



**Fifth Session — Thirty-First Legislature**  
of the  
**Legislative Assembly of Manitoba**  
**STANDING COMMITTEE**  
**ON**  
**ECONOMIC DEVELOPMENT**

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30 Elizabeth II

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**THURSDAY, 26 MARCH, 1981 10:00 a.m.**

**MANITOBA LEGISLATIVE ASSEMBLY**  
**Thirty - First Legislature**

**Members, Constituencies and Political Affiliation**

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Name	Constituency	Party
<b>ADAM, A. R. (Pete)</b>	Ste. Rose	NDP
<b>ANDERSON, Bob</b>	Springfield	PC
<b>BANMAN, Hon. Robert (Bob)</b>	La Verendrye	PC
<b>BARROW, Tom</b>	Flin Flon	NDP
<b>BLAKE, David</b>	Minnedosa	PC
<b>BOSTROM, Harvey</b>	Rupertsland	NDP
<b>BOYCE, J. R. (Bud)</b>	Winnipeg Centre	Prog.
<b>BROWN, Arnold</b>	Rhineland	PC
<b>CHERNIACK, Q.C., Saul</b>	St. Johns	NDP
<b>CORRIN, Brian</b>	Wellington	NDP
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<b>COWAN, Jay</b>	Churchill	NDP
<b>CRAIK, Hon. Donald W.</b>	Riel	PC
<b>DESJARDINS, Laurent L.</b>	St. Boniface	NDP
<b>DOERN, Russell</b>	Elmwood	NDP
<b>DOMINO, Len</b>	St. Matthews	PC
<b>DOWNEY, Hon. Jim</b>	Arthur	PC
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<b>ENNS, Hon. Harry J.</b>	Lakeside	PC
<b>EVANS, Leonard S.</b>	Brandon East	NDP
<b>FERGUSON, James R.</b>	Gladstone	PC
<b>FILMON, Hon. Gary</b>	River Heights	PC
<b>FOX, Peter</b>	Kildonan	NDP
<b>GALBRAITH, Jim</b>	Dauphin	PC
<b>GOURLAY, Hon. Doug</b>	Swan River	PC
<b>GRAHAM, Hon. Harry E.</b>	Birtle-Russell	PC
<b>GREEN, Q.C., Sidney</b>	Inkster	Prog.
<b>HANUSCHAK, Ben</b>	Burrows	Prog.
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<b>JENKINS, William</b>	Logan	NDP
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<b>McBRYDE, Ronald</b>	The Pas	NDP
<b>McGILL, Hon. Edward</b>	Brandon West	PC
<b>McGREGOR, Morris</b>	Virden	PC
<b>McKENZIE, J. Wally</b>	Roblin	PC
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<b>USKIW, Samuel</b>	Lac du Bonnet	NDP
<b>WALDING, D. James</b>	St. Vital	NDP
<b>WESTBURY, June</b>	Fort Rouge	Lib
<b>WILSON, Robert G.</b>	Wolseley	Ind

**LEGISLATIVE ASSEMBLY OF MANITOBA**  
**THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT**  
**Thursday, 26 March, 1981**

Time — 10:00 a.m.

**MANITOBA FORESTRY RESOURCES LTD.**

**MR. CHAIRMAN, Morris McGregor (Virden):** I call the committee to order. The Committee of Economic Development. The subject is Manitoba Forestry Resources. I would call on either the Chairman of the Board or the Honourable Minister.

The Honourable Minister.

**HON. DONALD W. CRAIK (Riel):** Mr. Chairman, I'll just turn it over directly to Mr. Hallgrimson for the presentation of the Annual Report of ManFor.

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

**MR. L. J. HALLGRIMSON:** Thank you, Mr. Minister. I believe you all have a copy of the document entitled "Manitoba Forestry Resources Ltd., Annual Report for the Year Ended September 30, 1980." The bulk of the report consists of the financial statements of our company for the said fiscal year, which are prepared by our auditors, Dunwoody & Company. Also included is a statement from Dunwoody & Company, which indicates that the certification of the statements is clear without any qualifications. This is dated the 21st of September, 1980. There's also a short report which is prepared by myself and perhaps with your concurrence I will proceed and highlight some of the statements made in this report.

During the past year we have continued to make steady progress with new highs being experienced in pulp and paper production, 139,000 tons versus our previous high of 131,000 tons; total sales dollars of \$70,700,000 versus our previous high of 63,308,000; cash profit before interest and depreciation of \$11,200,000 versus our previous high of \$9.9 million. After meeting our interest obligations for the year of \$3.2 million, of which \$3,150,000 is payable to the Government of Manitoba and depreciation of \$5.2 million, our net profit was \$2.6 million or \$2.7 million.

A significant factor in our operation has been our progress in reducing our consumption of oil. I think this can be well appreciated when you realize that when the complex started the price of Bunker "C" was approximately 10 cents a gallon and now it's 75 cents a gallon. From a high point of consumption in 1975 of 12.5 million gallons, which amounts to 111 gallons per ton of pulp or paper, our consumption has dropped to six million gallons or 43.28 gallons per ton of pulp or paper. This has been accomplished largely by the replacement of oil as an energy source with lower cost wood fibre or hog fuel. We are continuing to examine further cost cutting measures to reduce our oil consumption even further in future years.

From a general overview position, the past year was favourable for the unbleached kraft pulp and paper market with world supply and demand fairly well in balance. During the first part of the current year there was a decrease in demand with the result

being that although we secured sufficient sales to avoid downtime, we were unable to increase selling prices to offset the even higher, inflation caused cost of operations. Recently two older mills were closed removing some 100,000 metric tons from world capacity. This has once more brought capacity and demand in balance with the result being that we have instituted price increases. We are confident that the trend to higher prices will continue as world markets come out of their current economic slump.

Insofar as our other product line is concerned the market for lumber went quite soft, early in the year under review and has not recovered. A combination of high interest rates and the economic recession reduced demand to the point where selling prices fell below the cost of production. This situation will continue until there is a recovery in the number of housing starts in North America. Statistics show that there is a pent-up demand for new housing but it is difficult to forecast when the turn-around will occur.

If you have any questions gentlemen, I would answer them.

**MR. CHAIRMAN:** The Member for The Pas.

**MR. RONALD MCBRYDE:** Yes, Mr. Chairperson, I wonder if Mr. Hallgrimson could — this is to September of last year — I wonder if he could give us a further update, with their more recent statistics or more recent report, in terms of what's happening at ManFor.

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

**MR. HALLGRIMSON:** Yes, I believe I can. For the current fiscal year ending September 30, 1981, the company is budgeting a net profit of \$3.5 million after deducting depreciation of \$5.7 million and interest of \$2.9 million. After five periods which consist of four week periods, our actual profit is slightly lower, about 10 percent, than the budgeted profit for the five periods. By the end of the year, barring any significant adverse market developments, we hope to realize a net profit of \$3 million to \$3.2 million after the above depreciation and interest charges. I think if I could state something further, what is holding us down is the selling price of lumber and if that were to turn around our position could improve and similarly if the lumber markets continue as they are or get worse then of course it might well, be different to what I have just stated.

**MR. MCBRYDE:** Could Mr. Hallgrimson remind me or review for me, the lumber market for ManFor, where is your main lumber market? What territory are you covering geographically?

**MR. HALLGRIMSON:** According to the information I have before me, in 1981 the four or five periods to date, of our shipments of lumber, 55 percent of our shipments go to Manitoba, 1.3 percent to Eastern Canada and 43.7 percent into the United States market. Now I would say this, as far as the lumber

that goes into Manitoba, I don't think that 55 percent would be consumed in Manitoba, some of it would be, in turn, exported.

**MR. McBRYDE:** Is there an indication from your statistics there, where the market has been the softest and where it's held up, or has it been equal across the board in terms of the geographical areas that you market in?

**MR. HALLGRIMSON:** I would say that it's equally distributed. The market is soft everywhere.

**MR. McBRYDE:** I'm assuming that the U.S. market is mostly like the midnorthern states, you're not shipping to . . .

**MR. HALLGRIMSON:** We ship into Chicago. It would be the midwestern, I wouldn't say that we're confined to the northern states. It's the midwestern states; Minneapolis, St. Paul, Chicago, Milwaukee.

**MR. McBRYDE:** What are you basically selling in the lumber market?

**MR. HALLGRIMSON:** It's basically two-by-fours.

**MR. McBRYDE:** Mr. Chairperson, some detail on the report that was given — I wanted to ask Mr. Hallgrimson whether the lower cost, the reduction in the requirement for oil, by mixing hog fuel, was there a capital cost involved, was there a conversion necessary, or how were you able to bring about that savings, by using more of your waste product to burn?

**MR. HALLGRIMSON:** Yes, I believe last year I reported on this hog fuel project, which involved building another line to give us a greater capability of using hog fuel. I think I have the cost here. The final cost of the project as completed, was \$806,000.00.

**MR. McBRYDE:** On page 2 of the report, there were two older mills that closed down. Were those Canadian mills or overseas mills and are there any mills expected to come on the market, or are there any that are expanding capacity?

**MR. HALLGRIMSON:** Dealing first with expansion and new mills, to my knowledge there is only one mill that's coming on stream and that's in the United States, in the southern States, at Pensacola, Florida, a mill similar to ours, actually, but I guess a little larger.

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

**MR. McBRYDE:** The other part of my question . . .

**MR. HALLGRIMSON:** As far as the capacity which has come off the market, it's divided between Scandinavia, the U.S. and in Canada.

**MR. McBRYDE:** Has there been an actual Canadian mill that has shut down or is there just reduced production?

**MR. HALLGRIMSON:** Yes, I believe, just about a year ago the Price Company, which had an

unbleached kraft paper machine, they closed theirs down. Consolidated Bathurst are in the process of closing out a machine. I think that's all in Canada. I forget the name of the two mills, there were actually two mills in the States and I thought — actually, according to our information, there are about 605,000 tons coming off the market, 205,000 in Scandinavia, 40,000 tons in the United Kingdom, 125,000 tons in Canada, and 235,000 tons in the United States, for a net reduction of 605,000.

**MR. McBRYDE:** Could you give me a similar summary for your market in terms of the pulp and paper as you did for the lumber. Where are you selling to basically?

**MR. HALLGRIMSON:** Yes. Of course, the product that we produce essentially is paper and in 1981 to date, 68.8 percent of our product is going into the domestic market; 20.3 percent is going into the United States market; and 10.9 percent is going offshore to various markets.

**MR. McBRYDE:** What is the breakdown now as between paper and pulp being sold?

**MR. HALLGRIMSON:** About 8 percent of our production is in pulp and 92 percent in paper.

**MR. McBRYDE:** Where would that — what's the market for pulp? Who's buying the pulp from you?

**MR. HALLGRIMSON:** Our best market and main market is in the U.S. We sell very very minimal amounts in Canada and we have shipped some pulp into South Korea.

**MR. McBRYDE:** Could you refresh my memory — I don't think I came to Committee last year so I haven't been here for a couple of years — in terms of the type of paper that is produced by ManFor, what is the specialized market for that and then how does that relate to the mills that have come out of production? Are they producing the same kind of paper? Are they producing newsprint? I wonder if you could just give me a better idea of this market for the specific product that ManFor produces.

**MR. HALLGRIMSON:** Yes, Mr. McBryde, the product which we produce is unbleached kraft paper and there are actually, I guess, two uses for this. One use is in heavier grocery bags, the checkstand bags that you use coming out of a supermarket; and the other is multiwall, unbleached multiwall paper which is used in cement bags and industrial bags.

Now as far as the mills that are coming out, I think the mills in the States were mainly producing grocery bag paper. In the other areas, I would say it was mostly multiwall.

**MR. McBRYDE:** I wonder if you could explain to the committee the proposals in terms of expansion and what does that do in terms of the marketing, like what are you expanding and how is that going to give ManFor an advantage in the marketplace or what are you proposing to expand?

**MR. HALLGRIMSON:** As far as any expansion plans are concerned, we don't really have any. I think this

has maybe arisen in the course of discussions which the government has had about the possible sale of the company and I think I would have to defer to the Minister. I'm not aware of what discussions there have been concerning a possible change in product lines.

**MR. McBRYDE:** I guess I thought that Mr. Hallgrimson, like there have been studies done in terms of changes to plant and equipment. That's my assumption, anyway, and I thought I would get the more technical aspects of that before I asked the Minister what the governmental intentions are. But in either case, I would like to know what are the possibilities and what is being considered now in terms of changes to the production line in terms of expansion for ManFor? I wonder if either the Minister or Mr. Hallgrimson could explain that to me.

**MR. HALLGRIMSON:** I was only referring you to the Minister as far as any concrete or actual studies that had taken place in connection with the possible divestiture of the province of its interest in this company. In theory, of course, you could change to any number of products. The first that comes to mind is unbleached kraft pulp, and of course there is newsprint and I guess you could go into what's called finer papers. Any change of that nature, of course, is at a substantial cost.

As far as the company is concerned, we haven't commissioned any studies and don't have any studies. The last study that we had, and the only one that we've ever had, goes back to, I would say 1972 or something, when we commissioned a study to determine the feasibility of a doubling of the capacity of the mill in the same product line, which never was proceeded with.

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

**MR. CRAIK:** Mr. Chairman, maybe I can provide Mr. McBryde with a little more background information. The government undertook, through the consultants, to look at the larger picture of what better alternatives might be to the plant's and the resources' use than at present and if such existed, on what scale. They have led to basic recommendations that the product line be changed to assure a better position in future markets, from unbleached to bleached, and also to increase the size and scale of the plant.

On the other hand, I think that if that were not to occur, maybe I should say, if it were to occur, it would require a very major investment in the operation as it's known now and probably doubling the size of the operation as well. If the product line is not changed, though, if the plant were to stay in the unbleached kraft as it is now at the present time, I think ManFor as it stands has been working on possible upgrading and improvements to the operation. That would be on a very small scale, though, compared to what would occur if you went into the bleached kraft.

I think, although there haven't been maybe external reports done in that regard, there have been proposals made by ManFor, which have been held basically in abeyance probably for the next few months until there is some resolution as to whether or not the larger scale type of renovation would take place.

**MR. McBRYDE:** I would ask the Minister then, Mr. Chairperson, who did the government feasibility study and is it possible to get a copy of that study?

**MR. CRAIK:** The basic overall study was done by Woods Gordon and they had engaged engineering consultants to work with them on it. It hasn't been tabled publicly. So far it has been used only to have discussions with various other pulp and paper companies to see if some form of a divestiture could be pursued with them. So it's been used strictly for those internal purposes. It hasn't been made a public document at this point in time.

**MR. McBRYDE:** So the purpose of the government study was to prepare engineering data basically to help to sell ManFor to someone else?

**MR. CRAIK:** Not necessarily only to sell. As I indicated in the House, we didn't cut off any options, whether it was a partnership option or a sale with built-in guaranteed markets and so on. It didn't rule out the possibility, of course, of the government doing it itself but it was used mainly to determine what the costs would be and what the product line should be and what the size of the operation should be.

**MR. McBRYDE:** One thing that surprises me and I guess more accurately amazes me is that the government has done a feasibility study and the current management of ManFor, Mr. Hallgrimson, isn't fully aware what this study involves. So the government has separately done a study to help you to sell ManFor, at the same time haven't been involving the present management, the present board of directors for ManFor, and it sounds like they haven't even shown them the copy of the study that you've had done.

**MR. CRAIK:** The negotiations on possible divestiture have been entirely done by the government, that's correct, as the shareholder of the company, which is not an abnormal procedure in the private or public sector.

**MR. McBRYDE:** Yes, but it makes it very difficult then for me, I suppose, with a sort of lack of faith in the first place, to imagine that you are seriously considering the expansion of ManFor without divestiture, if you don't in fact involve the existing management, the existing engineering capacity, the existing board of directors in any way in the study that you are doing in terms of the expansion of the plant. I mean, if you had any intention of expanding the plant as a province, or expanding the plant in partnership, I would imagine that you would have used the existing people that are there and involved them somehow in that study and in the planning for what can be done to improve this operation.

**MR. CRAIK:** The consultants, as well as the various parties that we've talked to, have had communication with the ManFor staff, both in Winnipeg and on-site at The Pas.

**MR. McBRYDE:** Well, to be very specific then, have the existing management and the existing board of directors at ManFor seen the government feasibility study that was carried out by Woods Gordon?

**MR. CRAIK:** I don't think so, Mr. Chairman, but perhaps Mr. Hallgrimson can correct me on it. It hasn't really been distributed outside of the government at all. I'm not even sure that it has gone out to any of the parties that we have negotiated with but it has been used as a basis for presentation and negotiation with others.

**MR. HALLGRIMSON:** Well, I have no comment other than just to confirm that I haven't seen the actual study.

**MR. McBRYDE:** Mr. Chairperson, this is unbelievable. The government is commissioning a feasibility study, hiring outside consultants, and the people that are involved in the day-to-day operations, the people that really know this mill and its capacity, that have the expertise right in the Province of Manitoba and that are now charged by the government with the responsibility of making this a viable operation, that is, the government-appointed board of directors and the current management of ManFor, haven't seen the feasibility study of what is possible.

It just boggles my mind, Mr. Chairman, that there's such two completely different avenues of operation. You take the existing operation that the people of Manitoba have and you put it over here and you take any plans for the future of that operation and do them completely separately. It doesn't, to me, make any logical sense at all, like just from the point of view of the technical expertise, of not using the expertise to comment, to advise on the feasibility study that was done by an external engineering firm and then secondly to get the input of the existing people into what they see as the options, the possibilities and the feasibility of changes there. It seems like you are inventing the wheel over here and you are inventing the wheel over here, and that if you don't put those two together you are losing a lot in terms of just professional capability and using the possibilities available.

But more than that, Mr. Chairman, is that the government is doing this so separate from the existing operation that it appears, and it appears quite strongly, Mr. Chairperson, that they have no intention of improving the existing operation, but only of dumping this operation and following a rigid philosophical approach to getting rid of it to some private company instead of using the existing operation to be the best for the people of Manitoba.

I guess I can't express, sort of, my surprise and amazement at what the government is doing and how they are just ignoring what exists now, and how what exists now can be improved, and just concentrating solely on a feasibility study which they haven't even shared with existing management, to go out and try and use that to sell the company, and if our past experience has been correct, to more than sell the company. I think a better word would be to give away the assets that belong to the people of Manitoba to somebody else to operate for their own profit. I have great difficulty in believing what the Minister just said.

The other aspect is that it is my understanding and the rumors at the Pas, and there are always rumors; every week there is a new rumor in terms of who is looking at it and who might be wanting to buy it, and I know this does something for the morale of the

workforce at the Pas. If any organization is in a state of not knowing, of continuously having no clear indication of what is going to happen to them, then their effectiveness drops drastically and I think the Minister is aware of that from his experience in the past. I think it is very common knowledge that if there is a constant crisis, which it is if every day you go to work and you're not sure if your job is going to be there or who's going to be management and you hear a new rumor about sales, then the production, from the person who's sweeping the floor, to the most senior manager at ManFor, has to suffer with that kind of uncertainty and that kind of unknowing, and then with the Minister coming along and saying that the Government of Manitoba, that this Conservative Government has not even shared the study that they've had done with the existing board of directors whom they appointed, I mean, it's not as if they are looking at a board of directors that's going to say something out of line or something, and existing management that they have there, it is just unbelievable.

The other rumor is that there are negotiations going on right now. and my understanding is that these negotiations are with DREE and these negotiations are between the province and DREE, not between MacMillan Bloedel or Crown Zellerbach or some other outside company that might be interested, but it is the Province of Manitoba and DREE who are discussing the funding of expansion of the ManFor Plant. How can this be done without the use of this detailed feasibility study and without involving the existing people in the preparation of those figures and stuff that you would need to get a DREE grant. I wonder if the Minister could answer that.

**MR. CRAIK:** Mr. Chairman, some of Mr. McBryde's observations are valid and accurate and some of them aren't. I would simply say to him that I don't think he recognizes the fact that what is being examined is really an entirely new process to be used. It does not affect the people that are presently involved in the operation but it does affect the process that would be involved and would involve an amount of construction and expansion that exceeds what's there at the present time. So it isn't just simply a case of taking an expanding what is there sideways and lengthwise, it's a case of completely altering the process and developing a new product.

Now I think that there hasn't been any lack of consultation in the preparation, either by the consultants as they were doing the report and so on with ManFor, so I don't think that's a valid comment. In the preparation of it, I'm sure that there was fairly extensive consultation involved on site and elsewhere. So that what the member is — his concerns I don't think are well founded. The one concern that I think has to be recognized though as a valid one, is the fact that any time there is a change-up like this in any organization or a possible change-up, there always is a requirement to try and keep people in the organization assured that it's not going to have a negative impact on their own job or on their own environment in which they work.

From that point of view, I think he raises a valid comment and it's one that we have to continuously address ourself to. I think probably that he's as interested in doing that as I am because it is

important to recognize that what the government set out to do in re-examining this whole operation was to try and enhance job opportunities and to try and enhance the use of the resource and bring it up to a scale of operation, if possible, that would compete on a world-scale basis, and also, not only assure that it's got a future for the next year or two but that it has a future 10 years down the line.

These are all of the types of questions that we had to address ourselves to, and I think from that point of view that he would probably share that kind of goal and objective, but it's not valid to say that there is something lacking in terms of the relationship with ManFor. What you really have is on the one hand, the ManFor operation carrying on with the product lines that it has in the past and making its recommendations for alterations. On the other hand, you have the shareholder really backing off, which is the government, and saying, is this going to be the type of operation that is going to serve the area and the taxpayers of Manitoba well in the long term.

The advice that we get back from taking that objective look is that there has to be very large scale investment take place at The Pas if that assurance is to be realized. From that point of view we've had to back off as the shareholder and now look at the alternatives and one of them, of course, is for the existing operation to carry on as it is and carry on in unbleached kraft and at a scale of operation that's probably very much as it is with some minor scale alterations that would be examined and authorized by the Board of ManFor. So the ManFor Board as it stands is basically carrying on the operation and the government is looking at the longer term in terms of where should it be some 5-10 years down the line.

**MR. McBRYDE:** My first question to the Minister, Mr. Chairperson, is that is this new process that's being considered, and I imagine that's the switching from unbleached to bleached, is this new process so different that there would have to be new staff and new management brought in to handle that process? Is the process so different that the people with the experience in the unbleached kraft pulp and paper wouldn't have the experience in the bleached kraft pulp and paper?

**MR. CRAIK:** There is no evidence of that at all, Mr. Chairman, whether you went from unbleached to bleached or to newsprint or whatever, there would not be a requirement, as a matter of fact there would be an expansion of opportunity for employment in all cases.

**MR. McBRYDE:** Mr. Chairperson, that then says to me that there is no reason why then the existing staff, the existing management, the existing professional staff that's involved in ManFor and the current Board of Directors aren't involved in the discussion more fully; don't even have a copy of the engineering report on the changing of this process line. The Minister's comments don't in fact ease my mind in this regard, they make things worse. He said there was a new process. and I thought well maybe the process was so different that it would require different people, but the process — and I assumed it was — would be quite similar and the existing management and the existing engineering and technical staff would be able to handle the new

process. That's why it makes even less sense that they are not more fully involved in the changes and don't even have a copy of that report yet.

I guess the other concern I have is the very general concern, and the very real concern is that ManFor is now a critical, crucial, important part of The Pas economy. I mean if something happens to the ManFor operation it would be disastrous for The Pas and surrounding region and for Northern Manitoba. I guess that I see less possibility of something happening to ManFor and something negative happening for the people of Northern Manitoba if in fact the government is still involved in the ManFor operation; because if in fact the ManFor operation is sold to another large pulp and paper producing company who has interests throughout the world or interests throughout Canada and not solely an interest in the Province of Manitoba then, Mr. Chairperson, the chances of something happening to that operation are much greater. I guess that my own experience as a young person growing up in a community — the key part of our community that I grew up in was a sawmill built and operated by local people, owned and managed by local people; a sawmill that was bought out by a subsidiary of Noranda Mines and four years later closed down and they moved their operations, period. The chance of that happening when you have a company that's dealing across Canada or throughout the world is much greater, and if the Province of Manitoba, the people of Manitoba own a pulp and paper mill, they're going to operate that pulp and paper mill for the benefit of the people of Manitoba. If MacMillan Bloedel owns a pulp and paper mill in Manitoba, amongst all their other pulp and paper mills, they're going to operate it for the benefit only of the shareholders of MacMillan Bloedel and the chances of something happening to The Pas operation are much greater, very much greater. That is my concern, and that is the concern of people at The Pas.

The Minister talks about alternatives and options. As he explains the alternative options, it seems to be leaving things exactly as they are under existing management, or expanding through sale. That seems to be the option that he's really considering. So it's either leave things as they are, or sell the operation and hope that the new people will expand. I can't believe that the Minister and this government, because of what the Minister told us this morning about the consultant's report — and the consultant's report has not even been shared with the people of The Pas or with existing management or the existing Board of Directors, but has been used strictly by the government to entice people to purchase that operation.

Mr. Chairperson, the real concern and the real danger is that if the Province of Manitoba divests itself of this operation, that in fact, the operation may at some future date, depending upon the whims of a Board of Directors which would then be located partly in New York and partly in British Columbia and partly in Zurich or wherever else — their interests are not going to be the interests of Manitoba, but they're going to be the interests of their own corporate structure and the making of a profit for that particular corporate structure.

So the Minister and this government don't appear to be willing to consider the people of The Pas, in

what I see as a key option in this possibility, and that is the possibility of the people of Manitoba, with the assistance of Federal Government money that I understand is under negotiation right now, actually being the ones to change and expand their own pulp and paper mill for the benefit of the people of Manitoba. That option seems to have been written off by this Minister and this government, and it's the option that the people of The Pas and area find the most attractive, the one that would ensure the long term benefit for the people of Manitoba, and the kind of things the Minister talks about, the enhancement of jobs and the expansion of the economy of Northern Manitoba, etc., etc.

There is no guarantee, there is no assurance, and in fact, the possibilities from past experience aren't that good, that if the ManFor operation is sold off to a large multinational company, that in fact the interests of The Pas and the interests of Manitoba will be met by that company. That's not the way the world works. They're not going to put Manitoba first ahead of their other operations. We've seen it very clearly in Manitoba. We're all aware of the instance of Inco Metals, an important key mining operation for the Province of Manitoba, the profits of which go to expand mining in Guatemala and other countries, and they start to have priority over the Manitoba operation, because the company has invested so much money in their overseas operations, that in fact, their key concern, their first concern is not with what happens to Manitoba and their operation in Manitoba, but their operation around the world.

So those are the concerns that we have, and I wondered if the Minister would address himself to why he is not considering that option, why the Province of Manitoba is not considering the option of the change and expansion of ManFor within the existing structure by the people of Manitoba themselves, instead of having to depend upon somebody outside whose long term interests will not be the same as those of the people of Manitoba.

**MR. CRAIK:** Mr. Chairman, the option of the government doing it alone cannot be excluded. There's one other aspect though, that the member is perhaps overlooking. He finds his sole security perhaps, in government ownership, but in this business generally, there's more security to be found in the securing of markets at reasonable prices than there is in the question of just ownership, and that has to be taken into consideration, and is perhaps the most important part of the total picture. Again, to repeat, the method of ownership is less important than securing the proper return from the product that's produced. I think the taxpayer of Manitoba has to be given consideration in this total picture as well. If in fact, we can establish an industry that will self-sustain on a more adequate basis than it has in the past there, and will guarantee the future for jobs and for financial return, that's what we ought to be addressing ourselves to, and that's what we're doing.

**MR. McBRYDE:** Very specifically to the Minister: Does the Wood Gordon feasibility study say that in order to acquire the markets for expansion, the company would have to be sold?

**MR. CRAIK:** Oh, no, I wouldn't think so, Mr. Chairman, that part of it, that report deals primarily with the product line and the scale of operations.

**MR. McBRYDE:** Well, I'm assuming that it deals with the product line and the scale of operations and the marketing of the increased production. I mean, it would be not very wise to do a study on how you expand the operation if you don't look at if you have a market for the changed product line.

So I'm assuming then, the feasibility study that the government has had done and not shared with the existing management and board at ManFor, says that the plant could be expanded if there is a market for a changed and expanded product. Is that correct?

**MR. CRAIK:** I think the member probably misunderstands again. The report doesn't deal with the philosophic question of who ought to own the plant. It deals with the technical and economic aspects of the operation and what is required into the future.

**MR. McBRYDE:** Mr. Chairman, I didn't ask the Minister in any way whether the feasibility study looked at the philosophical question. I asked whether the feasibility included the change in the product line, the method of that change and the feasibility of that change, plus the market for the expanded and changed line. Does the feasibility study say there is a market for the proposed change in expansion plans?

**MR. CRAIK:** Certainly it deals with the potential markets.

**MR. McBRYDE:** When that feasibility study deals with the potential markets, does that feasibility study say that these potential markets are only there if this operation is sold, or this potential market is there regardless of who the management and who the owners of this operation are?

**MR. CRAIK:** Mr. Chairman, that's something that you really have to deal with on a one-by-one basis. Some organizations have access to markets and others don't. For someone new coming into the operation, those markets would have to be established by that new organization, whereas an existing organization already has the marketing capability and can absorb production into their system and do the marketing. This changes from company to company depending on where their primary activities currently lay. So there is no blanket answer to it. You simply have to approach it on a one-by-one basis and determine what gives you the best access into the market area and what best guarantees you a return into the future.

**MR. McBRYDE:** My question to the Minister, then, or to Mr. Hallgrimson is what problems does ManFor presently face in terms of marketing its product? Is ManFor having difficulty marketing its product because it is a Crown corporation?

**MR. CRAIK:** Mr. Chairman, perhaps I can indicate the overall general findings. There are two things, really, in this connection with regard to the unbleached kraft. One is the access to the American market, with the changes in the tariff structure that came about as a result of the GATT negotiations, will bring about a loss of some of the tariff protection that has prior to this existed for the unbleached

kraft. That hasn't as yet hit the operation but it is expected likely that it will and perhaps Mr. Hallgrimson can indicate when it's — I've forgotten the date on which it does come into play.

The other part of it is, though, that the identification of the fact that even without that, the security into the future of the unbleached kraft market, offered by the unbleached kraft market, is not as great as the security that is offered by going into the finer product, the bleached kraft products that have a more expanded market opportunity.

So that, I suppose, the third part of it is that although in the last two years one could perhaps live with the operation as it has been, this doesn't in any way indicate what you're getting into in the future or the degree of security that you could expect in the future.

**MR. McBRYDE:** I wonder if Mr. Hallgrimson could say when those new tariffs come into effect and what effect he sees them having.

**MR. HALLGRIMSON:** These reductions are in effect already. They will be brought upon us at the rate of, I think, 2 percent per year. It takes eight years for the tariff to be abolished. What we're talking about is a tariff on product coming into Canada, so it has the effect — we have operated under a 15 percent tariff protection here in Canada — what it does is allow us to maintain a higher price than would be possible without that tariff. It's difficult to say exactly what will happen. I think, as the Minister has said, we don't feel any impact from it at the present time but we, of course, have added protection at the present time from the value of the Canadian dollar, which is very similar to the tariff protection. Of course, if that was the only protection we had, it would be something that would be pretty precarious; it's hard to know just how the exchange rates go.

**MR. McBRYDE:** Yes, so I clearly understand it, then the problem with the tariff changes is not the access to the American market, which I thought the Minister had implied, but . . .

**MR. HALLGRIMSON:** Actually the tariff on our paper into the States gets removed. It's very low actually; I think it's 4 percent. So that will go away.

**MR. McBRYDE:** So the access to the American market is marginally or slightly improved. The problem is that the competition from American products coming into Canada might lower the price. I'm assuming that Mr. Hallgrimson is not concerned that they won't still have a market; it's that they won't get quite as much for their product when it's marketed isn't it?

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

**MR. McBRYDE:** The Minister then went on to talk about the security, or there was no real long-term security in the unbleached kraft market and there would be more security of the operation if they changed the product line to also include a bleached kraft paper. Yet, Mr. Chairperson, that doesn't seem to again have any connection with who the owners of the plant are, that is, the increased security of a bleached product is there whether the Province of

Manitoba has a Crown corporation or whether MacMillan Bloedel has a plant in The Pas. Is that correct?

**MR. CRAIK:** Mr. Chairman, who owns the plant in The Pas is not going to change the world demand for bleached kraft. That would be a fairly safe estimate. Who owns the plant may determine who best can penetrate that market.

**MR. McBRYDE:** What I'm hearing from the Minister is that the only reason that the Province of Manitoba, that the present Conservative Government in Manitoba won't look at the option of changing the product line and adding to the product line of the ManFor complex is because they don't want to invest the people of Manitoba's money in that expansion. That seems to be what the reason is coming down to. Is that correct?

**MR. CRAIK:** No, Mr. Chairman. Two mistakes there — one, I said earlier this morning, I think twice, that that option is always there; it has not been excluded. The other point that has to be made is to reassert the fact that it's not whether the market in total is there, it's how do you best penetrate the market and offer the long-term security. I want to tell the member that, although he doesn't want to accept the fact, obviously, from his reassertions that government ownership is ruled out. I want to tell him that the government has taken a completely pragmatic approach to it and if that offer is a better opportunity than selling, that's not ruled out as a possibility for the government. But I can tell him that he's talking about something that is very large in comparison to what is there at the present time. It probably involves an investment of some \$300 million in order to bring about the final desired result.

**MR. McBRYDE:** A very direct question to the Minister: Does the Woods Gordon consultant's feasibility report say that a private company could better penetrate the market than a public company could?

**MR. CRAIK:** I've already answered that, Mr. Chairman.

**MR. McBRYDE:** The answer was no and the report does not say that; is that correct?

**MR. CRAIK:** The answer was, Mr. Chairman, if I have to repeat it, that you have to deal with those on a one-by-one basis.

**MR. McBRYDE:** I think the Minister either better be more clear or he better give me a copy of that feasibility study because his other answers all said that it doesn't matter whether it's private or publicly-owned and I'm not sure what he means by then you deal with that on a one-by-one basis. Could he explain that further?

**MR. CRAIK:** Well, I'll repeat it. I already did say it, Mr. Chairman. I'll repeat it for the member again that the report deals primarily with the technical and economic aspects of the use of the resource at The Pas and what will best suit it in the long term. On the

one-by-one basis, we have talked to different companies, different organizations, to see what they can offer and bring to the table and what their strengths and their weaknesses are in other things and this is where you deal with it on a one-by-one basis.

**MR. McBRYDE:** So then the Woods Gordon's feasibility study doesn't indicate — it looks at the market and it looks at the technical and economic aspects of expanding and changing the product line. It doesn't then discriminate between what's the best method of ownership to bring about the recommendations in their feasibility study. But what the Minister is saying, that in his negotiations with the various companies, some companies might have a better access to the bleached kraft market than other companies might have to the bleached kraft market. So I think, if my understanding is correct at this point, and the Minister nods his head that it is, then I would change my question slightly to the Minister. What is the present state of the negotiations by the Province of Manitoba with DREE in terms of implementing the recommendation of the Woods Gordon feasibility study?

**MR. CRAIK:** Mr. Chairman, I can indicate to Mr. McBryde that we've had discussions with DREE about the possibility of the mill modernization program applying in Manitoba. The mill modernization program is a DREE program that applies in all of the provinces east of here where there is a forestry industry. It probably doesn't apply in Prince Edward Island but it applies in all of the provinces that have a forestry industry and it hasn't formally been applied to Manitoba up to this point in time. Now, we've had discussions with DREE about the application of that program in Manitoba.

**MR. McBRYDE:** And how does it look?

**MR. CRAIK:** Well, I can't speak for the Federal Government, Mr. Chairman. I can say from the Manitoba Government's point of view, I think it looks satisfactory. The discussions are progressing and I think we can look forward to further discussions with them fairly optimistically.

**MR. McBRYDE:** What are we talking about in terms of this program? Is there an upper limit on the amount of assistance they will give and what form exactly does that Federal assistance take if Manitoba qualifies for the program?

**MR. CRAIK:** Mr. Chairman, that hasn't been finalized at this point in time or I would indicate as much information as I could on that. I can indicate that in other provinces, the formula has varied from province to province. The most recent one was Ontario and I think the last plant I heard there was one-third federal, two-thirds provincial support, but in Quebec the last one was 60-40, 60 percent federal and 40 percent Quebec. In the Maritimes, it has gone to 80 percent federal, 20 percent provincial. That gives you some idea of the range of the program.

**MR. McBRYDE:** What is the range of dollars that the Woods Gordon feasibility study says that you might be looking at to change the product line in the manner they propose?

**MR. CRAIK:** I indicated already, Mr. Chairman, that we're probably looking at an investment requirement of somewhere of the order of some \$300 million.

**MR. McBRYDE:** So in that case, federal approval for an agreement by the Federal Government to cost-share in the changeover, the expansion of the product line, if we're looking at \$300 million, it would be very crucial whether they agreed and secondly, whether they agreed to do at one-third or 60 percent of the cost.

**MR. CRAIK:** No, Mr. Chairman, let's nip that one in the but immediately. It doesn't cover the entire expansion. It's limited to a portion and part, if it were involved. The \$300 million covers the total estimate, and I underline the word estimate because it is a figure that I wouldn't want somebody to come back and say later well, he said it was 300 and it turned out it was 350 or it was 250, but this is the total requirement. As far as the mill modernization program is concerned, that part is not settled. I have just indicated to the member, in the other province where it has been settled, those are the sort of ranges of cost-sharing that have been involved in the portion that has been accepted as being qualifying under the mill modernization program.

**MR. McBRYDE:** What kind of figures have you discussed with the Federal Government of having the mill modernization program applied in Manitoba? Have you used some figures in that discussion, a range of . . .

**MR. CRAIK:** I can only tell the member we've had discussions and it would not be in order for me to go further, as a result of the fact that we are in discussion with the Federal Government on the matter.

**MR. McBRYDE:** The Minister indicated that the discussions with Ottawa seem to be progressing reasonably well. I wonder if he can give us an update on discussions with private companies that might be interested in the purchase of ManFor. Are there some discussions currently underway and does it look like there is a possibility of agreement being reached?

**MR. CRAIK:** I can only indicate to the member that there are a number of discussions underway. If it is to come to a head, I am sure that it will be done by probably mid-1981 and if it is not finished by then, it will be important that ManFor, as it stands now, you know, be able to proceed with whatever plans are undertaken within the organization as it's presently structured.

**MR. McBRYDE:** I'm sorry, I didn't quite catch all of that. Could the Minister add to that or repeat part of it?

**MR. CRAIK:** Mr. Chairman, if the member wants me to repeat, it's simply that I would expect that — well, there are a number of discussions underway. If anything is to result from those discussions, I am sure it would be perhaps by mid-1981. I don't want to in any way suggest that something is imminent from the discussions. We're doing this exploration

work and I think that if there is going to be a result come out of it, it would be by mid-1981 and I think it's important that the decision be made at the earliest possible date to eliminate any uncertainty there may be in the community and in the operation of the corporation.

**MR. McBRYDE:** Yes, I would agree with the Minister that we must attempt to deal with the uncertainty that exists and has been existing for the past three years in terms of what's going to happen to the operation at The Pas, for the reasons I have outlined, the insecurity and the loss in efficiency and effectiveness because of that uncertainty that's going on.

I would like to question, I guess in a general way, what do the companies that are interested think the Province of Manitoba wants to do? What I mean by that is it seems that if the province showed that it was quite willing to make the changes on its own, they could strike a much better bargain with private industry than if they're going out there wanting to get rid of ManFor and so the companies are aware of the fact that the province wants to get rid of ManFor regardless of whether they have to give it away or sell it. I wonder if the Minister could comment on the perception with the companies they are dealing with. Are they aware of the fact that the Province of Manitoba might keep ManFor and change the product line on its own as a Crown corporation?

**MR. CRAIK:** I would think so, Mr. Chairman. I don't think there's any doubt about that. I don't think there's any general perception that there is a great urgency to divest for the simple goal of divesting. What's involved, and I think the corporations that we may be dealing with know, or any others that we're dealing with would probably know, that what we are looking at is to try to determine how we best ensure the future of the operation and provide the greatest opportunity there. But certainly we're not negotiating out of a position of weakness and I would expect that that would be well known on the other side of the table.

**MR. McBRYDE:** Mr. Chairperson, I was hoping that the companies' perceptions in negotiating with the Province of Manitoba would not be similar to mine, which I outlined was that the province basically does not want to go on its own or maintain its interests in ManFor but is more interested, in fact, in selling the operation. The Minister is attempting to give us some reassurance that is not the case. One of the things that even adds to that was the Minister's revelation this morning in terms of the Woods Gordon feasibility report. I wonder if the Minister could give me some undertaking that in fact he will be fully sharing and discussing that report with the existing Board of Directors and management at ManFor.

**MR. CRAIK:** Mr. Chairman, there is no difficulty in discussing it. I think probably the principals that would be involved in it are probably fairly well known to the corporation itself. But in dealing with outside organizations, any internal report such as that, you don't particularly want into distribution, whether you are a government or a private company dealing with another private company. The principal reason for whether a report is internal or external or whatever it

is, if you're going to be dealing with other parties, is to retain the report for the period of time at least under which the negotiations may be taking place.

**MR. McBRYDE:** One other rumor or feeling that exists at The Pas, that I would like the Minister or Mr. Hallgrimson to deal with, is that the management at ManFor is dealing more unreasonably or tougher with the labour unions and in fact even making some moves to hurt those unions to make the ManFor operation more attractive for sale; that is, if you have weak unions, you can sell easier than if you have strong unions. Would the Minister care to comment on that.

**MR. CRAIK:** Mr. Chairman, if the member is suggesting that there may be pressure on the company to make itself look good for purposes of divestiture or something, that's certainly not the case. There hasn't been any overt or external attempts to have that occur so I think perhaps if that in fact is occurring, it's for reasons that are perhaps internal rather than external.

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

**MR. HALLGRIMSON:** If I could just add to that, I would like to categorically deny that there has been any change in our policy as far as unions are concerned. Well, I really can't say anything more than that. Naturally we have our disputes with the unions; they do take place but we have not received any instructions nor has the company itself embarked on any such venture as you suggest.

**MR. McBRYDE:** Mr. Chairperson, the questions I've been asking to this point have been very general because before I ask some detailed questions about the existing operation and what's happening in terms of the existing operation, I would like, and the people of The Pas would like some assurance that the operation is going to be continuing.

I've been addressing my questions to the general broad question of the future of the ManFor operation and there are real problems in that regard that are affecting the community of The Pas, that are affecting the workforce and the management at The Pas, etc., and I think that the government is going to have to make a decision one way or the other pretty soon. The most reassuring direction I think that the people of The Pas would have and that I would have was, in fact, that the company would continue under its existing management structure as a Crown corporation, as an operation owned by the people of Manitoba and that the expansion and the changing of the product line, the switching into the bleached kraft paper would take place under that existing kind of structure.

I think I've probably got as much information from the Minister and Mr. Hallgrimson as I'm going to get in terms of the generalities of the operation so I would like to switch into some of the details of the existing operation. I'll start, Mr. Chairman, by asking Mr. Hallgrimson, I'm still getting concerns and complaints by people further down the river, the Saskatchewan River and into Cedar Lake and even into the Grand Rapids area, about the effect on that waterway by the discharge of materials from the ManFor plant. I know that ManFor expended

considerable moneys to further clear up water that was discharged from the plant. There are still reports of wood fibre in the river. There are still reports of other pollutants in the river. I wonder if Mr. Hallgrimson could bring us up-to-date: One, what are the existing facilities to ensure that the least pollutant as possible enters the water from the ManFor operation? Secondly, what government testing is done by external agencies to ensure that those requirements are being met?

**MR. HALLGRIMSON:** At the outset I would just like to say that I am informed that we conform with all the standards that are set down, both by the federal department and the provincial department. I'm sure that you cannot, once you realize that we do — water leaves our plant and goes into the river, that it's going to be completely free of fibre but in any event, we comply with the standards. As I think you mentioned or alluded to, I believe it was last year or the year before, we completed a project which enabled us to further treat the effluent, which cost, just off the top of my head, something over \$1 million. It was considerable, and this improved the situation further. All I can say further is that the company certainly is conscious of this question and we will continue to try and minimize whatever damage may be to the water in the Saskatchewan River.

**MR. McBRYDE:** Is Mr. Hallgrimson knowledgeable in terms of what testing is now carried out by the provincial and federal authorities in the area?

**MR. HALLGRIMSON:** I'm not knowledgeable in detail, Mr. McBryde. I do know that they test it from time to time, but I can't give you the exact.

**MR. McBRYDE:** What is the company's own existing program to test the effluent? Do they keep regular records over the years in terms of what discharge is taking place?

**MR. HALLGRIMSON:** I'm sure that they do, but I'll have to take that as notice. If you'd like that information, I could provide it to you but I can't give it to you today.

**MR. McBRYDE:** I'm assuming, too, that the company keeps those records from their discharges in terms of exactly what is contained there and the percentage of what is in it. Would those records be available; could a person take a look at those records?

**MR. HALLGRIMSON:** I'm sure that we have records at The Pas. If you'd like to inspect them, I'd be pleased to arrange that.

**MR. McBRYDE:** Switching then to another area, I'm assuming that the operation administrative structure is the same. My recollection was that the operation is divided into divisions, with the logging division and the sawmill division and the pulp and paper division. Is that still the administrative structure that the company is operating under?

**MR. HALLGRIMSON:** There has been no change in our administrative structure.

**MR. McBRYDE:** I wonder if Mr. Hallgrimson could bring us up-to-date in terms of — let's start with the logging. Does he have figures in terms of production, efficiency, effectiveness, staff employed in the logging section? Could he give us that kind of breakdown in the logging division? Woodlands Division, I guess, is the proper name.

**MR. HALLGRIMSON:** I don't know what information I have with me. I know that we produce approximately 350,000 cords of wood a year. I have the employment figures for Woodlands, which totals from a high of 475 to a low of 313. Now that includes not only our own operations, but the operations of full-time contractors like Moose Lake. Did you want more detail than that?

**MR. McBRYDE:** I'll ask a few more questions which might give the detail that's there. First of all, in terms of the other contractors, who are the other contractors existing with ManFor in the Woodlands Division? What percentage of the wood supply comes from those contractors? Has there been a change in that? Is there more coming from the smaller contractors, or less coming from the smaller contractors than last year or the year before?

**MR. HALLGRIMSON:** I would have to take that as notice and give you a list of the contractors. I really can't, off the top of my head, say just what the statistics are as far as — you mean as far as our own cutters are concerned as opposed to contractors, whether there's been an increase in the wood cut by contractors.

**MR. McBRYDE:** Yes, the amount of the total wood supply that comes into ManFor, how much of that is cut by ManFor's own Woodlands Division and how much is cut by the other contractors that are subcontracting for that, and whether the subcontractors are increasing in the percentage or decreasing in the percentage of the total production.

**MR. HALLGRIMSON:** I would have to look that up and provide it to the Committee in written form.

**MR. McBRYDE:** In the area of negotiations with the private contractors, what is the process right now? Does senior management of ManFor negotiate with each subcontractor separately and set their rates? Who, in fact, is involved in those negotiations?

The other aspect that maybe Mr. Hallgrimson would want to address himself to, is that the logging company that was a Crown corporation under the name of Mistik Creek Loggers, which was sold by the Conservative government and then consequently, I believe, operated under the name of Jungle Lake Loggers, but it was the same operation, and then went bankrupt a year or two after the Conservative Government sold it off. One of the claims of the management there was that the reason that they went bankrupt was because they had a very poor contract with ManFor in terms of the amount ManFor was paying them and that was one of the reasons they used for going bankrupt. That reason was hinted to me by other people outside of the management, who would of course, be looking for a reason why they went bankrupt, but by other persons who said that they heard that was part of

the problem as well. I wonder if Mr. Hallgrimson would care to comment on that.

**MR. HALLGRIMSON:** Dealing with the first part of your question, we have a Woodlands Division. Mr. Bill Jonas is the general manager of that division, including the sawmill operation. It would be the Woodlands Division which would negotiate with the independent contractors, or contract cutters.

As far as Mistik Creek is concerned, I don't think I want to enter into any speculation as to why anybody goes bankrupt. I'm sure that we treated Mistik Creek in the same manner as we treat other contractors. I'm sure that people on the outside — you know, this is a matter of contract between Mistik Creek and ManFor. I guess there would be all sorts of speculation as to why Mistik Creek should go bankrupt, most of which, I guess, would be without any foundation, like most gossip on the street. As I say, I would say that we treated them as we treated any other contractors, and there are many there that haven't gone bankrupt. But naturally we negotiate, and we negotiate hard.

**MR. McBRYDE:** I'm assuming from Mr. Hallgrimson's earlier answers that he'll be sending me some figures or some actual numbers, names of who are the private contractors and what percentage of the operation they would supply.

Is ManFor getting any wood supply from outside of the ManFor cutting area? That's the first question.

**MR. HALLGRIMSON:** Yes, we get chips — I think it's from the Porcupine area. We also are getting some chips from Hudson Bay, Saskatchewan. In both cases, this has arisen because of the severe forest fires that took place last year and this wood was damaged. The chips are usable by our operation and not in a bleached operation. We've been able to get these chips at a very, very low price out of province, from Hudson Bay, Saskatchewan. This would amount to about 38,000 cords, which would be about 10 percent of our normal usage. This amount has been taken in by us without any reduction in the woodcutting on our own.

**MR. McBRYDE:** I wonder if Mr. Hallgrimson could just clarify for me. Chips are normally a by-product, or do they actually just go in and chop up burnt-out logs for chips, period, or is there a special process to do that?

**MR. HALLGRIMSON:** You can do both. As you know, Mr. McBryde, we chip pulpwood into chips directly but as you state, most mills nowadays have an ability to produce chips out of the waste wood that is brought about in their cutting. This particular wood that we're talking about, the chips, they would be a by-product from sawmill operations.

**MR. McBRYDE:** I'm aware that there's the mill in Hudson Bay, or more than one. Is the by-product from a sawmill in the Porcupine Hills, or is it a direct chipping process?

**MR. HALLGRIMSON:** From the Porcupines, I am informed that we are getting saw logs and not chips.

**MR. McBRYDE:** So in that one case, you're actually getting the direct logs from outside of the ManFor

cutting area for use at ManFor. I'm assuming that the operation outside of the cutting area in the Porcupine Hills, would that be an area outside of union jurisdiction, or would it be within union jurisdiction?

**MR. HALLGRIMSON:** I'm not sure of that but I would think that we would have to pay some, do they dues I think it's called with respect to the operation.

**MR. McBRYDE:** I'm assuming that you're just buying logs so how they get the logs to you is of no concern.

**MR. HALLGRIMSON:** They have to be brought into the site.

**MR. McBRYDE:** Like in your own cutting area the people have to be unionized that are cutting wood for ManFor. If you go to the Porcupine Hills and buy logs directly then there's no requirement that be unionized labour, that they fall within your collective agreement and you're just a purchaser of the finished product or the log. Is that correct?

**MR. HALLGRIMSON:** We're a purchaser of the finished log. I recall now, Mr. McBryde, that there was an arbitration case which held that the union in the case of the IWA, in the case of our Woodlands operations, that wherever we bought wood their jurisdiction extended over the whole Province of Manitoba. So I'm sure that the IWA is extracting its toll as far as that operation is concerned.

**MR. McBRYDE:** In the case of the Porcupine Hills log purchase then that would be required to be a unionized operation in order to sell to ManFor.

**MR. HALLGRIMSON:** Yes.

**MR. McBRYDE:** Okay. The other question in terms of the Woodlands area. What is the existing ManFor policy in terms of use of ManFor forestry roads by others?

**MR. HALLGRIMSON:** I guess, depending on their condition, there may be some roads that are closed because they're unsafe to the public but generally speaking, subject to that caveat, I would say that the roads are used by the public at large.

**MR. McBRYDE:** Would that, in your knowledge and staff person that's here, would that be a pretty general policy of logging operations of companies like yours, or are there many areas where they actually restrict access to the use of these roads?

**MR. HALLGRIMSON:** I hesitate to generalize about that. I can see where there would be operations where they would be closed and that companies would take that stand and I'm sure we do too depending upon the number of trucks that are using it at that particular time. Eventually these roads, of course I know in our case and I can't speak for other companies, they become virtually public roads and are actually quite a benefit to the public at large because they open up areas that otherwise would not be opened up.

**MR. McBRYDE:** Still on the Woodlands, in terms of the independent skidder-owner-operators or I guess

they're called the owner-operators, is there a separate union agreement with owner-operators or a separate price for owner-operators? How does that work?

**MR. HALLGRIMSON:** What you're referring to are the operators who own their own skidders. They're all members of the IWA as cutters but as far as the skidders are concerned that is not a part of the union negotiations, that's a matter of contract between the company and them and I guess isn't an appropriate matter for certification because it relates to equipment.

**MR. McBRYDE:** What is the exiting situation; is there a signed contract with all the owner-operators in terms of the price for their equipment or what?

**MR. HALLGRIMSON:** Yes there is but it's expiring very shortly.

**MR. McBRYDE:** Is this a concern of management right now is that there might be a problem with renewing that . . .

**MR. HALLGRIMSON:** It looks as if we might have some hard negotiations to go through in the next little while.

**MR. McBRYDE:** Would those negotiations be separate from other negotiations or could in fact, if agreement wasn't reach, could the whole operation be shut down?

**MR. HALLGRIMSON:** Firstly, it's a matter of contract between the operator and us. I don't think it would be appropriate for me to speculate on what might happen. I would hope that we would be able to satisfy them in their demands and that they will be reasonable in their demands.

**MR. McBRYDE:** Yes. Switching now to the Sawmill Section of the operation, I wonder if Mr. Hallgrimson could just give me some of the figures, the number of staff there and the production. I'm also wondering, in terms of the sawmill, Mr. Hallgrimson mentioned in his report the softness of the lumber market whether there's a reduction; how many shifts are they working now at the sawmill and has there been a planned reduction in production?

**MR. HALLGRIMSON:** Dealing firstly with the employment. In 1980 the high was 212 employees to a low of 204. We operate two shifts, on a two-shift basis and there has been no reduction. We operate full-out on that basis. Our overhead remains constant so it's something to be avoided; if we're operating we might as well be operating full-out.

**MR. McBRYDE:** Yes. Is there a stockpile of lumber now or are you just producing as the orders come in?

**MR. HALLGRIMSON:** We have an inventory of wood. unsold inventory of wood, and that's a little higher than it would normally be.

**MR. McBRYDE:** I think the last time we met together I asked this question but I'll ask it again

because there's continuous discussion in The Pas about direct sales of lumber to people in The Pas. What is the existing policy and why can't I go and buy my load of lumber off you?

**MR. HALLGRIMSON:** Our policy is that the only individuals that we sell lumber to on an individual basis is to our own employees. The simple answer to your question is that we are not retailers. We have a limited type of lumber. We can't satisfy their needs in every respect and we sell our wood to wholesalers in truckload lots or carload lots. We don't have a retail facility, but we do make an exception for employees for their own purposes.

**MR. McBRYDE:** If I were building a house in The Pas and I wanted to buy all my lumber from you, or the type that you manufacture at least that I would need, why wouldn't you sell it to me.

**MR. HALLGRIMSON:** Because we are not geared to handle that type of a situation. We sell lumber to the local yards and I'm afraid that's where you would have to buy your lumber.

**MR. McBRYDE:** Is the research then simply an administrative one that it would be awkward to supply lots of individuals or is there a problem with selling to me in terms of other wholesalers that purchase from you?

**MR. HALLGRIMSON:** Oh, I imagine that if we set up a retail operation we would get some static from the local lumber dealers but basically it's for the reasons that I've stated. We are not geared up to that and I don't think we would feel that it was economically feasible.

**MR. McBRYDE:** Switching now to the Pulp and Paper Section I wonder if Mr. Hallgrimson could just give me the figures in terms of employees and I think he already gave us some productions levels in terms of that section of the operation.

**MR. HALLGRIMSON:** Yes. The high in the pulp and paper mill is 378 and the low 338. I don't know whether I gave you the total figures for the whole complex but I might as well give them to you. The high is 1,110 to 894.

**MR. McBRYDE:** Yes. I'm assuming that includes everybody, including management staff.

**MR. HALLGRIMSON:** Yes, it includes everybody and it also includes full-time contractors.

**MR. McBRYDE:** Does Mr. Hallgrimson have the figures; like of the 894, when he said 894, how many of those would be management people?

**MR. HALLGRIMSON:** I don't have that figure with me but I can give you that.

**MR. McBRYDE:** Yes. I guess the other area I want to ask some questions on, without wanting to put Mr. Hallgrimson on the spot, but it seems to me from my experience with different industries and my knowledge of the pulp and paper and the sawmill and the forest industry, my impression is that there

is more labour management problems at ManFor than there are at similar operations. I don't know what the figures are in terms of number of grievances, number of walk-outs, wobbles or whatever you want to call those incidences when people don't work and may I make an assumption, Mr. Chairperson, that when this happens, if my understanding is correct, that there are more industrial agreements. It seems to me that often there's some kind of management problems when it comes to dealing with the unions and the workers on the work site. With that assumption I guess I ask lots of questions to people when there is a dispute, like what is the nature of the dispute and what's going on. Often in the case of ManFor it comes down to, I suppose, the attitude and approach of one or two management people and that's a recurring theme that I hear in terms of the disputes that go on. I'm not sure whether it's a requirement of the job that people behave in a certain way or whether there aren't more effective approaches to getting agreement and increasing production than a confrontation — I'm the boss attitude that appears. I'm not saying this is throughout the operation, Mr. Chairperson, it seems to be with a limited number of people that are involved in this problem.

I wonder if Mr. Hallgrimson does have the figures on the number of grievances filed throughout the operation; whether he has figures on the number of walk-outs and work stoppages that have occurred at the operation.

**MR. HALLGRIMSON:** I think I would challenge some of your assumptions. It isn't always management when these matters arise and I think the other comment is that everybody will rationalize their own position in matters of this nature to suit his own needs.

My second comment would be I will challenge the number of grievances and arbitrations as being above what would be considered normal in this type of an operation. I know that two or three or three or four years ago we were being continually told there was propaganda emanating from The Pas and undoubtedly from the unions, that it was a terrible place to work, and there were all kinds of grievances being filed and I had occasion at that time to check and find out in the industry and really our situation wasn't all that bad. Usually you find that in these situations it's very difficult to determine exactly what it is. We just had a walk-out in the sawmill in the last couple of weeks and that was over whether or not a supervisor had the right to order an individual there who was operating a forklift to start grading lumber. If you don't have the management right to tell a person what he should be doing I guess it would be a pretty sad state of affairs and that precipitated a walk-out.

Now, it seems hard to believe that the whole work force would take off for that reason, there isn't some other reason. We have, unfortunately in the last three or four weeks, had two or three walk-outside walk-outs in the pulp and paper mill; one in the sawmill and one recently in the Woodlands. I don't know that it would be appropriate for me to say anything more than to point that out, and to refrain from trying to go into the reasons for this but I think our labour relations over the years have been excellent.

**MR. MCBRYDE:** I could see a problem in terms of the board and Mr. Hallgrimson because they are

overall responsible and then you have the managers on the line and the day-to-day management of the operation. The board gets its information from the managers who want to protect their side of any dispute to say that they were right in that particular dispute. So, it makes it very hard for Mr. Hallgrimson and board members to sort of know the day-to-day nitty-gritty of what's happening and what the problem is.

I'm assuming that what I hear, in terms of problems, is not a completely objective report because I talk mostly to the workers in the operation and not that often to management people in the operation, so I'm assuming that I hear one side of what has happened but it is still my thinking that in fact there are with a few individuals a problem; that in fact if they approached things differently there would be less problems than there are.

That doesn't mean, Mr. Chairperson, that you do whatever the union wishes. If you have strong efficient management that's fair and reasonable then you usually get good production without having to confront and resort to disputes to settle those disagreements. So, I'll leave that, I think my colleague from Churchill has some other questions in terms of the industrial relations that take place at ManFor.

Before, I give up my questioning though I would like to pursue a slightly different line before my colleague asks some questions and that is in the past ManFor has made some special efforts to ensure that local people were hired in terms of ManFor and to make sure that came about they were also at one time, whether it's contrary to human rights provisions or not, in a worthwhile and effective way keeping some track of Native people that were employed there to ensure that they were proceeding up the progression of job advancement at the same pace as other people were; and (2), to make sure that there were a large number of local Native people employed at the operation; that there wasn't any sort of institutionalized discrimination; in fact that there was some positive effort made to ensure that Native people are employed there.

So, I wonder if Mr. Hallgrimson can bring me up-to-date on those efforts and whether they are still continuing as they were in the past to ensure that the Native people were hired at the operation and that local residents were hired at that operation and (2) that they are progressing through the system at a reasonable rate.

**MR. HALLGRIMSON:** Well, Mr. McBryde, we give preference to local people, everything else being equal. As far as Natives are concerned, our estimate, — we keep in mind of course, that we don't keep records of people, of the ancestry — our best estimate of the number of Native people in our operation is around 30 percent and I'm rather proud of that figure. I think we've done an excellent job when you consider that many people who started to work for us in the early 70s when this operation started had never had a job before. There were difficulties in maintaining them as part of the work force but we persevered and I don't hear any talk nowadays that absenteeism is higher with Indians or anything like that and we don't have any lost time. The other comment I would like to make is that I have never had a complaint from the Indian Band up

there that we were not doing a good job and I think that is remarkable.

**MR. SPEAKER:** The Member from Churchill.

**MR. JAY COWAN:** Thank you, Mr. Chairperson. Well the Member for The Pas doesn't leave many questions unanswered as he winds his way through the committee's deliberations. But I do want to dwell a bit on some of the statements which were just made in an exploratory way, and without trying to antagonize or even to anticipate Mr. Hallgrimson's answers. One thing that he did mention, in respect to the hiring of local persons, was that all things being equal the corporation would give preference to those persons who are local to the area and mentioned a figure of 30 percent as a guesstimate, a rough estimate of the number of individuals in the plant who, in fact, are from the area and that is a good figure when compared to what the mining industry is doing in the north. I think their figures run anywhere from less than 10 percent to 15 percent, so we can commend the operation in respect to their work to date.

However, all things are not equal as Mr. Hallgrimson said. He said that when they first started the operation many of the individuals that they hired had never had a job before, and they had not had a job before not because they did not want a job but primarily because the opportunity for gainful employment in the area did not exist, or at least the opportunity for that type of gainful employment in the area did not exist. So, there is an inequity that's built into the system in that way and so, while we commend the 30 percent figure, we do hope that the objectives of the operation is to increase that percentage figure as time goes on and that they will not be satisfied with that figure which is good comparatively but still leaves a bit of room for work to be done, when they do determine who will not be hired; that they do take into consideration that all things are not equal and sometimes one has to provide special support services, one has to take on a special attitude to ensure that local people do get hired over persons who may have had advantages that local people did not possess.

I don't bring this subject forward in any sort of a critical way. I just want to make those points known, make my viewpoints known to Mr. Hallgrimson and hope that 30 percent figure increases in the future and I'm certain that it will.

I would like to ask Mr. Hallgrimson, however why it is that he feels there has been a flurry of what we call wobbles or walkouts over the past number of weeks? What is happening now that would bring about the conditions which provide the environment for those type of walkouts; walkouts are symptomatic of problems. Mr. Hallgrimson said that he had trouble understanding, or at least the implication was that he had trouble understanding the causes behind or the reasoning behind the walkout involving a forklift operator and a change of job. Well, perhaps that wasn't the reason; perhaps that was a precipitating factor; perhaps that was the straw that broke the camel's back, to use a colloquial. But obviously with the number of walkouts that have occurred over the past number of months there is something wrong somewhere and those walkouts and those wobbles are a symptom of worker

frustration within the plant. I would ask Mr. Hallgrimson, therefore, if he has looked beyond the walkouts, looked beyond the grievances which were presented as the precipitating factors for those walkouts to try to determine if in fact there is not an environment within the plant which may be leading to frustration, thereby leading to this type of action to release that frustration.

**MR. HALLGRIMSON:** Well, as I stated previously, Mr. Cowan, it's difficult to believe that incidents of this nature would precipitate such drastic action on behalf of the work force. I have, as yet, to have heard about any more fundamental reason or a better reason for the situation; I can only speculate. I would have to point out that this year we will enter into negotiations in a matter of three or four months, maybe that has something to do with it, I don't know. The contract does expire.

**MR. COWAN:** One could determine historically if that were to be a factor, at least one could review the situation historically. At the time the last contract expired, in the period previous to it which we are now in, were there these types of wobbles and walkouts?

**MR. HALLGRIMSON:** I don't have the statistics going back that far so I can't really make any comment.

**MR. COWAN:** Mr. Hallgrimson said he has yet to hear about any more fundamental reasons for these types of walkouts, however, would he not agree that when you have a flurry of worker unrest such as this that there should be something, generally, that is ongoing in the operation that would create that type of activity, that there is frustration, that it is symptomatic of the frustration?

**MR. HALLGRIMSON:** Well, we're certainly concerned about these incidents and I can assure you that we're not ignoring the situation, that we are attempting to find out whether there are some valid reasons for these actions? Other than that I really can't see anything more.

**MR. COWAN:** I never doubted the concern on the part of Mr. Hallgrimson and his colleagues. I would ask him, however, as he indicates that they are not ignoring the situation and attempting to find out more information respecting the walkouts, exactly what they are doing in order to determine what those frustrations are at the plant level. Are they talking with the workers themselves or are they relying upon the middle-management levels to provide them with information; are they anticipating putting in place a formal investigation of conditions in general; exactly what action are they taking in respect to determining the deeper problems that are obviously there that are resulting in this sort of symptomatic action?

**MR. HALLGRIMSON:** Well these walkouts just took place within the last month and we have as yet to do anything in that regard.

**MR. COWAN:** Perhaps I should ask Mr. Hallgrimson then what they anticipate doing to respect to the walkouts?

**MR. HALLGRIMSON:** Well I think for us to speculate on that right now would be premature.

**MR. COWAN:** Well the speculation has already been accomplished when Mr. Hallgrimson said that they are doing something. He has created speculative questions on my part — I should not say he has created them, I shall create them. He has certainly lead me to ask speculative questions and the questions are in fact, since he says something will be done, what in fact will be done? The reason I ask that question is not out of curiosity alone but because I believe that this might be an opportunity to provide some insights to discuss this matter in this form and try to develop a program that will in fact provide information to Mr. Hallgrimson and other interested parties in respect to why this frustration seems to be building.

**MR. HALLGRIMSON:** As I pointed out, Mr. Cowan, two of these walkouts happened within the last ten days so there has hardly been time to formulate any new policy or come to any conclusions about what, if anything, is wrong. All I'm telling you is that we are conscious of the situation; we don't like it and we will do whatever we can to overcome it. On the other hand, there can be frustrations there that we can't do anything about.

**MR. COWAN:** Mr. Hallgrimson says that it's too early to tell why these walkouts occurred and that one should not come to any new conclusions, or one cannot come to any new conclusions, in such a short period of time. I saw a media report last night that seemed to place the responsibility for these walkouts solely on the shoulders of the workers. I'm not even certain who was providing the management's perspective in respect to the walkouts and in respect to that media report, however, I do recall his words and his words were that they were acting somewhat irresponsibly. I would ask if Mr. Hallgrimson shares that viewpoint that they are, in fact, acting irresponsibly, or does he in fact acknowledge that there may be some problems in the operations which are exhibiting themselves in this sort of action?

**MR. HALLGRIMSON:** Well, I would agree that it's an irresponsible action because the walkouts are illegal, clearly illegal, and something that you cannot tolerate continually as a means of settling, if there is any dispute to settle. There is established procedure under any collective agreement, including ours, to file grievances and that is the manner in which matters of the nature should be determined, not by walking out. I don't think that accomplishes anything.

**MR. COWAN:** Obviously walking out does accomplish things from time to time, because Mr. Hallgrimson has just indicated that he is now going to be undertaking some activity, although he won't be specific as to what activity, in respect to determining why those walkouts have been undertaken. So if there are activities such as these, then one has to assume that they arise out of frustration and out of a feeling that the mechanisms that are in place are not working properly. That does not have to be management's fault, that can be as a result of many other factors.

However, it is certainly a clear indication that a large portion of the work force does not in fact

believe that the mechanisms that are in place are properly functioning. Further to that, they do not believe that their action is irresponsible, but rather believe that their action is a clear way to indicate to others that they are feeling levels of frustration which are not being accepted at other levels; that they are using this mechanism because other mechanisms to make those feelings known have failed them. A walkout or a wobble is certainly a last course of action and it is very seldom used as a first course of action.

Mr. Hallgrimson himself said he does not understand why it is that this one specific example of management telling a person that he should be doing a job other than he was doing, and then, because that person, failing to obey a direct order, was suspended for three days, that the whole operation should take that suspension onto themselves. Under a normal course of events that would not happen, even if the management was wrong in their approach; even if it could be proven by the union or by any arbitral board, that the manager was clearly wrong, it would not precipitate a walkout of that nature. It will only precipitate a walkout of that nature if the persons who are walking out believe that in fact they are not going to get a fair hearing, or they believe in fact that this is part of a larger situation that is creating pent-up frustrations and pressures that they have to release. These are very serious matters; they are not taken lightly by any individual, neither management nor the work force. They are not ill-considered and ill-advised for the most part. It's not to say that from time to time there isn't a spark that sets something off; that does happen.

However, in this case, where you have a series over a short period of time it is far more than a spark. The labour relations in that plant are deteriorating, there is no other way to phrase what is happening; they are deteriorating to the point where individual workers and workers, as a collective group, decide that they must take rather precipitous and rather aggressive action in respect to making their viewpoints known.

So I hope that there will be a thorough investigation of why these walkouts are occurring, not for punitive reasons, but in order to determine how the labour relations climate can be improved. That's what we want to see happen — everybody. Management wants to see that happen; the workers want to see that happen. Nobody likes losing a day's pay or three days' pay; nobody likes walkouts or wobbles; they only take them because they feel they are necessary. I'm certain that the workers themselves want to see the labour relations climate improved to the point where they are not necessary. So that is the type of action that we would hope would be undertaken.

Mr. Hallgrimson in his comments, said that the walkouts are an irresponsible action on the part of the workers, and said that they are irresponsible because the walkouts are clearly illegal, that they are a violation of the contract. I hope I'm not distorting his words; I don't believe that I am. Since they are a violation of the contract, can Mr. Hallgrimson indicate what action management will be taking in respect to dealing with that violation of the contract?

**MR. HALLGRIMSON:** I believe in all cases that warnings have been issued to the employees who did

walk out. I think in the case of the pulp and paper mill the company itself has filed a grievance.

**MR. COWAN:** Is the company seeking any moneys from the union?

**MR. HALLGRIMSON:** In that grievance, part of that would be seeking recovery of damages that have been suffered.

**MR. COWAN:** Mr. Hallgrimson indicates that grievance does in fact, have a consideration for damages contained within it. Is that the only grievance where damages are being . . .

**MR. HALLGRIMSON:** That is the only one that has been filed so far.

**MR. COWAN:** But there may be other grievances where damages will be considered as well.

**MR. HALLGRIMSON:** That could be.

**MR. COWAN:** Could, in fact, these wobbles be symptomatic of the type of insecurity which the Member for The Pas spoke to in his remarks earlier, arising out of public comments that the operation of the plant is being looked at in respect to possible changes?

**MR. HALLGRIMSON:** I have never heard of that being advanced as a reason.

**MR. COWAN:** Has Mr. Hallgrimson asked individual workers in the plant if they are feeling the pressures that will normally accompany such a stressful change as a turnover in ownership, or a change in the nature of the operation?

**MR. HALLGRIMSON:** No, I have not.

**MR. COWAN:** It might be something worthwhile doing, because I think that any psychologist — and I'm not a psychologist — will tell you that when you have a change in one's life that it does in fact create stress, and that stress does in fact exhibit itself in many different ways, some of which cannot be directly related to the stressful situation. We may have a problem that I believe the Member for The Pas addressed earlier, in that the uncertainty which is being created is in fact exhibiting itself in this particular way.

I would also hope that when dealing with these walkouts, the company would take a preventative stance rather than a punitive stance. If grievances are put in that demand damages from the union, if warnings are given to all the workers, that is a punitive approach. That is saying, "We are going to punish you for an action that you have taken". If one believes that the action that the worker has taken is in fact irresponsible, then that approach is more valid in their own mind than another approach.

However, if one believes that the action that the union and the workers have taken — and I shouldn't say the union, the action that the workers themselves have taken — is symptomatic of frustrations and symptomatic of a deteriorating labour relations climate, for whatever reason, then one should take a preventative approach. That preventative approach

can in fact mean going into the plant and asking people why it is they are taking such stringent and strong action in respect to situations which, in the past, would not have precipitated that type of action. I hope that is the stance that will be taken because I can tell you, from past experience, that a punitive stance will only create more frustrations; that a punitive stance will only create a worse labour relations climate than already exists; that a punitive stance will be in fact self-prophetic in that there will be more of this type of labour unrest in the future.

On the other hand, a preventative stance may in fact clear up some of the problems which are being displayed very graphically by these wobbles and walkouts. I don't say that it will necessarily, there is always a chance factor there, but it is certainly a much better approach to take in my mind if one wants to build a stable labour relations climate. If one wants to punish, then I question why they should want to punish, however, that is their choice in the end. I also think that the influence of the uncertainty that has been created by public announcements in respect to the future of ManFor should be very clearly investigated in great detail as to whether or not they are in fact, causing some of the problems that we see happening at that plant.

I believe in the past we have discussed this matter. I missed the first part of the Member for The Pas' comments. I don't know if he mentioned it, so I'll be very very brief. I think another way in dealing with this sort of a problem is to place workers in a position of responsibility within the organization itself, and we're talking now about workers on the Board of Directors. Industrial democracy is a catch phrase that has been used to in fact explain this process. But with a worker on the Board of Directors that can provide information to the work force, a person that is trusted by the work force, I might add, you may be able to in fact alleviate some of the fears that are occurring right now.

Earlier Mr. Hallgrimson said there are rumours on the street about what is happening to ManFor, about labour relations in ManFor, about the whole situation at ManFor. Well, those rumours are there because there is a vacuum of fact; there is a vacuum of information. I realize fully that there's only a certain amount of information that can be given out at this time. I might disagree with the amount of information which is being given out by the government at this time. I may think that more information should be given out, but I do recognize that there are some limitations on the amount of information that can be given out. But what I do see happening is the wrong information being given out, because where there is no information that is being provided by official sources, there will be information provided by unofficial sources. We all know that; there's no doubt in anyone's mind that is the case. Where there is a vacuum something shall rush in to fill that vacuum and that's exactly what's happening.

With a worker — or a number of workers, even better yet — on the Board of Directors you would have a pipeline, a conduit for information back into the workplace, which then spreads from the workplace out into the community at large, which would provide accurate information from a trusted source. It would tend to dispel the rumours; it would tend to work against that which is happening in

respect to the widespread promulgation of rumours in the area.

We've talked about it in the past; we'll probably talk about it again in the future. I'm not certain whether it will be from a more positive position or not, however, we do think that is one way in which the rumours can be dealt with, as well, some of the tensions can be reduced. I think that's what we're seeing in the plant right now, is a number of tensions for a number of reasons. Anything at all which can be done to reduce those tensions will in fact benefit the management, will in fact benefit the workers and, because we're dealing with a Crown corporation, will in fact benefit all the province. So we certainly encourage the corporation to take that sort of action very quickly and in a decisive way.

Crown corporations create certain expectations, that they will be better employers. One of the reasons, in many instances, for having Crown corporations is so that you do have a better employer, although there are certainly other reasons which have to be considered as well. So when one takes a comparative analysis of what's happening at ManFor and what's happening at other private sector industries in that particular sector, one has to remember that more is expected of ManFor, that ManFor has more of a responsibility, therefore, to make certain that the labour relations climate is one that is positive and one which is productive. We want to see that happen; we want to see the causes of walkouts and wobbles be addressed at a more basic level before the frustrations build up to the point where we have this sort of activity.

So I hope my comments have been of some value to Mr. Hallgrimson and of some value to the company as a whole and I hope that they do, in a very thorough way and in a very speedy manner, investigate what it is that is in fact causing this sort of labour unrest and that they take the preventative approach rather than the punitive approach.

**MR. McBRYDE:** A couple of specific questions to Hallgrimson and it is our hope to finish up before 12:30, Mr. Chairperson. To Mr. Hallgrimson, has Mr. Hallgrimson or the Board of Directors asked the government if they could see copies of the feasibility study that was done and has not been shared with them yet?

**MR. HALLGRIMSON:** Yes, I'm trying to think specifically, I think there have been requests to the Minister that the report or whatever it is be made available to the Board of Directors.

**MR. McBRYDE:** And what was the Minister's response?

**MR. HALLGRIMSON:** He indicated that it would not be possible.

**MR. McBRYDE:** Has Mr. Hallgrimson or any members of the Board of Directors of ManFor or senior management been asked to be involved in any discussions with private companies that are interested in the purchase of ManFor?

**MR. HALLGRIMSON:** No.

**MR. McBRYDE:** Has Mr. Hallgrimson or the board requested that the Minister, (1) let them know the

state of these negotiations and, (2) have them involved in these negotiations?

**MR. HALLGRIMSON:** There have been discussions with the Minister in which he has apprised the board of the current state of negotiations but not in any detail but in a general way.

**MR. McBRYDE:** Mr. Chairperson, my colleague for Churchill talked about involving workers in the decision-making process to ease the problems that are caused by the uncertainty of what the government action is going to be. From what we learned this morning, I would think that the Board of Directors and the management would be in a similar state of uncertainty because the government hasn't been willing to even share their feasibility study of the proposed changes in the operation with them.

I would have one final question to direct to the Minister who is not here but I want to get it on the record anyway. I would like some assurance from the Minister that ManFor will not be sold until after the next provincial election, so that question will be on the record, Mr. Chairperson.

**MR. CHAIRMAN:** Statement (1) — pass; (2) — pass; Statement (3) — pass. The Manitoba Forestry Resources — pass.

Committee rise.