remain to the same extent.

**Mr. Lamont:** Yes, although parks zoning do change over time as the forest matures and the areas are developed. It is not a static thing, but very definitely as it is now with modifications that are appropriate from a parks and recreation point of view in the future.

**Mr. Taylor:** Mr. George Petty, at the recent annual meeting of Repap Enterprises, made the comment, and it was reported in the Globe and Mail, that Repap by this deal will gain fourfold the areas or volumes of forest reserves that it has under its control at this time. Given that massive change in scale, what assurance does the Minister have that the firm is up to that massive upgrading and volume of activity?

**Mr. Manness:** Mr. Chairman, I am sorry I did not hear the question. I certainly heard the preamble to it.

**Mr. Chairman:** Mr. Taylor, could you repeat the question?

**Mr. Taylor:** Yes, certainly. Given that context of the massive change in scale, what assurance does the Minister have of Repap's ability to perform and handle that volume of scale up?

**Mr. Manness:** First, you let me say that the Member is right. It is one of the reasons Repap coveted this area and I think provided far beyond the second best deal. The next best option did not come close to this one, so they wanted the forest area very badly. In the States, there is no doubt they do not have their own forest area. They buy, I guess, free timber or they buy it from individuals on the open market.

The Member asked what guarantees do we have they can handle this, I guess, the requirement. They still do, they have been in the forestry industry for a fair amount of time. I know their Chief of Operations, one Jim Bowersack, has incredible long-time experience in the industry. I forget which company he had been with. I would ask—do you know?—Regis, St. Regis. They have eminent foresters within their senior management group.

That is one of the things that company required to gain credibility over the last number of years. It was in the agreement itself. If they do not handle, if they do not do certain things of course, both in areas of reforestation and within the proper development, they will not receive the forest. We have a way of calling it back.

If five or six or seven years after the facility is built and they are operating, if you are asking me then what guarantees we have as a province that they will manage properly, I would have to think that we are in control as to how and where they cut. I would ask Mr. Lamont to give comment on that last statement I made.

**Mr. Lamont:** Okay, the comment is correct. I might emphasize again a statement made earlier that this company, in order to achieve the volumes they require, must rely on those in Manitoba to help them harvest that resource. It is a must. We are talking, going from a provincial total volume harvested in Manitoba for the

last few years, an average of about 1.7 million cubic metres to a total of about 4.3, 4.4 million cubic metres in 1994. That means all the people harvesting in Manitoba presently, little bits and big bits that they harvest, are bringing in 1.8 million.

That includes Abitibi and the present Manfor operation prior to the agreement, so you are going to multiply it by two. That means twice the volume has to be brought in to process. The only way you can do that is to rely on the established industry through contracts, and that of course is what the company, any company, does but particularly Repap in the Wisconsin area, U.S. area, where the land is privately owned and they must deal with people on it.

Here it is a Crown-owned land resource—there is a private piece but mostly Crown—and again they have to rely on that people group and their equipment that is in place in order to achieve the goals. Otherwise, the plant does not go. You have to get that volume to produce the product that they require.

**Mr. Manness:** I am sure Mr. Taylor has read specifically in the agreement pages 105 and 106, which answer his question. I again for the record would like to say, "Manitoba requires management of the forest resource located in and upon the forest management licensed area to ensure: 1) sustained yield management for each forest management unit in accordance with the most current management principles and practices, 2) achievement of the maximum growth potential of suitable species within the FML area and the most economic conversion of the species for commercial purposes, 3) maintenance of a standard of environmental quality acceptable to Manitoba in accordance with the Acts and regulations and so forth, 4) public access for recreational and other uses of the forest areas." "Item G, the Company has represented to Manitoba that it will accept responsibilities for managing the forest resource on a sustained yield basis, and will undertake forest management and responsibilities as specified hereunder within selected areas and sites," and final point H, "the Company agrees that nothing in this agreement shall limit the right of the Minister to manage the whole or any part of the forest managed licensed area."

**Mr. Taylor:** We had a presentation at the last meeting but one, by a Mr. Ross Lewis from B.C. talking about the technology involved, and that was ostensibly the main reason for that meeting. In it he talked about substitution of chlorine dioxide for chlorine to the extent it would be four-fifths, their goal four-fifths chlorine dioxide, one-fifth chlorine, the old agent, if you will, to be used in the breakdown of the wood into pulp. My question is—the whole plant is to be run in this way. Where is there plant experience running on that scale? Where?

**Mr. Bessey:** If I understand that question correctly, it is where else are they operating with this level of substitution?

**Mr. Taylor:** Yes, Mr. Chairperson, in a plant context, not in an experimental context.

**Mr. Bessey:** Nowhere, as far as we know in North America, and essentially meaning the world, is a plant operating with this degree of chlorine dioxide substitution. The newest plants that have come on stream in the last two years have been able to substitute up to about 50 percent and that is where they have been operating in Alberta, especially. There is no reference to an experimental process here, other than the ALCELL technology for actually making pulp, and that is a different process altogether which is a process quite apart from this one which, in the process of actually making the pulp, uses alcohol, instead of the chemicals you have referenced.

\* (2220)

**Mr. Taylor:** The answer is, on a sustained basis it would appear that—if you would refer to Mr. Lewis's answers—they were down at 40 percent, on occasion they have been able to achieve 50 percent. The 40 percent plants, I believe, were in Sweden. There is nowhere operating here in North America, in fact. Although there is a permit on an experimental basis for New Brunswick, it is not being used. In other words, the company is not taking advantage of the permit.

Now, we are being asked to accept the fact of the benefit, the environmental soundness of the proposal when it is going to be operating at twice the sustained volumes of chlorine dioxide substitution and, having found that out since that meeting, I am more than a little concerned.

**Mr. Bessey:** I believe, for the committee's information, that the Greenfield project in Alberta is targeted for cleaning backside substitution of 50 percent, and they think they have the technology to operate on that basis. Repap is confident that the best available technology, since the last mill was brought into production, can achieve the substitution they have said.

**Mr. Taylor:** On another question entirely, what clauses are there in the agreement to ensure local jobs and local buys, and in what way are they enforceable?

**Mr. Manness:** Mr. Chairman, most of the clauses within the agreement in this area of purchasing local benefits are subject to arbitration if we feel that the company has deliberately turned its back on economic opportunities of purchasing locally.

**Mr. Harry Harapiak (The Pas):** We are almost approaching 10:30 p.m. and I know you have an agreement to stop at 10:30 p.m., so my comments will be brief, but the Premier (Mr. Filmon) made a comment previously wondering where I was in my commitment to the project that I want to tell the committee that I have never wavered in my support for the commitment of the sale of Manfor to Repap, but I also have never wavered in my commitment to the environment affecting this province.

So we were negotiating this agreement, Mr. Chairman, there were three things that we talked about as a Party. One was the capital investment, the other was the guarantee of jobs. I wish it would have been

strengthened a bit. I think the article is weak which addresses the affirmative action and the jobs for Northerners. I wish that would have been strengthened to a great degree.

I think there is also the question of Native and northern participation. I think that there should have been an article in there which should have given preference to people of northern Manitoba much the same as there was at Limestone. It worked very well and look at the example at the productive results that it had.

I would also like to have seen The Pas Band have an equity position at the Repap plant. I think we also have to address the subject of recycling. Recently there was an article which addressed the paper, cardboard and other products that are occupying about a third of our landfill sites. The federal Environment Minister, Lucien Bouchard, cited in a study that his department had done that he indicated that we, as citizens, were a very wasteful society. We are only recycling 2 percent of our refuse. He observed that Canadian pulp mills were not equipped to recycle paper. Bouchard commented that if we could recycle our old newspapers on a Japanese level, we would save in this country 80 million trees a year.

So surely the technology is there for the Japanese people to be utilizing old newspapers, then we should be able to, in a plant that is being upgraded, be the latest in technological leaders in the country. Then surely they would have the technology to utilize the newspapers as well. I think they should be looking at that.

We also have some questions on how the water will be affected. We need to find out what this latest oxygen delignification process, what it will be doing for the process, how the oxygen will be affecting the water. We need to ask those questions and I understand there will be an opportunity to ask them later.

I think that when we are talking about the sustainability of the forest, the ecosystem, as they are made up, it is untested and unknown, as is the strategy and the use planning for perpetual conservation. When applied to the forest, sustainable development means defining the socially optimal sizes of mixes of the forest ecosystem and the existence value of the western boreal forest, and Mr. Lamont talked about the boreal service. I think the value as a carbon dioxide absorbent may be greater than all the other values combined. We have to take that into consideration, also the value it provides for our wildlife, as well.

I think that the public should be invited to help develop the terms of reference for the environmental effect impact assessment for a project of this magnitude. So because of that, I am making a motion, Mr. Chairman, and the motion will read that this committee urge the Government to provide funding to ensure that members of the public can have the fullest opportunity to participate in the environmental impact assessment of the Manfor sale to Repap, and also be it resolved that the Chair of this committee report this motion to the Legislature, seconded by the Member for Thompson (Mr. Ashton).

**Mr. Chairman:** I would like to mention to the Member that he is not a Member of the committee and he cannot make a motion. So with that, Mr. Minister.

**Mr. Manness:** Mr. Chairman, let me say that this committee is certainly—I have tried to answer most of the questions put forward by Members of the committee today in a fashion that hopefully has dispelled many of the concerns. Let me say that as far as the Member talks about the ecosystems and talks about sustainable yield, I remind all people that what we are talking about is an 80-year harvest. We are talking about a harvest of over 80 years so that the trees that are cut from a piece of ground next year or 1994 will be recut again 80 years after that. We are talking about one-eightieth of the 105,000 square kilometres in place. That is what we are putting before the Environment Commission and asking them to pass judgment as to whether or not Repap, with its development plan, is going to provide protection to our environment.

There are a couple of things that were mentioned earlier on by Mr. Angus that I think have to be addressed. Again, he questioned the environment. He said that we had not done an environment or we had not done an economic impact study -(Interjection)-

**Mr. Chairman:** Go ahead, Mr. Minister.

**Mr. Steve Ashton (Thompson):** A point of order.

**Mr. Chairman:** A point of order. Okay, Mr. Ashton.

**Mr. Ashton:** It is 10:30 p.m., which is our allotted time for adjournment. I realize that the Member for The Pas (Mr. Harapiak) was indicating he did not move the motion. It certainly would be our intention, if I was the original seconder, to move this motion. I am wondering, before we do adjourn, since it is our hour of adjournment, is there will of the committee to pass the motion by leave or allow me to move it and pass it through in the proper procedure? I sense there was willingness in the committee to support the motion. Is there leave of the committee to have it introduced?

**Mr. Chairman:** First of all, Mr. Ashton, I would like to point out to you that you cannot use a point of order to gain recognition of the floor. With that, I would like to ask the Minister to finish his comments before we will deal with your concerns. There is no point of order on this.

**Mr. Ashton:** Mr. Chairman, I raised the point of order about the fact that this is the normal hour of adjournment that we set. We set 10:30 p.m. If the Minister does not wish to entertain that, it is my suggestion, that is fine. I thought there was willingness of the committee to deal with this, Mr. Chairman.

\* (2230)

**Mr. Chairman:** Mr. Ashton, we will deal with yours once the Minister is finished with his comments.

**Mr. Ashton:** It is adjournment time. It is 10:30 p.m.

**Mr. Chairman:** Only at the consensus of the committee.

**Mr. Manness:** Mr. Chairman, I will finish my comments and then let the committee just take its direction as it will.

Prejudging that a motion may come forward of some sort or some fashion, let me say it is not the committee's prerogative to spend money on behalf of the people, the taxpayers of Manitoba. It is not the committee's prerogative to do so. It is only the Executive Council of the province. Thank you, Mr. Chairman.

**Mr. Ashton:** I would move:

THAT this committee urge the Government to provide funding to ensure that members of the public can have the fullest opportunity to participate in the Environmental Impact Assessment of the Manfor sale to Repap;

AND BE IT FURTHER RESOLVED that the Chair of this committee report the motion to the Legislature,

seconded by the Member for Flin Flon (Mr. Storie).

**Mr. Chairman:** Could you bring forward the motion, please?

**Mr. Manness:** Mr. Chairman, let me indicate that the Government Members will vote against the motion. But let me also say what the Government is attempting to do, with respect to the environmental hearings, is make sure that they are conducted in The Pas and district and also in Winnipeg so that those people who are situated in the -(Interjection)- Yes, I am positive—so that those people who are living in the City of Winnipeg will not have to go to great expense to make representation to the environmental hearing process.

If the motion is one directed toward cost, I can assure Members opposite that we will provide a setting in the City of Winnipeg and indeed one in The Pas and district whereby the travel costs and the lodging costs are totally minimized.

**Mr. Chairman:** Members of the committee, I would like to point out to you that the first part—and I will read it to the Members of the committee—moved that this committee urge the Government to provide funding, to ensure that members of the public can have the fullest opportunity to participate in the environmental impact assessment of the Manfor sale to Repap. There is no problem with that. Where there is a problem, I understand, is, "Be it resolved that the Chair of the committee report this motion to the Legislature."

I would again urge here that the mover suggest that it be resolved that the Chair of this committee report this motion to the Legislature, because I believe we in committee cannot pass motions in such effect which are factual or that they have to be recommendations. They can only be recommendations basically.

**Mr. Ashton:** It might be of assistance, the committee reports to the House. The intent of the last part of the

motion was to ensure that this motion was part of the report to the committee. It no way suggests that it will become a motion of the Legislature itself.

**Mr. Chairman:** What is it saying, then?

**Mr. Ashton:** The second part has no force as a motion in the Legislature itself. However, the intent was to ensure it is part of the committee report.

**Mr. Chairman:** Mr. Ashton, would you agree that it would read, "Be it recommended that the Chair of this

committee report this motion to the Legislature"? Would the committee agree with that? (Agreed) All in favour? Carried.

It being 10:30 p.m., is it the will of the committee to pass the Annual Report for Manfor for the fiscal year ending December 31, 1987 at this time? Is it the will of the committee to pass the report—

Is it the will of the committee to rise? Committee rise.

**COMMITTEE ROSE AT:** 10:37 p.m.