

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT

Thursday, 20 June, 1985

TIME — 10:00 a.m.

LOCATION — Winnipeg, Manitoba

CHAIRMAN — Mr. Ashton (Thompson)

ATTENDANCE — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Harapiak, Kostyra, Schroeder,
Storie

Messrs. Adam, Ashton, Gourlay, Johnston,
Ransom, Santos.

APPEARING: Murray O. Harvey, Chairman of the
Board

J.B. Sweeney, President and Chief Executive
Officer

MATTERS UNDER DISCUSSION:

1984 Annual Report - Manfor Ltd.

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MR. CHAIRMAN: The committee will come to order. We are continuing discussion on the Manfor Report. The Honourable Minister.

MR. J. STORIE: Mr. Chairperson, Tuesday, we took as notice a number of questions regarding the Prendville sale, and a number of other questions. The chairman has a number of answers to the questions that were asked.

MR. CHAIRMAN: Mr. Harvey.

MR. M. HARVEY: With respect to the Prendville sale - I believe it was either Mr. Ransom's or Mr. Gourlay's questions, or a combination of the two - the first question by Mr. Ransom: was consideration given to waiting for the lease to expire as opposed to the purchase? The answer is yes. It was thoroughly investigated by Mr. Jonas who determined that if Prendville could not sell, he would start up his mill in order to protect his quota. The quota that Mr. Prendville had, had a review date of April 30, 1985, at which time it was understood that if he had cut 80 percent he would lose nothing, but he could continue the lease at a reduced quota if his production was less than 80 percent. The amount of the quota would be determined by how much less than quota he was cutting.

Mr. Jonas also found out if someone else were to buy the lease during the last two years of the review period, the production review date would then be five years from the end of Prendville's date or April 30, 1990. He also determined that there were two contractors interested in the quota - I gave you the

name of Spruce Products, that was an error, I was thinking of Spruce Products with respect to something else - but two local Cranberry contractors.

Jonas felt that Prendville would not let his rights to the quota expire. He also felt that either of the two contractors involved could reasonably expect to get bank financing and buy the quota. If either did buy the quota, the chance for us to get the most desirable wood, which is the larger stands, would be marginal because it would go to their own mills.

The second question requested was: was the price negotiated? The answer is yes. The original asking price was \$950,000.00. The purchase was at \$700,000.00.

They also asked who initiated the contact with regard to the lease. Contact was initiated by Prendville, not once but three times, once in the late 1970s, once in 1982, and again in 1983. As I understand it, he moved his mill from the Atik site to the Cranberry site when we didn't follow up on his offer in the late '70s.

It was also asked what Prendville's volume was at the time of the purchase. To Mr. Jonas' knowledge, he had cut something like 1,000 cords in anticipation of starting his sawmill up in the spring of 1984 if the sale did not go through. He had shut the mill down because of markets in '83. One of his principal customers was the mines. They buy a lot of timber from him and, of course, they weren't buying at the time either.

Mr. Gourlay also asked: what kind of a sawmill did Prendville have? According to Mr. Jonas, the mill was moved from Atik, but there were some new additions made to it. We wouldn't like to judge somebody else's mill, but it would be described as a reasonable mill. It wasn't a new mill by any means.

Our experience to date with the quota indicates that if we take wood to replace the wood, if we're to have to take that wood from our own rights, we would have to go to the far reaches of Kissinue or Conlin, and to obtain that kind of wood the difference in savings is approximately \$25 a cord. It might be slightly higher than that. That was the projected one, but the difference between taking the wood from the Prendville quota and from a place like Kissinue at the moment is about \$25 a cord, mainly transportation costs.

We have recovered about \$400,000 in savings - Mr. Jonas' estimate this year are based on that kind of savings per cord and probably would recover the rest - sorry, that would be last year - and would probably recover the rest in this current year.

MR. CHAIRMAN: Mr. Ransom.

MR. B. RANSOM: I'd like to ask a couple of questions that followed on where the discussion was when we finished on Tuesday.

First of all, Mr. Harvey had indicated that there were going to be - if projections held - a \$17 to \$18 million loss this year. How did that compare to the projection for this year?

MR. M. HARVEY: Mr. Chairman, we had hoped to get to a cash break-even position this year. Based on the

projections that we were using - I think you've heard me refer to the 10-year model - the model performed faithfully up until this particular year, and we had based our projections mainly on our appreciation of the market as we could see it then at budget time, and our experience with the model. I believe it was a cash break-even position and about a \$3 million loss, something in that area.

MR. B. RANSOM: The options that the government and the company had looked at in terms of investment to make the operation more viable, those ranged I believe, if I recall correctly, from approximately the \$40 million option that was selected on up to some that were in excess of \$300 million. Which of those options would have been considered to be the most likely to succeed as far as making the operation viable, aside from considerations of whether the government felt they could put up that amount of money or not? Was there one of those other options of greater investment that would have been considered to have a better long term prospect of keeping the operation going?

MR. M. HARVEY: Mr. Chairman, through you to Mr. Ransom, all the other options required us to go to a bleached product. At the time the decision was taken, there was a fair amount of concern about the capacity in the bleach product, and it appeared to go to bleach would not be a useful alternative at this time. That's one of the reasons we stayed in brown paper, in fact, probably the main reason we stayed in brown paper, and tried to establish some kind of a return to our position as a specialty producer of stress paper. But I guess to answer your question directly, the bleach options, all of them, did not seem appropriate because of the existing capacity in the industry.

MR. B. RANSOM: Does it follow from that, that the best option for the plant then, for Manfor today, lies with simple utilization of the plant that's in place on a more efficient basis? Or is there today an option for greater investment that would improve Manfor's chances of survival?

MR. M. HARVEY: Mr. Chairman, when we put the option in we indicated that, in the short term, the preference was to stay with brown paper, increase the efficiency of the existing plant, if you wish, but we indicated that it wasn't necessarily the long term for the plant.

I would guess that the most immediate possibility - and these are just possibilities - would be something that would increase the economy of scale at that plant. We have a fairly large fibre base, I believe we are taking about half of the allowable cut. We have some possibilities in the aspen stands that are in our own limits and just outside of them.

So the next thing that could be looked at would be some kind of increase in productive capacity at the paper mill. My only other concern would be that it would have to be done once the market indicates what the capacity already there would be. So we are still in kind of a conundrum with respect to capacity but the potential of the mill, if I get the sense of your question, is certainly not reached. We have a defensive strategy in place at the moment.

MR. B. RANSOM: Well, the sense of the question that I am trying to determine from Mr. Harvey is, would an investment of \$300 million, to double the capacity of the mill and change the product, make it more viable as an operation in the long run; or is he satisfied that it is a question of, as he said in his letter of transmittal that new and innovative ways of controlling costs will have to be the next chapter in the company's history; if this firm is to survive? Does its best chance of survival lie with new and innovative ways of controlling costs or might it lie with a very substantial investment to expand and change the product?

MR. M. HARVEY: Mr. Chairman, through you to Mr. Ransom, I think essentially it depends on both. It was not my intention to imply in my statement that the only thing left to do was to control costs. I think that's a reality of life in the industry as a whole; that if our costs aren't controlled, if we can't get the productivity levels that we need, we already have some indication in the international market that we can't compete.

So the first order of business is to get our costs under control. I think almost all forest products companies at the moment are engaged in that. But that doesn't lose sight of the possibility, in fact probably, that we will have to look for new and innovative ways of attacking the market as well, so that we might need to go into a white paper. There is a lot of talk right now about coated paper. Those are the kinds of things that we also have to indicate. It was not my intention to say in that letter of transmittal that the only thing we have left to do is to control costs, but it is the most important thing we have to do at this time.

MR. B. RANSOM: On Tuesday, I believe Mr. Harvey indicated that the government would be amenable to private sector involvement, and perhaps it might even be said that they were looking for that kind of involvement but not very actively. If you were considering private sector involvement then, would it be on the basis of simply selling an interest in what is there or seeking to have a private sector partner invest additional money in the operation again to expand and change the product?

HON. J. STORIE: Well, I don't think we have ruled out any option. The possibility, I suppose, always exists. The member knows that they took a number of years looking for private sector involvement of one form or another and were not successful. I understand that the Saskatchewan Government is currently looking for private sector involvement in one of their mills in northern Saskatchewan without much success. I don't think we could rule out either scenario.

I think Mr. Harvey's given a pretty good overview of the potential we feel is there with respect to the current upgrading. I could certainly foresee some interest in the current operation, but I think it's clear as well and I believe firmly that it is not good business sense to sell a house and not have it painted, looking good and in good structural shape. The last three years have seen a lot of those kinds of improvements into Manfor.

We have improved our product, improved our productivity, have a product that is now, by virtue of

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its quality, alone in the market virtually, and I think have a much more saleable product and a product that outside private industry people would be interested in. So nothing need be ruled out.

On the other hand, as I've indicated and the member acknowledged yesterday, there would have to be a close look at the long-term intention and the commitment, because it is an important asset to not only the community of The Pas but the other communities in the area.

MR. B. RANSOM: It seems to me, Mr. Chairman, that to simply have private sector involvement, say, to sell the present operation to the private sector would invite the possibility of it not continuing to function whereas, if you can get some private sector partner to invest very substantial amounts of money in it, that would be the very best guarantee that the people of The Pas and the employees and everyone else would have that the corporation would continue to function.

That's why I'm asking these questions, because we're interested in seeing the corporation have a viable future. We recognize that the chairman himself raises the question in his letter of transmittal. So everybody realizes that there is a problem, and it's a great cost at the moment. So I am trying to determine what kind of private sector investment might go furthest towards guaranteeing - in the sense that there are any guarantees - that Manfor would continue to operate?

MR. M. HARVEY: Mr. Ransom, I'm sure you are aware that there are other reasons why a private sector investment, a partner, would be beneficial to the company. Integration is one, marketing ability, financial depth, all of those things which would be desirable for us would be available to us if we could interest the proper people in some sort of an arrangement.

I guess I would say as chairman of the board, my primary interest is to see the thing succeed, and all of these ideas are important. What we have now is a mill that has got a very narrow product line. We have a good product line, and we think we're on to some good market future with these product lines, but we are also not able at the moment to capitalize on some of the other things we have, such as the total wood fibre base.

I wanted to tell you also that most of the expenditures in the pulp mill are items that are usable in bleach as well, so we are not committing ourselves to something, although we want to assure that our customers in brown paper don't think that we are going to change on them either.

So what we are really looking for is a way to get enough investment in there to get some economies of scale and to utilize the wood that is in the area in the rights in the best possible way. I think all of those options need to be considered. I agree with you, if we can get that, that will make the mill's future that much more secure.

MR. CHAIRMAN: Mr. Gourlay.

MR. D. GOURLAY: Thank you, Mr. Chairman.

I thank the chairman of the board for bringing back the information we had requested regarding the Prendville timber rights. However, I am still not satisfied

that Manfor needed to put out \$700,000 for these timber rights at a time when they have admitted that the economy is slow. It doesn't look all that bright in the months ahead according to the chairman.

I'm wondering, who did the negotiation for Manfor with respect to obtaining Prendville's rights, other than Mr. Jonas' name was mentioned. Was he the only one involved in the negotiations?

HON. J. STORIE: Mr. Chairman, the decision was made by the Board of Directors of Manfor in the first instance.

In the second place, I think the suggestion that the honourable member is making is erroneous. I think Mr. Harvey dealt with the facts of the matter. In the second year, since that purchase, the costs have essentially been recovered to Manfor. Henceforth, benefits will accrue to Manfor in the millions of dollars. So to suggest that somehow this was not a good purchase or not in the best interests of the company is folly, inaccurate and silly.

MR. D. GOURLAY: Well, I don't accept those remarks for one moment. It was indicated that there were two local contractors in the Cranberry-Portage area that might be interested in these timber rights. These are, as I understand it, very large timber quotas. At a time when the market is depressed, and by Manfor's own admission, the markets haven't been great, what market potential would two local small contractors have for investing the kind of money in these timber rights?

HON. J. STORIE: In the first place, we are talking about a quota that was purchased by Manfor of \$700,000.00. The commercial value of that timber is in the many millions of dollars.

Both of the individuals, at least to my understanding, have been involved for years, have dealt with purchases of quota before and certainly have the capacity to do that.

So it isn't out of the question at all. It would have been a good purchase for anyone; it was a good purchase for Manfor; it made sense; it is good for the company. It fits in with our strategy to be able to supply large logs and improve the sawmill production and performance. It was a good purchase and a good decision made finally by the board of directors.

MR. D. GOURLAY: Mr. Chairman, the only logical company that could have dealt with this kind of volume is Manfor. It is right in their backyard. I don't see why they had to rush into this \$700,000 purchase when they did.

It was indicated the other day that Manfor had sufficient supplies in the area. Being a Crown corporation, they would have had, no doubt, a good opportunity to purchase the cutting rights or have them assigned to them at some later date.

The chairman of the board has indicated that the sale was initiated by Prendville on three different occasions. I don't fault the Prendville company for wanting to sell their rights for the sum that they did because they were in a difficult situation with respect to the economy. No doubt they were desperate to sell.

However, I don't think this is reason for Manfor to jump into purchasing these rights at \$700,000 when

they could have waited it out and perhaps purchased these rights at a much lower figure even one year or two years down the road. I don't see Manfor's role in perhaps trying to bail out Prendville, it may have been it found itself in an economic bind at the time. That is what it looks like has happened, to me.

HON. J. STORIE: Mr. Chairperson, there is certainly no bail out of Prendville. I think we have indicated that what the company had was a very valuable lease, a value piece of property. I think the chairman of the board has already indicated that there were a number of benefits to Manfor, not the least of which was the availability of saw logs of significant size and value that would have had to have been taken from other areas quite remote to Manfor.

So the bottom line for Manfor is a significant saving, in the millions of dollars and, again, to suggest that it would not be feasible, first of all, for Prendville to find another purchaser is I think wrong.

Second, the suggestion that we wait it out is also wrong. I think the chairman indicated very clearly that a number of scenarios could have allowed that to continue for many years. As the member knows, the chance you take in waiting, of course, is that the market turns around and it becomes much more valuable. In fact, in terms of lumber, that's what has happened, we have a much better lumber situation today than we did six months ago even. So the value of that quota obviously fluctuates with the value in immediate terms of the price of, in this case, lumber.

So it was a good deal all around, and it was a wise decision. We can always second-guess and say you should have waited or you shouldn't have waited. What would the member be saying if we had waited till this time and had to pay double that to get the required benefits? It was timely and it was appropriate and it wasn't done in haste or without due forethought.

MR. D. GOURLAY: Well, I don't intend to pursue this at length, but I am not convinced for one moment that Manfor had to pay this kind of money at this time. Sure, maybe two years down the road they would have had to pay more for the same timber rights but, under different circumstances and perhaps better markets, who knows? But the chances also were there that they could have picked up these timber rights at a much reduced price.

HON. J. STORIE: Mr. Chairperson, in business terms, I suppose, when you can recoup your investment in two years, you haven't done that badly.

MR. M. HARVEY: I just would like to remark on the question of markets. This purchase was made in February of 1984. At that time, we were in a rising market, beginning to see the rising market, in fact, our statement shows that. I think the other times that he approached us, it may not have been the same thing, but I just wanted to note that the date of purchase was in February of 1984, and that markets looked like they were coming back at the time.

MR. D. GOURLAY: In any case, Manfor is the only mill in place that really logistically could have handled this

kind of operation. It was fairly close to them. There are no other operators in the area that could have handled this kind of volume, not likely. I think that the decision to purchase Prendville's rights at \$700,000 was in haste and certainly could have waited.

MR. M. HARVEY: Mr. Chairman, I don't accept that it was in haste. I think it was studied, it was a conversation that took place over several years. Those contractors in Cranberry are very capable of taking on that lease and using the timber in their own mills, the saw timber and getting rid of the pulp. On the basis of our Woodlands people there and in appreciation of the situation, the logistics with respect to bringing wood from a far place and the payback, which has been almost totally realized, I don't think it was a bad decision.

We did have some concern about the difficulties of a company dealing with Crown leases but, from a commercial point of view, I think it was a good move. I believe that those contractors could well have taken it on, they've been in the Cranberry area for years. There is a market for mine timber there and the saw timber is quite easy for them to handle.

MR. D. GOURLAY: I wonder if we could get an update on the work situation at Manfor between now and the end of September of this year. What does it look like as far as the operations at Manfor?

MR. M. HARVEY: Our sawmill is back up on two shifts; the planer is also up. It will very likely continue right through the summer and, hopefully, right through as planned. The July shutdown in the pulp mill will go ahead because, although the order book is coming along, we're committed now to a shutdown in July. The loss of the usage of inventory will likely not make any change in the Woodlands shutdowns announced earlier which, I believe, was a 14-week schedule to lower the roundwood inventory back to a level where it should be by September.

So essentially two weeks in the pulp mill, sawmill up and running, planer mill up and running, and the 14 weeks, including a four-week vacation period of course, will be maintained in the Woodlands.

MR. D. GOURLAY: Mr. Chairman, did Mr. Harvey indicate that the sawmill was functioning at the present time, or was it just a tryout to see if the bugs were out of the computer system? Is the sawmill working at all right now?

MR. M. HARVEY: Yes, the sawmill is working on two shifts. We started the second shifts yesterday. We're running about half capacity as we move up the curve in coming back up. We made about 130,000 board feet yesterday, and we planed about 74,000 board feet. According to Mr. Sweeney, who was in the mill yesterday, that's all been sold.

MR. D. GOURLAY: Mr. Chairman, I understand that there was a wildcat strike took place for a day last week, I believe. Can this be confirmed?

MR. M. HARVEY: Yes, that's confirmed. The issue was resolved in about a six-hour period.

MR. D. GOURLAY: Could Mr. Harvey indicate how this came about?

MR. M. HARVEY: Essentially, it was a misunderstanding over our intentions with respect to one job in a particular part of the pulp mill. The individual believed that his job was being phased out and when we pointed out that the job was contained in this year's budget and next year's budget, the issue was essentially resolved.

MR. D. GOURLAY: So the mill was shut down for how long?

MR. M. HARVEY: About 14 hours.

MR. D. GOURLAY: And this job in question, what were the terms of reference for the job or the classification? What was it identified as?

MR. M. HARVEY: The job in question is a bulk unloading job, and it has to do with moving salt cake from cars to the storage places that they keep the salt cake in. We were looking at some changes in that area to increase efficiency.

MR. D. GOURLAY: So, in fact, was the job being considered to be phased out?

MR. M. HARVEY: No, the job was not to be phased out; it was to be changed a bit, but not to be phased out.

MR. D. GOURLAY: Did the changes involve reducing a position of some sort there?

MR. M. HARVEY: No, it didn't involve reducing a position, it involved the way the position was being used and the amount of overtime being generated, that kind of thing.

MR. D. GOURLAY: Just recently there was an article in the Free Press regarding a very serious budworm problem on the jack pine. This problem was very evident in 1984. I understand that there was a spray program in place ready to go last year, but it was scrapped at the last minute by the Minister. Could the Minister verify this?

HON. J. STORIE: No, Mr. Chairman, I cannot verify that. The member has two issues confused. The jack pine budworm infestation, which is in the Easterville-Moose Lake area, has been recognized and the Department of Natural Resources was recommending some action this year. They are predicting some losses that would have a pretty severe impact on the operations of the Moose Lake Loggers, but that decision, because it's standing timber, is a decision that is made, by and large, with the Department of Natural Resources.

The issue that the member is referring to dealt with a test spray program that was being reviewed by Manfor, but it had to do with our reforestation efforts. As the member knows Manfor has been spending increasing numbers of dollars on reforestation, as they should, as part of a Canadian effort to reforest our cutover

areas; and one of the ways of ensuring that reforested areas survive, something that has been used in other jurisdictions is chemical sprays, in this case, Roundup - the chemical spray, Roundup - which is quite familiar to the member and anybody who is from a farming community.

The intent of the spray program was to see what impact spraying had on the regrowth of reforested areas. As you know, there is a lot of competition between species and obviously, when you are spending money reforesting, you want the product species to survive and using chemical herbicides is one of the ways of doing that.

It was, as I say, a test spray program only, going to be conducted on a small number of hectares, and because there had been no consultation with communities in the area the public had concerns about what was going on and what it was to be about. I did suggest that it would be appropriate to put a hold on it for a year while the public reviewed the issues.

A committee was set up in The Pas - and this isn't something that's not public knowledge, it's an issue that was reviewed extensively in the press and the media in Northern Manitoba - a committee was set up, established, various interest groups were represented; they reviewed the plans of Manfor; they reviewed the specifications and the properties of the chemical that was being recommended and have subsequently said, yes, the test spray program should go forward, given a number of safeguards in testing, monitoring to make sure that what is planned in terms of the use of the spray, it is actually the result; that there is significant benefit in terms of regrowth. So that was a separate issue.

MR. D. GOURLAY: I thank the Minister for that answer. I wonder, though, was there a problem identified last year with respect to the budworm?

HON. J. STORIE: Yes, the Department of Natural Resources has been aware of the Jackpine budworm potential problem for some 10 years, I believe.

MR. D. GOURLAY: In the event of a controlled program undertaken, would the cost be borne by the Department of Natural Resources, or would this be a cost picked up by Manfor?

MR. M. HARVEY: The mature growth, the trees that are being attacked by budworm, that is the responsibility of the department. It is our responsibility, Mr. Gourlay, to look after our new plantation, which is what the Roundup would be used on, so the costs of using Roundup to protect the young trees from aspen overtaking them would be our cost; the budworm control program would be the cost of the Resources Branch.

MR. D. GOURLAY: Mr. Chairman, I believe I had asked for some information with respect to an item on the Financial Statement.

MR. M. HARVEY: Yes, I have it here, Mr. Chairman. That was a GNA Statement, you were asking about general administrative costs, Mr. Gourlay.

There was an increase around \$900,000.00. The major items that increased were communications, mainly due to the upgrade; we had more travel and more marketing promotion; there was some employee training with respect to the upgrade of some fire protection systems repairs; there was an increase in directors' expenses due primarily to more meetings; professional fees were up, that includes legal audit, counselling, some reports that we had done; business and property taxes were up; and salaries, wages and benefits were up, principally because of an extra week in that year; a 4 percent general increase in salaries and wages and benefits; and, of course, we operated most of the year previously without a president, and we added a director of marketing this particular year.

MR. D. GOURLAY: I wonder, could we have the amount of remuneration paid to the directors.

MR. M. HARVEY: The directors are paid \$150 per diem, and if there is a considerable amount of material to review before the meetings then we allow a half day for that, and there has been in the last year or so. They also recover their travelling expenses.

MR. D. GOURLAY: I believe the last day we met - the value in rental housing went up by \$59,000, and I believe the answer was, this was a purchase of a house that is now lived in by the president. How much money was spent on renovating this house?

MR. M. HARVEY: Mr. Chairman, Mr. Sweeney says it is in the order of several thousand dollars, but certainly not a great amount. It was carpets, drapes and things like that.

MR. D. GOURLAY: Is that figure available?

MR. M. HARVEY: I don't believe we have it with us. We would have it, but we don't have it with us.

MR. D. GOURLAY: You say in the neighbourhood of several thousand dollars, would it be over \$50,000.00?

MR. M. HARVEY: Mr. Chairman, I think Mr. Sweeney meant several, by referring to under 10.

MR. D. GOURLAY: So the total renovation bill was less than \$10,000.00?

MR. M. HARVEY: That is what Mr. Sweeney says, yes, and I believe that is correct.

MR. D. GOURLAY: What about new furnishings?

MR. M. HARVEY: I believe there were some furnishings purchased when Mr. Sweeney first came on board. They were put in his suite and they were moved to the new house.

MR. D. GOURLAY: So the furnishings that were in the corporate suite were then moved to the rental house?

MR. M. HARVEY: That is correct.

MR. D. GOURLAY: With respect to the modernization of the plant, I believe it was indicated there was some legal suit under way with respect to part of the construction. With respect to the modernization, who was the general contractor, or was that looked after by Manfor itself?

MR. M. HARVEY: Mr. Chairman, that matter is before the courts, and we would prefer not to answer any questions on it at this time.

MR. D. GOURLAY: I appreciate this is before the courts, but can we not have the information as to who was the general contractor involved in the modernization project?

MR. M. HARVEY: There was no general contractor of the overall project, if that is Mr. Gourlay's question. No, there were several contractors involved, and our own crews, I suppose, our Engineering Division would be acting as general contractor.

MR. D. GOURLAY: Who is involved in the lawsuit then?

MR. M. HARVEY: It's Kraft Construction, Mr. Gourlay.

MR. D. GOURLAY: Against who?

MR. M. HARVEY: It is Manfor and Kraft Construction.

MR. D. GOURLAY: It is dealing specifically with the concrete installation or are there other things involved?

MR. M. HARVEY: Not entirely, but basically.

MR. D. GOURLAY: Supplying of the concrete, was that tendered out?

MR. M. HARVEY: I have been advised not to answer any more questions on the Kraft Construction matter because of where it is at the moment in the courts.

MR. D. GOURLAY: We can't have the information with respect to whether tenders were called or not for concrete? I don't see where this really would affect any court case.

MR. M. HARVEY: It would be up to Kraft Construction, if they wanted to give you that information.

MR. D. GOURLAY: The other day I believe Mr. Harvey indicated that Manfor was employing some 800 people at their plant and that they spent something like \$1 million in taxes to the Town of The Pas. What were the other figures? I believe, was it \$33 million in . . .

MR. M. HARVEY: This a 10-year accumulative figure I'm giving you: corporate capital tax, \$1.5 million; payroll tax, \$769,000; mining and use tax, \$1.7 million; automotive fuel tax, \$1.4 million; and provincial sales tax on operations, and this is an estimate, Mr. Gourlay, \$11 million; interest, which was the payment of interest on the money from the province, \$33 million; and the employee deduction remittance, Province of Manitoba

share of personal income tax, \$19 million - that is a 10-year accumulative.

MR. D. GOURLAY: I would suggest that this represents that Manfor is a very good corporate citizen not only for the province, but for the Town of The Pas. Would the Minister not agree to that?

HON. J. STORIE: I don't think I can disagree with that, no. I'm pleased to hear the member say that.

MR. D. GOURLAY: I wonder then, why would Manfor want to make a donation of \$5,000 to an arena in The Pas when they are already looking at an \$18 million deficit in this current year. Why would the corporation feel obligated when they are already being a good corporate citizen, why does the Manfor corporation feel that it has to give a donation of \$5,000 to The Pas for the arena?

HON. J. STORIE: Mr. Chairman, I suppose that, like any corporation, they have a budget, and as the member probably knows, all businesses in a community get requests from charitable non-profit organizations to support various events, facilities in the community, whether you are Manfor or Chicken Delight. There is a small budget for that, and like any other company, they provide those kinds of small donations to support community projects. I remind the member that they are indeed a good corporate citizen and they are viewed as a corporate citizen by the people of The Pas. From time to time, requests were made for donations.

MR. D. GOURLAY: I think that the people also recognize that the company is in trouble financially and would like to see it improve its bottom line. In comparing it to Chicken Delight, or what have you, I don't think Chicken Delight would be giving a donation if they were running a serious deficit. I would suggest that the people would certainly understand if no donations were being provided at a time of obviously economic downturn and the Minister may say that \$5,000 is not very much money. I think it is a very healthy donation, especially at a time when the company didn't have any money. It was coming out of the taxpayers' pockets.

HON. J. STORIE: Mr. Chairperson, I have no major problem with the member's comments. He would be pleased to know that a decision was made shortly after that not to provide those kinds of things. The member is again partially right when he suggests that is part of our message, one that we've been promoting and one that has been supported, by and large, by people in The Pas, that there has to be a concerted effort at all levels from all people interested in reducing costs and making this a more successful corporation. The member should be happy to know that's one of the initiatives, I suppose. Small as it may be it's, I suppose, symbolic too.

MR. D. GOURLAY: I wonder if the Minister can confirm that there were other donations made of some \$1,225 for prize money to the Trappers' Festival, which was an increase of \$500 over the previous year. I believe this was made in January of 1985. Also, I wonder if

the Minister can confirm that \$1,200 was donated to the Husky's Hockey Club in The Pas; and I wonder if the Minister can also confirm that \$100 donation was made to the Société franco-manitobaine.

As I indicated earlier, we had a budget for public relations. I am not aware of the last item. We had a budget for public donations which subsequently we indicated that we would not be making any more public donations. We have been donating to the Trappers' Festival for several years. If there was an increase, undoubtedly the Trappers' Festival came, as they did to all the businesses in town, and asked for additional sponsorship. The Husky's one I was aware of. But as the Minister has already indicated, we have said we would not be making any more donations to the community until such time as the company was beginning to recover from the circumstances it finds itself in.

The last one, I have no knowledge of. I would have to check on it.

MR. D. GOURLAY: I wonder if we can be provided with a breakdown of all the donations that were made by Manfor during the past year.

HON. J. STORIE: I don't think we have any problem with that. I presume that the member is a faithful subscriber to the Opasquia Times and that information is made public, certainly. I think the corporation has made a practice of identifying its sponsorship of events, and we'll provide the member with a list.

MR. M. HARVEY: Just clarify the time period please, one year from now or last year or up-to-date, the last 12 months.

MR. D. GOURLAY: I would like for the year-end review ending September 30th, including that year, up to the present time; include the last annual report, in addition, the period up to June of '85.

MR. M. HARVEY: We can get that information to the Minister.

MR. D. GOURLAY: Who would be responsible for paying out the donations to the various organizations?

MR. M. HARVEY: It's under Mr. Sweeney's responsibility, but the person charged with that particular task is the Department of Human Resources. Mr. Clement is in charge of all those public denation kinds of things.

We also have recently struck an External Affairs Committee of the board which is composed of three board members, and we are attempting to put together an external affairs strategy so that our relations with the community and the general public in the areas that we work in will be as beneficial to the company as they can be.

MR. D. GOURLAY: Mr. Sweeney would not recollect the donations that have been made this past year?

MR. J. SWEENEY: Mr. Chairman, I am not aware of any other donations, other than those recited by Mr.

Gourlay. There may have been, but they would have been minor and I'm not aware of them.

MR. D. GOURLAY: So that Mr. Sweeney does recall a donation to the SFM?

MR. J. SWEENEY: No, Sir, definitely not.

MR. D. GOURLAY: Is Mr. Sweeney saying there wasn't a donation made?

MR. M. HARVEY: No, he's saying that he doesn't recollect. He's saying exactly as I did, that he doesn't know of a donation being made to the Société franco-manitobaine. We said that we would try to determine, but neither one of us is aware of that donation.

MR. D. GOURLAY: To move on to another area, I would like to ask Mr. Sweeney if he maintains a staff in Montreal.

MR. J. SWEENEY: Mr. Chairman, Mr. Gourlay, we do not maintain a staff in Montreal. We do have a sales agency in Montreal.

MR. D. GOURLAY: I came across a receipt signed by Mr. Sweeney for a luncheon with a Montreal secretary for services rendered. I wonder if Mr. Sweeney could explain what that's about.

MR. J. SWEENEY: Mr. Chairman, Mr. Gourlay, because of the fact that we do maintain our contacts with the industry at large, I have put in a receipt, I believe, for a luncheon for my ex-secretary who forwards to me items pertinent to Manfor. Montreal is the centre of the pulp and paper industry in Canada; Consolidated Bathurst is very large; it's a source of information to me. It pays off handsomely and I had no hesitation at all in recognizing the service she had made to me.

MR. D. GOURLAY: I notice there are expenses over \$1,000 for computer components for Mr. Sweeney's computer in Montreal. I wonder if Mr. Sweeney can explain to us what function the computer that he has at Montreal plays in the role of Manfor.

HON. J. STORIE: Mr. Chairperson, I don't believe this is an appropriate line of questioning for a committee. Mr. Sweeney's expense account is reviewed by the director of finance and by the chairman, and I don't know that the committees were set up to cross-examine the executive officers of our Crown corporation.

Mr. Gourlay has asked a number of questions. I think, suffice it to say, that the expense account of all officers are reviewed. I have indicated publicly in the House that I am satisfied, that the board of directors are satisfied and the chairman is satisfied that the proper procedures and proper process is taken. I don't think it's appropriate and I don't think there is any need to pursue this line of questioning whatsoever. I don't think it is a healthy practice for the committee, nor do I believe it's necessary or valuable.

MR. B. RANSOM: I would point out to the Minister and to the committee with respect to the general

functioning of government, that we have the opportunity through the Public Accounts Committee to review such things as expense accounts of Ministers, Deputy Ministers, whatever, and that from time to time that is done.

That opportunity does not exist through Public Accounts for the review of items dealing with Crown corporations, as I would suggest that this is an appropriate place to ask these questions.

Of course, the Minister, when questioned on a number of items with respect to the corporation in the House, has always said, ask those questions in the committee. We are now in the committee, Mr. Chairman.

HON. J. STORIE: Mr. Chairperson, while it is true that I suggested we could ask certain questions in committee, I don't believe I ever referred to these specific questions. While it is true that the expense accounts numbers are reviewed in Public Accounts, detailed explanations are not required from members of individual expenses. There are global numbers and we are dealing again with intangibles, and we have had a perfect example where a question was related to an individual luncheon.

The question has to be, what is the value of that and what is the purpose of it? Those explanations are due to the board. The larger questions of the policy and direction of Manfor are matters of concern to committee. It has certainly not been the practice of this committee to review expense account items. Despite the fact that I am aware that the Member for Turtle Mountain has such items, it has not been the practice, nor do I think should it be.

MR. B. RANSOM: Mr. Chairman, I just point out to the Minister that in Public Accounts it is possible to seek out specific details with respect to expense accounts. From time to time in going through Public Accounts, that is done. The request can be made to the Minister of Finance to provide all the details of any particular transaction, any item that is listed in the Public Accounts and that's there for a purpose. It's not very often done, but occasionally it is. That opportunity doesn't exist through Public Accounts to deal with the Crown corporations.

I suggest to the Minister that when we are dealing with a corporation that is owned by the taxpayers of Manitoba and, of course, is costing the taxpayers a great deal of money, that questions regarding the expenditure of money, however small or however large, questions asked by the representatives of the taxpayers are in order.

HON. J. STORIE: Mr. Chairperson, I do know that it has not been a practice of this committee to ask for detailed accounts from individual executive officers for their expenses.

Mr. Gourlay has asked on a number of occasions in the House and I have responded. I have indicated that this matter is reviewed, the total expense budget and so forth, and general administration budget has been reviewed more thoroughly than under most corporations. If Mr. Gourlay wants that information, I will certainly make myself available to sit down with him and discuss individual items.

I do not think it is appropriate. I think it leaves an unnecessary cloud of suspicion over individuals. I do not appreciate that and I don't think that it's appropriate. I am perfectly prepared to sit down with Mr. Gourlay and provide any information that he wants on a private basis. I can assure you there is nothing to hide. The best interests of Manfor have been considered, taking into account that is the responsibility of the chairman, and that has been done.

If Mr. Gourlay feels that he has a need to know specific information above and beyond, then I am prepared to provide that because I will have to respect his integrity and use that in the best way he feels necessary.

MR. B. RANSOM: Mr. Chairman, the Minister is doing himself exactly what he is accusing my colleague of. There have been unusual circumstances simply beginning with the size of the contract with the chief executive officer, an unprecedented contract in the history of government.

We are in the committee; we have the opportunity to ask the questions. Mr. Sweeney has the opportunity to answer the questions on the record, not the Minister passing some details privately behind closed doors which leaves exactly the opportunity for a misunderstanding that the Minister says he is trying to avoid. We are at the committee, it's open; it's on the record; and this is the opportunity to answer the questions and to clear the record very openly. I should think that would be an opportunity that Mr. Sweeney would welcome, but he is able to speak for himself obviously.

HON. J. STORIE: Mr. Chairperson, Mr. Sweeney has indicated that he is prepared to respond.

I simply want to state that I do not believe this is a necessary nor acceptable practice in committee. The questions that Mr. Gourlay had could have been answered - not secrets - I was not swearing him to a code of silence. I simply indicated that I didn't believe the public area was the best place to review this particular kind of information because, as we both know, what looks like questionable or unusual items in a cursory review are explainable in the circumstances of the position of an individual and the circumstances of a particular event.

So those individual kind of items I don't think have to be part of a committee. If the member is indicating this is a kind of practice he wants to establish, I don't think it is necessary. Mr. Sweeney has indicated he is prepared to answer questions, and I presume he will do so.

MR. CHAIRMAN: Mr. Sweeney, could you speak into the microphone.

MR. J. SWEENEY: Mr. Chairman, I wish to make it very clear that I have a computer. It belongs to me; it is not in Montreal. There are one or two items that computers require to connect them, for instance, to a telephone. I charged those to Manfor with the permission of the chairman. Those items belong to Manfor. My computer is in The Pas.

MR. CHAIRMAN: Mr. Santos.

MR. C. SANTOS: I'd like to talk about the principle of public accountability, Mr. Chairman.

MR. D. GOURLAY: Mr. Chairman, on a point of order, are we going to be allowed to continue in the area that we are dealing with or are we going to be sidetracked here?

SOME HONOURABLE MEMBERS: Oh, oh!

MR. CHAIRMAN: Order please, order please. I recognize Mr. Santos.

MR. C. SANTOS: Thank you, Mr. Chairman.

The principle in our government is that the elected official who has spent public money has to explain and justify the expenditure. So I think there should be no different rule for appointed officials. No spring of water can rise higher than its source. If those who are publicly accountable have to justify the expenditure of public money, so does the public functionaries who are appointed only and who have no other means of justifying their behaviour as public officials in the performance of their role other than answering to a committee like this committee. That is the only point I want to make and I'd like to make it a public point that this is a good policy.

Thank you.

MR. D. GOURLAY: I appreciate the comments of my colleague, the Member for Burrows, and I would just like to put on the record that if there is any cloud of suspicion created, it has been caused by the Minister, by his diatribe that he has just put on the record.

I am just asking Mr. Sweeney, in his role as president and chief executive officer, whether in fact he did have some staff in Montreal? I don't dispute that maybe they could be useful there, and I did notice an item of expense and he has explained that. There were other items of expenses involving in the neighbourhood of \$1,000 for components for a computer.

I'm just asking whether this computer is tied into information regarding markets, or is it used in the day-to-day operations of Manfor? I think that is a legitimate question to ask in this committee. After all, the taxpayers are paying \$1,000 for the cassettes and computer components, and I think we have a right to know what it is being used for.

Mr. Chairman, my question is: what role does this computer play with respect to the operations of Manfor?

MR. J. SWEENEY: Mr. Chairman, the role of the computer has not played as high a role as I would liked to have had it done because of a surplus of work. The computer is owned by me. I use it to connect to Compu-Serv which is a company providing information out of Baltimore. I had ambitions which have so far been frustrated by a surplus of work. I had ambitions to have it connected to Info-Globe, which as you know would provide me with information from the Globe and Mail on the day it is published. The Globe and Mail arrives in The Pas a day after, or it is available a day after it is published. Because I moved, it has not been connected up to Info-Globe and Manfor has not been charged with it.

I would say further that an ambition of mine is to bring the computerization of Manfor fully into the 20th century. One way to do that is leadership. I have the equipment to do it, no one else had the equipment to do it at that time. The equipment that was bought, and you speak of \$1,000, which I suppose could be correct, is mainly for a printer which is the property of Manfor and may be used by Manfor in any and many of its computer applications.

I find, if I may say so, that over the months from April 27 to June 27th or thereabouts, the opposition has taken Manfor to task and, in fact, in doing so, considerable harassment has come my way.

Thank you, Mr. Chairman.

MR. CHAIRMAN: For the benefit of the committee, the referral to this committee is the rapport, while the discussion the last 25 minutes has not involved a formal point of order, it has touched on various points of order. I would suggest that if there are any further disputes, we will have to confine our discussion in this regard to specific items in the report. I raise that only in terms of direction for the committee.

Mr. Ransom.

MR. B. RANSOM: Committees dealing with reports of Crown corporations, because of the nature of the fact that they are usually dealing with a report that is six to nine months old have, in my experience, always received an update of current activities. The questioning has always centred around current activities of the corporation, as well. Because the questioning may not be the sort of questioning that the Minister might like has never really entered into whether it has been considered in order or not.

If we're simply going to deal with an annual report that's nine months old, of course, it removes the ability of an opposition to perform a function. I would certainly hope that the Chairman would not break with that, attempt to rule against that practice of the House to deal with current operations as well.

MR. CHAIRMAN: I appreciate the member's comment. I was just making little suggestions in terms of procedure for the committee. If we do become further bogged down in terms of that situation, we may have to revert to more specific discussion of the report, either on a page-by-page basis or on a line-by-line basis. Hopefully, with the assistance of the committee, we won't have to do that.

Mr. Gourlay.

MR. D. GOURLAY: Mr. Chairman, with respect to Mr. Sweeney's remarks, I appreciate the situation that he may have found himself in in recent months. However, Mr. Sweeney has to realize that we are dealing with a Crown corporation. I am a duly elected representative of the people of my constituency; I am charged with the responsibility of critic for Manfor; and I feel it's my duty to fully get explanations for every dollar of taxpayers' money that is spent, wherever it may be, in this case, it happens to be Manfor. I don't see anything wrong with Mr. Sweeney's answers. I was just wondering about a charge of \$1,084 for computer parts and components. He has explained why these were purchased, and I accept that.

I don't know why the Minister has created such a cloud of suspicion because I have raised these issues. Certainly to talk to the Minister behind closed doors to get an explanation is not good enough, and I don't want to do that. I want to have everything on the record, because I represent the people of Manitoba, and they want to know where their tax dollar is being spent; that includes flights to Swan River for the Member for Swan River.

HON. J. STORIE: Mr. Chairperson, I can appreciate the member's concern. I only point out that the records Mr. Gourlay is using were obtained surreptitiously. The expense accounts of individual corporate officers have not, to my knowledge, been the point of discussion for committee members in the past.

I have indicated I, too, am an elected person charged with the responsibility of the Crown corporation, in this instance, Manfor. I take my responsibility seriously. I have indicated that I have reviewed with the chairman the matters that the member has raised. I have indicated publicly on many occasions that those matters were justifiable and within the guidelines and acceptable. I have indicated that, as a public servant, a public official charged with that responsibility, that I would ensure that where there are, not in this case but in any case, misallocation or misuse or inappropriate use of public funds, that that's also my responsibility. I have indicated on a number of occasions that this did not have to be a public issue, that I would provide those explanations.

Your responsibility, I agree, is to find out. I don't know that it is necessarily to make it public in the way that it has been made. While I appreciate your responsibility, I also have one that I take quite seriously.

MR. B. RANSOM: Would the Minister prefer that these questions be put in the House to him?

HON. J. STORIE: Mr. Chairperson, I think I have indicated on a number of occasions that I am prepared to answer, in a public way, questions that concern the operations of Manfor. When those questions - and this is my own personal feeling, and the Member for Turtle Mountain is quite aware of it - when those discussions, by their nature, tend to reflect, rightly or wrongly, on an individual, I have a lot of trouble discussing those in public because, as we all know, once you're accused, even inadvertently, the cloud of suspicion is there.

That's an unfortunate circumstance and people involved in public life, even those including members of the Legislature, but certainly to a greater extent those who are not directly elected, when their character is put in question, inadvertently let's say, I don't think that is necessarily a healthy thing for the individual, or the agency, the corporation that he's involved with; I don't think it is a good thing in terms of the public perception of agencies and corporations.

I don't condone wrongdoing; I take my responsibilities seriously. I have indicated to the House that I have reviewed the matters. The answers that Mr. Gourlay got today were no different than those that I provided or would certainly be willing to provide, and I don't see the need - and this is again a personal comment - I don't see the need for this kind of public airing. I take my responsibilities seriously, too. I assure the

members that I have reviewed those issues. That's my feeling.

The member asked, would I prefer them in the House. I have had them in the House, and I have answered. I would prefer not to have those kinds of questions.

MR. B. RANSOM: Mr. Chairman, I suppose there are many Ministers in government who would prefer not to have questions asked of them, that doesn't mean that the questions shouldn't be asked. The Minister, I'm afraid, does not seem to understand the question of accountability that is at stake here.

HON. J. STORIE: I understand it perfectly.

MR. B. RANSOM: Well, if the Minister understands it perfectly, then he is attempting to avoid answering, because he hasn't answered specific questions. Does the Minister not realize, Mr. Chairman, that if he is asked specific questions in the House, and he does not have the information at his fingertips, he cannot answer it immediately, the question then remains unanswered for a period of time, and that is when a straightforward question can become interpreted as being an accusation . . .

HON. J. STORIE: Let's not play games, Brian; let's not play games.

MR. B. RANSOM: . . . when it is not an accusation; that people who can answer the questions immediately are here. That seems to me to be the most appropriate time is that, when a question is put, an answer can be given. There can be no opportunity for misunderstanding or misinterpretation. If he wants to refuse to answer, it's up to you.

HON. J. STORIE: Mr. Chairman, I have never refused to answer a question, nor have I any need to. I have simply indicated that there are two or three or half-a-dozen different ways to answer the question. One is with specific intention which can be malicious, or otherwise. Another is to ask those kinds of questions which require a public airing; some do and some don't.

MR. D. GOURLAY: I would like to ask Mr. Sweeney how much time he has spent at The Pas during the last year?

MR. J. SWEENEY: Mr. Chairman, Mr. Gourlay, it is a pleasure for me to tell you that, notwithstanding a contract which you're aware of, I have taken six weeks of vacation; I have worked half-days Saturday, half-days Sunday on every weekend that I have been in The Pas, bar the two or three statutory holidays between Christmas and New Year's. Obviously, no answer can be absolutely accurate, but I am telling you what I believe others observe to be the facts. If you ask me how many days I have spent in The Pas last year, I would have to say about - excuse me, I was speaking of working days, Sir - or are we speaking of weekends? Which are we speaking about?

MR. D. GOURLAY: I am speaking about working days.

MR. J. SWEENEY: Well, I have already mixed up working days and Saturdays and Sundays which, to

me, are working days. In any event, having told you I have taken six weeks vacation, that's 36 days out; plus I have, I am sure, taken the 11 statutory holidays in one form or another being between Christmas and New Years. Now we are up to 47 days. I have taken out on weekends, having said I work half-days, it could be said that there are 52 other days in total - excuse me, $52 \times 1/2$ is 26 other days - and my mathematics haven't been written down, but I think you will find that maybe your mathematics are faster than mine are this morning, but I would say that I have spent over or close to 300 days in The Pas. Now I could be off, I will grant you, 10 days more or less, but probably more than less.

I hope that answers your question, Sir, which I consider another question which is practically a harassment. It is, if not a harassment, Sir, I look at it as one which may have been intended to embarrass me. I wouldn't for the world put the word in your mouth, but I have not spared myself at any time.

MR. D. GOURLAY: Mr. Chairman, I respect Mr. Sweeney's answer. I was only asking the question to determine how much time Mr. Sweeney has to spend at The Pas with respect to the work there in comparison to maybe calls that may take him to other parts of Canada on business. I am just asking as an approximate breakdown as to how much time Mr. Sweeney spends at The Pas. Mr. Sweeney apparently is reading other things into it.

However, we know that this job could take the president and chief executive officer to many parts of Canada with respect to the work and I'm wondering just how much travel Mr. Sweeney does have to incur on the job.

MR. J. SWEENEY: Mr. Chairman, when Mr. Gourlay spoke of my days at The Pas, I must admit or agree that some of those days were in fact Vancouver, New York, Toronto, Montreal. I was in Montreal last week for two days; I was in Toronto the previous week for two days, counting travelling; I was in Vancouver I would suspect six months ago or more, two days. I count those days as working days. I have visited our sales offices in Montreal a maximum of six times in that period of time. So the figure I just gave you of 300-odd days in The Pas is inaccurate insofar as The Pas is concerned. That is not inaccurate with regard to where my work effort is concerned.

MR. D. GOURLAY: Mr. Chairman, I would like to have information with respect to contractual arrangements that Mr. Bourgeois has with Manfor, the current contract arrangements. What is Mr. Bourgeois' present role with Manfor and under what circumstances and arrangements?

MR. M. HARVEY: Mr. Chairman, there is no present contractual arrangement. We had a contract originally to employ Mr. Bourgeois as a director of marketing, and he is still doing that job for us until we are able to replace him in that role. He has given us an indication that he would provide so many hours a week, and I am certain that he is the loser because I can't think of a day or an hour when I was aware that he wasn't working for us full time. But I believe I am right in saying

that the contract that we did have with him is now just being renewed by a renewal clause on a day-to-day basis.

MR. D. GOURLAY: I respect that. I just want to know, does Mr. Bourgeois still operate a private law practice in conjunction with his other duties?

MR. M. HARVEY: I believe Mr. Bourgeois operates a law practice, in name only, I would suggest; he may do some work in that respect. It certainly doesn't interfere with his dedication to Manfor, and I suspect that if anyone is the loser it is probably the law practice.

MR. D. GOURLAY: Well, that is kind of a loopy-goopy arrangement, I would suggest.

The chairman should know what the employment arrangements are with Mr. Bourgeois. Does he operate a law practice out of Manfor office, by any chance; does he use the Manfor staff for some of his private law practice work?

MR. M. HARVEY: Mr. Bourgeois has an office, which he pays for, in the same building as Manfor; he also has an office in our suite. He does not, to my knowledge, use any of our staff to do his legal work, he has arrangements to do that of his own. There was an understanding, which I said is now expired, where he would provide us with x-number, a minimum of x-number of hours a week for which he charged us a certain amount. As I have already indicated, it is not loopy-goopy at all except, if it is, it is in Manfor's favour because we are getting more than he has indicated to us he would give us.

MR. D. GOURLAY: Up until last fall Manfor's office was located on Notre Dame Avenue, I believe. Under the working arrangements there, was the situation that Mr. Bourgeois had his law office beside the Manfor office, or did he have a separate office somewhere else in the city?

MR. M. HARVEY: I don't think he had a law office at that time, Mr. Chairman.

MR. D. GOURLAY: So, Mr. Chairman, Mr. Bourgeois did not conduct any of his private law practice out of the Manfor office on Notre Dame?

MR. M. HARVEY: Not to my knowledge, Mr. Chairman.

MR. D. GOURLAY: What is Mr. Bourgeois' present role with Manfor, is he director of marketing?

MR. M. HARVEY: Mr. Bourgeois is currently director of marketing, and he is also acting as corporate secretary at the moment because we had chosen not to refill a position that was vacated. He has also indicated to us that he does not want to consider this a long-time arrangement, so we are trying to come to some resolution of a director of marketing position and, until that time, we have asked him to stay on in that capacity.

MR. D. GOURLAY: What expertise does Mr. Bourgeois have in marketing of lumber and pulp and paper products?

MR. M. HARVEY: Mr. Chairman, Mr. Bourgeois, as you know, has been involved with the forest product situation since the beginning of the analysis that was done to determine what option would be taken. In the process of that, he has picked up a fair amount of expertise in the industry as a whole. I am not an expert in the industry, but Mr. Sweeney is, and I think he would be prepared to give you an estimation of how well Mr. Bourgeois stacks up in the area of marketing forest products.

MR. J. SWEENEY: Mr. Chairman, Mr. Gourlay, as the chairman has remarked, Alan Bourgeois has been involved in the update and the upgrade and the paper talk for a number of years. December 1st, or thereabouts, 1983, he was appointed Marketing Manager because there was no such thing in the corporation.

Mr. Bourgeois, within a period of four months, developed more street smarts and more marketing capability than any man I have known in 44 years in the same period of time - four months. Mr. Bourgeois is on the road, I hate to say it, but I would guess, close to half of his time, if not more. He travels on his time. Mr. Bourgeois has represented us better than any man that I am aware of as a marketer; he has engaged marketers who are capable; he has stood off marketers who were not capable and, in spite of the fact that I'm sure he blushes at these words, I consider him one of the top pulp and paper marketers in our grades in Canada, if not in the United States.

MR. D. GOURLAY: I appreciate the remarks from Mr. Sweeney, and I am very pleased to hear that he has this confidence in Mr. Bourgeois. I'm sure that is to the benefit of Manfor and to Manitobans to have a man of this calibre.

I'm wondering, Mr. Chairman, if we can find out why individuals such as Tony McGill, Al Penner, Ted Turner and Paul Demare were relieved of their duties at Manfor during the past year, or several months, I guess.

MR. M. HARVEY: Mr. Chairman, this is one of the areas that I have been perplexed with all morning. I listened with great interest to the debate on what was available to this committee and what is not available to this committee and, frankly, it gives me a bit of a dilemma. There are some items that are commercially sensitive, that it would be not appropriate for me to talk about. That is something I think the committee would understand.

Now I'm asked to comment on the factors surrounding the personal affairs of individuals. I don't think that is my privilege to talk in public about the individual situations surrounding employees who are no longer with us. I have always made it a practice to, if someone asked me something involving another individual, tell them to ask them about it. I don't know where I am basically with respect to my responsibilities of this committee, and I certainly don't want to appear to not want to discharge them, but I have some difficulty with questions about people who have now left the employ of Manfor who are now named publicly. I don't think that I am in a position to answer those questions.

MR. D. GOURLAY: I can appreciate Mr. Harvey's comments. I wonder though could he indicate that in

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the case of Mr. McGill and Mr. Turner and Mr. Desmarais, were they relieved of their duties because they wouldn't move to The Pas? Was that one of the reasons?

MR. M. HARVEY: Mr. Chairman, no, there was no indication that they were relieved for not wanting to move to The Pas. One of them, in fact, indicated that he would move to The Pas. One of them was not required to move to The Pas.

MR. D. GOURLAY: In the case of Mr. Desmarais, can we be provided with details of this individual's severance arrangements with Manfor?

MR. M. HARVEY: Mr. Chairman, the severance package with respect to Mr. Desmarais is, I believe, at this moment currently being negotiated between our lawyer and his. I would not want to comment on it at this time, except to say that we tried in all cases to make a settlement that recognized the years of service and was in line with settlements made for people of that nature in industry generally.

MR. D. GOURLAY: Are severance arrangements completed with the other individuals I mentioned?

MR. M. HARVEY: I believe they are, yes.

MR. D. GOURLAY: McGill, Penner and Turner?

MR. M. HARVEY: Mr. Penner, as you know, is before the courts at the moment.

MR. D. GOURLAY: Mr. Penner's case is before the courts?

MR. M. HARVEY: I believe that's the legal terminology for the point that it's at, yes. I think I indicated that to you on Tuesday.

MR. D. GOURLAY: With respect to Spencer Balmer, I had questioned the Minister in the House with respect to Mr. Balmer's role. I believe it was indicated that he is operations manager and would subsequently take over as chief executive officer at some time in the future. The Minister did not indicate to the House what salary arrangements were in place. However, it was reported in the Free Press that he indicated that to the media or to some of the media at least. I wonder if the Minister can now provide details to this committee with respect to Mr. Balmer's employment arrangements.

HON. J. STORIE: Mr. Harvey has that.

MR. M. HARVEY: Mr. Chairman, through you to Mr. Gourlay, Mr. Balmer is on a two-year contract. The figure reported in the Free Press is accurate. Sorry, that's a three-year contract.

MR. D. GOURLAY: Excuse me, I didn't catch those.

MR. M. HARVEY: I said Mr. Balmer's contract is a three-year contract. The figure, I believe, in the Free Press was \$130,000.00. Is that correct? That is the correct amount.

MR. D. GOURLAY: Were there any bonus clauses with that?

MR. M. HARVEY: No, the salary figure is all inclusive. That's a straight salary figure, no bonus.

MR. B. RANSOM: Mr. Chairman, there were some questions last year that we asked of the Minister in the House concerning the engagement of a contractor on an untendered basis to do some work in the vicinity of Thompson. There were at the time some questions raised by contractors in Thompson as to why they could not be offered the opportunity to bid on that work. I believe a contractor was brought from The Pas to within 20 miles of Thompson, and the Thompson contractors had equipment sitting there and couldn't do the work.

I wonder if I could just have an explanation of that as to why that was done. I would ask for the explanation and so on.

HON. J. STORIE: Mr. Chairperson, I do recall that question. It had to do with some work that was essentially piecemealed on an hourly basis to a company called North Point that Manfor had been doing some work with and had established a relationship with.

Subsequent to that, I did raise the matter again with the chairman and indicated that certainly as we work in different communities every opportunity should be given to local contractors to become involved at least competitively with, if not on some other basis, an hourly basis with contractors who we have traditionally have used. So I think that there was a good point made there and I think, as a matter of practice, Manfor would prefer to deal with local companies.

Obviously, the more people who are interested in providing services, the better prices that we can get in the long run as well. So we have taken that matter under advisement. Hopefully, as we move into new community areas, we'll be able to use some of the services available from other contractors.

Mr. Harvey would like to add a comment to that.

MR. M. HARVEY: I just wanted to advise Mr. Ransom that we have, since last year, made certain revisions in our purchasing practices. They are all under Mr. Betz now. All goods and services will be going through his department. We are trying to develop a policy that will let us be sensitive to such issues, so that when we're working at the far limits of the Manfor's operations we can take account of this and also make certain that the contractors concerned have some idea of it by doing some public notice of tendering work.

MR. B. RANSOM: Could we have an indication of how much untendered work would have been given to, I believe it was North Point, the company that the Minister named? How much untendered work would have been given to them in the year under review?

MR. M. HARVEY: Mr. Chairman, obviously not very much because he was in my office as little as a week ago complaining that he is going to have to move to Alberta if we didn't give him some work. I feel that, whether it's our cutback in operations or what, he is not getting very much work at the moment, and that's

a concern to us because he operates the only local float service. If we lose him, then it's going to be very difficult for us to move some machinery around without making some expenditures ourselves. So I can't give you an exact figure, but our work in that area has been fairly low and he hasn't been getting too much.

MR. B. RANSOM: I was speaking about the year that ended, September 30, 1984. If that information is readily available I would appreciate having that. I have asked similar questions, by the way, in Public Accounts with respect to untendered work that has gone to other contractors, and I have found, for instance in the Department of Natural Resources, one company receiving \$110,000 worth of work untendered, and no work that was tendered. I realize how that comes about, that people in a government agency, or probably in a private agency, too, work out a working arrangement with a contractor and they get satisfactory work and they just continue to want to use them, but the public has difficulty appreciating that when they don't have an opportunity to break that relationship that sometimes exists.

Since I have the assurance that at least the policy is being reviewed and that others will have an opportunity to bid, then it is not so important. I wouldn't expect them to go to great difficulty to come up with that information.

I am interested in if you could tell us where the primary loss has taken place in the company, whether it's in the lumber operation, or whether it's in the pulp and paper operation; for the Annual Report that we are looking at is satisfactory.

MR. M. HARVEY: Well, as you know, Mr. Ransom, the major difficulty that's plaguing us now, and then, was market difficulties. Our losses are pretty well dictated by the price and volume of paper and pulp.

We did have some major problems in the lumber division, historically, and that was the major reason for the rebuild to overcome that; but what happens to us on a bottom-line basis is basically related to market prices for paper and pulp. That even affects, as I think I've discussed with you before, our inventory of roundwood because the value of it fluctuates as well with the price because we value that inventory at the lower end of cost or net realizable value. We can have as much as a \$5 million swing on a bottom line without anything happening except the price of paper dropping off and our inventory devaluating on it. Of course, when the market price comes back, you get the reverse kind of thing.

So the majority of our loss, I would say, to answer your question more directly, it relates to the volume and price that we can get for our paper products.

MR. B. RANSOM: And that would be a change, if I recall correctly, from a couple of years ago. I believe before the committee a couple of years ago the indication was that the lumber division was the big loser and that, by some additional investment there, that we could stop such a huge loss at least.

I take it then that you have been somewhat successful in stopping the loss there, but this loss then is intending to be on the other side. Is that carrying over into the current year that we are in as well?

MR. M. HARVEY: Well, of course, we haven't realized any benefit as yet from the upgrade in the sawmill. So there would be some sawmill losses in the \$9 million, as well, but the spectacular fluctuations are on price and volume of paper. I would say the current situation, which I have discussed with you on Tuesday, where we were talking about a \$17 million to \$18 million loss, is almost totally due to the fact that the paper prices and the pulp prices, the market is so soft. What it does then is reflect also if we have high inventory.

So if we have a high inventory and we get a poor paper price - I think I used the statement double-barreled effect in the transmittal letter - that's what I was referring to. Prices of paper go up, we can sustain the sawmill, and if we can get the sawmill in a break-even position, which we were trying to do with the retrofit, then we would maximize the profits on the paper side. But it's actually the paper side of the operation that determines whether we will make or not make money.

MR. B. RANSOM: On Statement 3 it lists the expenses. There was a substantial improvement in the cost of sales from \$62,265,083 down to \$58,456,000.00. How was that reduction achieved? Is that basically through management, or is that through changes in the equipment?

MR. M. HARVEY: I think cost of sales is directly related to your ability to run the paper machine continuously and a good price for the paper. When you engage in shutdowns, or anything like that, your overhead cost rises, so your price per ton rises and your cost for sales go up. So the improvement that you get by running is directly related to the volume and the price that you can get for the paper.

I am told that a paper mill is actually just the process of selling time on the machine. So if you can sell the time and sell it at a good price, then you achieve a lower per unit overhead cost, and the selling costs go down as well.

MR. B. RANSOM: A question perhaps to the Minister. I recall seeing some weeks ago that a corporation called Repap - I am not sure that's the complete name of it - was engaged in an operation in New Brunswick, I believe, either buying into a mill there, an operation there, or in some manner making an investment in it in any case. As the Minister will be aware, that is one of the companies that we were negotiating with while we were in government here, and we were unable to conclude an agreement.

Is the Minister aware of what took place there and, specifically, is he aware of whether or not the Federal Government was involved in providing any financing in that deal in New Brunswick?

HON. J. STORIE: Mr. Chairperson, I am not aware of it, but there is a pulp and paper weekly news letter that makes reference to it and the chairman has some comments.

MR. M. HARVEY: I haven't read the article, except the title, Mr. Ransom, but it does refer to Repap acquiring Boise pulp mill and, under a sub-title Federal Aid to

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Project, cost of the project is estimated at about \$300 million U.S., including U.S. \$90 million for the purchase of Newcastle and, aside from the limited partnership units, some other elements of the finance include about U.S. \$30 million in grants from the Canadian Federal Government; about \$7.5 million of that refundable, plus about \$7.5 million in refundable provincial grants.

MR. B. RANSOM: Well, it's very interesting, Mr. Chairman, to hear that now because one of the snags at the time we were negotiating here was that the Federal Government didn't want to be involved in that particular arrangement.

MR. D. GOURLAY: On Note 5 to the Financial Statement, fixed assets, it mentions government grants received and receiveable, these grants aggregated \$16,638,000 as of September 30th. I wonder if we could get a breakdown on that \$16.638 million.

MR. M. HARVEY: About \$12 million of that, I am told, was there at inception, it was a grant from the Federal Government at inception, and there's \$4 million grants since towards our current one. We have a current grant in the current upgrade at around \$10 million; \$4 of that is indicated in this statement as receiveable; and the other \$12 million one is one that has been there, I guess, since the very beginning.

MR. D. GOURLAY: I wonder, in the chairman's report, he says; "To continue to reduce its operating deficit even though that means some development plans may have to be moved forward in time". I wonder, through you, Mr. Chairman, the chairman of the board can tell us today what those plans might be and what the cost might be.

MR. M. HARVEY: Yes, I have already referred to one plan we were working on or looking at, which is the doubling of the mill and the looking at white paper.

What I was trying to put across in the statement is that those kinds of plans, while still on the burner, need to awake our ability to make the mill that we have now function in a financial way that would attract any investor to making a further investment in the property. So that's basically what I meant with respect to the developmental plans.

MR. D. GOURLAY: So before we finish today, I wonder, could the chairman give us any indication as to what might take place in the next six months with respect to a marketing thrust to develop, obviously, orders that aren't available right now, either for lumber or kraft paper?

MR. M. HARVEY: Yes, the lumber market, of course, seems to be getting stronger at this time and we're doing as much as we can to get lumber cut and into the kilns and dried and out the door, so our thrust in that particular department will be to bring production up because the market seems to be there and we hope it will stay there for some time.

With respect to the paper side, we need to make as much advantage as we can the announcement from Penticola, and we are engaged in the moment in

working with people who were buying paper from Penticola, who have shown an interest in our sheet, and I would guess the next six months would be, by and large, devoted to try and take as much of that kind of market as we can.

I believe I mentioned last year that the strategy is to move away from checkstand paper, which is the shopping bags, the grocery bags, which is being heavily eroded by plastic, and our intention is to move away from that and into the U.S. multiwall market.

This announcement by Penticola makes that niche even larger and we will be certainly devoting 90 percent of our short-term attention to gaining that particular opportunity.

MR. D. GOURLAY: Thank you, Mr. Chairman, for those remarks. I would just like to conclude by saying that, in spite of what the Minister has been indicating for several weeks now, that there's a definite turnaround in the operations of Manfor, I don't believe that it is evident at all at this point in time.

We hear that the current year we're in we're looking at something like an \$18 million deficit. To be frank with you, I'll be surprised if it comes in that low.

The plant has been shut down, or will have been shut down, something like 9 months. We apparently don't have much in the way of orders for lumber or paper, and this is in spite of the fact that we have what I believe is a very fine kraft paper and should be selling well over that of our competitors.

I know that the lumber industry in Manitoba - and I have some mills in my own constituency - they have been swamped with order this year so far. They have been struggling to keep up with the orders and yet we don't hear this coming out of the Manfor operation. I would suspect that, although the Minister indicated that some companies were dumping their lumber, but when you question the Minister it would appear that Manfor is maybe one of those, they're dumping lumber to try and hold markets.

I am sure that the mills that are busy are able to compete where Manfor is not able to compete. And when you speak of dumping lumber I am sure that Manfor is probably one of the guilty parties involved, in spite of what the Minister has indicated to us earlier this week.

So I'll be really pleased if Manfor can show in their next Annual Report that their deficit is in the \$18 million range. I hope that it's that low, but I'm not optimistic that it will come in at that rate, in view of the fact that we have had no production and very little sales, and yet we have kept most of the manpower on staff. So you don't have to be a chartered accountant to figure out that we are in a very disastrous year at Manfor. Hopefully, with the innovations and the modernization at the plant, we will be in a much better position in the future to turn out the product and to market our product.

I would say that this past year the marketing expertise at Manfor has been gutted. We heard this morning that Mr. Bourgeois is coming on strong, and that is fine. But he hasn't been with the company very long, and it will take time for that expertise to improve.

But certainly, we have lost people who were with the company for a long long time. They had, obviously,

some degree of expertise in marketing; they are no longer there. We have no markets for a very high quality kraft paper, or very little market for it. I would say that this Minister and the present management have to take a lot of responsibility for the very disastrous position that Manfor is in today.

Another factor, too, is the fact that we have purchased timber rights from Prendiville at some \$700,000, almost .75 million. We don't need those at the present time, although they would be and are a bonus to have those timber rights. The fact is we didn't need them now. We didn't have to lay out that kind of expenditure at Manfor, and there was a good chance that they could have been picked up down the road for that price or even lower.

So, Mr. Chairman, I hope, sincerely, that the situation will improve in the months ahead. There is no way that the current year can show a very bright picture. We can only hope that in the years ahead we can get this Manfor functioning so that it can at least break even on an operation basis and leave aside the \$184 million that the taxpayers have put into the plant. Certainly, if we can get an operating situation to break even, that would be a big plus. It doesn't look like it is just around the corner, but with the renovations and whatnot in place, hopefully, the future will be brighter not only for The Pas community but for Manitobans in general.

Thank you, Mr. Chairman.

HON. J. STORIE: Just a couple of comments, one is that Manfor has not been one of the companies dumping lumber. We have not had any quantity of lumber to dump. As the member knows, the sawmill has just come back into production of any significant number of board feet.

The comments that the member makes with respect to the implications of the loss from Manfor are taken quite seriously. I'm certainly not pleased that we are reporting or have projected a loss of \$17 to \$18 million for 1984-85, but I think the chairman has pretty clearly indicated the cause of that.

I think it is fair to say that the next fiscal year stands to be a better test of the results of the upgrading procedure itself. We have not really had the impact of either the lumber upgrading or the pulp and paper upgrading to this point. We are really only getting back into the market with those two products. We are only going to be experiencing the benefit of the increased productivity from those two sections.

So, you know, to say what we have done hasn't worked, I think is somewhat premature. We had projected certainly a better performance in the current year, the one that we're reporting on, and it is disappointing that didn't occur. But those factors are beyond our control.

The member indicated that our losses dictated in Manfor by the price of pulp and paper and dimension lumber. It is equally true that in other sectors of the economy, farming, for example, losses are dictated by the price of wheat and the price of beef and the price of hogs. We both compete in an international market and, despite our best efforts, cannot always influence those in any dramatic way.

I think that we are certainly taking the challenge seriously. I believe that our estimate of losses for the

current year will be certainly no higher - and, as I have indicated, we've got three months left in the current year - we are hoping to reduce those, to bring them in at a lower than estimated figure. Once we are in the market with our new product, at our new capacity, I think we do stand every chance of becoming a company that can report on a year-by-year basis an operating surplus.

Manfor has certainly a mixed history, but five of the last 12 years, we have reported an operating surplus. It hasn't been all bad news. Let's hope that the next dozen years have an even better record. I think that is a necessity and something that I believe we worked very diligently towards, both in undertaking the upgrading in the refinancing, in the reorganization that is taking place.

The member made some comments about the marketing capacity. Certainly the market changes and from time to time changes in personnel are advantageous. Changes in personnel are never easy and create animosities, discomfort, dislocation and all the rest of it, but sometimes it is necessary. Someone has to make those decisions. All we can say is those decisions are being made in the best interest of the corporation and the shareholder. I believe they are.

Finally, I'd like to say that I'm certainly pleased and proud of the way that senior management have contributed and have expended a lot of effort to make Manfor work. That goes right down to the shop floor.

MR. B. RANSOM: Mr. Chairman, no one denies that there isn't a lot of effort and sincerity going into the management of the company, but if the Minister would be a little more forthright with the committee and with the public, we might have a little more confidence in the future. I refer specifically to the way the Minister began the presentation to this committee, that he made a statement in which he said, "The efforts already under way and those yet to be mounted will, I am satisfied, allow the company to experience an even greater financial turnaround than was recorded in the year under review."

At that time, the Minister had not indicated to the committee that the corporation was going to lose \$17 to \$18 million in the present year. He made that statement following upon the presentation of a financial report which showed a substantial improvement over the previous year. Had we not pressed the Minister, he evidently had no intention of volunteering to the committee that far from an extension of that turnaround we were going to see the loss perhaps double, more than double, if one was accounting in the same way and taking interest into consideration.

I don't think that works to the credit of the Minister at all, that he would not simply have made a statement here and said we had a good year last year compared to a disastrous year, or the year before, but it doesn't look good again this year. Instead, he put on the record a statement that was intended to lead us and the public to believe that the situation was improving and, sadly, it was not.

So I would hope that the Minister in the future would simply be more forthright and straightforward in presenting to the people of Manitoba the financial picture of their forestry operation.

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HON. J. STORIE: I have two comments. One, Mr. Chairman, the standing committee is here to review the 1983-84 year; second, I don't believe for a moment, and I know that the member doesn't believe, that one year's loss is an overall indicator of progress that's been made.

I have indicated that the board and management have been dealing with a number of fronts to improve the situation at Manfor. I acknowledge the current loss. There was no hesitation when asked what the current loss was; although that's not the business of the standing committee to acknowledge it, and I do the same thing.

The point is the loss is not the sole issue. We have to get at the root causes of why there are losses at Manfor, and that's what we are trying to do and I have been forthright about what we are doing to achieve that.

So I certainly didn't mean to mislead the honourable member. There is more to running a corporation than reporting on a specific year. It's a longer term prospect.

MR. B. RANSOM: Mr. Chairman, when is the Minister going to realize what his responsibility is and what this committee is here for?

We are here to talk about the operations of this company. If he thinks that he could simply concentrate on an Annual Report for a year where there was improvement, although the loss is still huge, and ignore the fact that the company was losing \$17 million to \$18 million more than they had projected to lose, then the Minister simply doesn't seem to understand what his responsibility is and what the committee's responsibility is.

We have his assurance that things look good in the future. We have had assurances from Crown corporations for years that things look good in the future, whether it was Flyer Industries or whether it was McKenzie Seeds or whether it was Manfor, and the committee and the people of Manitoba have come to the point where assurances don't mean anything. The only thing that will mean something is when the Annual Reports finally come in and show results. All we can deal with at the moment are results.

Unfortunately, the results from this year are not very good. We all hope that next year will be better. But we

have had so many assurances of next year - we are all a bunch of next year farmers, I guess, in that extent - but next year has sadly never proven to be very good.

HON. J. STORIE: Mr. Chairperson, I acknowledge that we are here hoping for better things next year. I acknowledge my farming roots, and we are eternal optimists.

I think that we have done some things that needed to be done, that should have been done, that should be able to support that and I hope to be here next year again talking, not about the current year or the year that's being reported, but the current year telling you that we are in a better situation.

I have not in any way attempted to discourage discussion of the current year. I said at the opening of the committee that while we were here to consider the report for 1983-84, that it was tradition to discuss a lot of other issues in the current year, and we certainly did that.

Let's end on an optimistic note and say that we'll see you next year with a better report.

MR. D. GOURLAY: I believe earlier the Minister indicated there would be a new brochure coming out with the promotion of the products coming out of Manfor. When can we expect this publication to be available?

MR. M. HARVEY: I believe, Mr. Chairman, we are looking at what is called the mock-up at the board meeting next week and it will probably go to the printer right after that. I don't know how long though it will be, maybe three weeks, something in that nature.

MR. CHAIRMAN: Will the committee pass the report?

MR. B. RANSOM: Pass.

MR. CHAIRMAN: Pass.

The next meeting of this committee will be to consider McKenzie Steele-Briggs. I believe the next meeting is scheduled for Tuesday. That being the case, committee rise.

COMMITTEE ROSE AT: 12:22 p.m.



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