



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

STANDING COMMITTEE

on

ECONOMIC DEVELOPMENT

37-38 Elizabeth II

Chairman
Mr. H. Pankratz
Constituency of La Verendrye



VOL. XXXVII No. 10 - 8 p.m., MONDAY, MAY 1, 1989.



**MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Fourth Legislature**

Members, Constituencies and Political Affiliation

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

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON ECONOMIC DEVELOPMENT

Monday, May 1, 1989

TIME — 8 p.m.

LOCATION — Winnipeg, Manitoba

CHAIRMAN — Mr. Helmut Pankratz (La Verendrye)

ATTENDANCE — QUORUM - 6

Members of the Committee present:

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

- * Substituting for Mr. Harapiak, Mr. Storie
- * Substituting for Mr. Harper, Mr. Ashton
- * Substituting for Mr. Lamoureux, Mrs. Charles
- * Substituting for Mr. Pankratz, Hon. Mr. Downey
- * Substituting for Mr. Plohman, Mr. Storie
- * Substituting for Mr. Storie, Mr. Harapiak
- * Mr. Pankratz replaced as Chairman by Mr. Gilleshammer at 12 a.m.

APPEARING:

Mr. Cowan, Member for Churchill

WITNESSES:

Mr. Ross Lewis, Stothert Engineering Ltd.
Mr. Mike Bessey, Policy Management,
Executive Council
Mr. Norm Brandson, Department of the
Environment (Director of Environmental
Services)

MATTERS UNDER DISCUSSION:

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

* * * *

Mr. Chairman: I would like to call the committee to order on Economic Development. Before we proceed with that, we have a few resignations. I have before me the resignation of Mr. Lamoureux: "I wish to resign from Economic Development." Is there a replacement? Would somebody move a replacement?

Mr. John Angus (St. Norbert): I nominate Gwen Charles.

Mr. Chairman: Moved that Gwen Charles be the replacement. Committee in favour? (Agreed) I have before me the resignation of Mr. Plohman: "I wish to resign from Economic Development as of May 1."

Mr. Elijah Harper (Rupert's Land): I nominate Mr. Storie.

* (2005)

Mr. Chairman: Mr. Harper nominates Mr. Storie. Is the committee in favour? (Agreed)

Before carrying on, I would like to introduce to you, committee Members, Patricia Chaychuk-Fitzpatrick, who has recently been appointed to the position of Committee Clerk, replacing Janet Summers, who has been appointed to the new position of Members' Benefit Officer—Patricia.

We have been considering the Annual Report for Manfor for the year ending December 31, 1987. Does the Minister have any opening remarks? Would he introduce any staff members present? Mr. Minister.

Hon. Clayton Manness (Minister of Finance): Mr. Chairman, at the last sitting of this committee, I undertook to report back in the month of April. I apologize for this date being not April, but May 1. With respect to a request by Mr. Taylor who sought, and I quote from Hansard, page 147, he says, "I am not asking for that. I am asking for a quality of presentation that a concerned layperson can understand what the major changes are." What he was referring to basically is the general terms as to the phased-in development and the commitments with respect to the alteration of the existing Manfor plant so that a larger facility would be built in the process by which trees would be converted to pulp.

Mr. Chairman, to that end, I have today joining me Mr. Ross Lewis, who is the president from Stothert Engineering in Vancouver, who is prepared to make a major presentation to the committee.

I should indicate also that it has taken so long to convene this committee is the fact that Repap, the purchasers of Manfor, provided to us late last week by way of schematics a plan as to how it is they will be converting the Manfor site, firstly; and secondly, the processes involved in the activities there. So Mr. Lewis joins us today to give greater explanation to those processes that will be in place.

* (2010)

I have one request, Mr. Chairman, that is if there are any questions specific to the forest management agreement—I should not even say the agreement, the forest management and how it is considered with the terms of agreement—I would ask that possibly they be posed now. Mr. Rannard, the Director of the Forestry Branch of the Department of Natural Resources is here

and would like, if at all possible, to be away from the committee to attend to some pressing family business. I would request that if there are questions dealing with the forest management that possibly we deal with them firstly. Thank you.

Mr. Angus: Mr. Chairman, we have a far greater concern than just the area of forest management. The area of forest management is indeed an important area and I would like to be able to give it complete and full attention. The cause and effect on the environment is undoubtedly a very key and important component as agreed upon.

Mr. Chairman, I have a copy of the agreement before me, a copy that was filed with the Securities Exchange Commission in Washington, D.C. It is an annual report which summarizes information on the Repap-Manfor arrangement. I also have just received today, as a result of becoming aware that this information was public, nearly 200 pages of the agreement. The 200 pages for the agreement were apparently—I say, apparently—filed in Washington some time ago, at some time before the committee began sitting. I will bring to the Minister's attention that on March 23, 1989, in the committee meeting, time after time after time we repeatedly asked the Minister to make available to us, to the committee, to the elected Members of the Legislature, either in camera or out of camera, information as to the specifics of the arrangement to buy-sell Manfor.

Let me make it perfectly clear, Mr. Chairperson, we do not want to stand in the way of any opportunity to dispose of this Crown asset. Our whole intention and our whole role is to make sure it is to be disposed in the very, very best interests of the citizens of Manitoba.

The Minister referred that this is an open Government. I have indicated before we make every effort to make this document available. He moved on to say that he cannot make it available, and I quote from the Hansard: "Can the Minister make this interim agreement public?" "I cannot, it was a share-purchase agreement." It goes on and on, Mr. Chairperson.

Mr. Chairperson, quite frankly, I am disappointed that (a) as a shareholder in Repap, I would be mailed information on this arrangement, on this share-purchase agreement, on this deal to be sold—a deal by the way that is looking at selling out 40,000 acres of Manitoba's trees. It disturbed me even more when I find out that any citizen of the United States of America who is familiar with the regulations and the rules of the Securities Exchange Commission could have had a copy of that report, and when legitimate, reasonable requests were made from this committee to this Minister, asking him to provide us with that information, it was not available.

Mr. Chairperson, I am offended as an elected representative, I am offended as a citizen of Manitoba. I believe, as a Minister, in his arrogance and self-serving passion, he has circumnavigated a just and fair, open, honest Government. He did not share this information; he has misled the committee; he is perfectly well within his realm to give us information that he had given to the people in the United States of America through the Securities Exchange.

Mr. Chairperson, I have not had an opportunity to scrutinize this agreement to its fullest and I am sure that I will, either before it is signed or after it is signed, but I do know that in spite of the fanfare of suggesting that Thursday is going to be the official signing, that the agreement calls for the signing of the agreement to be done on the 2nd of May, which is tomorrow.

I also understand that there is a clause in the agreement near the beginning that suggests that by mutual agreement the purchaser and Repap, or that the Government and Repap, can postpone the signing, and I will quote from page 3 of the agreement, Mr. Chairperson, ". . . provided that the other party requests that such a date be postponed to a date no later than May 30, 1989, that consent of the other party shall not be unreasonably withheld." There are emanating from this document literally hundreds of questions and explanations that I believe the citizens of Manitoba are entitled to be apprised of.

Mr. Chairperson, I would ask the Minister to postpone the signing of the agreement until the 30th of May, to exercise his options, as defined on page 3, subsection 1.01, Closing Time. I further ask that he allow the committee to adjourn and review the specifics of this agreement so that we can ask intelligent and related, relevant questions.

My colleagues from the third Opposition Party may also have some concerns as this document has been shared between our groups. I would be most interested to hear what they specifically have to say, but I would also be interested in hearing what the Minister has to say.

* (2015)

Mr. Manness: Mr. Chairman, first of all, I would like to ask the committee whether there is any wish to ask questions of Mr. Rannard. That was the question I put towards the committee. He has pressing family matters he has to attend to. If there is no wish to put questions to Mr. Rannard with respect to the forestry agreement, I hope Members would indicate so Mr. Rannard could take his leave.

Mr. Angus: With respect to Mr. Rannard and to his family concerns, we do have specific questions of the environment and we have brought him in, Mr. Minister, to discuss those. I do not want to offend him and/or dismiss him out of hand. I would be very interested in hearing what he has to say, but for the most immediate, there is a larger and more pressing question that has to be addressed, and it should be addressed. There are literally hundreds of questions that will flow from this document that may in fact be directed towards this gentleman.

Mr. Manness: I still have not heard the answer. If the Members are saying there may be questions for Mr. Rannard, then certainly we will keep him in attendance. I would just hope if Members sense around nine o'clock we are moving onto a course of questioning and answering that will probably tie up the rest of the evening, that they show the common decency to Mr.

Rannard to allow him to leave at that time. That is my only request to the committee.

Mr. Jerry Storie (Flin Flon): On a point of order, Mr. Chairman, may we ask Mr. Manness how he expected us to ask intelligent questions without the agreement before us? He refused to give it to us. He said it was not available. He could not supply it. It has been available to those who had access to U.S. Securities Exchange Commission for more than a month, but Members of this committee did not have access to it. Now he wants to force us to ask questions on an agreement, which we would not have seen had we not had our own resources track down the agreement. That is ridiculous, that is ridiculous. If Mr. Manness wants to have Mr. Rannard available tomorrow morning some time, after we have had a chance to review the terms of the agreement, then there might be some sense to it. Mr. Manness is asking the ridiculous and he should know better.

Mr. Chairman: I would think that would not be a point of order. A dispute over facts is not a point of order.

Mr. Manness: Mr. Chairman, let me say that if Mr. Storie is here there will be many points of order tonight.

Let me say from the beginning and I will ask Mr. Angus, seeing that he is the person who is in possession of this so-called document, I would ask him whether or not that is the final—seeing he seems to know more about the development agreement than anybody, I would ask him if that indeed is the final, what he has in his possession is indeed the final draft that is about to be signed this week?

Mr. Angus: Mr. Chairman, it is not on some sort of a point of order. The question was directed at me; there were allegations made, suggestions made that I have got information. This is public information that was provided to me. I have no idea whether this agreement represents the final agreement that this Government intends to or has, in fact, signed. If they signed it, there are literally hundreds of questions from this agreement, starting with why were we not given this copy of this agreement when it was public information in the United States of America? Now you tell me whether or not this is the final agreement.

Mr. Chairman: Again, Mr. Angus, you were saying it is a point of order. I do not believe that is a point of order, but I will ask the Minister maybe he wants to respond.

Mr. Manness: I thank Mr. Angus because he did give the proper response. He has no idea whether or not this is the final draft. Let me assure him that it is not. Let me assure you, Mr. Chairman, and all Members of the committee, one of the reasons we did not provide the first signing—the document of the first signing because it, basically, was a draft. Over the last two months, Mr. Chairman, and Members of the committee, we, the Government and Repap, have been working towards a final draft to ready it for signing. I am, as the shareholder of Manfor, one of the parties to the

agreement. I, as representing the people of Manitoba, am the shareholder. As I indicated over and over again, there would be other considerations and there would be other materials and other problems as they arose during the development, during the final two months of working towards a final agreement that would come forward.

* (2020)

Now, if the Members are suggesting that each time a draft came forward, and I can indicate there have been literally dozens of versions of drafts that I should share that with them, I would say that is working outside of the responsibilities of executive Government. Quite frankly, the answer to that kind of request would be no. I would ask Members of the third Party, the New Democratic Party, how many of the drafts with respect to the Flyer divestiture did they share with the shareholders of the Province of Manitoba? I know I did not see one, Mr. Chairman, not one.

So let not the NDP nor the third Party stand up so holier than thou and indicate that we have withheld information from the people of Manitoba, because we have not. We did something that has never been done before in the history of this province or the history of any deal. We came forward before a deal was consummated and indicated to all Manitobans the basic tenets, the basic principles, of that deal. We laid them in an open fashion before all the people of Manitoba and their representatives here at this table.

Mr. Chairman, the Government of Manitoba was one party to the signatures that went forward with the first signing. We undertook as a Party to that signing not to make the specific requirements of that signing public. I indicated to Members of this committee why that was the case, why it is you cannot deal completely in an open fashion when you are talking about potentially a \$1 billion investment. Certainly people understand that. Now, how it is that some copy of an earlier draft found its way into the United States Securities Commission obviously had nothing to do with the Province of Manitoba. Obviously, if that is where they found it, have something to do—(Interjection)—well, now the share people I hear Mr. Rose talking about. What share people is he talking about? I mean, if we want everybody—(Interjection)—

Mr. Chairman, I will respond, but if Mr. Rose wants me to react to his comments, I will. I said many, many times, and I will reiterate for the record, we stand here, the Government, represented by myself, representing the people of Manitoba, as the shareholders, came forward to this committee to indicate, to divulge the basic principles of the sale. We were proud to do so. If a document, a draft, has come into the possession of the Member for St. Norbert (Mr. Angus) who feels that he wants to take issue with some basic agreement, some of the basic covenants of that draft agreement, then it is his right to do so at this sitting. But if he is saying to me that deal be postponed, I am indicating to him that it is not the wish of the Government to postpone it because to do so would significantly affect the working capital of Manfor and the loss contingent with not signing this deal in an orderly fashion could be in the millions of dollars.

* (2025)

Now, I will go beyond that. As was the intent this evening, it was to provide greater detail as to what Repap was wanting to do with the Manfor facility once—and after they had received environmental clearances to do so, and only after having received that would Repap be allowed to physically alter any aspect of the Manfor site. Again, I repeat that, only after they had received environmental clearances would there be any change from the existing Manfor operation as it sits today. I indicated to Members that decision would be made after the environmental public hearing process took place. So, Mr. Chairman, I am reporting tonight on the requests of Mr. Taylor. If the committee is indicating that they do not any longer want to have the detail with respect to the request of Mr. Taylor, then let them say so.

Some Honourable Members: Oh, oh!

Mr. Chairman: Order, please. Mr. Cowan.

Mr. Angus: Mr. Chairperson, on a point of order, I think that the—

Mr. Chairman: I am not recognizing you. I recognized Mr. Cowan.

Mr. Angus: Mr. Chairperson, on a point of order, I have a document here signed by the Minister of Finance (Mr. Manness) and registered on the 10th of March, a full 13 days before this committee met, outlining completely the deal, so everything that he has said in this particular documentation, everything he said that he cannot release this information to, was blatantly dishonest. Now stemming from that—

Mr. Manness: Mr. Chairman, on a point of order.

Mr. Chairman: First of all, I would like to state that is not a point of order. A dispute over the facts is not a point of—

Mr. Manness: Damn rights it is my signature.

Mr. Angus: It was signed for March 10

Mr. Manness: I do not give a damn when it was signed.

Mr. Chairman: Order.

Mr. Manness: What point are you making?

Mr. Angus: The point I am making is that here is the whole deal, in the United States of America where anybody

Mr. Manness: So did I file it there? Ask me if I filed it there.

Mr. Chairman: Order, please; order.

Mr. Angus: What the hell rights do elected people have in this country?

An Honourable Member: Do you want to be removed from this committee meeting?

Mr. Angus: No, I do not think it was stolen and, no, I do not want to be removed. I apologize for

An Honourable Member: The Americans seem to have the rights here but not the Canadian elected officials.

Mr. Chairman: Order. I am recognizing Mr. Cowan.

Mr. Jay Cowan (Churchill): Thank you, Mr. Chairperson. I would like to deal with what the Minister has said. I would like to remind him that what he says is a matter of public record. What he says tonight is a matter of public record; what he said on March 23 is a matter of public record. I can tell the Minister that I attribute it to faulty memory and not to a desire to deceive, but the fact is what he said on March 23 contradicts what he said this evening, and what he said this evening indeed contradicts March 23.

Let me explain why. He is telling us that we have come into possession, quite legitimately so, through the Securities Exchange Commission in the United States, an agreement which is entitled "A Share Purchase Agreement." The agreement was made on the 10th day of March 1989 between Her Majesty the Queen in the right of the Province of Manitoba, duly represented by the Minister of Finance (Mr. Manness), hereinafter called the vendor, and Repap Pulp and Paper Incorporated, a corporation organized and existing under the laws of Canada and having its required office in Montreal, Quebec, hereinafter called the purchaser.

That agreement is dated March 10; it is signed by the Minister. The Minister is now telling us that is not the final agreement and I seek from him some indication that is what he said this evening, that what we have in our possession is in fact not the final agreement.

Mr. Chairman: Are you through, Mr. Cowan?

Mr. Cowan: No, I had asked the Minister if he could indicate by a nod of the head whether that is what he said earlier or not.

Mr. Manness: Yes, it was.

Mr. Cowan: It is in fact what he said earlier or not—it is in fact what he said earlier. He said that this is not the final agreement, that there had been many changes that have taken place, if I heard him correctly, and I believe I did.

However, on March 23, when we were asking the Minister if we could have a copy of the share purchase agreement, the Minister said, "I cannot," and I am quoting him directly, "this is a share purchase agreement. It is, like I say, a share purchase subject only to closing," which is what we find in this agreement as we read through it, "subject only to the development of some of the disclosure schedules that have yet to be worked on," and that is what we find when we have all of the schedules indeed, "so it is very much a sale purchase agreement which I cannot make public at this time."

My question to the Minister was then, why would he not want to make it public? Was there information contained within it which he thought would damage the negotiations or betray corporate confidentiality on the part of the other party?

* (2030)

The Minister then said that he is in no position at this time to present the document. He said there were some minor technical things that had to be dealt with. We indicated that was disappointing to us and we asked him, is the Minister prepared to make that document available to us in its entirety as part of the package of documents we will be requesting once the sale has been consummated?

Now this is the important part. This is what Mr. Manness said on March 23: "Mr. Chairman, let me say very clearly that the interim agreement, sale and purchase agreement referred to by Mr. Cowan is, in essence, the final agreement." On March 23, he is telling me an agreement that he signed on March 10 is, in essence, the final agreement. Yet today, he is telling this committee that it is not the final agreement.

An Honourable Member: You cannot have it both ways.

Mr. Cowan: He is trying to follow in the fine tradition of the previous Conservative Member for Radisson, who said they could have it both ways. He said that while in Opposition. The Minister will find that while in Government they cannot have it both ways. They never really could in Opposition as hard as they might try, but they did try, but in Government they have a responsibility to tell the truth, to tell the facts, to be honest and open.

It is not good enough for the Minister to sit on his high horse at the head of this table and talk about how open this Government is and how open he is as a Minister, when in fact they are keeping from the public, through elected representatives, information which is freely available to anyone who has the capacity to pay the fee for it, to obtain it from the Securities Exchange Commission. Anyone could obtain that document from the Securities Exchange Commission.

So what, in essence, has happened is those people, the shareholders of Repap, others who had an interest in this matter, could have had this document before them for one month. They have had an opportunity to review it in detail. I will tell you, Mr. Chairperson, that it is worth reviewing in detail.

I will tell you that we have some strong concerns about Section 9.01(d) which deals with the priority hiring. We think it is the weakest priority hiring clause for Northerners that has been put in place since probably the original CFI Agreement. It is incredibly weak. It has no substance and it will do a disservice and a disadvantage to Northerners all across the North, and particularly those who are watching this sale as a way of creating new economic opportunities for themselves.

We have some concerns about the confidentiality provisions of this agreement. We have some concerns about the environmental standards in the side

agreements that have been made between Repap and the Government with respect to this agreement and this sale. We have some concern about the tax benefits contained within this agreement.

We believe this agreement could be read to prevent—and I look to the Members of the front benches, the Cabinet Ministers, the Members of Executive Council—could prevent them from exercising their duty and their responsibility, their legal rights and responsibilities, under their oath of office, under their mandate and under the legislation because of things that are written in this agreement, which precludes them from taking certain actions unless they want to do so, and at the same time exposing the province to great cost. So we have some concerns about that.

We have some real concerns about some of the provisions of the Forest Management Agreement, and that is a large agreement. There are probably 20 or 30 clauses in it that we want to go through in this agreement. We have some concerns about the exemption from changes in laws that is provided to Repap. We have some concerns about the exemptions to changes in sales tax that is provided to Repap under this agreement.

We think this agreement is a very serious document that requires a great deal of serious consideration. The fact that it was never presented to the Opposition, even although they asked for it, betrays everything that the Minister of Finance (Mr. Manness) and his colleagues have been saying for the past year about open Government.

It proves that they are not an open Government. It proves that they are not prepared to provide to us what is provided to others. It proves that either they do not know what is happening or they choose to ignore what is happening. I find it difficult to believe that the Minister can say he did not know this document was going to be sent to the Securities Exchange Commission. If he did not know this document was going to be made public in that fashion, then perhaps he should find someone who knows a bit more to be put in charge of negotiations, because that is a very, very major failing in due diligence and in understanding what is happening. Now, he smiles. He smiles perhaps because he is caught.

He says that we cannot deal completely in an open fashion because of corporate confidentiality requirements, and that is why we could not get this document and the schedules that are attached to it. Well, the fact is that lots of people had the opportunity to get this document and the schedules that were attached to it, and Repap was not worried about corporate confidentiality.

An Honourable Member: Like the shareholders on March 11.

Mr. Cowan: Exactly. The shareholders had an opportunity to review it for a month and we had no opportunity because the Minister refused to provide it to Members who requested it on March 23, even although there was a document dated March 10 which

he had signed, which was being submitted to the Securities Exchange.

By the way, there is also a clause in here, and I do not have it right at hand but I can find it. I believe it is 3.02, in that area, in the 3's. It says there any public notice of this document has to be shared between the parties. So, was this document given public notice in the Securities Exchange Commission without that information being shared with the Minister? Because if it did, then Repap is not living up to its end of the bargain. If the Minister did receive notice, then the Minister is not living up to his fine stated words, and that is all they are at this point in time, of being an open Government and being one that is providing full information.

So, Mr. Chairperson, the Minister is not the shareholder for Manfor. The Minister takes on that responsibility on behalf of over a million Manitobans. Just as Repap knew that it had to give to its shareholders open information about this deal, just as they knew they had to provide the detailed information so the shareholders could make a judgment that would be valuable and informed, so should the Minister as a representative of the million-and-some-odd shareholders of Manfor have been obligated to provide that information through the elected officials, or he could have bypassed us if he wanted and made it a public document. That could have been done. But he had the responsibility to share that information, and it is a responsibility he either shirked, refused to live up to, or a responsibility that he did not understand. In either case, that impacts I think in quite a negative way on the competency or at the very least on the sincerity of this Minister.

We are going to spend this evening going through this document clause by clause, page by page, in some instances word by word, because as one reads through this document one finds that there are quite a few unanswered questions. I think that is why the document was not released to us. I do not want to impute motives. I want to impute strategic thinking on the part of the Government, and perhaps I should not. I think that they did not want this sort of an open forum to take place before this deal was consummated, because they were afraid of either not being able to give the answers or afraid of some of the answers that they would have to give.

I am not saying it is an entirely bad document. I am not saying it is an entirely bad deal. I am not even saying it is a bad deal yet, because we have not had the opportunity to review this document in the way in which we should. But I can tell you what I think has been bad, and that is the handling of this whole sordid affair by the Minister and by his colleagues who by their presence here tonight and, I am certain, by their conversations in Cabinet and caucus are all allies of the Minister in his effort to keep this information from the public.

An Honourable Member: That is right. It is a cover-up.

Mr. Cowan: Well, my colleagues say this is a cover-up. I perhaps would not be quite so quick to use that

word had it not been for all the times that charge was hurled across the floor at previous administrations by some of the Members now sitting in the coveted position of being the owners of a cover-up because that, in essence, is what has happened. They have indeed attempted unsuccessfully—they failed to do so but they attempted to cover up what was in this document until the agreement was signed.

That is going to bring me to my question to the Minister in a moment. Before saying that, I want Members of the committee, the Minister and the general public through the media here to know why it is we feel it is so important to be able to go through this document in that sort of detail before the agreement is signed. If it is a good agreement, it will reinforce the fact that it is an agreement that is good for Manitoba. We see nothing wrong with that, and we think that would in fact support the Government in this deal that it has cut.

* (2040)

But if it is not a good agreement, then we believe that part of the agreement that is not good should be brought to the public light before the deal is consummated, because there are some very strong provisions for backing out of this deal. There are some very strong penalties for not fulfilling this deal. One may be put in a place if one does not have the time to go through it in detail, as having been party to an agreement that is not in the best interests of Manitobans, and yet we cannot get out of it because the Government acted in both secrecy and in haste.

We believe it is our job as Opposition to try in every instance, notwithstanding the intention of the Government, to ensure that this Government does not get caught up in its own haste to consummate this deal, and does not get caught up in its own need for secrecy around a document that has been released so far and wide elsewhere. So we will be going through it. There are a large number of questions we feel must be answered.

We do not know if there is time this evening to answer all those questions. We do not know if the Minister is capable of answering all these questions. We do not know if the Minister would answer all those questions if he were capable, because he has shown us that even although he was capable of presenting to us a document, which we requested previously, he refused to present it to us on the excuse that it was bound by corporate confidentiality, when it was being circulated in other jurisdictions under no such restrictions. So it was either his misunderstanding or a blatant excuse, which does not hold water at this point in time, but the fact is that was the reason he gave.

Mr. Chairperson, I believe it would be in the best interests of this committee to put this sale back, to recommend to the Government this sale be put back, because if it is a good sale on May 2 or May 4, then it will be a good sale on May 31. If it is not a good sale on May 2 and we do not have time to help the Government make it a better sale, then there is no sense in signing it on the 2nd. The logic is irrefutable.

If, in fact, you believe—I say that to the Members of the Government side of the committee—that this deal is good for Manitoba, then have no fear. All the next 30 days will do is prove you right. If you fear that will not happen, you can only fear that will not happen because you are not certain of yourselves. If you are not certain of yourselves, why the haste, why the secrets, why the steam-roller? So we are going to stand in front of that steam-roller this evening. We are going to stand in front of that steam-roller as long as it takes to make certain that haste does not overshadow the full flushing out of the facts of this particular deal.

Mr. Chairperson, there are also others who share our concerns. Those concerns are borne more out of not having the information available to us at this point in time than they are in having the information available to us. It may be that they are borne out, or maybe that they are not, but those concerns are very real. The Minister has to deal with the reality, the reality of the Town of The Pas, which is having some questions and concerns, individuals there; the reality of the Native organizations and the bands, some in my own constituency, the Fox Lake Band, The Pas Band, that have some very serious questions about the effect of this deal on their future, on their livelihood, on their economic opportunity, on their quality of life. They have said very clearly they want some more time. They want more involvement in it.

That is something—and I point to the Minister of Northern Affairs (Mr. Downey) because I would hope that he would take this word back to his Cabinet colleagues—that is something that he should be supporting in Cabinet. He should be going into Cabinet and saying there are concerns on the part of Native organizations. There are real questions on the part of Native organizations that need answering, and I want those questions answered. I want those concerns dealt with, and I want the fullest possible economic opportunity given to them before this deal is signed, because I have a responsibility to them as well as a responsibility to the political future of my Government.

That is what he should be saying. That is what the Minister of Northern Affairs should be saying in Cabinet. Perhaps he is. I know we cannot ask him what is said in Cabinet. He could nod his head or blink if he wished, but I know he is much too disciplined even to do that. We certainly hope he is saying that. If he is saying that in Cabinet, there is a way that he can put those same concerns in a non-partisan way on the floor here this evening without betraying Cabinet confidentiality or secrets, but in doing so living up to his responsibility to those bands, organizations, Metis communities, Metis organizations that are looking somewhat askance right now at this deal because there is not that full information available to them.

So what is the harm in waiting 30 days? The Minister says that would have an effect on the cash flow. Well, I find that just about as difficult to believe as I do that the reason he gave for not presenting this to us was corporate confidentiality, because there are provisions in this document here to take into effect any delay in the signing of the document. As a matter of fact, as the Member for St. Norbert (Mr. Angus) has indicated

earlier, there is even an implicit provision that signing of this document can be put back a number of weeks. Now that would not have been put into the document unless it was thought to be a possibility, and unless it was put in there to protect all the parties in the event that it was determined that there was more time that was needed to review this document.

I can tell you, Mr. Chairperson, if the shareholders of Repap said to the company, do not sign that document until these questions are answered and these concerns are dealt with, that document would not be signed and they would provoke the 30-day clause. They would do so in good faith, and they would do so because their shareholders told them that they had legitimate concerns and questions that they felt were not yet addressed fully or not yet answered to the extent that they need be.

Now, if Repap would do that, why would not the Province of Manitoba do that, a province that holds itself open to be even more forthcoming, even more open, than is a private corporation? The logic of the Minister befuddles me, and perhaps that is because I do not fully understand all the nuances and the intricacies and the subtleties of contract law, but I can tell the Minister that when we went through documents of this sort we knew there were questions that needed to be answered, we knew that documents were not perfect in the first instance, and we knew that there had to be an opportunity for people's concerns to be dealt with and people's concerns to be answered.

Let me read the Minister something from the document. "Manitoba Hydro arrangements. The company shall have entered into an agreement with Manitoba Hydro in form and substance satisfactory to the company, which makes available to the company hydro-electric power sufficient to operate the business of the company, including Phase 1 and Phase 2, which provides if, in the future, Manitoba Hydro has uncommitted capacity, then Manitoba Hydro will enter into agreements to provide additional hydro-electric power for any future expansion of the business of the company in Manitoba, on terms no less favourable to the company than to any other industrial consumer of hydro-electric power supplied by Manitoba Hydro using substantially similar demand in energy." So, what that means, Mr. Chairperson, as I read it, is that if Repap needs additional energy and if it is available, they are going to enter the negotiations at the best—this is where they enter negotiations—possible entry point; in other words, at terms that are no worse than the terms of any other supplier who uses substantially similar demand in energy.

Well, does that mean if a supplier who entered into an agreement in 1950 or 1960 or 1970, when conditions were much different, has a favourable rate, then no matter what the conditions are in 1989, 1990, 1991 and 1992 or beyond, that they are going to enter in at the 1950 or 1960, 1970 negotiation level? Is that what that means, because that is how it reads? And if that is the fact, then we need only look to Labrador to see what the impact of that sort of an agreement can be on a province. So we have some very serious questions about that. The Minister will have to answer those questions this evening.

The Member for Flin Flon (Mr. Storie) has some very serious questions. The Member for Rupertsland (Mr. Harper), who has looked at the clause with respect to priority for The Pas residents and, like all of us, has found it to be weak, has found it to be inadequate and has found it to ignore every lesson that we have learned under the construction of Limestone and with respect to affirmative action. Yet he is asking us to approve that this evening without further questioning, without the detail, without asking very simple questions. Why do they not want a strong affirmative action clause? Why do they not want a strong community economic benefits clause in here? Those are some very serious questions and very serious concerns. Why is it that the bands themselves have not been given more opportunity to involve themselves with equity in this operation, and the Minister of the plan will be addressing that.

* (2050)

All those questions need be answered. They can save us a lot of time this evening, Mr. Chairperson. They can save us a lot of time this evening by indicating right now that they are going to push back the closing date which is contemplated, called for in this agreement, until 30 days so that we as elected representatives can get a better understanding of this agreement, so that the Minister can get a better understanding of what is happening—in fact, he did not know it was being presented to the SEC—so that the organizations out there in the public can get a better understanding.

Mr. Chairperson, my question to the Minister is, when is the signing day? Is it May 2 or May 4, and is he prepared to push that back 30 days so that a thorough analysis could be undertaken on this document, the same time which was allotted to those who obtained this document from March 31 from the Securities Exchange Commission?

Mr. Manness: Mr. Chairman, let me respond to the question firstly and then let me respond to some of the earlier comments and preambles.

First of all, Mr. Chairman, let me indicate that the signing date is tentatively set for May 4. That is Thursday of this week. I use the word "tentatively" because of course at this point we are still working on various drafts and indeed May 4 may not be achievable. That is the reason that we wrote the May 2 to the May 30 he has. It fully recognized that there are reasons, many times good reasons, why agreements cannot be entered into in the last days, indeed in the last hours, working towards a tentative timetable. As a matter of fact, for the record, let me say that on the signing date, March 10 I believe, there was no deal in place as of roughly two o'clock in the afternoon, Montreal time. There was no deal struck. So again, let me say for the record that May 4 is a tentative date and that it may or may not be achieved. It is the hope of the Government that as of today, sitting here, that it will be. So I say that for the record, Mr. Chairman.

But let me first of all reply to Mr. Cowan and let me indicate that his feigned indignation misses the mark by a considerable amount. Indeed his summation of

events fails miserably when put in comparison to my colleague, the MLA for Pembina (Mr. Orchard), when he was on attack in a committee just like this, Mr. Chairman, because let me say—and I will deal with every one of the comments put on the record by the MLA for Churchill (Mr. Cowan), in all honesty because throughout all of this I have attempted to indicate to members that I will provide in as open fashion as possible all the basic principles and tenets of the agreement.

We have sat in committee, in this committee, for 10 hours over the last six weeks, for the most part, from the last five weeks, at which time Members of the Opposition have had an opportunity to ask very specific questions with respect to the share agreement. Let me say, Mr. Chairman, we have done that and we have answered almost every question that has been asked of us. So I do not hide from the claims that we have attempted to cover up because we have not covered up anything. We have provided virtually all the detail we could, and I can think of only one or two occasions when we have indicated to Members of this committee that we were unable to answer because of the spirit of the agreement that we had entered into with Repap.

Now, Mr. Chairman, I apologize to this committee and indeed to the Members or to the people of Manitoba that I could not release a draft of the share purchase agreement. I honestly believe, and I still do, that there was some incumbency upon the Government not to release a draft agreement because, just as the Member has pointed out—and he uses as an example the Hydro example. Let me indicate that it will not be written that way in the final document to the best of my understanding, because that and many other aspects have had wording changes associated with them.

Now, if the Member had wished the opposite approach, that we spend the best part of all the next number of months of having worked then on a final document and presenting it a fait accompli to the people of Manitoba, and at that time indicating not only what the basic principles were but laying before the people of Manitoba, as we promised we would and we will, the completed signed agreement in an open way, if that was the approach the Member wished we would take, I would say, firstly, why did he not take it and why did not his Government take it with respect to the Flyer divestiture; and secondly, I would ask him to name one other case, one other example of a divestiture of a publicly owned company of this magnitude where that had been done.

Mr. Chairman, I know for a certainty that the Member for Churchill (Mr. Cowan) could not name one example, because nowhere in the history of divestiture of Crown operations has the Government been more open and provided more information with respect to the principles. Let me say another thing, if there was something radically in shortfall with respect to some of the substance of the documents, indeed of the draft that the Member has before him, he would be hollering in great measure. That would have been the focus of his attention. His silence speaks volumes as to indeed this agreement we have signed, draft in his hands, still draft in our hands, because a final agreement has not been signed or entered into.

Some Honourable Members: Oh, oh!

Mr. Chairman: Mr. Minister has the floor. Order, please.

Mr. Manness: Mr. Chairman, the Member knows well, I used the word "interim," I used the word "final" with respect to the principles, but certainly everybody knows when you give yourself two to three months to finalize an agreement, it has something to do with the disclosure schedules. It has something to do with some of the final important wording around the principles. The principles have not changed and if the Members of the committee -(Interjection)- I did say "minor", I did say minor to Mr. Cowan because the principles have not changed since March 10. The basic principles of this agreement remain intact, and the technical detail takes two or three months often, to commit to paper.

I do not know what point it is the Member for Churchill is attempting to make. If he thinks you make these agreements and you come to a final draft, a final agreement, in terms of two or three weeks, you do not. I am saying the agreement gave us two to three months. I indicated to Members earlier on that we hoped to sign the agreement at the beginning of May, and if the Member wants to be honest at all he will indicate that. That is fully part of the record. The beginning of May was our objective. It still is, Mr. Chairman, but there is no certainty as of today that May 4 will be the final day.

The Member says we have attempted to cover up something. I do not know how it is you attempt to cover something up when you lay before the people of Manitoba the basic principles of the agreement, and not one of the basic principles of the agreement is under attack here tonight, not one of the basic principles of the agreement because, Mr. Chairman, I am that intimate with the agreement to know that the basic principles of the agreement are today as they were on March 10 when I signed on behalf of the taxpayers of this province.

* (2100)

The Member for Flin Flon (Mr. Storie) obviously does not understand anything about corporate activities. Today we do not have a final agreement. He knows we do not have a final agreement. We entered into a share purchase agreement on March 10 and both parties have committed since that point in time their energies to putting into place final wording around the principles and indeed to many of the disclosure schedules that are appended to that agreement. I am of the understanding that is the way commercial agreements are entered into, that we are doing nothing out of the ordinary.

So again let me say for the record that the Members opposite have a draft, probably the first draft that was signed. It is the one that we came back quickly to the Province of Manitoba, reported to, reported in a most full and open fashion, reported all the basic principles, came to committee and gave greater detail to those principles, over 10 hours of committee hearing, and tonight we brought forward Mr. Ross Lewis from Stothert to get yet greater detail as to what it is Repap is wanting to do with respect to the Manfor operation.

Mr. Angus: The question has been asked and the Minister has avoided it. On March 10, he entered into a share purchase agreement. On March 11, the Repap indicated to their shareholders that they have entered into an agreement with the Government of Manitoba to acquire the assets of Manfor. It appears from the information we have at this table that the deal is done, and I suspect what the Minister is talking about is subject to closing, and that would be dotting the i's and crossing the t's in the closing arrangements.

Now, notwithstanding the fact that date can be altered from May 2 to May 30 -(Interjection)- The Honourable Member for Churchill (Mr. Cowan) remarks from his chair, "without penalty," and I suspect that the very questions that we are asking that will stem from this agreement come back to the original summation that was made by the Honourable Member for Churchill, in that if this agreement can hold water, if it is something that will stand the scrutiny in a real-world test, a test that the people of Manitoba will hold up and say yes, this is a good opportunity for the citizens of Manitoba, then we should postpone the closing date and go through this clause by clause.

If he is not going to postpone it, then we will start right now, tonight, going through it clause by clause. So I will ask the Minister again if he will consider exercising the clause on page 3 of the agreement, which states that both parties can ask for, and it will not be held by mutual agreement, the extension of the closing date.

Mr. Manness: Mr. Chairman, let me repeat again for the record, on March 11, the Province of Manitoba also did report to its shareholders. We indicated to the people of Manitoba that it had entered into an agreement with Repap Enterprises of Montreal. It indicated the basic principles of that agreement. It indicated that we were as a province prepared to make certain commitments if Repap Enterprises were prepared to invest certain sums of money, if they were prepared to maintain certain numbers of employees, if they were prepared to husband our natural resources in a manner that was acceptable to us, and given the fact that they could only start any phase of the development after the orderly processes, the environmental processes had been met. Mr. Chairman, we made that announcement to the people of Manitoba in an open fashion.

Let me also say that per our commitment to the people of Manitoba, we will also release the final document, spelling out all of the final wording around the principles which have not changed, the final disclosure documents which have been worked on over the last two months. Specific to the question, Mr. Chairman, we are charged as Government to make certain decisions. We were charged by the people of Manitoba, per an election just a year ago, to divest ourselves of Manfor. We deem that it is our responsibility to do so.

This share purchase agreement, the draft before the Members and its basic principles, has been agreed to by the Executive Council of the Province of Manitoba. We have done everything right within the law. Beyond

that, we have been open to the people of Manitoba and to their representatives in this forum, and provided information far beyond which has ever been provided before. The deal will be struck this week if and only if the representative of the people of Manitoba, the Government in place, is totally satisfied that all of the final wording necessary to safeguard the interests of the people of Manitoba is in place. When that happens, that final document will be released to the people of Manitoba.

Mr. Storie: Mr. Chairperson, I appreciate what Mr. Manness said, particularly when he talks about the need or the desire of Government to divest Manfor and to structure a deal which is advantageous. He set out the principles, and they were set out before he assumed responsibility, as he well knows.

I want to get back to some comments he made about the openness with which he has dealt with this committee and committee Members. He talked quite willingly about 10 hours of debate before committee. Well, I want to refer him back to the March 21 meeting of committee at which time the Minister was not present, at which time the Minister responsible for Industry, Trade and Tourism (Mr. Ernst) was present, at which time every time he was asked the question virtually he said, I cannot comment on that. That is a subject that you will have to discuss with Mr. Manness. Mr. Chairman, those questions would be more appropriately addressed to Mr. Manness on Thursday morning. As I indicated, those questions would more appropriately be addressed to the Minister of Finance. He said that on virtually every question that he was asked of any import whatsoever. If you want to get into that dialogue, you should do so with Mr. Manness on Thursday.

Mr. Chairperson, this committee has not had access to any information which will be the basis for deep and penetrating questions. The unfortunate fact is that information was available to other members of other—the fact of the matter is that had we had access to more than the PR representation from Mr. Manness and some of his colleagues and firms or officials hired to present what he called the basics of the agreement in its most glowing light, perhaps those 10 hours would have been constructive.

I ask the Minister responsible to go over the record of those meetings, particularly now that we do have the advantage of seeing some of the specifics of the agreement and recognize that public relations effort for what it is. The fact is that the majority of the questions were not answered, that the majority of the questions were slid over, or answered so vaguely that no one could really get any meaning from them whatsoever.

Mr. Manness also seems to be having difficulty with whether he has a deal or not. In March, he said the agreement was substantially complete, substantially finalized, and now he comes before committee and says, well, we are still working on it. As you know, there are agreements and further agreements in these kinds of negotiations. Mr. Chairperson, I have an invitation for May 4 from Repap to be in The Pas at 10:45 a.m. with the official transfer of ownership ceremony at 11:30

p.m. This does not sound like something that has not been finalized.

Mr. Chairperson, the Minister may not know that Repap has hired Town of The Pas staff and had them working on preparing the Johnson Arena for those ceremonies. The Minister is still not being forthright with Members of this committee about the status of the agreement. The Minister still wants to maintain the charade that Members of this committee can somehow ask legitimate questions to protect the interest of the real shareholders, the people of Manitoba, without having adequate information. He wants to dismiss this agreement. He wants to ignore or avoid answering the serious questions and maintain his now become apparently ridiculous position that he cannot provide us with an update on where negotiations are and what the terms and the precise implications of this agreement are.

Mr. Chairperson, let it be very clear that a single word change in a single clause in a single section or a word change in the agreement can fundamentally affect the rights, the opportunity of individuals in The Pas and the surrounding areas, one single word.

* (2110)

Mr. Chairperson, the Member for Rhineland (Mr. Penner) says from the peanut gallery that we are making it better. That is exactly why we are here, to make the agreement better. If Mr. Manness can sit there and talk at length about the openness of the agreement and the desire to involve Members of this committee, he can certainly begin that process by dealing with this committee in a forthright manner, making sure that we have the information that we need. He expects us to somehow, through osmosis or some other metaphysical process, ask questions of detail when he has not been willing to provide us with any of the detail that is necessary. But we have obtained that information, and whether Mr. Manness wants to admit it or not, the substance of the material that we have access to is in fact the basis for the agreement between Repap and the Province of Manitoba. As my colleague from Churchill has said, there are serious shortcomings in this agreement. We are not here to debate whether divestiture in principle, whether Repap is the right or the wrong company to divest this enterprise to, but the agreement itself is flawed and it makes some fundamental errors, and my colleague mentioned one of them.

He mentioned the fact that there is no northern hiring preference. This is a northern resort. This is an opportunity to train and employ hundreds of Northerners, but there is no mention of any dollars, any support for training. There is no mention of the provincial activity currently under way to make sure that any of the people, the tradespeople who need to be trained for the construction phase, is under way. There is no mention of the involvement, the participation of communities like Cranberry Portage, Wanless, Snow Lake, Wabowden, Sherridon, Easterville and Grand Rapids, all of whom are directly tied to Manfor's operation. This is flawed seriously to the people of northern Manitoba, and the Minister has not been

honest about the nature of this agreement. He certainly has not dealt with committee in any forthright way about these issues and it is time that we did.

Mr. Chairperson, is the Minister prepared to put off signing the agreement until we have had time, as Members of the Legislature, to deal with those important issues on behalf of our constituents and on behalf of the people of Manitoba?

Mr. Chairman: Mr. Minister. Excuse me, Mr. Minister, I would like to ask Mr. Angus—I think he has a few comments to make.

Mr. Angus: Thank you, Mr. Chairperson. Notwithstanding the evidence that has come to light as to the dates that the information was made public and that sort of thing, it is somewhat like the Budget. It is bad news but it is still bad news no matter whether we get it yesterday or today—or it may be bad news. Let me just say, it may be.

Mr. Chairperson, the part that is the bad news that the Minister seems unable to comprehend is - (Interjection)- Well, the fact is the bad news is, specifically, that the Minister misled the committee. I find it personally repugnant that he has misled this committee.

Mr. Manness: Point of order, Mr. Chairman.

Mr. Chairman: On a point of order?

Mr. Manness: Mr. Chairman, on a point of order, the Member has indicated that I have misled the committee. He indicates it in a fashion that makes it sound like I knowingly misled the committee. I ask him to state his case clearly or to withdraw the remarks unequivocally.

Mr. Angus: On the point of order, Mr. Chairman, you go first.

Mr. Cowan: On the point of order, Beauchesne is very clear that if the Member did not say that the Minister deliberately misled, then there is not a point of order. The language is not unparliamentary. The fact that the Member said the Minister misled is not subject to a request for a withdrawal because it is in fact parliamentary and can be found in those provisions in Beauchesne which indicate it to be so.

Mr. Chairman: Mr. Angus, on the point of order.

Mr. Angus: On the same point of order, Mr. Chairperson, I would point out from the minutes of the March 23 meeting where the Minister answers specifically the question: "Can the Minister make the interim agreement public?" He says: "I cannot." But the agreement is public in the United States of America and, by the rules and regulations, it even talks about the Securities Commission and the security laws so he knew that it was available and it was released. He is either misleading the committee or he is incompetent.

Mr. Chairman: On the same point of order, Mr. Minister?

Mr. Manness: Well, Mr. Chairman, on the same point of order, the Member is indicating that I knew that this document was going to be released in the United States, the United States Securities Exchange Commission. Any reference made at other sittings of this committee with respect to Securities Exchange Commissions was totally in the Canadian context.

Mr. Angus: Mr. Chairperson, are you going to rule? I do not believe it is a point of order. The document was released in the United States; the Minister has said he could not release it to us publicly, yet our American brethren were—

Mr. Chairman: You are speaking to the point of order.

Mr. Angus: —able to scrutinize it, Mr. Chairperson. You can call it whatever he wants to call it. He can mix his words however he wants to mix it, but the facts are that the agreement was public, and he chose not to make it available to the citizens of Manitoba in that form, or to the elected representatives.

Mr. Chairman: Mr. Cowan, on the same point of order.

Mr. Cowan: The Minister has indicated he did not mislead the committee. Mr. Angus actually gave the Minister a choice. He said either he had misled the committee or he was ignorant.

An Honourable Member: Incompetent.

Mr. Cowan: Incompetent, excuse me. I think the record this evening stands for itself. I want to make the point that if the Minister did not know this was going to be presented to the Securities Exchange Commission, then the draft agreement which he signed on March 10 was violated by whichever party let it go to the Exchange Commission, or he overlooked the fact there was a clause, Clause 13.01, Public Notices, in the agreement which says, and I quote, "The parties hereto hereby agree that all notices to third parties," such as the Securities Exchange Commission—the reference is my own—"and all of the publicity concerning transactions contemplated by this agreement shall be jointly planned and coordinated, and no party hereto shall act unilaterally in this regard without the prior approval of the other, such approval not to be unreasonably withheld."

So the agreement itself calls for notification that this document is going to be given to a third party. I would suggest the Minister either is incompetent indeed, because he is not ensuring the agreement is followed, or he did mislead the committee when he indicated this could not be made public because of corporate confidentiality requirements, when it was being made public in the United States. He should have known that to be the case.

Mr. Chairman: I did not hear the Members say deliberately misleading. Misleading, I understand, can be used both ways. In that respect, I must say it is not a point of order.

An Honourable Member: Mr. Angus had the floor before the point of order was raised.

Mr. Chairman: Before the point of order was raised.

Mr. Angus: During the point of order, I had the floor.

Mr. Chairperson, notwithstanding the fact that I think the document should have been released at the same time as it was made public in the United States, notwithstanding the fact the Minister has said he would be open and honest, etc., notwithstanding any of that, I would like to go through the agreement on a page-by-page, virtually clause-by-clause basis, to have clarification. If there are any areas in there the Minister should be aware of or his staff should be aware of before the closing is entered into, then we should.

With respect, I know we have visitors from out of the province. If at all possible, I would like to accommodate them so they can be on their way. We do not unnecessarily want to hold up this arrangement, Mr. Chairperson. I will say it was our intention and is our intention to divest ourselves of the Manfor properties, and this may be a good package. It may in fact be a good package, but we do not know because of the closed-door policy that the Conservatives have maintained, feeding us only what they want to feed us.

So now we have the document. We will go through it on a piece-by-piece basis. The Minister wants to say something, but then I will let the Honourable Member for Churchill (Mr. Cowan) have the floor and we will start the process of going through this document and see if we can

* (2120)

Mr. Manness: Mr. Chairman, I request of the committee some decision as to whether or not, before we go through paragraph by paragraph as may be the wish of the Member for St. Norbert (Mr. Angus), whether or not there is a wish to review certain aspects, as requested by Mr. Taylor. Again, Mr. Taylor requested an understanding, in general terms, and I quote, "what we are talking about." I think, in essence, what he was requesting was a layman's explanation as to the processes in place in taking a tree and from it producing pulp, the chemicals that are used and the effluents that are put into place.

Mr. Chairman, I appeal to the Member that we let Mr. Ross Lewis make that presentation to us, to the committee, because he has come some distance to do so. Indeed, that was the request of the committee. That is what I undertook to provide to the committee at our next sitting, was to provide that detail. I would request of the committee that we be allowed to make that presentation so that Mr. Lewis can go back to Vancouver, and his trip in this case is not wasted.

Mr. Harold Taylor (Wolseley): . . . Mr. Chairperson, that I had initiated this issue of getting an environmental briefing before the public environmental hearing so that we, as legislators of the province, could at least understand some of the proposed technological changes that Repap is expecting to implement here. I am very much concerned that this issue not be lost, that it not be swept under the table or put off forever or never, whatever the case may be. I would like to

deal with that in fairly short order, either later this evening or tomorrow morning.

There are a few questions, and I would hope a few only, on the table though that are germane to the opening of this other discussion that I would like for the record to be discussed. I only have a few myself. I have discussed it with Mr. Angus, the Member for St. Norbert, and the other Opposition Party House Leader. I would like those points on the table because they do relate to the opening of the subject matter, as opposed to getting into the clause-by-clause examination.

I would propose that second part, if we are to get into clause-by-clause, page-by-page examination of the document, that we do that a little bit later, after we have heard from the environmental presenters of the corporation. But I would ask the Minister's cooperation in getting a few other related items on the table because they do tie in with this changed orientation that this committee session has taken this evening. I think it leaves some loose ends out there that do need to be tied up before we get into the presentation, hopefully in fairly short order.

Mr. Manness: Mr. Chairman, if Mr. Taylor is proposing to ask some two or three questions that, as he says, are loose ends and require some answering before we can move into the presentation which we hope to do in roughly 15 minutes or 20 minutes with respect to some of the processes in place, I am prepared to undertake those. I just hope that there is general agreement in the committee that we at least have this aspect completed. I am prepared to sit here quite late personally and go through the document that the Members have obtained. I am just requesting now, however, that we have an opportunity to at this time go through the technical aspects of the process.

Mr. Chairman: Is it the will of the committee? (Agreed) Mr. Taylor.

Mr. Taylor: Mr. Chairperson, the Minister made comment about the fact that the document that the Opposition Parties have released this evening is not current. That could very well be the facts. When one is dealing with a sale of this proportion, of this complexity, generally these agreements tend to evolve. They are not drafts in the sense of rough cut, but they are a case of that is where they are, that is the state of the art at a given moment in time. As one gets closer and closer to a signing point, the document gets refined. I would ask the Minister, is it not true that therefore there would be a final draft document registered with the U.S. Securities Exchange Commission at this time?

Mr. Manness: The answer is no. Mr. Chairman, the Member states the case very well. There are some points, not the basic matters of principle which are well known and have not changed over the course of the last two months, but there are some points that as of today have not been determined, have not reached a point of finality. There are some points today that are being negotiated at this time, and if not at this time first thing tomorrow morning. Yet at this point, agreement has not been reached upon; so therefore

no document has been filed because there has been no signing take place by representatives of the Province of Manitoba.

Mr. Taylor: The Minister is indicating, Mr. Chairperson, that there are a few final points yet to be attended to. Therefore, the final document is not registered. Possibly there has been a more up-to-date document registered in any case, more up to date than what the Minister suggests the one before us this evening is. I guess it begs the point as to the purpose of this sales document being before the U.S. Securities Exchange Commission in the first place, and at what point does that U.S. Government agency have a document that is up to date, that is displayable to the U.S. public. Maybe he would like to make a comment on that.

Mr. Manness: Mr. Chairman, the final point first, I would think that there would have to be a filing with the Securities Exchange Commission immediately upon closing, as indeed was required by law in the original share purchase agreement. The laws are very specific in that, as the Member would know. There was no choice. It is one of the reasons why there is no choice for the Government and indeed an interested party to work through all of the detail that is associated with a \$1 billion divestiture over a period of a number of months, because of course it is impossible to hide the fact that one company has been selected and the fact that there is much negotiation and discussions going around certain aspects of that deal.

If some people had inside information on that, you can imagine how they could use it to their own monetary gain in purchasing shares. That is why, as soon as the Province of Manitoba selected one out of many proposals, there was no alternative but to put some finality by way of signature to the share purchase agreement, basically a document in principle, because the security exchange laws of the country demand it in fairness to all the shareholders of that company, so we were not doing anything untoward. We were following the laws of the land.

* (2130)

The Members know that, and the Members know it full well. In their attempt to—because they have been able to attain a copy of the document and to make it appear like I purposely kept it from the people of Manitoba, and yet for some reason, because it had to be filed in the American Security Exchange and somebody was able to attain it through that process—make it appear like the Government of Manitoba had failed in its commitment somehow to be open, is so far-fetched it is basically, and I will use the word, a dishonest attempt to impose upon the Government a belief that we are doing something untoward, because we are not. We are following the laws of the land.

Mr. Taylor: Possibly the Minister would be interested in explaining the relationship between the Repap Pulp and Paper Incorporated and Repap Enterprises Incorporated.

Mr. Manness: Repap Pulp and Paper Company owns all of the Canadian assets of Repap Enterprises,

including Skeena and including Miramichi in New Brunswick, and now Manitoba.

Mr. Taylor: Yes, I was aware that Repap Pulp and Paper Inc. was the proprietor of those operations. I guess the question is, what is the link, and the question was, what is the link to Repap Enterprises Inc.? Is it owned by Repap Pulp and Paper Incorporated or is it the other way around?

Mr. Manness: The latter.

Mr. Taylor: Repap Enterprises Incorporated owns Repap Pulp and Paper Incorporated?

Mr. Manness: Right. The Member is correct in the latter.

Mr. Taylor: Thank you. Then is Repap Enterprises Incorporated a Canadian-incorporated company?

Mr. Manness: Yes, it is.

Mr. Taylor: I see. Now the deal, the sales agreement we have—is Repap Pulp and Paper Inc. though a corporation organized and existing under the laws of Canada, having their required office in Montreal, Quebec? What is the ownership of Repap Enterprises Incorporated? The Minister has said it is a Canadian incorporation. Maybe he would like to enlighten us as to why the link between that incorporated firm and another incorporated firm. What is the purpose of that linkage and what is the ownership? Is the ownership—it may be incorporated in Canada, but who owns it? Who owns that corporation?

Mr. Storie: On a point of order before we began, I handed in a resignation form. I have another meeting to attend. My colleague would like to nominate a new Member.

Mr. Chairman: That is no point of order.

Mr. Manness: That is a relief.

An Honourable Member: A point of interruption, yes.

Mr. Chairman: That is no point of order.

Mr. Ashton: On a point of order, I believe the resignation of a Member and replacement of that Member is—I believe the Member gave due notice to the committee.

Mr. Chairman: I understand that is not a point of order, but I would like to deal with it.

“I wish to resign from the Standing Committee on Economic Development. Jerry Storie.” Mr. Storie, are you nominating Mr. Harper? Oh, he cannot, okay.

Mr. Harper: I would like to make a nomination, Mr. Harapiak.

Mr. Chairman: You are nominating Mr. Harapiak. Is that the will of the committee? Agreed? (Agreed)

Mr. Minister, are you prepared to answer the question now of Mr. Taylor?

Mr. Manness: Mr. Chairman, the—

Mr. Angus: Could we have order, please, Mr. Chairperson?

Mr. Manness: Mr. Chairman, the Member has hit upon one of the prime examples as to why the draft agreement should not be released. It is not clear, as of the signing of March 10, as to the corporate vehicle that Repap was going to use, wished to use, with respect to the ownership of Manfor. Mr. Chairman, one thing that the Government of Manitoba did though to ensure that it always knew what was going on, it had a final veto, in essence, as to how Repap Enterprises was going to structure, if it was going to change, alter at all, its assets.

So right today, Mr. Chairman, here is a classic example of why it would be foolhardy to take a draft out and make it appear as if it is the final document because indeed the Members are not holding the final document, because the basic principles are agreed to. They were announced as required by law, but their final form, as the Member knows fully well, will take two months and more to put to paper.

Mr. Taylor: Mr. Chairperson, I find that enlightening, but we have the information on the table that Repap Enterprise Incorporated is incorporated in Canada. That is all we know about it. The Minister so far has not said anything else about what appears to be or is, pardon me, the parent corporation. It may be incorporated in Canada, but where is its ownership? What linkages does it or does it not have to other countries? Is it tied in with other conglomerates? I do not know that. Could the Minister inform the committee of that?

Mr. Manness: Mr. Chairman, I did not bring my annual report along with me. I notice Ms. Charles has one, and certainly all of those relationships are described in full detail within the Annual Report of Repap.

Mr. Taylor: Mr. Chairperson, my point in asking those questions is to put them into the public record, as opposed to making reference to something that is a private corporation's annual report, a document not of the Legislature of Manitoba. And I would ask now, on a fourth try, if the Minister would clarify that point for us. I do not think that is asking too much.

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

Mr. Manness: Mr. Acting Chairman, it is my understanding that Repap Enterprises Incorporated is a fully-owned Canadian company, owned by George Petty and other Canadians.

Mr. Taylor: Is the Minister aware of the degree of Canadian ownership? He mentions one of the principles, but I

Mr. Manness: Mr. Acting Chairman, from memory, I believe that it is owned by Mr. Petty and other

Canadians, roughly in the range of 95 percent plus, or something similar.

Mr. Taylor: Thank you.

The Acting Chairman (Mr. Helwer): Do we want to go on with the presentation?

Mr. Manness: Mr. Acting Chairman, I wonder if there are any questions specifically as to the forestry.

Mr. Taylor: Just as a point of order, there were, Mr. Acting Chairperson, questions taken by the Minister in the last Session when there were a lot of forestry questions in which not all the answers were there. Many of them were. The Minister said that he would bring the answers back on certain of those questions. I think much of that would answer those remaining question marks for us, and I am sure we will get more out of this evening.

The Acting Chairman (Mr. Helwer): Okay. That is not a point of order, Mr. Taylor, but—Mr. Minister?

Mr. Manness: Mr. Acting Chairman, I wonder then if I might respond to those unanswered questions in writing. Can we do so in writing within the terms of the next week? Would that be sufficient?

The Acting Chairman (Mr. Helwer): Some of the questions, Mr. Minister, might be answered tonight.

Mr. Manness: Well, Mr. Acting Chairman, then I ask Members of the committee to pose their questions at this time if they are dealing with the forestry area. I just sense that it is better to do so.

* (2140)

Mr. Taylor: The questions that we posed some, I guess, five weeks back, what is the Minister intending to do to deal with that? I know Mr. Bessey is advising him that he will have trouble answering them in writing within a week because he will be so busy signing agreements here, but maybe we could get a better idea on a window here of when we might see those questions back. I do not think the Minister has to give the information tonight if he has not got that information prepared. I am quite prepared to see it come out in a week, 10 days. We can always deal with it after the 18th, but I would much rather get on with the environmental presentation instead.

Mr. Manness: Mr. Acting Chairman, we will undertake to request of staff that we have response back to Mr. Taylor with respect to the unanswered questions. The Member probably could help if he has a list of them, or if he wishes that we peruse Hansard and dig them out ourselves, whatever his wishes.

Mr. Taylor: Please, could the Minister share those with other Members of the committee?

Mr. Manness: Certainly. Mr. Acting Chairman, then if it is the will of the committee, I would ask that Mr.

Rannard take his leave, and at this time I would call for Mr. Ross Lewis who will make a presentation with respect to the process envisaged by Repap Enterprises at The Pas site. I wonder if we should ask Mr. Lewis to have a microphone. Would that be better so that the recording is made easier?

Mr. Ross Lewis (President, Stothert Engineering): Basically, I was asked to come and give a talk on the processes at Manfor and some of the changes that are intended to take place as part of the purchase by Repap. So basically, what I thought I would do tonight is, for those of you who are not that familiar with the kraft pulp process, I would briefly go through it to define some of the terminology that is used, and give people a little better understanding of how the process works to begin with. Then I will go through the Manfor process itself, using some block diagrams and describe what the existing process is and what the proposed changes are to the plant, in order to bring it up to sort of current-day standards in terms of technology for the environment, and also for the manufacturer of the pulp.

Following that, we will have a brief review of what impacts these changes have on the layout of the plant, and then at the end some questions, if anybody has any further questions. I am going to try not to be too technical here because I could basically go on for several months with a technology course. So I will try and keep it fairly simple.

Basically, in the manufacture of kraft pulp, there are a number of stages that take place. First of all, the procedure is to take the logs that come into the plant and manufacture them into wood chips, which is the basic ingredient in the manufacture of kraft pulp. As part of the sawmilling or wood room process, bark and sawdust is generated as a by-product. These by-products are used in a conventional steam boiler for the manufacture of steam used in the process, and also can be used in the manufacture of electricity as a by-product. Once you have the wood chips prepared, there is some screening that takes place to separate them into overall size, and in some cases into thickness, so that the quality of the pulp manufactured can be consistent.

The basic process of pulping is fairly straightforward. You take the wood chips. You heat them up using steam, which softens the chips and makes them pliable, tends to separate the fibres. You add some chemicals to the wood chips. These chemicals are primarily sodium hydroxide, which you may know as caustic soda, and sodium sulphide. The sodium sulphide does not really take a part in the process, other than acting as a bit of a catalyst in the breakdown of the lignin.

Wood chips are made up of a number of different components. They are made up of cellulose, which is the final product you see in your paper. It is made up of a number of cellulosic materials, which dissolve in the process and are basically sugars, wood sugars of different types. It is made up of lignins, which is basically the glue that holds it together. When you are in the pulping process, what happens as the result of the pulping process, you make sort of slurry that is composed of pulp mixed with the dissolved wood

sugars, the lignin that is dissolved in the chemicals and the residual chemicals from the pulping process.

I will get into the basics of the pulping when we talk about the plant itself. So out of the pulping process basically, you get a mixture of pulp lignin and chemicals of various types. The initial process in pulping is you screen the pulp to remove the wood chip particles that have not been fully pulped. As part of the screening process, a lot of the chemicals are removed. They basically drain off the pulp as it is screened. Then any of the material that has not been fully pulped is recycled back to the pulping process.

The next stage in the process is what is called "washing" and, in this stage, water is basically used to wash the dissolved chemicals out of the pulp. Basically, what you are washing out is the residual chemicals that are used in the pulping process, and also the lignin that comes out, plus some of the dissolved wood sugars. These then go to a recovery process, which I will describe a little later. Once the pulp has been washed, basically you have what is called an "unbleached" pulp. This is a pulp similar to what you see in your grocery bags. It is a brown material, very fibrous. At Manfor, this is sort of the final process, other than the drying of the pulp.

As part of the recovery process, what happens is that the water, chemicals and lignin that separated in the screening and the washing stages is evaporated, and basically what that does is it concentrates the chemical components and the lignin components of what they call a "black liquor" which is basically the pulping liquor. It is concentrated up to about 60 percent solids or higher at which point, because of the wood sugars and the lignin that is present, it will burn. So this chemical mixture is then put into a recovery boiler which is basically like a conventional boiler that is firing oil, except that rather than firing oil it fires what they call a strong black liquor, which is like the residual chemicals that are in the process.- (Interjection)- Yes?

Mr. Taylor: A question, I wanted to go back just a moment here. The top bubble there, water, chemicals and lignin, now where does this other material, this flammable material come from? Is that out of that?

Mr. Lewis: That is basically the flammable material. Yes, it is basically sugars, wood sugars and lignin from the wood.

Mr. Taylor: Okay, this is aside from the usable product—

Mr. Lewis: That is right.

Mr. Taylor: —that becomes paper.

Mr. Lewis: That is exactly right.

Mr. Taylor: Okay.

Mr. Lewis: So, anyway, this material is evaporated and it is burned in a boiler. Now, one of the major sources of emissions from a kraft pulp is from the recovery

boiler, and that is because of some of the sulphurous compounds that come along with the lignin, and the chemical residuals are released in the recovery boiler.

Now, modern technology has significantly reduced the amount of these what they call total reduced sulphur emissions or odorous gas emissions, which contain hydrogen sulphide and dimethyl disulphide, and you can go on and on with all the various compounds. This whole process has been radically changed since the time that Manfor was originally built.

* (2150)

At any rate, out of the bottom of the recovery boiler, instead of what you would get, an ash that comes out of a typical power boiler or your fireplace, what you get is a molten salt. Now the molten salt is tapped off and it is basically like a heavy, hot syrup that comes out of the bottom of the boiler, and that is dissolved, redissolved in water. At that point, rather than having sodium hydroxide, the sodium hydroxide is converted into sodium carbonate and the sodium sulphide remains pretty well untouched.

As a by-product of the recovery operation, you also generate quite a bit of steam which is again used in the process for pulping and other activities.

Mr. Taylor: What are you using those by-products for then?

Mr. Lewis: These by-products here? I will get to that in just a minute.

Now, what happens as part of what they call the chemical recovery cycle, basically you can operate a pulp mill by buying fresh chemicals on a continuous basis, put them in, extract them and dump them into whatever source you have. That is the way pulp used to be made, which is why it was such a heavy polluter. All the chemicals that were used in the process were wasted.

Now, back in the early part of the century, people found that they could not afford to run pulp mills this way, No. 1, from an economic standpoint, No. 2, from an environmental standpoint, so what they did is they developed a chemical recovery system to re-use basically the salt components of the chemicals. So basically what they do is you have the sodium carbonate and the sodium sulphide and you go through a chemical reaction in the recausticizing or the causticizing process where you combine it with lime, which is basically calcium oxide.

If you are familiar with basic chemistry, the calcium and the sodium in the chemicals change places. The calcium component precipitates out and you are left with sodium hydroxide plus sodium sulphide. Now, this is the same basic pulping chemical that was used in the pulping process, so that then goes back into the pulping cycle.

The calcium carbonate which precipitates out in the process is then burned in a lime kiln and converts from calcium carbonate. The carbonate component is driven off as carbon dioxide and you regenerate the calcium

oxide, and that is the basis of the kraft process, this chemical recovery cycle.

Now, there have been changes that have taken place in that process and I have tried to simplify this as much as I can. It can be quite complex because there are a number of other chemicals that play minor roles in the process.

Now, basically in the existing process at Manfor, you stop at the unbleached pulp process. That contains the unbleached pulp, basically contains the cellulose with some residual lignin which gives it the brown colour. In modern pulping where you are trying to make a fully bleached kraft pulp, what you want to do is you want to bleach out that lignin or remove it in some fashion.

One of the modern ways to give the pulp a white colour and at the same time to minimize the effects of chlorine on the environment, what you do is you first, before bleaching it, give it what is called an option delignification or an oxygen bleaching stage. What this does is it essentially reduces by about 50 percent the amount of lignin that carries on from the unbleached pulp into the bleaching process, using oxygen basically substituting as part of the chlorine used in the process. The oxygen is directly injected with the pulp. It is retained in a pressure vessel for a period of about 45 minutes. It reacts with the dissolved lignins and the lignins that are attached to the cellulose and allows them to be washed out in a further washing stage.

Now this lignin that is washed out from the washing, after the oxygen delignification, is also put back into the recovery process and is burned in the boiler.

Now, the next stage in the manufacture of what they call fully bleached kraft pulp, which is the bleaching stage, is quite complicated and involves a number of stages of chemical addition and washing where basically what you do is you add a material, such as chlorine or chlorine dioxide or sodium hydroxide, mix it in with the pulp, you let it sit for a period of time for the chemical to take effect and then you wash it out.

So in the process that is being proposed for Manfor there are basically four stages or what they call four full stages of bleaching. The first stage would be chlorine; the second stage is an extraction process which is basically a sodium hydroxide addition with what they call an inter-stage addition of chlorine dioxide, followed by an inner-stage addition of oxygen, chlorine dioxide and chlorine dioxide. Now, what the objective of this is, is to maximize the amount of chlorine dioxide that is substituted for chlorine, and the intent of this is to minimize or, by all means, reduce to an absolute minimum the possibility of generation of any chlorinated organics.- (Interjection)- No, this would be part of the new process.- (Interjection)- Not related at all. Alcell is not involved in the process at all. That is a completely different process and it is not related to kraft pulping whatsoever.

Mr. Harapiak: So this is the process

Mr. Lewis: This is kraft pulping. Alcell is what is called an alcohol pulping and, rather than using chemicals such as caustic soda or sodium hydroxide, you use an alcohol base for dissolving the lignin.

Mr. Harapiak: Where is the effluent that would go on into the Saskatchewan River from this process?

Mr. Lewis: Some of the effluent will come as a result of the bleaching process. Some of it will come as a result of washing water that has to be disposed of at a certain point. We have to dispose of a certain amount of it.

Mr. Taylor: . . . the more detailed part of the bleaching process. Today there is a certain brown sludge that is produced at the plant now with the sort of process they have now, of which there is more than a little concern, although the scale of the production of that brown sludge is nowhere near what I understand it will be when you go into the different type of paper production that is proposed. So, could we just for a moment talk about this oxygen delignification that is in your middle bubble there? That is the tomorrow process, that is not today. Is that correct?

Mr. Lewis: That is right, that is tomorrow.

Mr. Taylor: Okay. At some point I would like—you do not have to do it now—but at some point before the presentation there was talk about the sludge that is produced today and its volumes and its ways of being handled in comparison to what you are going to be doing in the new processes.

Mr. Lewis: Okay, I am not exactly sure what sludge you are talking about. This is from the effluent treatment system itself? Okay, I will get into that. Maybe I can talk about that a little bit later. It is sort of a secondary process.

Basically what this will do will be to reduce the amount of organic material that will reach the bleach plant, and so it reduces the potential contact of organic materials with chlorine and reduces the amount of chlorine that is required for bleaching. That is the intent of the oxygen delignification process. (Interjection)- Yes, I believe it is used in Espanola Eddy Forest Products, something similar to this, and it is used quite extensively in Scandinavia. The Scandinavians were the ones who really did the initial development of the oxygen delignification process.

(Mr. Chairman in the Chair.)

Mr. Harapiak: Are there any dioxins? When the process is completed, are there any dioxins passed into the water?

Mr. Lewis: Certainly not as a result of this. This is a means to reduce them to an absolute minimum. The dioxin is produced—there are several theories regarding dioxin generation, but they feel some of the causes or some of the chemicals that are used in what they call foam defoamers in the process. The balance are as a result of reaction between the organic materials and chlorine.

So the intent in going to modern technology is, No. 1, to reduce the amount to an absolute minimum of chlorine that is used in the process; No. 2, to reduce

the amount of organic material that reaches the bleaching process that can possibly cause some contamination.

At any rate, carrying on with the bleaching process, this bleaching sequence maximizes the substitution of chlorine dioxide for chlorine. Now, work that has been done by the Pulp and Paper Research Institute of Canada has indicated that this type of a process is basically the state of the art in terms of reducing the potential for dioxin generation. Now, there is a certain amount of dioxin everywhere so you have to be aware that there is a background level in everything.

* (2200)

The product of this process is basically a fully bleached pulp in a slurry form. In order to minimize the amount of water that is generated which essentially becomes effluent, there is a full counter current cycle in the water-washing system so that you can keep this to an absolute minimum. The amount of water now that is used in the bleaching process is roughly 10 percent of what used to be used and what is currently used at Manfor, I believe.

Let us put it this way. If you were to compare a bleach plant of the 1980s or '90s with a bleach plant of the 1960s or '70s, you would find there is about 10 percent or less water that is used in the bleach plant today than there was used then. There would still be more water used because there is not a bleach plant in the existing Manfor system.

The final stage in the bleach kraft process is converting this bleach kraft slurry into a final product. Basically, the slurry is put over a pulp drying machine, similar to a paper machine or a pulp machine, you can call it that, where basically you form a sheet. On a wide wire, it is dried; it is cut into sheets; it is bailed; it is weighed; and it is ready for shipment. That is the final stage.

Mr. Taylor: . . . previous sheet about the chlorine dioxide substitution for chlorine. That, as I understand, is not a full substitution, but a partial one.

Mr. Lewis: According to what I understand, they are planning to have what they would class as an 80 percent substitution of chlorine dioxide for chlorine, which is about as high as is done anywhere at the present time.

Mr. Taylor: The question is then twofold. There is still chlorine.

Mr. Lewis: There will still be some chlorine used.

Mr. Taylor: One-fifth of the amount, granted. I would like a general feel for what you are going to be doing in the process to guard against pollution from that reduced amount of chlorine. Also, are there new types of pollution that would result from the chlorine dioxide steps within that bleaching process?

The third part related to this is, where else in the world or in Canada can we see this 80-20 split of chlorine dioxide substitution that we can say, okay, there

is a working example or one under construction? Maybe you can give us a little more info.

Mr. Lewis: Okay, if I can answer your questions now, maybe I will answer the last one first. There is no other place in the world, I do not think, where you will see this 80-20 substitution. This is the most that anybody will have gone to. Basically, chlorine dioxide is not as good a bleach as chlorine. So, for quality control and for maintaining a very high brightness in your product, for economic reasons in order to sell your product, you would like to maintain a certain percentage of chlorine in the bleaching process. Chlorine dioxide is less effective as a bleach. It requires a lot more capital equipment in order to achieve a similar brightness. That was your last question.

Mr. Taylor: Right. The statement has been made by the Minister at an earlier committee meeting that a plant proposed, and I believe it was in Alberta, that would be under way maybe just ahead of this one, of a new plant which I cannot recall the location, is proposing the same technology. Are you aware of it and can you comment on it?

Mr. Lewis: Yes, they are proposing the same technology. I am not aware of how much substitution exactly they are proposing. I would doubt that it is too much less than this in terms of substitution, but I do not believe it is as high a degree of substitution as this.

Mr. Taylor: Who is it and where is it please, Mr. Chairperson?

Mr. Lewis: Crestbrook Forest Products, in northeastern Alberta. That plant is really not in any sort of a final stage of design at this point. It is very, very preliminary.

Mr. Taylor: Okay.

Mr. Lewis: I think to answer your question, all of the plants that are being designed now plus any retrofits that are being done to control dioxin emissions from existing plants are including a very high degree of substitution of chlorine dioxide for chlorine in the bleaching process. This is based, I guess, to a large degree on lab trials done by the Pulp and Paper Research Institute, and as a reaction to basically public and environmental pressure to reduce that contaminant.

Mr. Taylor: Is the research institute—

Mr. Chairman: Mr. Taylor, let us wait to be recognized because everything is supposed to be recorded into Hansard, and the way it is going around it is like a general discussion, so let us all wait to be recognized.

Mr. Taylor: Thank you, Mr. Chairperson. Is there general research then being done by the institute in Pointe Claire which is then being picked up by various companies or are they going to have to do their own? Is there a cost factor in this? If this is going to be, if you want to call it, the most advanced state of the art in the sense of substitutional chlorine dioxide, I am interested in cost implications and risks, environmental risks.

Mr. Lewis: In terms of research, basically most of the research that has been done in this area has taken place in the last few years. There has been very little done previous to this. However, chlorine dioxide has been used as a bleaching substance for probably the last 10 years I would think, primarily in Scandinavia but also in North America. To the best of my knowledge, there have been no other contaminants generated as a result of chlorine dioxide that were not there with chlorine. Now, that is to the best of my knowledge. I am far from an expert on that particular area.

In terms of the cost implications and the risks, I would think that the risks are minimal in terms of substitution, other than, as far as I am aware of, the costs are slightly higher for chlorine dioxide use than chlorine.

Mr. Taylor: There was one other part, and that was, Mr. Chairperson, the aspect of 20 percent chlorine employed or proposedly employed is, how will the firm deal with potential pollution from that lower-use product?

Mr. Lewis: On that point, I cannot comment. I have not been privy to that information at this stage. I would assume that they will be using sort of the best available pollution abatement technology to pick up what is remaining after that occurs.

Mr. Taylor: And existing technology will give a near perfect recovery? What is the degree here?

Mr. Lewis: Certainly there will be less. There is a minimum that is generated at the present time. From the information that we have available, it should be below what they would consider the detectable limit.

Mr. Taylor: Thank you.

Mrs. Gwen Charles (Selkirk): Mr. Chairperson, can Mr. Lewis indicate how much water is anticipated to be used in the process, and how much of that water will be recoverable? Also, at what temperature will the water be put back into the source?

Mr. Lewis: I cannot answer those questions at the present time.

Mrs. Charles: Mr. Lewis, could you indicate if anywhere in the process, with any minor revisions, could a recycling paper program take place?

* (2210)

Mr. Lewis: The manufacture of bleached kraft pulp does not include any provision for addition of recycled papers. The basic use of kraft pulp is in a primary furnish for the manufacture of paper. When you are manufacturing the paper product itself is where you would substitute or add in recycled fibre products.

Mrs. Charles: Could you tell me if you are aware of what form the chemicals will take in being shipped into the area, how they will be shipped in and from where?

Mr. Lewis: The only chemicals I am aware of that will be shipped that are not shipped in at present will be

the raw materials for the manufacture of the chlorine dioxide, which typically involves the shipment of sodium chlorate, and also the shipment of chlorine.

Mrs. Charles: Could you tell me where those chemicals will be coming from? Are they generated within the province?

Mr. Lewis: I think there are some chlora-alkali (phonetic) plants in the province but I am not certain.

Mr. Manness: Mr. Chairman, of course Repap will purchase them partially, but certainly there is some availability of the chemical compounds in Brandon and there is also a growing potential also in

Mr. Lewis: I think that would be the chlorine. I think the sodium chlorate would be coming from somewhere else.

Mr. Harapiak: At what stage will this—you said this is tomorrow's technology, the oxygen delignification. What process will be used until that process is in place?

Mr. Lewis: When I said tomorrow's technology, that is relative to Manfor. It is today's technology as far as pulp and paper mills that are being designed and built today.

Mr. Harapiak: So once the bleaching process starts, then the oxygen delignification process will be in place.

Mr. Lewis: As far as I am aware, yes.

Mr. Harapiak: I did not hear your answer on the recycling of newspaper. Why can it not be used?

Mr. Lewis: The bleached kraft pulp is what would be considered a primary material in the manufacture of paper products, which would include your printing and writing papers and all of the other papers that are produced. So it is during the manufacture of the paper product itself, which does not take place at Manfor, that the recycled fibres would be added.

I believe, for example, you have a newsprint manufacturing plant here in Manitoba at Pine Falls. That would be the likely spot, if you were going to recycle fibres, where that would take place.

Mr. Harapiak: Would this be considered a new development, the chlorine dioxide process, or oxygen delignification? Would you consider that a new development compared to what is there now?

Mr. Lewis: Certainly oxygen delignification would be a new development. As to the present time in Canada, the only place I am aware of that is using oxygen delignification is at Eddy's plant in Espanola, and it is an older technology. It has been in place for a number of years. They have been doing development work with it, so this would be as modern as any of the plants that are being designed today.

Mr. Harapiak: I would like to ask the Minister if he feels that the Clean Environment Commission would

be holding hearings on this process before putting it into place?

Mr. Manness: Mr. Chairman, upon final agreement, if it can be reached, all the province is doing is selling a going concern, Manfor as it exists today, to Repap. Nothing will change at that location, nothing until the environmental process has been followed completely and in a public way, in a publicly open way. That is written within the agreement.

Mr. Harapiak: The construction process is scheduled to start in May. When does the Minister foresee holding those public hearings on environment?

Mr. Manness: The construction probably cannot begin in May. It cannot begin until the full environmental licensing procedure and process has run its full course. I do not foresee that happening until some time in the summer.

Mr. Chairman: Any more questions? Mr. Cowan.

Mr. Cowan: Is an application for a permit under The Environment Act required for Phase 1 of the program?

Mr. Manness: The answer to that question is yes but, Mr. Chairman, I wonder whether there are additional questions of Mr. Lewis with respect to the process that he has just highlighted. If there are, I would beseech that Members of the committee deal with them so we could complete the exercise.

Mr. Chairman: Mr. Angus, questions to Mr. Lewis?

Mr. Angus: Mr. Lewis, you may have addressed this but I am not sure. What quantity of chemicals are we talking about in the future? Never mind what has happened in the past. Are we talking about gallons, are we talking about trainloads? What sort of quantities are we talking about and what method of shipping that material up to the pulp and paper mill is being employed?

Mr. Lewis: At this time, I cannot tell you that.

Mr. Angus: I am sorry to be so earthy.

Mr. Manness: I can, although Repap will be the final authority, but it is our belief that they will be transported by way of rail. But the quantities involved, only Repap will be able to provide that answer and I am sure they will do so at the environmental hearings.

Mr. Angus: Okay, so we are not sure again. The relevance of the questions in relation to the environment is fairly obvious. So I consider it a legitimate question and I am surprised that you cannot give me some order of magnitude anyway because that would be a concern. The Minister assures me that is not applicable however—

Mr. Manness: This is not the place.

Mr. Angus: It is not the place, he says. Securities Exchange in the States, may I ask? Sorry, I realize the

humour of stretching it at this late hour, Mr. Chairperson. Let me—

Mr. Lewis: Perhaps I can address that just briefly. Just for your information, Mr. Angus, I have not been involved in the actual design itself. I am not working for the engineering firm who is doing the design. I am acting basically as a consultant to the Government. So I am not privy to their design information other than I am familiar with the general processes that are being used. In the process, there can be quite a variation in the amount of chemicals that are used in the manufacture of the pulp.

Mr. Angus: I appreciate, Mr. Lewis, who your employers are and I suspect that as the people of Manitoba are employing you, one of the questions they would be most interested in is, what chemicals, how much chemicals, how are they going to be transported, and what safeguards are being in place to ensure that the environment and the citizenry is protected? Now having said that, Mr. Chairperson, I take in good faith, as the Minister is suggesting, that Repap will answer that. I suspect that given time you will be counselling the Government on whether they are making legitimate submissions or not.

Mr. Chairman: Excuse me, Mr. Angus. We have problems with the taping equipment. We have been requested to have an adjournment for five minutes. Agreed? (Agreed)

RECESS

* (2230)

Mr. Chairman: I believe Mr. Lewis was going to respond to Mr. Angus' question.

Mr. Angus: The questions that I was asking, Mr. Chairperson, were related to the amount of chemical material, toxic material that was being shipped in. The answer was, we do not know yet. The question has relevance and is serious as we are not only increasing the size of the plant by a third, if you like, from the 800 to 1,200, but we are also going from an unbleached to a bleached type of paper product. Now that means more chemicals, and it means more effluents and that sort of thing. So the whole idea of having the environmental concerns addressed was to come here and say, okay, what does this mean, and how is it going to affect the people of The Pas, primarily?

Mr. Manness: Mr. Chairman, again I state for the record, those types of questions should be addressed to the Clean Environment Commission hearings, at which time Repap will be there. Indeed other interveners will be there. It is not up to those of us around this table at this time to pass judgment from this point of view at this time as to those processes. That is why we have a Clean Environment Commission, people with technical expertise who will not only ask those questions but indeed be able to deal with the answers. I think that to ask the questions in the fashion Mr. Angus does at this hearing really does not do justice at all to the

basic requests put forward, first of all, by Mr. Taylor and other Members of the committee.

Mr. Angus: The Minister and I may again have to agree to disagree. It seems to me, Mr. Chairperson, that if you are divesting yourself of a company, if you, as a Government, are saying that we are going to take this Crown corporation that we know and we are going to sell it off to a company and they are going to look at increasing the productivity by a third, that they are changing it from an unbleached type of an operation to a bleached operation, one of the very basic questions that may be asked would be the cause and effect on the environment.

The cause and effect on the environment certainly, in my mind, and I am only a layperson, it would seem to me though that I might be interested in asking the question of the purchasers what their intention is, how much chemicals they intend to import, how they intend to disperse the chemicals.

If I remember accurately, the Minister waxed eloquent about the fact that Repap had introduced a new form of pollution control and were going to be introducing it into the plant. I may not have a total grip on the situation. The Minister will be quick to point that out, but it seems to me that it is a doorstep issue. It says, is this purchase, is this sale of this asset going to cause any environmental impact?

One of the very basic questions that you would ask is, how much chemical are you going to be hauling in there? How are you hauling it in there? What sort of safeguards are there? You can still go to the Clean Environment Commission where the rules will be enforced and the logistics will be upheld, etc. It seems to me that it is a pretty basic question that the Government might want to ask when they think about divesting themselves of this particular industry.

Mr. Manness: Mr. Chairman, those are legitimate questions, but they are not questions that can be answered in fullness at this hearing. Indeed, there is no representative from Repap here who can answer them. The Government cannot answer them because the Government at this point is not expert in those areas. That is why the Government has in place on behalf of all the citizens of Manitoba a Clean Environment Commission, so that the experts on that commission can ask those questions indeed in an open fashion so that people such as Mr. Angus can come forward and also ask those questions if he so chooses. That is why we have in place the Clean Environment Commission because those of us who are elected to represent the people of the province do not have the natural expertise within that area. And here, tonight, there is nobody to answer specifically on behalf of Repap. Believe me, that is why the Government of Manitoba will not issue a licence to Repap for any aspect of their development unless those types of questions are answered, but they have to be answered in the proper forum. This is not it.

Mr. Angus: In selling a resource like 40,000 square miles of trees in northern Manitoba and in recognizing

that there are going to be chemicals used, as have been pointed out, and that there is going to be a change in those chemicals, it is incumbent in my mind, Mr. Chairperson, upon the Government to say to the potential purchaser, what is going to be the cause and effect of the chemicals that you are going to use? It seems to me that if you sell an asset like Manfor, which depends on the trees and depends on the chemicals, that if you are going to sign the arrangement and then send it to an environmental hearing, and environmentally you find out that there is a potential for danger, you may have not wanted to sell the thing. Again, I do not have the expertise to ask the technical questions. My questions are fairly legitimate and fairly general, and I think they are doorstep issues that people of Manitoba would like to know.

Look, you are selling a plant off; somebody is going to buy it. They are going to do a whole bunch of different things with it. What sort of effect is that going to have on Manitoba? Now, you are still telling me that after we sold it, after we signed the deal, then they go to a public hearing and they have to abide by the laws. Up until just recently, there were no environmental impact laws on Manfor. I am not sure whether those continue or do not continue. The agreement seems to say one thing, the Minister seems to say something different. The consultant says that he is not aware of how much chemicals are going to be hauled in and how it is going to be hauled in and we are waiting to find out.

Mr. Manness: Mr. Chairman, let us be fair to Mr. Lewis who has come some distance here to basically address the basic elements of the processes in place. I request that he not answer questions that are not in his domain. They are in the domain of Repap.

Now, I will state again for the umpteenth time with respect to what it is we have agreed today, or tomorrow, or indeed next week, or next month, if indeed we complete the share agreement with Repap. They will take over Manfor as it exists today. Nothing will occur on the development, no chemicals will be introduced, no building will take place until or unless they receive an operating license as a result of Clean Environment Commission hearings, at which time all of these questions will be asked in a open, public forum. That is the basic condition. They do not receive the forest, they do not receive the provincial commitments until that process has been satisfied.

It can be satisfied so much better—I dare say, with due respect to you Mr. Angus, and with due respect to all Members of this committee, including myself—it can be done much better at a Clean Environment Committee hearing than it can be done at this Standing Committee.

Mr. Angus: Again, it is after the fact, after you have sold the deal, they are going to an environment hearing. And all I am asking you is, have you measured the cause and effect before you clinch the deal or sold the product? And the answer is no, you have not. You are going to an environmental hearing to find out. I will remind the Minister that, if you are selling it as it is right now, the current company is not subject to any regulations on the environment. They were all waived.

Mr. Manness: Mr. Chairman, the Member certainly points out a very real problem. I do not know what he is wanting then. Obviously, he does not want the deal to be consummated. He wants Manfor to continue in its present state. If I may, I would like Mr. Bessey to respond more fully.

* (2240)

Mr. Mike Bessey (Policy Management, Executive Council): The question as to whether the environmental costs and things related to forestry especially were considered, of course they were considered. The process established by legislation in our new Environment Act is exactly that which is being followed. What the Government can do through negotiations is stipulate certain sorts of performance measures, and those are primarily related to reforestation. Through the negotiation by the Department of Forestry officials, a new forest management licence, they then insert management practices, which really have never been fully utilized at The Pas. So that the extent to which you can, in an agreement, ensure that the performance environmentally, in a forest practice sense, can be improved, they are. After that, legislation dictates how you shall proceed, and that is in this manner.

The transfer of the asset itself is not an environmentally impacting transaction, and no altering of the process can take place without a full environmental process, as dictated in legislation.

Mr. Manness: Mr. Chairman, I again ask Members of the committee whether they have additional questions for Mr. Lewis. I think it is unfair that we keep him standing waiting for the next question, when it does not seem to come. If there are no further questions of him, then I think it is only fair that we ask him to sit down.

Mr. Angus: Mr. Lewis is not the issue. I have a great deal of respect for the expertise that he has and for the information he can give the committee. If he does not have any information as a consultant as to what the amounts or quantity is of estimated chemicals that are going to be required for this change, then I do not know.

Some of the other questions on the specifics of the environment, I am not sure whether we should be asking them of him or of you guys, or waiting for the public hearing.

Mr. Manness: Go ahead.

Mr. Angus: Okay. Here is a specific question out of the agreement. It is page 21, Clause 18, Environment: "The vendor and the company shall have reached an agreement, in form and substance, reasonably satisfactory to the purchaser that provides the company the right to conduct its business, as presently conducted, until the conversion of the existing unbleached pulp mill to the bleached pulp mill has been completed." Does that mean they can continue, as Manfor has, without governing legislation that binds them to The Environmental Act? If that is true, then that is wrong.

Mr. Manness: Mr. Chairman, if the Member believes it is wrong, then I would ask him for a greater explanation as to why he thinks it wrong and a greater indication from him why it is he has not been highly critical of the activities of Manfor up to this point in time. Every one of us around here recognizes the present shortcomings. It is also incumbent upon him to ask whether a buyer is to be held captive for a period of some number of months, whether they are to clean up a situation which was not of their doing, at their cost. He has to put greater clarity to his question and his general comment.

Mr. Chairman: May I interrupt this meeting at this point in time and ask, are we through with Mr. Lewis' presentation? I think he has a few more issues he would like to present to the committee. Would it be the will of the committee that we hear Mr. Lewis first?

Mr. Angus: Mr. Chairperson, I respect the guidance that you are trying to do. Unfortunately, we are into a situation now where we have an agreement that says one thing and the Minister says something entirely different. We have an agreement that says that the vendor and the company shall reach an agreement in form to satisfy the purchaser, to allow him to continue doing what has been done at Manfor up to date. Whether that is right or wrong, whether past sins have been atoned for, is nothing to do with what we are talking about in the future. If you are going to make them subject to Clean Environment Commission hearings and Clean Environment regulations on one hand vis-a-vis public meetings and whatnot, you cannot or do not enter into an agreement that says you are not going to alter what is already in existence.

So, Mr. Chairperson, I do not know who can answer this and I do not know who can unravel this thread, but it is a legitimate question. If Mr. Lewis has information about the protection of the environment, about the chemical process and about ensuring that the environment will be protected, I would be more than willing to hear from him on that. If the Minister is saying that they have not investigated that, they do not know the answers to those questions and they are going to wait until they have a Clean Environment hearing that seems to have little teeth, then I am not sure where we are at. It is just one of the hundreds of questions that can come out this and I think that they are reasonably legitimate questions.

Mr. Manness: Mr. Chairman, it is obvious that the Liberal Party of Manitoba is advocating that 850 people should be thrown out of work.

Mr. Angus: What? I do not want them thrown out of work and I do not want them smoked to death.

Mr. Chairman: Members of the committee, in all fairness, as Chairman of this committee, I think we have to get together here. We have a person who is making a presentation to us and I think in all fairness we should hear him out and, after that, these questions that you have, Mr. Angus and Mr. Cowan, I would like to recognize all of you. But I wish I would get cooperation from the committee at this time, that we could have

Mr. Lewis finish his presentation. Is that the will of the committee? (Agreed)

Okay, Mr. Lewis, let us carry on.

Mr. Lewis: The next area that I wanted to cover was the existing process at Manitoba Forest Products and how it was going to be changed in the two-phased program proposed by Repap.

It may be a little bit difficult for people to see the flow chart here, but basically I have described the basic elements of the process already. At Manfor at the present time, they use both whole log chips, which they manufacture on-site by barking and chipping the logs, and they use by-product chips from the existing sawmill on-site to manufacture pulp. These go into a chip screening process. They have a chip storage area with a reclaim where they can take the chips as required by the digesters. The existing digesters at Manitoba Forest Products are what are classified as batch digesters. That is, there are a number of different vessels that are filled on a sequential basis and capped and then the process takes place and the resulting pulp is dumped from them on a timed basis.

As the pulp is dumped from the digesters, it goes into the washing stage, the brown stock washers, where the pulp is separated from the weak liquor, or the weak black liquor, the chemical mixture, which then goes into a storage system, evaporators and then into the recovery boiler generating some steam. The chemicals are recovered via the recausticizing process, as I have described. The hog fuel or wood waste that comes from the chip preparation area is fed into a separate power boiler. We have some power generation that takes place on-site using the steam as a drive. The pulp from the brown stock washers is stored and then it goes through a screening and thickening process and then into basically the paper machine or the pulp machine process. There is some preparation before it goes onto the machine to take out any residual lumps and bits of fibre bundles that remain into the baling line, or winder and roll handling, and off to shipment.

In the existing system, there is a primary clarifier for treating all of the process effluents, which is basically a big pond where the effluent is aerated in order to affect biological treatment to reduce the amount of toxic materials that are discharged. The sludge from the clarifier is then sent back. They have a sludge reclaim process here. I am not exactly clear what they are doing here. This is the modified Phase 1. I apologize for it being a little bit hard to read here, but I will try and describe what is happening. The things in white and yellow here are additions to the process, which I will describe.

* (2250)

One addition that is being made in Phase 1, proposed by Manfor as I can see, is implementation of what is called tree-length logging where, rather than the logs coming in in eight-foot lengths into the the plant, they are recovered in tree length, which minimizes the amount of waste. They come into basically a storage area and a log slasher, which basically cuts it up into

the lengths on the plant site, rather than in the bush. So it means that more of the wood is recovered in usable form into the plant.

The rest of the process stays pretty much the same through Phase 1. There is an additional stage here between the evaporators and the recovery boiler called black liquor oxidation, which is basically an environmental treatment process to reduce the amount of odorous gases that are generated by the recovery boiler. There is also an odorous gas collection system here, which is called an NCG system, or non-condensable gas system, which will collect various odorous sources from the plant and burn it in the lime kiln in order to eliminate the smell.

This is where the oxygen delignification and bleaching system is first added in the process. As part of the first stage, oxygen delignification, followed by the post-oxygen washing, followed by the new four-stage bleach plant will be added and, as part of that, will be the bleach chemicals unloading in storage and a new chlorine dioxide plant. Also, as part of the system here, they will be adding a sludge dewatering process after the primary clarifier, which will then be landfilled.

Mr. Taylor: Mr. Lewis, you mentioned chlorine dioxide plant. Does that mean that chemical will be produced on site, as opposed to being brought in?

Mr. Lewis: Yes, that is correct. Chlorine dioxide is manufactured from sodium chlorate on site.

Mr. Taylor: So the feed stock is?

Mr. Lewis: Sodium chlorate.

Mr. Taylor: And what else, anything? What else is in the process?

Mr. Lewis: That is the major ingredient.

Mr. Taylor: Is there not some active agent which causes the . . .

Mr. Lewis: It is a chemical process. The other chemicals generally are recycled.

Mr. Taylor: So the other chemicals employed in the production of carbon dioxide—

Mr. Lewis: Chlorine dioxide.

Mr. Taylor: Chlorine dioxide, pardon me.

Mr. Lewis: There are some minor ones.

Mr. Taylor: Are they chemicals that are already on site anyway?

Mr. Lewis: I am not an expert on chlorine dioxide manufacture, so that is outside of my scope, but not that I am aware of. There may be some minor chemicals that are added, but it is not of the same volume as what you would be getting in a sodium chlorate.

Mr. Chairman: Mr. Taylor. No more questions? Okay. Proceed, Mr. Lewis.

Mr. Lewis: So those are basically the changes that take place in Phase 1 of the proposed process.

Going with Phase 2, which is where the expansion takes place in the process, basically starting at the feed end, we will be looking at additional tree-length log handling, barking, chipping, screening and storage. There will be an additional line of pulping equipment added. In this case, it will be a Kamier continuous digester which, unlike the batch digesters which are done in individual vessels, is done in a single vessel on a continuous flow-through basis where the chemicals are cycled through the pulp as it is being digested, followed by a single-vessel atmospheric diffusion washer, which is basically a different type of pulp washer for extracting chemicals, followed by the oxydelignification and washing, followed by screening, thickening and the bleaching, and then the new pulp machine and baling system as part of the expansion plan.

In addition to that—that would be for hardwood—there will be an additional line here for softwood tree-length logs which would feed chips both into the existing line and into the new line. As part of the chemical recovery process in the additional line will be the same basic steps as in the recovery here, including the evaporators, the black liquor oxidation, the recovery boiler, and the recausticizing lime kiln or chemical recovery area and non-condensable gas system for the new plant.

The bleaching chemicals, unloading and storage in chlorine dioxide for Phase 1 will be used as well for Phase 2.

Mr. Taylor: Yes, sorry. In Phase 2, we are looking at two types of feed of a wood. What is your understanding in the proportioning between the softwoods and the poplar?

Mr. Lewis: I am not sure what it is—

Mr. Manness: In answer to the question, roughly twice as many softwoods as hardwoods, so roughly two to one.

Mr. Taylor: That is fine, thank you. It is more than I thought it would take to do. I thought it was less than that. That is fine.

Mr. Lewis: With the hardwood—one advantage of the hardwood is it requires less bleaching chemicals to achieve the same brightness. So in terms of your overall chemical usage on a per tonne basis, it will go down with the hardwoods.

Mr. Manness: Mr. Chairman, let me make the point that what is envisaged is that the existing plant, once converted in the first phase to handle the bleaching of softwoods, in the second phase will be converted to handle specifically and only hardwoods. That has a rated capacity of around 500 tonnes a day, whereas

the new plant, the new mill will be upwards of 1,000 to 1,200. So once it is all done, the new mill will handle all the softwoods and the existing mill converted will handle the hardwoods.

Mr. Taylor: Just to clarify, are we looking at two separate production lines, end product now I am talking about, not front end but end product of paper. Or I was under the impression at the earlier committee meetings, and maybe it is just a case of understanding technically what is going on, is that there was going to be a mixing of the pulps, the two types of pulp to produce an end product and that is what I thought we were talking about. In reality then, what the Minister is saying is there will be two distinct product lines in effect going through the plant and coming out of the other end—paper from hardwood and paper from softwood pulp.

Mr. Manness: Yes.

Mr. Taylor: Okay, that is fine, thank you.

Mr. Lewis: The characteristics of the hardwood and softwood pulps are different and they are used by different markets for different products in the paper-making business. Are there any questions on the changes in the process?

Mr. Taylor: Could Mr. Lewis, Mr. Chairperson, talk to us about sulphur by-products after full conversion? After Phase 2 is in place, what sort of sulphur by-products does he expect to be coming off both in the air and in the waters, and what does he see as the pollution control mechanisms available?

Mr. Lewis: In terms of the sulphur emissions, there should be a significant reduction. The black liquor oxidation system in the Phase 1 that is being added will reduce the amount of sulphurous compounds—

Mr. Taylor: Excuse me, Mr. Chairperson, I am having a hard time hearing here.

Mr. Chairman: Members of the committee, could we please have order in this place? If you want to visit, then move to the far end of the room, please. Thank you.

Mr. Lewis: Basically there are different sources where the sulphurous, as you call them, or totally reduced sulphur compounds which are the odorous component of the emissions come from. One and generally the largest source in the mill comes from the recovered boiler itself where the black liquor is burned. The other sources are miscellaneous sources, vents from tanks and vents from the evaporator, various sources where at the present, as far as I am aware, they are uncontrolled. They just vent them into the atmosphere. By adding the non-condensable gas system here, they will be collecting many of these sources.

I do not know how many they are planning to collect at this point, but typically they will collect 90 percent and over of the sources of non-condensable gases that

are being emitted. That will reduce the emissions of TRS considerably. The black liquor oxidation system in the recovery system will similarly reduce the amount of sulphurous gases that are emitted from the recovery boiler.

Mr. Taylor: Mr. Lewis, would this type of process—we are talking a couple of years down the road at least before we are going to see this. The way technology is going, do you see the need for there being stack scrubbers, equipment of that nature, to get the last of the sulphur by-products off, being sulphur dioxide emissions?

* (2300)

Mr. Lewis: I would say probably the sulphur dioxide emissions should not be that high from the plant. Generally, on a recovery boiler, the emissions are collected as salt cake in the precipitator, which is I think the term is salt cake, and is collected through an electrostatic process in the recovery boiler's outlet. At the present time that I am aware of, that is one of the major means of collection. The most effective is through the design of the boiler.

Basically, the gases are odorous because they are not fully oxidized before they leave the boiler. The best means of control is to ensure that: (1) the design of the boiler is such that you have a full mixing of the gases in the boiler with the oxygen that is added; and (2) there is sufficient residence time and temperature in the boiler that this oxidation process takes place. Basically, the black liquor oxidation kind of pre-oxidizes the liquor before it goes in, and then through the boiler design you will have additional steps in it.

I am not clear what exactly they are proposing in the recovery boiler modifications at this time. I have not been privy to any information on that. I do not know whether they are proposing to modify—I think the information is they are proposing some modifications, but how extensive I do not know.

Mr. Taylor: Mr. Chairperson, earlier in your presentation, you made reference to the production. It sounded like significant amounts of carbon dioxide. Is that carbon dioxide to be released into the atmosphere, or is there a separate type of recovery system to be employed along the lines we just talked about for Selkirk?

Mr. Lewis: No, the carbon dioxide is basically just generated and is emitted.

Mr. Taylor: With the concern, as we all should rightfully have, for the greenhouse effect, any volume of carbon dioxide should be looked at in all seriousness. Is there any equipment available that you are aware of, present technology, that could get some sort of a reasonable recovery?

Mr. Lewis: I am not aware of anybody recovering the carbon dioxide from a lime kiln or a cement kiln or any type of kiln at the present time. Generally the levels are, when I say emitted, the levels are relatively low in

terms of tonnes, relative to what you get out of your power boiler or your recovery boiler in terms of combustion emissions of CO₂.

Mr. Taylor: What sort of ash is going to be produced in these various burning processes? What is going to be done with it?

Mr. Lewis: The ash that is produced, the power boiler ash which is basically wood ash, is typically landfilled. Some people have tried using it as admixtures for cement processes and various things, but I would think it would be definitely uneconomic to transport it from Manfor to any of the cement processes for manufacture into cement products.

The other ashes that would be produced would be from the precipitator off the recovery boiler. Most of those are recovered in the process because they are chemicals. They are not true ashes as such.

Mr. Taylor: Mr. Chairperson, some of the earlier plants had significant ash production and ash that was full of toxins. You are suggesting that this plant here with this new approach then is not going to produce any volume of ash that is going to be a problem.

Mr. Lewis: The ash that you are referring to, as far as I am aware, would be coming from the recovery boiler. It has not been specifically stated that there will be an improvement in the control system on the recovery boiler in terms of collection of the salt cake emissions and the other emissions that are generated, but I would assume in order to meet the environmental hearing process and meet the standards that are in place, in other provinces at any rate, for control of that emission that there will have to be some upgrading of that which will reduce that to a minimum.

Mr. Taylor: Also referring to some of the earlier plants, the huge volumes of what is known locally as brown sludge has been a real problem. We have a small amount of sludge that has accumulated at this plant. I say small one on a comparative basis. Given this different process that we are talking about, the fact that you have an oxygen input for delignification earlier in the process and we have a different type bleach process, etc., and the use of chlorine and that, what do you see as the sludge residue that would be left over from the process, and what do you expect in general terms on how it would be handled?

Mr. Lewis: In terms of general sludges, the sludges that are produced in the process generally are the result of the effluent treatment system. You have what is classified as a primary clarifier sludge that is very fibrous in nature and comes from the white water from the paper machines, spills, upsets in the process generally. Control of the process is the best way to control those. In the existing plant, they do blend that back in. When you are making fully bleached kraft pulp, you do not have the same opportunity to do that. However, through control in the system, you can keep that to an absolute minimum.

The other sludges that are produced—I do not believe there are any plans at the present time for collection

of secondary sludge, and with the size of aerated lagoon that you have there, I do not think you would generate very much, so it would primarily be the primary clarifier sludge. The quantity there, what is happening now with a lot of that sludge is it is burned. Basically they dewater that sludge and they burn it in the power boiler.

Now, as I say, I am not aware what exactly they are proposing with that. It looks like they are proposing to take it to landfill, but it could be put back into the power boiler system which is done in a number of plants.

Mr. Taylor: Mr. Chairperson, Mr. Lewis sounds very optimistic about how we are going to be operating here. If technology is taking us that far forward and we are going to see a plant converted from a brown paper production to a white paper production and have little in the way of the sludge problems that every pulp and paper plant that I am aware of that is making white paper has all over the world, then I would be very pleased, but I guess I would like to be convinced that we will not have a volume problem with sludge. The problem with the sludge of course is it does have chemicals in it.

Mr. Lewis: Generally what is happening now is because of tighter requirements for landfilling and also just strictly the economics of landfilling, more and more of the pulp mills are now going to recovery of the fibre, either back into the process or dewatering and incineration. Now, incineration is the general route that is taken, because of the avoiding contamination of the final product. What has happened over the last, I would say, 10 years is that the quality of the equipment that is being produced for this dewatering has been improving and generally it is much easier to get rid of this sludge than it has been previously.

Mr. Taylor: In the case of incineration, Mr. Lewis, does that mean that it is being burnt as part of the process, in other words, to produce steam for the benefit of the plant, or is it just straight burn off and up the stack?

Mr. Lewis: Yes. Assuming that we are talking about strictly primary sludge here, you can achieve a dewatering level of somewhere up to 55 percent to 60 percent solids, dry solids, which means it will produce a little bit of steam. It will not produce a lot but it will produce a little bit. It will be self-sustaining in terms of combustion. It will not rely on the other fuels in the boilers to burn it, but it will not produce a lot of steam.

Mr. Taylor: Are there any other pollutants being produced by this burn off, this incineration?

Mr. Lewis: Basically, the materials that are in there are primarily cellulose, basically waste pulp that comes out of the process. There will be a small amount of chemicals that will be with it, but very, very small.

Mr. Taylor: Just one last point here, well, you are burning a wood product and there are the normal products that are going to come off as a by-product of that burning, unless you put something on the stack that just goes straight up. If you have any volume of

it, then it is going to become noticeable. Is there something done on the stacks then to make the effluent, the air effluent

Mr. Lewis: Generally, yes. Mills that are being built now are including electrostatic precipitators on the discharge of the power boiler in order to control the emissions, and so this would also pick up a lot of the material that comes with it. You can achieve collection efficiencies of 99 percent. You pick up virtually all of the material that is given off, and the design of the boilers and the design of the pollution control equipment is all improved as a result of tighter environmental guidelines.

Mr. Taylor: Thanks very much, Mr. Chairman, that is all I have.

Mr. Chairman: Thank you. Mr. Lewis, can you carry on?

Mr. Lewis: That is basically the process. Now the final stage is just having a look at the impact on the layout, so I will just put the other charts up.

Looking at the overall layout of Manfor now, for those of you who have not been to Manfor, this may not be very meaningful, so I will try and keep this fairly brief. In terms of the Phase 1, which is the red addition, these are the things that are going to take place. In Phase 1, basically there will be a new wood room added in this area of the plant. This is where the main existing plant takes place through here. There will be a new wood room added in this area and a new tree-length log storage and reclaim area up on the north side of the plant. This is north, the highway I believe comes in over here somewhere, if I am not mistaken.

Mr. Taylor: Mr. Chairperson, I am having the same problem here. If they would just point out the existing roads and main buildings, that might help.

* (2310)

Mr. Lewis: I might just start with the Phase 1 here, that might help. Let me use my expeditious use of a coloured pen here. This is the main mill through this area here. This is sort of a feed end here and then out through the machine to the warehouse.

Mr. Taylor: Okay, I have got it, yes.

Mr. Lewis: Okay, so that in Phase 1, once we have got that, that is the main process. This is the effluent treatment area down on the lower part of the page.

In Phase 1 of the plan, as part of the in-feed, there would be the new wood room in this area here, and the new tree-length log storage and reclaim, a new chip supply system into the pulping area. There would be the new chlorine dioxide and oxygen plant located in this area beside the existing pulping area. There would be a new bleach plant located here on the north side of the existing machine room, a new high-density storage tank for additional storage capacity of the pulp. Also, on the north side of the machine room, a new

rail spur coming in on the south side of the machine room supplying the—basically for tank car—sodium chlorate and the chlorine, and a new sludge dewatering building here.

An addition onto the existing water treatment system, basically because of the nature of the product, the water treatment has to be upgraded to reduce the amount of contamination that comes in with the fresh water supply, as well as what goes out. There will be additional aerators added in the lagoon area here for upgrading the effluent treatment to account for the addition of additional material, as a result of the bleaching process. That is basically Phase 1.

When Phase 2 is added, a second addition onto the new wood room, there would be additional tree-length log storage added, a new bark system here for recovery of all of the hog fuel generated in the woodrooms, an addition onto the chemical preparation area, which would include both the recausticizing area and an extension to the power group, which would be recovery boiler and power boiler. The existing bleach plant would be expanded to cover the production from Phase 2. Additional high density storage added between the bleach plant and the machine room. There will be a new machine room here, so there will be a second machine pulp machine when the project goes ahead. From the look of it, they are planning to use the existing machine shop for pulp storage off the end of the new machine.

In addition, for environmental control, two additional effluent clarifiers would be added as part of the Phase 2, a new substation as well for the additional electrical demand.

Mr. Harapiak: In Phase 1, would the existing sawmill continue to operate or will still continue to get chips from the sawmill?

Mr. Manness: Mr. Chairman, our understanding is that the sawmill will continue to operate during the development and the construction of Phase 1, to maintain the requirement that there not be a decrease in the number of people employed in the whole existing Manfor complex, that the sawmill will continue to operate until the completion of Phase 1. Although certainly that was not a condition of the sale, it is the only way that Repap can honour its commitment to maintain the work force. So it is my understanding at this point in time that the sawmill will continue for some period of time.

Mr. Harapiak: Will be there lumber sawed from aspen as well, or what stage of the process does the aspen come into production?

Mr. Lewis: As far as I am aware, they will not come until Phase 2.

Mr. Manness: That is still a little bit unknown because we have asked the question to Repap. They indicate they were beginning to obviously harvest hardwoods long before they added them to Phase 2. They have indicated to us that they are studying the feasibility of

running through the—after the mill has been converted, maybe doing some split running. Now I do not know about the feasibility and economics associated with that, but they indicated to us there was no difficulty in running, for instance, two or three days of softwoods followed by two or three days of hardwoods. They have indicated to us that they could do that. Now whether or not that is in their plans or not is still to be determined.

Mr. Taylor: The information we had at an earlier committee meeting was to the effect that the present type operation could involve a 90 percent softwood, 10 percent hardwood context today for the sort of paper that is being produced, and that is a mix. Mention was made of it that there were certain technical limitations of using the hardwood pulp in greater than that volume. Now we are hearing something a little bit different, that there be runs of just hardwood and then runs of just softwood. I am curious as to what is going on.

Mr. Manness: Mr. Chairman, I too remember. I think we are talking about two different things. I think there is an opportunity possibly to blend in a very small percentage into the softwood. I will ask Mr. Lewis to comment specifically about that. What I am talking about is indeed 100 percent runs of either product. Now I do not know how economically feasible that is. I am not that intimate with the industry. I would take it that it is not the optimum situation, but certainly in asking the same question of Repap, they indicated that depending on the state of affairs in the harvesting that they would consider at least attempting to do that, although there is no hard commitment that they would.

Mr. Lewis: Maybe I could address that a little bit. At the present time, the Weyerhaeuser plant in Prince Albert does exactly what you are saying. They make runs for a period of days on hardwood and then a run for a period of days on softwood. They find that it works quite well because you can get a higher production on hardwood generally out of the plant than you can on softwood.

In terms of blends for what they call bleached softwood kraft pulp, there is a limit on how much hardwood you can put into that so that you are allowed a certain fraction of the pulp to be hardwood even though it is called a softwood pulp, and similarly on the hardwood. So that covers times when you are doing your changeover from one species to another if you are running full out on one species.

Mr. Taylor: Thank you very much for those clarifications.

The other point that the Member for The Pas (Mr. Harapiak) brought up was the issue here of the sawmill and the lumber production. The Minister says the only way that Repap can keep up the employment in Phase 1 is through that method of keeping that operation going. What I want to know is that in the longer-term Phase 2 and beyond, if there has been any initiative at all on the part of the Government to keep that aspect going in addition to these other changes.

Mr. Manness: Mr. Chairman, as I have indicated at other sittings of this committee, that was not a condition

of sale. We did not impose that on anybody because indeed, if we had, all of a sudden we had no takers. We requested a number of potential purchasers, that they consider the feasibility of maintaining the sawmill. If we imposed it as a condition, we would not have a sale.

Mr. Chairman: No more questions, Mr. Taylor? Okay.

Mr. Lewis, you may proceed.

* (2320)

Mr. Lewis: Basically, that concludes the presentation that I planned. If anybody has any further questions, I would be pleased to answer them.

One of the things that was mentioned was this question about how much chemicals are required. One of the reasons I cannot answer that is because it depends on various decisions they make in the process, what the volume is and they vary considerably by a factor of three or four, so that for me to give an answer may compromise some of their design decisions that they want to make.

Mr. Harapiak: Would it be possible for you to give us an idea of what dioxins are going to be going into the Saskatchewan River?

Mr. Lewis: At this point, I cannot say. As I say, I have not seen the design information in terms of material balances and flows. Based on my general understanding of the process, as far as I am aware, the level should be below the detectable limit.

Mr. Harapiak: Below the detectable limit. Okay.

Mr. Lewis: I am not aware what the final decision will be. I am sure that will come out in the environmental hearings, but based on the results that TAPI is saying in published information from them, that is achievable.

Mr. Chairman: Any more questions? Thank you, Mr. Lewis, for that presentation. The hour is now 11:20 p.m. What is the will of the committee? Mr. Minister.

Mr. Manness: Mr. Chairman, I think in fairness to all Members of the committee, maybe the Opposition could indicate to what hour they see this committee possibly sitting. I would hope that they would be so candid to indicate to all Members of the committee how long they would like to keep this committee standing tonight.

Mr. Chairman: Who would like to respond? Mr. Cowan.

Mr. Cowan: Perhaps I can start the discussion, Mr. Chairperson. We have had come into our possession this evening a very complex document, a document that requires a very thorough review by this committee if we are to live up to our responsibilities as elected officials in an appropriate fashion. I do not really relish the thought, nor do I think any other committee Members, of sitting here all evening to discuss the details of this particular document. There may be a way that we can avoid that although I must tell you

that if need be we are prepared, at least the New Democratic Party Members, to sit here all evening in order to ensure that all of the questions are answered to the extent that they can be. We will be demanding as full and complete answers as possible, given the fact that we have not had an opportunity to ask these questions before because we have not had this document before us.

What I would like to suggest is perhaps a more reasonable way is to adjourn this committee with a time specific for reconvening it tomorrow so that we can have the opportunity to go through the document in some more detail. I think that will save us time with respect to the questions that need to be asked. It will allow us to answer some of those questions just by a more thorough reading of the document. Then the outstanding questions can be addressed during the committee previous to the sale being finalized. I think the principle, however, is important. The principle is that we do have the opportunity to go fully through this document before the sale is finalized. What I would like to do, Mr. Chairperson, is suggest that the committee adjourn until 10 a.m. tomorrow, and that it reconvene at 10 a.m. tomorrow and commence with a detailed page-by-page, clause-by-clause review of the share purchase agreement which just came into our possession earlier this evening.

Mr. Manness: Mr. Chairman, I think there would be some problem with the logistics of what the Member suggests. I know that it was with great difficulty that the Clerk's Office was able to provide us with a meeting room, recording staff and the Clerk's staff to allow the proceeding to take place tonight. I understand that tomorrow is fully occupied. The Clerk may wish to give a fuller explanation to that through a representative, or a House Leader or a representative of our Party.

But let me say, Mr. Chairman, again I am prepared to answer questions with respect to the basic principles and tenets of the agreement. If the Members are going to move into great detail with respect to a draft copy which has been altered several times since the filing of this particular document, representing the signing of March 10, I am sorry. I will indicate fully right now that I will not move into discussing details of a draft that may no longer exist. I am prepared to continue to address the basic principles and tenets of the agreement as I have laid them before this committee over the last number of sittings. So there are two issues to consider, Mr. Chairman.

Mr. Cowan: Well, perhaps we could ask the Clerk to come to the table and explain when it might be possible to have committee hearings because that information would be helpful to us. There are occasions when we do sit simultaneously. If that is not possible, it may be that we have to sit on Wednesday.

Mr. Chairman: I understand it is the Government House Leader who has to set the meeting, am I correct on that?

Mr. Cowan: Mr. Chairperson, I think if you look back to our meeting of March you will find that in fact the

committee did set the time and place and date of the next meeting. We have a very recent precedent in that regard and it was done because the committee agreed that it wanted to do that. So I would suggest that the committee may want to agree that it wants to do that again.

Mr. Manness: Mr. Chairman, I am sorry, the committee can request of a certain time to sit, but it is more than just the request of the committee. I mean, you have to take into account specific agendas and timetables that are in place right now for tomorrow and the rest of the week. For instance, I can serve notice that I am not in attendance in the city on Wednesday, on Thursday and indeed on Friday. I can also indicate that there are other Government representatives and individuals who cannot be in attendance tomorrow. So the committee may request to sit at a certain time, but ultimately the Government will have to be satisfied that it can make that commitment with the human resources that it can properly field.

Mr. Cowan: Then I would suggest, Mr. Chairperson, that we should continue on, and I would suggest that it will take us most of the night to answer your earlier question and probably into the morning.

Mr. Manness: So be it.

Mr. Angus: I think that perhaps there was a common-sense suggestion made that the Clerk be asked to come forward and advise whether or not he felt that he could accommodate continued hearings tomorrow. Yes, I understand that we have Meech Lake hearings, but I also remember that we have had hearings in this room and hearings in the other room while the Legislature has been sitting. It is not totally beyond the realm of possibility and if the committee and the Minister are of a like mind, and that is to go through and ask legitimate questions in relation to the impending sale that he is undoubtedly flying to Ottawa to ink on Thursday, perhaps we should attempt to do that.

I put that, I am not going to make a motion, Mr. Chairman, but I will put the suggestion that we ask the Clerk to come forward and find out if he could accommodate tomorrow if it was possible. If he says, no, it is impossible, then we start back where we are right now, but I do not believe that there is going to be any purpose served in having us thunder on until three or four in the morning getting very tired. I would much rather take a break, step back, look at this, research a little bit of this, get some specific answers to specific questions and come back to the table with legitimate concerns.

* (2330)

Mr. Chairman: Very well put, Mr. Angus. Mr. Minister.

Mr. Manness: Mr. Chairman, I am sorry, but in reviewing the timetables of Mr. Bessey and myself there are no other options available this week, so I would suggest then that we continue through the night.

Mr. Taylor: I would suggest that maybe people should start reviewing their schedules individually, given the

importance of the matter and, in addition, I think there has to be some questions as to when the Clerk's department can handle the meeting. We sit with the Estimates process going on using a committee room and the Chamber; we sit using two committee rooms other times. I would suggest that maybe an appropriate budget be given to the Clerk's Office so that they might hire on additional sessional staff so that they can again provide the service simultaneously for two functions. It seems to be a very, very convenient answer all too often on the part of Government Members that we cannot handle two meetings simultaneously, and I for one find it becoming obstructionist. It is getting in the way of the business of this Legislature and I have about had a bellyfull of it.

I would suggest that the night is getting late and, having had the experience of sitting through many, many meetings that went right through the night, I would say that it does not serve the public purpose after a certain hour, that people are not sharp, that things are missed, whole areas are not covered, and I would suggest that anybody who says that the public purpose is served by going through into the early hours of the morning or until breakfast is served, compliments of the Minister, I do not see that really does do any good for Manitoba.

I would put two suggestions on the table. No. 1, let us find out about capability, first of all, in the sense of holding this meeting on a continuing basis in the morning or afternoon or maybe tomorrow evening. I would suggest that time be considered. I have not heard anybody mention that and I would also ask the Minister to take a good, hard look at his schedule and whether he can find a few hours open in the morning, afternoon or evening of tomorrow before he leaves the city, because I think this matter deserves that sort of attention and that sort of consideration. I put that to the Members of this committee.

Mr. Chairman: Mr. Cowan, I think you had your hand up. Were you going to respond?

Mr. Cowan: Yes, Mr. Chairperson, I think that if there is a will we will be able to find a way to accommodate the need, and I believe the legitimate request, of the Opposition Parties to review the details of this share purchase agreement. That includes the tenets, the basic principles and also includes the details of the agreement. The Minister does not have to answer questions if he so chooses not to. He will make that decision and suffer or benefit by that decision as the case may be. No one can force him to answer questions, but in the same line, no one can force us not to ask those questions we believe should be answered by the Minister.

I would suggest that if we had a few minutes to work it out we could probably come up with a time that is convenient. I do tell you, Mr. Chairperson, though that the questions will be put, and they will be put throughout the entire evening if that is required. I do not think that is the best use of our time, but if that is necessary that is how we will proceed.

I also want to point out that on March 21 when you were in the Chair, one of the Conservative Members,

Mr. Helwer (Gimli), moved that the committee adjourn until Thursday morning at ten o'clock, in other words setting the time of the next meeting at the time of the adjournment, and that was not ruled out of order at that time. As a matter of fact, you, Mr. Chairperson, allowed that to be taken to a vote.

I assume that if you allowed a motion by a Conservative Member to adjourn to a specific time to be taken as a vote, you would certainly allow a motion by a Liberal Member or an NDP Member to adjourn to a certain time to be taken as a vote as well, and then the vote would determine whether or not the committee wishes to adjourn, and in that particular instance they chose not to return until a time specific—

Mr. Chairman: Mr. Cowan, if I may, as Chairman of this committee, just indicate to Members that it has been brought to my attention by the legislative staff that we can pass a motion suggesting and requesting a certain time, but it is the Government House Leader (Mr. McCrae) who has the authority to set the time. So in all fairness to my previous actions that you were reading here before, I am sure the Government House Leader could have overruled our motion of decision, and so I would venture to say that we at this point in time—it is getting late and we are not making much progress—pass a motion that we adjourn until the earliest time possible, for the Government House Leader to set a time and a date and that it would suit all Parties. That might be tomorrow, it might be the day after or whatever, but if that would be the will of the committee I would like somebody to introduce that motion.

Mr. Cowan: Can I try, in the most cooperative, loyal Opposition way, to build upon that very good suggestion by just adding one caveat, that this committee adjourn to the earliest possible time, provided that it meets again with full opportunity to review the share purchase agreement before the deal is signed?

Mr. Chairman: Well, it will have to meet with the Government House Leader, but—

Mr. Cowan: Now, there is another point. It may be up to the Government House Leader (Mr. McCrae) when the House is sitting to set the times of committees. We have a precedent, however, and by the way, that precedent was also reinforced just recently by a vote on a motion from the Member for Wolsley (Mr. Taylor) with respect to adjourning to a time specific and a date specific.

So we have two very recent precedents, one by a Liberal Member and one by a Conservative Member. It may actually be our turn. That does very clearly indicate that this committee has in the past taken on the responsibility to set the time of its next meeting. However, that may require a ruling and it may require a vote on that ruling, as the case may be. But what I would hope to be able to do is resolve the issue without resorting to that, and I would suggest that what is at stake here is whether or not the people of Manitoba have the same opportunity to review the share purchase agreement before the sale is consummated, before the

deal is a "done deal," that the shareholders of Repap had and that others who sought information from the Securities Exchange Commission on this particular matter had.

The Minister can say all he wants today that this is a draft agreement that we are talking about, but we only need refer him to his comments on the 23rd where he said, "In essence, it is the final agreement." His words, "In essence, it is the final agreement." So if in fact on the 23rd it was in its own essence, the final agreement today is, in its own essence, the final agreement.

If the Minister feels that there had been changes made to it that changed it significantly, then we would be perfectly prepared to take a look at the new agreement. If that is the case, then he was not being perfectly forthright with us the last time we met to discuss this matter and we have some reason not to trust him this particular time with respect to what he is telling us.

So, Mr. Chairperson, what I would hope we would be able to do is set a time specific that will have this committee meet before the deal is consummated, and I believe that is within our rights based on the last two precedents, as I noted. Do I see the Clerk shaking her head? No. I would also go to Beauchesne, if required, and show you that it is not as cut and dried as one would have that there is an opportunity for a decision to be taken by the elected officials. Who else should make that decision as to timetables of elected officials?

I, quite frankly, am concerned that Mr. Bessey might not be able to be here but that should not prevent elected officials from reviewing the document. I am certain that the Minister who has made himself available on short notice before, although for a short period of time, can also make himself available on short notice. If he cannot, he has had other Ministers stand in his stead in the past and that was good enough then. So, it was not good enough for us, but it was good enough at that time.

Mr. Manness: In my stead? When? What are you talking about? In my stead, when?

* (2340)

Mr. Cowan: Previously we have had other Ministers sit in that chair while we were discussing this particular issue and you refused to come down until a motion was put forward by this committee. You came down—just to refresh your memory which is growing increasingly faulty over the time; you must be keeping some very late hours and one would hope—(Interjection)—I am sorry? Stretching the truth. Well, Mr. Chairperson, it is all a matter of the public record, and the public record is very clear with respect to what this Minister has said and how he waffles and prefabricates, and how he changes his opinion and then changes his wording, and then changes the intent of what he was saying. He has wobbled all over the place and we can

Mr. Manness: You do all the talking, you better stop.

Mr. Cowan: The Minister says I do all the talking. The fact is, I was not the one who on February 23 said that, in essence, we have the final agreement. It was the Minister who said that. Perhaps what the Minister is saying is that with the little talking he does and the infrequent answers he gives, he does do too much talking in spite of trying not to talk very much, but that is his problem, not mine.

What is our collective problem is when we meet next. The principle is we will meet next before this deal is done, and we are not going to back away from that principle. If that means keeping this committee going until we have all the answers, then we will keep this committee going until we have all the answers, but I do not believe that is the best use of our time.

So I would like to go back to you, Mr. Chairperson, and your excellent suggestion, as far as it went, although it did not go far enough, and that is that we schedule a meeting at the earliest possible convenience with a caveat that meeting be held previous to the deal being consummated, and that it allow sufficient time for the share purchase agreement to be reviewed.

Mr. Chairman: Maybe that would be in order for us to pass such a motion because it is the House Leader who will set the time and the meeting anyhow. So I think we should go along with that, Mr. Cowan's recommendation if somebody is willing to make that motion. Mr. Cowan, are you prepared to make that motion? Let us put it to the floor.

Mr. Cowan: Yes, I would be, Mr. Chairman.

Mr. Chairman: Oh, you are not a committee Member.

Mr. Cowan: I could have one of my colleagues resign.

Mr. Chairman: We will even restrict you from voting.

Mr. Cowan: Mr. Chairperson, just think what would happen if I were a committee Member.

Mr. Manness: The truth would be stretched even more.

Mr. Cowan: Ah, put that on the record, Mr. Manness.

Mr. Lamoureux: Just for clarification, do I understand then he would respect the caveat, and will not consummate the deal until the committee meets next?

Mr. Chairman: No, it would be up to the House Leader.

Mr. Lamoureux: But the Minister is saying no to it, right.

Mr. Manness: I am, as a Member duly sworn to the Executive Council of Manitoba. I am responsible indeed, as are all executive councillors to make certain decisions on behalf of the Government, indeed duly elected, duly sworn in by the Lieutenant-Governor. I am called upon as are my colleagues, to make executive decisions which I am required to report, and am held accountable to the people of Manitoba. The decisions are made within the power of the Executive Council, not empowered

by a Standing Committee of the Legislature, but empowered by the Executive Council of Manitoba. That is the law, Mr. Chairman, and no rule, no resolution passed at this committee can alter the law of Manitoba.

Mr. Storie: That begs the question that the Minister was asked. The question was, being an Honourable Member of the Legislative Assembly, will he give us his undertaking, his commitment, to come before this committee at least on one more occasion prior to signing the deal to give the committee sufficient time to review the issues that are clearly being raised, pursuant to the purchase agreement, share purchase agreement? Will he give us his undertaking? We respect his word. We recognize it is the right of the Government House Leader to set the date. We expect, if Mr. Manness gives his commitment to have such a meeting before the final signing of the agreement, he will live up to that commitment.

Mr. Manness: Mr. Chairman, I take seriously all the commitments I make. That is why we are sitting here tonight. I made a commitment some three weeks ago to report back to this committee, with respect to certain processes at The Pas. That is why we are sitting here. Indeed, the initiative that was called into place to have this meeting sit was because finally, last week, I received some detail from Repap that allowed us to make this presentation tonight.

I am very cognizant of commitments I make, and I try to carry through on them. I am also sworn in as an Executive Councillor to make decisions on behalf of the people of this province. I have indicated to the committee that I have no time, other than through this evening, to discuss other matters related specifically to the Manfor divestiture. Now, the Members may ask what I am doing tomorrow and in subsequent days. I can tell you that I am involved in the divestiture of Manfor. Indeed, there are members, Mr. Bessey and myself, are involved in the divestiture.

So, Mr. Chairman, we will continue, as we have been charged, as I have been charged by the Premier (Mr. Filmon) to do, to work towards our election commitment, and that was to divest of Manfor.

This evening is open. I am prepared to answer questions through the evening.

Mr. Angus: Mr. Chairperson, let us get on with it then. Stage 1 of the agreement suggests that whereas the purchaser wishes to convert the company's existing unbleached pulp mill to a bleached softwood kraft pulp mill with a capacity of approximately 500 tonnes per day and build to a new bleached softwood pulp capacity of 1,200 tonnes per day in The Pas, I would like the Minister to tell me what the cause and effect to the environment of that increase will be. Not the employment, we understand the employment circumstances; not the reconstruction, we understand the reconstruction circumstances. What is the cause and effect on the environment of such a mammoth undertaking?

Mr. Manness: Mr. Chairman, no greater than is allowed presently under existing legislation, and the ultimate

cause and effect as to the two phases will be determined by the Clean Environment Commission. If it is not acceptable to that commission, indeed there will be no development.

Mr. Angus: The Minister has suggested this. Does he know or is he aware of the impact of bleached versus unbleached? As a layman, I do not know what it means or does not mean, but it sounds like it could be potentially dangerous.

Mr. Manness: Mr. Chairman, Mr. Lewis has taken us through. Members of the committee who wanted to stay here and listen to his presentation, which Mr. Taylor did, but indeed other Members, if they wanted to have the full answer to that committee, would have stayed in attendance and listened to the presentation of Mr. Lewis who explained it fully.

Mr. Angus: With utmost respect to Mr. Manness' indication of straightforwardness and forthrightness, he clamped up the environmental man and said that we have asked him not to speak on the effect of the Repap increase in size. He said that they did not, could not, would not, did not want him to even comment on the amount of chemicals that were going to be brought in. We had a whole discussion to which Mr. Manness concluded by saying, well, this is the wrong person to ask these questions of. That is exactly what he said, Mr. Chairperson. Now he cannot have it both ways. We asked the questions of Mr. Lewis. Mr. Lewis did not have the answers. The information is supposed to be coming up at an environmental hearing after the deal has been consummated, after the deal has been closed, and I think that in fairness they are legitimate questions. You are buying a company. You are close to doubling the size. You are bringing in a whole new process. It is a legitimate question to say, what is the cause and effect on the environment?

Mr. Manness: Mr. Chairman, the Liberal Party of Manitoba seems to be suggesting that we should do away with The Clean Environment Act—

Mr. Angus: What?

Mr. Manness: —because Mr. Chairman, that is the process—

Mr. Angus: Mr. Chairman, I object to him putting words in my mouth. We are not suggesting that at all. We are simply asking the Minister to tell us what the effect is going to be.

Mr. Chairman: Mr. Angus.

Mr. Angus: Thank you. I have just said it.

Mr. Manness: Mr. Chairman, my comments stand. We have a legislative process in place. Indeed, if we did not have that in place, this would be the proper forum. We have a legislative process in place that will allow those questions to be put. Indeed, if they are not properly answered, the Government of Manitoba will make sure that there is no development at the Manfor site.

Mr. Angus: Mr. Chairperson, then I am right in assuming that this deal will be signed and the sale will be solidified. The closing date will be passed before we find out what the cause and effect of this massive increase will be on the environment and northern communities.

* (2350)

Mr. Manness: Mr. Chairman, as provided within the laws of the Province of Manitoba, we are selling a going concern, Manfor, as it exists today.

Mr. Angus: Mr. Chairperson, how do you account for the fact that we realize that Manfor now is not bound by The Environmental Act, that they have a special status and have not had to? I recognize that is a former administrative flaw, if you like. How do you account for the fact that they are acquiring a company that is going to have the same conditions, the same circumstances?

Mr. Manness: Mr. Chairman, I will call up Norm Brandson to answer that question more fully.

Mr. Angus: Mr. Chairperson, just for the record, could we find out a little bit more about the background of Mr. Brandson. Who he is? I do not remember him. I am sorry, I did not write it down.

Mr. Chairman: Mr. Brandson, maybe you would be willing to introduce yourself and your credentials possibly?

Mr. Norman Brandson (Director, Environmental Management Services Branch): I am the Director of Environmental Management Services Branch with the province. I am designated as a director under the provincial Environment Act, and as such I am one of the two people responsible for issuing licences for Class 1 and 2 developments under that Act.

With respect to the existing operation of Manfor, it is not correct to say that there are no legal controls over the operations of the existing facility. There are a variety of controls, orders and regulations. Liquid effluent, for example, is regulated under the federal Fisheries Act. There is an Environment Act licence regulating the solid waste disposal facilities. There is a Manitoba Environment Act licence regulating sewage treatment. There is a draft Environment Act licence which is being imposed or discussed with Manfor, so there are a variety of controls in place with the existing facility now. Those will continue in place regardless of who owns that facility.

Mr. Angus: If I may, there was I think considerable fanfare that suggested that Manfor will now be brought under environmental circumstances. I recognize that there have been some environmental areas that had protection, but there were gaps, if I may be permitted to suggest, and I am looking to you for more guidance than I have. I do not have the information as to where the holes were and I am concerned that the holes be plugged for a new purchaser or for somebody who is acquiring the company. I am specifically concerned

about the clause in here that seems to suggest that the existing circumstances will remain the same, a new company that is going to be increasing. Perhaps, Mr. Chairperson, the administration can just address that question, those concerns?

(The Acting Chairman, Harold Gilleshammer, in the Chair.)

Mr. Brandson: There are some existing problems with Manfor now. They consist of some periodic non-compliance with the federal Fisheries Act regulations on liquid effluent emissions. Air emissions are certainly not up to the standards that should be required of the facility. There are some fuel storage historic problems that have occurred on site which also are being addressed.

All of these existing problem areas, however, are in fact now being addressed, and what actions are in place will continue to be in place and continue to develop, again regardless of ownership of the facility. Some of the problems, however, for example, the air emission problem is a significant long-term problem, without trying to anticipate the licensing process, because it would be inappropriate certainly for me to do so. Certainly, that is one problem that requires a replacement of capital equipment that clearly cannot happen overnight. It is going to take a longer period of time. In fact, my understanding is that it is factored into the design of Repap's Phase 1 proposal. At any rate, in Phase 1 all of the emissions from the facility, existing and new, will be covered by a new licence issued under The Environment Act.

Mr. Angus: Mr. Acting Chairperson, are you the appropriate person to ask for an explanation of the specific clause that I have been quoting that suggests that the company is not going to be bound, at least in my interpretation—I am a layman and all I want is assurance from somebody, preferably the Government, that this particular clause does not mean that they are going to be let off the hook.

Mr. Manness: What did they do wrong?

Mr. Angus: They have not done anything wrong yet but if they are not bound by the environmental regulations—Mr. Acting Chairperson, the Minister asks what the company has done wrong. Again, he is trying to put words in my mouth. I do not want to indicate, I do not mean to indicate that the company has or is intending to do anything wrong, but you can hardly say that we have existing legislation that is flawed, for the current company has an agreement that suggests that Repap is going to buy the existing company under the existing circumstances, on one hand, and on the other hand say we are going to control them through environmental legislation that they may or may not be subject to because of the agreement. So I am a little bit confused on that.

Mr. Brandson: I cannot address the agreement itself. All I can address is The Environment Act, which I am responsible for administering.

Mr. Manness: Mr. Acting Chairman, again I reiterate, if the Members would see fit to encourage the

Government to close this deal, if they would help along the very necessary environmental process and pose all the important questions that should be posed at that time so that the public of Manitoba can learn better as to the process that Repap is contemplating in introducing into the new project, such that they can be on site more quickly and that they can therefore correct an obvious problem that is occurring at this time, then I would think that the energies of the Opposition Parties would be better suited.

Mr. Acting Chairman, if the Member is suggesting that the Government of Manitoba should have forced a purchaser to correct an ill that was not of their doing, then I say again and I state for the record obviously the Liberal Party of Manitoba did not want to consummate a sale because nobody in their right mind would come in and correct a problem that was not of their making when they are contemplating investing a billion dollars towards putting into place a system, as is described by Mr. Lewis, that is light years advanced in an environmentally sound basis. Surely some logic has to prevail.

* (2400)

The Acting Chairman (Mr. Gilleshammer): I would like to take this opportunity to deal with a couple of resignations.

"I wish to resign from the Economic Development Committee effective today. H. Harapiak, MLA for The Pas." Do we accept the resignation? Mr. Harper? We have a nomination of Mr. Storie. We have a second resignation.

"I wish to resign from the Economic Development Committee. H. Pankratz, MLA for La Verendrye." Do we have another nomination? Mr. Enns? Thank you. Now, are there any further questions at this time?

Hon. Harry Enns (Minister of Natural Resources): I nominate the Honourable James Downey.

The Acting Chairman (Mr. Gilleshammer): Thank you. Now, are there any other further questions at this time?

Mr. Angus: Yes, of course. Again, Mr. Acting Chairperson, I am having difficulty getting a good warm, fuzzy feeling that the environment is going to be protected. Again I am asking these questions not in any way to try and scuttle the deal, but in order to have a clear understanding that we are entering into an opportunity—and I will use that word "opportunity"—for the betterment of Manitobans that is not going to blow up in our face environmentally in the future, through no fault of anybody other than the fact that we may have not asked the right questions.

Now in the agreement it says, under Clause 9.07, Environment: "The purchaser shall cause the company to maintain its existing environmental standards, and as required by the applicable regulation employ proven state of the art technology to meet standards legislated from time to time." What does that mean? I mean, we have already heard the administration say that Manfor

is subject to certain flawed legislation. We have heard the Minister say we cannot expect Repap to come in and make up for the mistakes of former administrations and/or former mistakes in a previous company, but we also know that they are going to be adding by at least a third into the capacity of the plant and they are changing the process. We know that the Minister has not, at least, indicated to us whether or not he has found out what the cause and effect on the environment might be of additional chemicals. Indeed they did not even know how many additional chemicals or how they would be transported in.

The Acting Chairman (Mr. Gilleshammer): Prior to my calling on the Honourable Minister, we have a procedural problem that we have to deal with and I will just turn the Chair over to the Assistant Clerk.

Clerk of Committees, Ms. Patricia Chaychuk-Fitzpatrick: I have before me the resignation of Helmut Pankratz as the Chairman for the Committee of Economic Development. The floor is now open for nominations for the position of Chairperson.

Mr. Downey: I nominate Mr. Gilleshammer.

Madam Clerk: Are there any further nominations? Mr. Gilleshammer, please take the Chair.

Mr. Chairman, Harold Gilleshammer: Thank you, very much.

Mr. Manness: Mr. Chairman, my former statement stands.

Mr. Enns: It seems patently clear to me, and I have not had the privilege of having been a Member of Executive Council that perhaps would have made me privy to some of the discussions at that level with respect to the stage of divestiture that we are at. But from the information that we have and from the information that has been given repeatedly by the Minister to this committee that the new owners, should the divestiture be approved, are agreeing to fully comply with those environmental regulations, hearings and licensings required when they make the desired altered change in the product, in the plant that will produce an environmentally improved manufacturing process, if I may call it that way, at The Pas.

I can accept some of the questioning from our friends in the Liberal Party who perhaps have not shared that responsibility. But if the Honourable Member is pointing out some of the shortcomings of what up to now has been a Crown, Government-run operation, surely we should welcome that change. Surely we should accept the opportunity of correcting flaws of the past or non-compliance on the part of a Crown Government operation in this sensitive area, in a very important part of our resource industry. I fail to see, unless the Minister is telling you he reads into or you read into draft proposals that make it possible for Repap not to go through the step-by-step environmental process, for the very fundamental change being envisaged in this divestiture. I would think that is the kind of reassurance

the Members of this committee should be asking for. I believe that is the kind of reassurance the Minister can provide. It will be their function to ensure, as the process takes place, these are carried out. You know, to continue to ask these kinds of questions seems to me to be spending a lot of time and really does not get to the heart of the matter.

Mr. Angus: Mr. Chairperson, as I am the one who is sort of leading the attack—and I am not concerned about the errors of the past Government and the past administration. I am concerned about the written words in this particular agreement, the one signed by this Minister that says the company will be able to conduct its business as presently conducted. We are dealing with an administrative individual who has said—the Member for Lakeside (Mr. Enns) by name, the agreement says they can continue to do business that way. I do not care what the Minister says. If it was that way, it should have a clause in here that says this company will be subject to the new Environmental Act, that it will be subject to the new legislation that is being brought in. That should be a clause in this agreement, Mr. Chairperson, but it is not there. So the questions, I believe, are well-founded and legitimate.

Mr. Enns: Mr. Chairman, I appreciate and I will desist. It is not appropriate that individual Members should be into a debate here. We should be asking questions of the Minister or of staff here. It seems to me though, in this kind of situation, we have missed the fundamental point. We have missed what the Minister has repeatedly told us and is fully prepared to discuss with us, the basic principles of the agreement.

* (0010)—May 2, 1989

The basic principle of this agreement is that the forestry operation at The Pas is going to be fundamentally altered from unbleached kraft to bleached kraft. To do that, the agreement calls for licensing procedures to be followed. We should stand up and say thank God, our environment is going to be better off. That operation that up to now has allowed some pollution to take place is going to be markedly improved, and to suggest the company is going to do that on Day One of its taking over is simply not realistic. That is why the clause is in there, that they can operate as a Crown agency has been allowed to operate. The company, in the same breath, is saying very clearly and to many people in a very public way to a fundamental change of operations, which requires full compliance with environmental legislation. Now not to keep that in mind is not seeing the trees for the forest, or did I screw that up?

Mr. Manness: Mr. Chairman, Mr. Angus is of the opinion I take it—he has not said it, and again he is going to charge me for putting words in his mouth, but is of the belief that Repap can come in and correct the present problems in the terms of days, in the terms of weeks, in the terms of a couple of months. As much as each and every one of us around this table might wish that, that cannot take place. It cannot. That probably would take the best part of a full year and longer, i.e., Phase 1, and Phase 1 cannot begin and

therefore cannot be concluded until the environmental licence has been received.

Mr. Storie: Two questions to begin with, on page 2 of the agreement, under Definitions 1.01, I would like Mr. Manness to confirm for the committee that the closing time for this agreement can be adjusted up to May 30, it appears, or postponed until at least May 30, without causing undue damage to the relationship between the two parties in the negotiations, that the agreement may actually be extended further or the final signing may be extended further into the future with the consent of the other party not being unreasonably withheld. There is no urgency for a May 4 or a May 2 signing. Is that not fair?

Mr. Manness: Urgency is very hard to define. One has to be a businessperson to understand what urgency means. Urgency in the sense that the world continues to move along in the forest products industry, continues to move along like it has for the next two months, as it has over the last several years, would indicate there is not great urgency.

I, as a representative of the Government, have to make the decision as to whether or not the forest products industry will continue in its present fashion. There is no deal signed, and I wonder what Mr. Storie would say if, all of a sudden, you had pulp prices fall by a third. Indeed, what would he say if you had interest rates jump up to 20 percent, the net effect being that all of a sudden Repap was not interested?

When he talks about urgency, urgency has to be put in the context of the unknown, in the future, and I say to you, Mr. Chairman, there are potentially very serious consequences to Manfor as it exists today and the way a market downturn could impact the present company, various serious impacts, indeed on the Budget of the Province of Manitoba because under the new accounting policy we now reflect \$30 million losses, as Mr. Storie used to announce in the Legislature, attempt to work to 18-month year-ends in an attempt to hide.

We account and we reflect our accounts a little bit differently today and, as such, we reflect them in an honest fashion and show them within the Budget. Urgency in the sense of the Government indicates that, to the extent that we can reach an agreement and all those points that have yet to be addressed, would suggest that if we can close the deal this week, we will.

Mr. Storie: Mr. Chairperson, I would hope urgency would also be defined by the Minister responsible, the Minister of Finance (Mr. Manness), in terms of the public good and the public interest as well.

Mr. Manness: That is who we are representing.

Mr. Storie: The Minister's little spiel would not indicate that he is representing anything other than his own political interests.

Mr. Manness: Two hundred and thirty million dollar loss, most of it yours.

Mr. Storie: The Member for Morris continues to stretch the truth from his own comments, as he accuses other people of doing it, and I will not get into his misleading and incorrect remarks about the financial statements of Manfor in the past.

The fact is that the Minister talks about the urgency and the balance of risks. He says, well, there is a risk that pulp prices will go down. There is also a very real and—going through this document piece by piece as I have been over the last few hours, tell me that there are some very real risks in this document. There are some glaring errors in terms of the negotiating position that the province has put on the table on behalf of the people of Manitoba, some very real and glaring errors. As the Minister talks more, he raises more doubts.

At one time, we thought we were dealing with a relatively well-understood or at least a potentially well-understood document that represented a final agreement or close to it with Repap. He now tells us that the deal is not closed. He now tells us he is meeting to negotiate the next couple of days. The question for the Minister is, what areas have not been? What other concessions is this Minister going to make? The deal has some serious errors now. What kind of bargaining position is he in?

The Minister said we are selling it at any price to begin with. They devalued Manfor to \$1.00. They announced the sale before they had the details prepared. They conceded half a dozen things that should not have been conceded in the agreement. Now, after the company has made an announcement of a signing date and a party to celebrate transfer of ownership, the Minister tells us he is in negotiations making more concessions. What issues are left on the table? What is the Minister conceding to Repap now, as a matter of political expediency, rather than looking after the interests of the people of The Pas and, more importantly, the people of Cranberry, Wabowden, Snow Lake, Sherridon, Easterville, Grand Rapids, etc., etc.? What issues are on the table?

Mr. Manness: Mr. Chairman, if the Member is challenging me to begin to move into a dialogue with him with respect to where we inherited negotiations, and if he wants to enter into a debate as to who was going to give away the farm, I am more than happy to do so. I can hardly, hardly wait. If the Member feels there are some weaknesses in the agreement, the draft proposal, I suggest we are far beyond that draft in many respects.

The principles that are in place today are the ones that are within this draft, are the ones that I have enunciated in some detail on several occasions. If the Member wants to get into what he considers to be weaknesses on the principles, I will gladly respond. If he wants to get into calling this, in some senses a giveaway, if he wants to do that and we want to compare where we are at when we inherited it, I will gladly move into that area. So let him have it. It is his choice, Mr. Chairman. Let him decide where he wants to lead the discussion.

Mr. Storie: Mr. Chairperson, I want to lead the discussion in the direction that will allow this committee

to understand what this agreement means. It is that simple.

The Minister keeps talking about openness. The Minister would not share this agreement with us. He would not share the share purchase agreement with us. He would not give us any detail. He fed the committee pap, to be polite, on the last—

An Honourable Member: Regurgitated pap.

Mr. Storie: —regurgitated pap on the last three committee meetings. Now he is denying—because we have access to a document which is somewhat more specific and is quite specific in some areas, he is now saying that is not what we are talking about at all. All of a sudden, the whole ground rules have changed. We are into a new ball game. Do not rely on what you read in this document. Things are going to be much better.

What I want to know is what areas, specifically, remain to be negotiated. Do we have an agreement that is more than just in principle, because this would tell us we are much beyond that state, or is the Minister involved in making other serious concessions, because he wants a deal so bad he can taste it? Damn the consequences, whether it affects the people in northern Manitoba or the province or the taxpayers, we are going to have an agreement. That seems to be his position. It seems to have been his position all along. What are the specifics?

Mr. Manness: Mr. Chairman, let me indicate firstly we are making the decision we have, because we believe it is in the best interests of all Manitobans. Secondly, the Member wants to ask about some of the details we are negotiating at this point. He is fully aware of the response I am going to give him. It is the same one that he had given to me and other Members of my Party when we asked him the same question, when he was attempting to guide through the activities of divestiture. He said he would not negotiate in public, and neither will I in fairness to the negotiations.

* (0020)

But let me say for the record, we are going to close and have a cash agreement, roughly \$10 million, hopefully a little bit more, at the same level that the New Democratic Party were at when they left office, preferred shares not of \$121 million as the New Democratic Party had, but closer to \$130 million. Ours are not non-cumulative, junior to Repap's own referrals indeed, as the New Democratic Party were suggesting. The dividends redemption out of available funds, that is not the case with ours. The sawmill employment is subject to economic viability, as the New Democratic Party suggested. We have gone far beyond that, Mr. Chairman.

Highways, the former Government was prepared to commit \$90 million to \$137 million. We set, as a maximum, \$90 million. Bush roads, we have made no commitment at the level of \$15 million to \$20 million indeed, as the former Government was. We have made no commitment whatsoever to bush roads as the former

Government was going to. Forestry, the addition of the southern area, we have included it. The Members led people to believe that they were not. Yet, it is well known that in December they would have considered it also. That is a part.

There was no use-or-lose clause within their agreement. In other words, whoever bought the complex there did not have to show the usage of the forestry, or otherwise they would lose the forest, indeed as we have put to our agreement. Tax benefits, we have warranted nothing. If Repap goes to the federal Government and there is a loss, if they cannot use any of the forward loss, carry-forward provisions, Mr. Chairman, we will not warrant them as the former Government was going to do in their agreement.

The most important, under Phase 2 there was no commitment whatsoever to pulp prices and tying into Phase 2. That is our agreement, whereas the former Government said yes, if pulp prices are low, naturally we can understand why it is you will not proceed. So that is the difference for the record.

When the Member says that we have given away Manfor, I remind him that if he wants to elevate the debate to that level, I will fight him word for word because I know exactly the state of affairs that we inherited on taking over office.

Mr. Chairman: Just before we proceed, we have another resignation. "I wish to resign from the Economic Development Committee, effective technically May 1. Elijah Harper, MLA for Rupertsland."

Mr. Storie: Mr. Chairperson, that was an interesting revision of history that we just heard from Mr. Manness. Mr. Manness knows that most of that is garbage. Most of that was not decided. There were some figures bandied about, including the highways figure, which had been rejected by Cabinet. The Minister knows that—

Mr. Chairman: Order, please.

Mr. Storie: —the negotiations had not proceeded to the point where there was a share purchase agreement or anything close. The Minister may have taken some kind of satisfaction from putting that misinformation on the record but that does not somehow relieve him of the obligation to deal with his agreement, to deal with the shortcomings of his agreement. Unfortunately, of course, Mr. Manness would rather that we have no details at all. Now that we have some, he is denying that these are in fact the details that we should be agreeing with. The agreement has changed, it has evolved, and yet it is final. It has been concluded and it is going to be signed.

Mr. Chairperson, I want to move to an area that was touched on by the Member for St. Norbert (Mr. Angus). Mr. Manness, intentionally or unintentionally, continues it seems to me to misinterpret what was being asked of him. On page 20 of the agreement—pardon me, on pages 26 or 28 of the agreement, Section 9.02, talking about the construction of the bleached softwood kraft pulp mill says that the purchaser shall, following the

completion of the purchase and sale of the purchased shares, unless changes are made in provincial law which materially adversely affects the economics of the construction of Phase 2, cause commencement to Phase 2 to occur.

* (0030)

Mr. Chairperson, what that is, in effect, saying is that the company is not going to proceed if the Government decides in its wisdom that new, different, altered environmental regulations, environmental laws are to be brought into force in the province. What it is saying is, and it is holding this over the Government's head, you shall not make tougher environmental standards, you shall not change the regulations to improve the environment. It is saying that this hangs in the balance. It is extremely unusual to obligate the province to negate its responsibility, to avoid its responsibility for the Province of Manitoba on the basis of the sales of one sale, unparalleled, I believe, in any kind of negotiation, completely unacceptable—(Interjection)—Exactly.

The fact is that the concern raised by the Member for St. Norbert (Mr. Angus) is a legitimate concern and it seems throughout this document the fact is that this Government in its haste, its eagerness to proceed to a conclusion has been prepared to offer away other things. And we can go through, there are dozens of them in this agreement. Is the Minister saying that Repap is going to be left with the status quo forever? Is Repap going to be able to call the tune for this Minister and the Minister of the Environment, regardless of the new facts that come to light over the next couple of years as we move to the construction of Phase 2? Is that what the Minister has written into this agreement? Is that still in there?

Mr. Manness: Mr. Chairman, of course not. The Member is trying to play lawyer and of course he fails miserably at most things he does, and he certainly fails miserably in playing lawyer.

Mr. Chairman, that is a financial clause that is thrown in because, when a company goes to the capital markets for \$800 million, no lender is going to provide that type of capital when there is some uncertainty during the period of construction, and again I say, during the period of construction, such as all of a sudden halfway through, when a capital is committed, that there is an environmental process that demands of half of that capital already tied up that it should stop and sit there idle.

Now we are talking about hundreds of millions of dollars, and the best way to scuttle the program is to insist a clause like this not be here because then there will be no equity. Now nothing in this agreement—and again I state "nothing" has paramountcy over the ability of legislators to make laws in this province and impose them upon a greenfield operation, a company that is considering building a new mill, a company that is doing a rebuilding or a restructuring.

What this says though is that if they got the go-ahead from the Government after we come through the environmental hearing process, if they have the hearing

from the Government, a licence from the Government to proceed, then that they be allowed to proceed to the building of that phase. That does not mean the minute that it is operating that there is not some new regulations put into place that will force them to upgrade. But, Mr. Chairman, nobody commits hundreds of millions of dollars of capital and then has that capital frozen before it has an opportunity to make a return.

Mr. Angus: On a point of order, Mr. Chairman.

Mr. Chairman: Excuse me. Mr. Angus, state your point.

Mr. Angus: I am sure the Minister does not want to mislead the committee. I am sure he is aware that Item 2 on page 28 says that the sale of a first issue shares, unless changes are made in provincial laws that could clearly adversely affect economies of construction of Phase II so that basically the rights of individuals to be able to know—(Interjection)—that is exactly what he said. Mr. Chairperson, the point I believe, and I will allow the Minister to correct me if I am wrong—

Mr. Chairman: You are still making your point.

Mr. Angus: He has said that there is nothing in this agreement that circumnavigates the ability of the legislators of this law or this province to be able to make legislation in the best interests of the province. In particular, the clause it seems to me to suggest that they would not be bound by those changes—just a clarification, that is all.

Mr. Manness: Mr. Chairman, again this is what happens when you move into a document drafted by lawyers and indeed I am no lawyer, but it is drafted by lawyers who are not here to give possibly the fullest explanation. But again I reiterate that people—(Interjection)—am I what? Oh, sorry.

Well, Mr. Praznik, I am sorry, was not part of the drafting, Mr. Chairman. But let me say again that through the Clean Environment process, through the new Environment Act, our safeguards are guaranteed and indeed, Phase 1 and Phase 2, neither of them will proceed until the licence is granted. But once the licence is granted for Phase 2, what this clause says, okay, and there has to be some comfort to the lenders of Repap knowing that once the licence has been offered that they will have a period of two or three years in which to build, because you cannot have a situation where they have \$400 million of capital invested and all of a sudden a major change comes along and a new process, a whole new design costing hundreds of millions of dollars is required of them. No lender would lend under that basis, and so I can indicate that equipment may have been ordered in some respects and what does the company do with it? Whose loss?

So that is the safeguard for the company during the period of construction only. Before that, before construction, the Environment Commission has control, and indeed after construction those who are in charge of passing regulations and laws and statutes in this province are in control also.

Mr. Chairman: The Member does not have a point of order. The Chair would recognize Mr. Storie.

Mr. Storie: Mr. Chairperson, if that is the Minister's explanation, he believes that clause is set in the agreement for that purpose, then it is one of the most ineffective clauses that I have ever seen because the Minister knows that the bank is not concerned about the construction phase. The fact is the bank is going to be repaid—

An Honourable Member: How is the bank going to be repaid if \$400 million—

Mr. Chairman: Order, please; order, please. The Chair would recognize Mr. Storie. Would you please proceed?

Mr. Storie: Mr. Chairperson, the Minister sits there with a silly look on his face. The fact is that the bank is going to be repaid by the activities of the company after it is up and operating—after it is up and operating! If the Minister is saying this clause only protects them during the construction phase, there is no protection.

An Honourable Member: Do you understand cash flows?

Mr. Storie: Mr. Chairperson, do I understand "cash flows"? Yes, the company does not have much of a cash flow in construction. It has cash flow after the operations begin and the Minister has just said, well, of course, after operations the construction period is over, then of course we can change the laws and the environmental laws, whatever new laws we bring into effect, even though they may adversely affect the project, are going to be enforceable. Well, then, if that is the case, then this clause makes no sense whatsoever because the bank or the lender has no protection, absolutely no protection.

I think that there is another motive for this and, whether the Minister understands the motive or not, I think that Repap has a motive because it does not just affect the environmental regulations. It is not just a question of what additional regulations we introduce for the protection of the environment and there may be significant changes to the technology or our understanding of what pollutants are being presented into the environment as a result of this process. The fact is that the Minister will not be able to increase the sales tax. He will not be able to introduce additional taxes of one sort or another in this Budget or the next Budget that might seriously adversely economically affect this project.

So the Minister is tying his hands and he is saying he is doing it to protect the lenders, to protect Repap, who will have the support of the lenders. Well, Mr. Chairperson, the clause, as the Minister explains it, does not do that. The Minister should be ashamed of himself if he accepts that clause does that. The construction phase is not the period that the company is worried about in the long run. It is after, and the cost of doing business after the construction is finished.

Mr. Manness: If that is the economic basis on which the Member makes his argument, then I ask him to try and go out into the marketplace and find capital when indeed there is some risk with the time associated with completing any phase. I ask him to do that.

Secondly, Mr. Chairman, this has been written by lawyers. I understand, from a layman's point of view, the impact of it. There is no attempt to protect Repap from having to comply with the latest in technology. The agreement requires it, but some of this equipment that they are going to have to order for that Phase 2 development—and I do not know if the Member was here when Mr. Lewis was going through it—requires an 18-month advance order, hundreds of millions of dollars of equipment advance ordered over a year and a half which will be financed.

* (0040)

Somebody has to tell me what comfort a lending institution would have, and I guess a greater concern to me, that the jobs that exist in Manfor today will have indeed, if all of a sudden somebody decides for whatever reasons to lock down the construction over a period of years. That happens. What we are saying here is make sure that the most stringent of environmental requirements are met before the building begins, but after the building commences, until it is completed, that those will continue to apply and thereafter though, new regulations can be passed as advancements come within the industry.

Mr. Storie: The need for Repap, to understand the rules under which it is going to operate, I understand that when they go to a lender they want to have some certainty. However, I am not aware of these kinds of provisions, open-ended provisions, being put in any kind of agreement, and this is extremely open ended. Let us be very clear about this. This says that any, unless changes are made in provincial law which materially adversely affect the economic construction phase, that is any law. That does not refer to the environmental legislation. That refers to workplace health and safety legislation, fiscal policy of the Government. It relates to Workers Compensation. It relates to virtually everything. It is completely open ended. It says that the Government really is beholden to Repap for virtually any significant change in legislation, regardless of what the area. For what reason?

The Minister's explanation is totally without foundation. It simply does not make sense because it provides no guarantees in the long run to banks or lending institutions. So if this clause is still in there, and we are left up in the air about whether it is still in there, it is a serious flaw. It is open ended. It leaves the province in an untenable position. It leaves the Government in an untenable position until at least December 31, 1990.

Mr. Manness: Mr. Chairman, as a judge in court would look at the whole document, I cannot refer to it specifically but I can assure the Member there is an override in a number of areas. This is a massive document, as the Member knows, which gives the Province of Manitoba the final authority with respect to all aspects of the environment. So if the Member focuses in on one clause or one section, I would require legal counsel to be here. I know within this document there is an override which gives the province complete

control of all environmental aspects and all licensing procedures and, further to that end, ensures the environment will not be negatively impacted at any time.

Mr. Storie: I do not necessarily accept the Minister's assurances in terms of the environment, but I ask the Minister to read Clause 9.02. It is extremely open ended. It refers to any provincial law which materially, adversely affects the economics of the construction. It is not just the environment. This is extremely open ended. It means the Minister cannot bring in a new financial tax, any kind of a sales tax, any piece of legislation, any regulation. Any action of the Government that requires legislative change may be cause for the undoing of this deal. It puts the Government in an untenable position. They cannot act on many different areas. It is a ridiculous clause. It is not helpful to the agreement. It does not do what the Minister says in terms of supporting Repap with its lenders. It does not do that.

Mr. Manness: The Member is right in one respect. Certainly, it is more encompassing than dealing just with the environment. We have covenanted it, as a province, not to bring Repap here, sign them into a deal and then all of a sudden jacking up, for instance, the capital tax without reason, not increasing the sales tax on production equipment outside the bounds of reason during the construction phase, Mr. Chairman.

That is a real concern. You can imagine the concern that would be if you were going to invest \$1 billion in a province and you had made a commitment. Then two months into it, the Government of the Day decided they were going to increase the tax on capital equipment of which you were investing hundreds of millions, that they were going to increase that tax by 100 percent. You can imagine why you would want to draw some comfort if you were investing those types of money within a signed document. That is the basis of 9.02.

Mr. Chairman: Thank you. We are going to have to recess briefly again for Hansard to make some adjustments here, so we will break for five minutes.

Mr. Manness: Who won the hockey game?

Mr. Storie: Who won the hockey game?

An Honourable Member: It was Philadelphia.

Mr. Manness: Three to one.

An Honourable Member: Two short-handed goals.

An Honourable Member: For some of us it was depressing.

RECESS

Mr. Chairman: Are there further questions?

Mr. Ashton: Mr. Chairperson, I find it interesting that the Minister of Finance (Mr. Manness), given the circumstances, keeps referring to the fact that he is not a lawyer. He does not have lawyers available to

him to answer questions. I really believe that in the best interests of this committee, it is difficult enough to hear at the eleventh hour, dealing with this document which we came in possession of, which the Minister would not give us, which is available to the American public. But then to continuously hear the Minister giving his opinions, supposedly his answers, and then hear him qualify them, saying well he is not an expert.

It would seem to me, Mr. Chairperson, the appropriate thing to do would be to do what the Opposition has been suggesting all night, and that is to properly consider this matter, given a time frame that would allow this to take place and, to properly consider it, expert staff being available. I have a right to ask some detailed legal questions but there is no point. It becomes a farce when the Minister of Finance continues in his answers to talk in general terms, then qualify it and say he does not have the answers. This has been a continuous theme all night. We have heard about principles. Like the Minister, I am not a lawyer, but I can tell you one thing. I do not want to be going into a court of law if I have purchased something and say, well, geez, in principle I purchased it. I do not want to have it written down in paper in a contract. The Minister talks about the business world. I think any businessperson in their right mind would want to be very, very sure about what they were signing.

I find it incredible that we are hearing these comments tonight from the same Minister who signed this document. He says he is not a legal expert. Well, did he consult with legal experts before signing it as he did? We have his signature. It is on the back of this document. The Minister himself signed it. If he did not consult with legal advice at that time, has he subsequently done it?

Why is he not able to give us the clear answers that we desire? Why, in response to the Member for Flin Flon (Mr. Storie), was he not able to give a clear answer? Why, in response to the Member for St. Norbert (Mr. Angus), was he not able to give a clear answer? It really makes a mockery of the whole situation when we are proceeding as a committee in a situation where answers become virtually meaningless. There are some very serious concerns I want to raise about this particular document. I am not expecting that the Minister will be able to give me anything more than the generality that he has. The experiences tonight, I think, indicate that clearly.

I know it is an issue that the Member for Rupertsland (Mr. Harper) will be raising when he returns to the committee shortly, and that is in regard to the purchaser's covenants, Article 9, Clause 9.01, the parity of employment. I, quite frankly, when I read this today was amazed at the wording that is in this. Quite frankly, in reading it, it appears to be virtually meaningless. There are so many qualifications built in. There is so much lacking in the way of definition here that this clause is virtually meaningless to the people of The Pas. Surely it is meaningless to the people of northern Manitoba because they are not even referenced in this document. I would say it is basically meaningless, period.

I want to run through it in terms of comparison with a clause that had teeth, and that has had an impact

in getting northern employment on a major project that involved the Government and a private company, and that was with Limestone, the Limestone clause in the Burntwood-Nelson agreement that has been in place for a number of years. It was toughened by the previous Government. It gives specific priority to Northerners, and in particular to Native Northerners. It is a very tough affirmative action clause. It talks about very clearly giving priority to Northerners.

I want to ask a series of questions and I hope the Minister can answer. I want to ask, in negotiating this, whether any consideration was given to using such a clause to ensure that people receive jobs on this particular project? Did the Minister consult the wording? Did anybody in his department consult the wording? Did they consult with the people who had been dealing with Limestone? Did they use that as a model? If they did, why did they reject it? Why are they proceeding with something that is virtually meaningless?

The second question I would like to ask is, why is there preference given here to people in The Pas area, which I would certainly would agree to. I think anybody in Manitoba would say that is reasonable. Why then is there no northern preference? What about the other communities in northern Manitoba? What about Easterville? What about Cranberry Portage? What about Moose Lake? What about the many Northerners who have been working on Limestone, who are now looking for other employment?

I received a call only a few weeks ago from someone who was asking whether there was going to be a northern preference clause for the work involving Manfor, with Repap. Two days after the announcement was made, he phoned me. I said I would be raising that in the committee. As I read this, there is none. Why did this Minister, why did this Government turn its back on Northerners? Why does it go from a The Pas preference to a provincial preference? That is my second question.

* (0050)

My third question is in terms of some of the qualifications here. It says "normally resident in The Pas." Well, what is normally resident? Who defines that? In the Limestone case, that is clearly defined to ensure that real preference is given to those who really live in the communities, in the North, who have made their home in the North. In this case it is only The Pas, but there was a real effort made to assure that. So I would like to ask the Minister on that third question in terms of what the situation is, what the definition is of northern resident.

The fourth thing is, who defines the extent of required skills and experience that are available? If there is one thing we learned from Limestone, it is that you have to go after the contractors—in this case, you have to go after the Repap, the employer—very strongly to ensure they do not use that as an excuse to turn their back on hiring Northerners. It has been the case in the past and it has also been the case where it is done, where you keep after the employers but you cannot get results. Who defines required skills and experience,

or is this a loophole that they can just turn around and say, we are sorry, we do have a clause in there giving preference to in The Pas area, but well you do not really have the required skills and experience? We need people with 15 years' experience and you have only got 14. I say that with a bit of hyperbole, but I can tell you there were cases at Limestone where that happened until the Government stepped in and said that was unacceptable.

The next thing is, it states here, "provided the same is not in contravention of laws, regulations or any other matter making compliance contrary to public interest." Excuse me, but what the heck does that mean? I mean, really what does that mean, "contrary to the public interest"? Why would it not be in the public interest, for example, to give some preference to the local residents? Why is that clause in there? Why is that statement in there?

I would like to further ask, in terms of laws, regulations and other matters, in order to put in place the preference clauses for Limestone, Hydro had to apply to Human Rights Commission, had to make them aware of it that something had to be done in the case of Affirmative Action Program. Is this going to be done in this particular case?

If it is not going to be done, has the Minister looked at the legal ramifications of that because certainly the advice we received was, if it was not cleared through the Human Rights Commission, you could run into problems with laws, regulations and other matters. The Charter of Rights, for example, because the Charter of Rights says you can have an affirmative action clause but the Charter of Rights also has provisions in there related to freedom of movement within the country, which I would suggest could wipe out this entire clause altogether unless the proper procedures are followed.

The final thing I would like to ask the Minister, there is reference in here—and I have several other questions too related to this general area. This reference is employment. Has there been any consideration given whatsoever to training because that once again was one of the key lessons that was learned with hydro development? That is, if you are going to have affirmative action, if you are going to have preference for Northerners, you have to have training for Northerners. If you are going to have preference for Native people, you have to have training for Native people.

Is this part and parcel of this particular clause, or was this put in for show because, as I said, I have raised about half a dozen particular questions. I really look forward to hearing the Minister's answer, if he can provide the answers because the real concern that I have and I know my colleague, the Member for Rupertsland (Mr. Harper), and my other colleagues in the North have, is, first of all, the fact that the North is left out and, second of all, that even for the people in The Pas, this is going to be virtually meaningless. I would like to ask the Minister for the complete details on this particular clause. What will it mean for people in The Pas and what will it mean for people in the North?

Mr. Manness: To save some time, the answer to the first question is yes. The answers to the second and

third questions are also yes. The detailed answers, particularly for the second and third questions, have been provided in the first sitting of this committee, at which time I provided all of the detail that I had with respect to northern preference. They are a matter of the record. I provided that in the first sitting of this committee dealing with divestiture. I might add again, Mr. Chairman, that we are talking about a draft agreement.

Mr. Storie: What does that mean? Is it going to be in there?

Mr. Ashton: I am becoming increasingly frustrated by the answers or the non-answers of this Minister. The Minister turns around and says he provided all the answers, and then he said well this is only a draft. Well, will he give us the final draft, or is this not the final draft? I mean, what are we dealing with in this particular case? You know, I find it very frustrating as a Member of this Legislature, Member of this committee, because we in the Opposition are only doing our jobs in this particular case. We are attempting to find out the full details of what is going to be signed, apparently on Thursday or whenever the Government decides will be the case. They have refused tonight to an extension to give us an adequate opportunity to look at this. I want to know on behalf of my constituents, I want to know on behalf of other Northerners, what this clause means.

It is not sufficient to talk in generalities. This is the specific wording, presumably, unless it has been changed, and if the Minister wants to advise me as to whether it has been changed I would certainly appreciate that information. Has it been changed, Mr. Minister, perhaps before I continue? Is this clause currently in any further documents that supersede this?

Mr. Manness: Mr. Chairman, I will respond once the final draft is completed. I can indicate to the Member that, in principle, I answered that question. I did so in the first sitting of this committee.

Mr. Ashton: That, once again, is a non-answer. I asked some very specific questions related to this wording. The Minister has refused to answer that.

The Members on this committee keep talking about forests and trees and whatnot. They keep talking in this particular case, using that analogy. They have shown us the forest, so they say; they have shown us the forest of the agreement. I am talking about the principle.

What I am talking about is this clause, because the minute someone walks into the Repap employment office and says, I am from The Pas, I understand you have preference for people from The Pas, the first thing the company is going to look for is not going to be the statements of this Minister in committee. They are going to look for this clause and they are going to say, well, this clause says, they will read it to the person and then they will interpret the situation based on this clause or whatever is in the agreement that supersedes it.

Why will this Minister not answer that question? Not to me, I do not really care if the Minister wants to ignore

the questions coming from me in a personal sense, but why will he not give the residents of The Pas and the residents of northern Manitoba an explanation as to whether this is the clause and how it will function and whether they have considered some of the problems that have been identified with previous preference clauses and have learned from the experience of such developments at Limestone?

Mr. Manness: I take all comments and questions from the Member seriously. Again though, I indicate to him that I am not going to respond to a question, the basis of which is a draft agreement that was filed somewhere some six or seven weeks ago. I do indicate to him that once the final agreement is entered into that it will be made public, and at that time I will be held accountable for whatever is written within that agreement.

Hon. James Downey (Minister of Native Affairs, and Northern Affairs): Mr. Chairman, just trying to help the Member for Thompson (Mr. Ashton) just with a few comments not dealing with the document that he is referring to, but I think it is important that the committee be brought up to date as to what some of the comments have come to me as Minister of Northern and Native Affairs have been, and that has been the dismal failure of the previous administration in looking after the hiring of Northerners.

Mr. Storie: Nonsense.

An Honourable Member: You bring in this garbage.

Mr. Downey: No, no. I will make—

An Honourable Member: Ask Fred Cleverley.

Mr. Downey: —special reference to the Sherridon mine which brought in miners from all over western Canada, very few from Sherridon, which was under the current leadership of the Member for Flin Flon (Mr. Storie). The Member for Flin Flon, his record speaks very loud for itself and his ability to get local people hired. That has been a constant problem and concern. I do not recall seeing anybody at any committee bringing forward what he had done for the people as far as northern employment is concerned there.

Let us deal, Mr. Chairman, with some of the concerns that the Native community are bringing forward to me at this particular time, and that is again the dismal failure of the previous administration under the Limestone program to give Northerners and Natives meaningful employment. Let us make sure the record is straight.

* (0100)

Let us deal with Moose Lake Loggers, very much involved and interested in the expansionary plans for Native employment at the new facility and the Repap, very much a part of the discussions prior to this and on an ongoing basis. Let me tell you that Moose Lake Loggers are very much interested in taking over that operation. The people, both the band and the community council, are interested in negotiating with

the province the opportunities that will come from the sale of Manfor to Repap, very much on the record with us, employment opportunities for their people.

What has been the problem has been the policy of Manfor and its current purchase of wood from that community. Ask any of those community people. It has not been the sale of Repap. It has been some of the ongoing contractual agreements under the previous administration. Let us get right down to it. They can make all the noise and the fuss they like. They have been all talk about northern preference and Native hiring but have had very little action, Mr. Chairman. I can assure you I have listened to them, to the chief, to the community leaders. I will debate him in any community at any time as to their record versus ours, as compared to what has happened.

Mr. Chairman, let me tell you as well, we have already had the possibility of 20 Native jobs outside of the community that he is referring to directly related to the Manfor-Repap sale, directly related to the Native community. They are very anxious and ready to get at it. What the Opposition are doing here tonight is further frustrating the activities of a Government that has the mandate to operate and act in the best interests of all of Manitobans, Native, non-Native. I can assure you that I will match our record and the future record as to what the NDP and of course the Liberals, who do not have a policy when it comes to the northern and Native communities. So that, Mr. Chairman, I think should be put on the record. Thank you.

Mr. Chairman: Excuse me, I have recognized Mr. Rose.

Mr. Bob Rose (St. Vital): The question might have been answered before, but I wonder if the answer has been given, if the Minister could give us some indication that since the Tory Government took over and they put a new president in there, what the month-by-month profit figures were for Manfor and up to the present time, say, till the end of March.

Mr. Manness: Mr. Chairman, I am not intimate with that in sufficient detail to be able to provide it. I think that is a better question of the operating manager of Manfor. Indeed, Members of the committee had an opportunity to pose that question to Mr. Demare at previous sittings of this committee and they may have and may not have been answered.

Mr. Chairman: On a point of order, I recognize Mr. Angus. State your point, please.

Mr. Angus: I wish to state, Mr. Chairman, that on a number of occasions when we asked for that information we were advised they were unaudited statements and they were not available for the committee. Consequently, they have shown up . . . (inaudible) . . .

Mr. Chairman: The Member does not have a point. Mr. Rose, continue.

Mr. Rose: Mr. Chairman, is the Minister saying that in all the negotiations the fact that they were yelling and

screaming during the election the amount of money that the NDP were losing on the operation and they said that they were better managers and they brought it in here, the fact that they showed an improvement in the company that they were alluding to, that this was not a factor in the final sale of the profitability of the company under your administration, this was not a factor in the agreement?

Mr. Manness: Mr. Chairman, when you are talking about a sale involving tens of millions of dollars, over \$100 million, and when you put into context that—I understand Manfor was budgeting for a break-even year this year, whether it was a million dollars one way or the other with record, all-time record pulp prices, I might add, you could not allow yourself to be carried off into believing that Manfor had a rosy picture forever and a day.

So, Mr. Chairman, I do not know what it is the Member is alluding to, but I can indicate that we have, yes, a monthly estimate, unaudited as it is, as to the financial standing of the company, but that is not for me to release because I am not the Minister in charge of Manfor. I am the Minister in charge of the divestiture of Manfor, and there certainly is a vital difference.

Mr. Chairman: Excuse me. Mr. Rose.

Mr. Rose: Thank you, Mr. Chairman. I think it would be important to know what those figures are, because here the Government's claims were that it was mismanaged before and, by what you claimed to be good management, there was a certain improvement. That would certainly give some sort of a benchmark as to what the improvement in the value of the company would be. We realize these are unaudited figures, but in a rather simple operation of one commodity, I would think the unaudited figures would be pretty closely in line with audited figures. Can the Minister not give us any idea, for instance, of the months of December, January and February, what those unaudited figures were?

Mr. Manness: Mr. Chairman, when you are dealing with an entity like Manfor, I put no stock in unaudited numbers and neither does Repap. The final number is agreed upon. The ultimate flow of funds that will come to the province will be determined on the basis of audited numbers. That is the way the agreement is struck.

Mr. Rose: The Government had two options and certainly our Party has supported divestiture of the company, but they really had two options. One of them was they continue to operate the company themselves or to divest it. Certainly, they had that in consideration. If to keep control of all these vast timber stands and control of the company and control to make sure we have continued employment, certainly if the company was turned around during their term in office to the point where it was profitable, those figures would be important to them to determine whether, if nothing else, they should sell the company or continue to operate it and make it more and more profitable, to make it more and more valuable at the marketplace. He cannot

say that is not a good business procedure, because that is the only business procedure that anybody in private enterprise would go on.

Mr. Manness: Mr. Rose is so far removed from good business procedure if he seems to be suggesting—

Mr. Rose: I think I have been in business a lot more than you ever have.

Mr. Manness: If he seems to be suggesting—

Mr. Chairman: Order, please; order, please.

Mr. Manness: If you take a company that—

Mr. Rose: Make other statements. Do not make that one.

Mr. Manness: —if you have a company that has experienced within the last four years losses of upwards of \$70 million accumulative. If you are suggesting, Mr. Rose, that all of a sudden there is not some risk attached to a company, when pulp prices are an all-time high, when unbleached kraft prices are an all-time high. If you feel that Manitobans should take the risk of again maintaining the operation and maybe risking not a \$10 million loss in a single year but upwards of a \$40 million loss, potentially the next downfall within the market, that should be taken out of health and education.

If that is the Liberal policy, then please state it clearly. Let me state for the record, firstly, it was a promise of this Government that they would divest of Manfor. That was an agreement sanctioned by the people of Manitoba when they voted this Party into office, that it would divest as quickly as possible of Manfor. Mr. Chairman, that was a public policy decision supported, indeed expected, by Manitoban citizens once we came to Government. That is the No. 1 priority.

Now, if the Member is saying you should therefore—fine, I accept that. But second, you should only sell when the company is losing money. There are a lot of buyers when you are losing money, and they pay you exactly half the price. So, Mr. Chairman, surely if the Member is a businessman, a strong businessman like he claims, you know you sell a product when it is making money. You sell it when it looks the best. That is when you sell a company, not when it is in the tank, because there does not seem to be an awful lot of buyers come around when it is in the tank. So I hope the businesspeople, the people with great business acumen would tell us what side they want us to present it to for sale, when it is in the tank or when it is starting to make a little money, because you cannot have it both ways.

* (0110)

Mr. Rose: Mr. Chairman, I do not understand the Minister's reluctance to indicate to us and to the public what drastic improvements that they claim they made in this company over what they said, \$70 million lost by the NDP, where there is a chance to put on the record what those numbers are. I would perhaps end

that part of the questioning because obviously the Minister has not taken that into account in making the profitability or the value of the company. Could the Minister confirm figures that we have that in the last few months that the company was making almost a million dollars per month clear?

Mr. Manness: Mr. Chairman, I will not confirm that figure. I do not believe it to be factual. It has to be looked at in the terms of the year-end statement, the audited year-end statement. That is the basis on which we have to report to Manitobans, and that is the basis on which the Minister responsible for Manfor will ultimately report to Manitobans.

Mr. Rose: Mr. Chairman, in the absence of a president of the company here tonight, I do not know if anybody has asked why we are not able to question the president of the company. That is one particular question that maybe that seeing that he was an accountant could answer. The agreement calls that the employment is to remain virtually what it is, nothing less anyway. It could be increased, but there is an allowance that the purchasers can release six senior employees. Have any of those senior employees been released yet, even before the takeover?

Mr. Manness: Mr. Chairman, to the best of our knowledge, and indeed we are not the ones to ask this, but to the best of our knowledge it has been indicated to one person that his long-term employment will not be continued.

Mr. Rose: Mr. Chairman, earlier when the Legislature was in Session, we heard that the Government hired a president for Manfor for one year, I believe. It might not have been a year but the salary was quoted on an annual basis, so my memory is not too clear on that. Does Manfor have a president right now?

Mr. Manness: Yes, it does.

Mr. Rose: Has that president made preparations to go to this celebration in The Pas on Thursday?

Mr. Manness: Mr. Chairman, I cannot answer the question.

Mr. Rose: You have not been in that close contact with the president of Manfor?

Mr. Manness: Mr. Chairman, I am in charge of the divestiture of Manfor. I do not have day-to-day dealings with the president, although through major portions of the divestiture we did have many discussions.

Mr. Rose: Mr. Chairman, I am getting a little more scared all the time about this deal. They do not even know where the employees are. Previous questions by my colleague, Harold Taylor, to do with who we were signing a contract with, I am still unsure as to who the principals in this deal are going to be. There are two names put forward here, Repap Enterprises Corporation and Repap Pulp and Paper Inc. I thought I had heard at the previous meetings that there was going to be

a third corporation formed in Manitoba, if my memory serves me properly, and this would be in keeping with the parent company, or the other three units of the company, Wisconsin, British Columbia and Quebec, are structured separately. Am I correct that there is going to be another holding or shell company formed in Manitoba to run Manfor?

Mr. Manness: Mr. Chairman, that is not known at this point. That is why I say to the Members that what they have before them is very much a draft. The Government is very concerned as to the corporate structure, as a matter of fact, has control over the change in the corporate structure. Repap, it is their call in the first instance, how it is they wish to set up its Manitoba entity, whether it is a stand-alone corporation or whether it is contained within one of their other Canadian corporations. It is their call in the initial, but after that there are no changes in corporate entity unless it is sanctioned by the provincial Government. As a matter of fact, the deal will not close if we are not satisfied as to the corporate structure.

Mr. Rose: Mr. Chairman, I feel uncomfortable about—we are at the zero hour and we do not even know who we are going to sign the agreement with. I am concerned that we do not have another Kasser on our hands here where they rape a company in the early stages and we do not have anybody to fall back on. I wonder, and it goes without saying, has the Government got a list of the assets, and have they got an audited statement of the principals who they are going to be dealing with? Do they know specifically the names, titles and addresses of the directors and shareholders?

We seem to be even indicating at this late date that we may be signing this agreement with a shell company that could put any directors on without any particular fall back or collateral that we could fall back on in case such an occurrence came. How deeply have you examined the structure, assets, audited statements, directors, shareholders? Indeed, we have two companies here. I think we know that Repap Enterprises Incorporation is incorporated, but are we sure that Repap Pulp and Paper is incorporated? Have we looked up and seen the documentation?

Mr. Manness: Mr. Chairman, the Member used the word "rape." I do not know why he would use that word. Maybe he knows something more about it than I do.

Mr. Rose: Well, your Government has had a previous one, so I am just afraid that it might happen again. That is all.

Mr. Manness: Well, it seems like again the Member is preoccupied with rape, Mr. Chairman, but let me say the corporate structure was a very important element to all of the negotiations that took place, an extremely important element. We are very mindful of course of the history, particularly of CFI. We watched that.

I can say to the Member that once the final agreement comes up, he will see clearly whereby the Province of Manitoba cannot be hidden from by way of some

corporate shell put into place by Repap. Indeed, the Province of Manitoba is guaranteed in the contract that Repap cannot alter any of the corporate structure without the knowledge and without the sanction of the provincial Government. That is covenant within the agreement. We have made sure that whoever is in the Government, that they will know. Indeed, if Repap does not come to the Government, then they are in violation of the agreement and, therefore, a case can be lodged against them.

* (0120)

Mr. Rose: We have heard, Mr. Chairman, from the Minister that as of tonight we do not know who are going to sign this agreement, and he expects us to take his word that the million or so Manitobans' money will be protected because they are going to protect it. Does that mean that, indeed if you are not satisfied with the structure of the company or whatever comes before you on Thursday and that there are sufficient assets behind that body and personal commitment, you will not sign the document? How will you be so sure if the document comes to you in one hour and you have to sign it 60 minutes later? How will you be able to research who is backing that company so that it is not just a shell?

Mr. Manness: Mr. Chairman, there is nothing pushing the Government to sign within an hour, and Governments—I do not care who they are—do not sign within an hour. I can assure Mr. Rose that the Government is not going to sign any document if they are not totally satisfied that, first of all, the corporate structure in place is one that makes good sense, not only from Repap's point of view but indeed from the Province of Manitoba.

Secondly, we are not going to sign any agreement until we know who the beneficial ownership is vested in. That is one of the major disclosure schedules within the agreement. The Government always has to know who the principals are behind the corporations and we have paid thousands of dollars for lawyers to ensure that safeguard is in place. I assure the Member that too will be addressed in greater detail once the document is signed and delivered to the people of the province.

Mr. Rose: Mr. Chairman, we understand and know that documents, there can be facsimiles and copies and what-have-you. Where will the official document be signed, in Winnipeg or in The Pas, the one that is the official record for the Securities Commission, for the Government of Manitoba, for Repap, the official document? Where will it be signed?

Mr. Manness: That has not been decided in totality yet but my thinking is today, and I would ask that I not be held to this, that most of the document will be signed in Winnipeg.

Mr. Chairman: Are there any further questions? Mr. Rose.

Mr. Rose: I just have a couple, while I have the floor, Mr. Chairman. In the substantial document we had,

which is just according to your statement at the previous meeting substantially the final document, which now you want to change, Mr. Minister, to call it just a draft, we do not agree that it is a draft because if it is only a draft I think that Repap had no business to submit it to the Securities Commission.

Mr. Manness: They had no choice by law, Mr. Rose.

Mr. Rose: But in that document, it mentions that the Government of Manitoba, it is their obligation to keep a forest inventory. Do you have some idea what the annual cost of that would be?

Mr. Manness: First of all, the Member calls into question Repap's making available this document without it being in final. If the Member is such a good businessman, he would know fully well that under the laws of the land, if they had signed a one-paragraph notice of intent to enter an agreement with us, they would have to make that known to the Securities Exchange Commission of Canada. Otherwise, people who are insiders may take advantage and trade unfairly the shares of Repap, so surely the astute businessman that Mr. Rose claims that he knows full well that is required by law.

Now secondly, with respect to the forestry management, I wish that the Member had put the question when Mr. Rannard was here. He has certainly been very involved in the negotiation of the forestry agreement. Let me say that there will be no forestry agreement signed with Repap until after—it is just about the last commitment that will be made to Repap, because if they do not proceed along the course of providing proper information at the environmental hearings, if they do not receive an environmental licence, they will not receive the forest. Furthermore, if they are not prepared to provide for certain commitments in Phase 1 leading to Phase 2, indeed if they do not do Phase 2, they will have a major portion of the forest removed from them. It will be returned to the province and it will be available to other interests.

Mr. Rose: Mr. Chairman, I was referring to the Americans. The reason they had to file it in Washington is they floated an issue to get the money from their Wisconsin operation. Certainly the Americans would be wanting, I think, if they had floated the issue already, a completed document or substantially completed document. You say they will not get forests and what have you. As I understand it, there are some \$40 million to \$45 million worth of the ready-cut inventory that they can get into right away and ship the pulp down to the United States. So there are \$45 million, if my figures are correct, that they can get at right away. I would think that even by itself, is a rather substantial amount of money.

Mr. Manness: Mr. Chairman, firstly with respect to the filing of this report. Let me state for the record, one of the major elements of this agreement has been violated by Repap. That is the one that was indicated, and was the making public of this document. From my point of view, from my understanding, that occurred. That occurred because, as the Member knows, there

is a U.S. Repap company that trades publicly in the United States. Repap itself does trade on the U.S. Exchange. Therefore, there was a requirement to file this document at the American Securities Exchange Commission.

However, there was not a requirement to make this document public within the United States. That was not a requirement of the American Securities Exchange Commission. It happened somewhere within the internal workings of the Repap Company. They have let us know that it was a major error on their part. Indeed, it fell outside of the agreement, 13.01 in a sense has been violated, not from anything we have done but, from what I am led to believe, an error on behalf of Repap.

So, let us put some of this on the record, Mr. Chairman. We started at eight o'clock with a blockbuster by Mr. Angus, who was trying to make a case that this was out publicly, that we knew it was out publicly, and that therefore we had somehow not been fair and open with the shareholders, Manitobans. I say for the record, an error has occurred. It has occurred within Repap but they are the ones who are going to have to answer for it.

Mr. Rose: Mr. Chairman, the document we have here says the nursery stock for reforestation will be provided by Manitoba to the company free. Is that a trade practice in the forestry industry across Canada?

Mr. Manness: Mr. Chairman, again that was a question that should have been asked of Mr. Rannard when he was here. I am sorry, I cannot give you that answer.

Mr. Rose: I do not know if anybody asked it before.

Mr. Manness: I will take it under advisement. Once Hansard is published, we will ensure that the record is read and a response is provided to that question.

Mr. Rose: Mr. Chairman, as the Minister is reluctant to release any, even unaudited, we are not going to hold them to the figures as to the profitability of Manfor in the last few months. Could you give us some sort of an estimate as to when we might get a statement up to the end of April on the operation?

* (0130)

Mr. Manness: Mr. Chairman, I do not believe we will have an audited statement until the end of May, end of June. That is the time—we have no reason to hold that number from the public, but it has to be audited because to bandy around a number that is not audited really is doing injustice to the activities that are presently going on and indeed is doing injustice to the divestiture process also.

Mr. Taylor: -(Interjection)- For breakfast? I am whetting my appetite here. To the Minister, a comment was made by the Minister a little while back about timing on a sale of a major operation and was along the lines that if you sell when the operation is down and in a loss position that you are not going to get the value for that sale of that operation. If you sell when it is up,

then you are going to get more to the true value. My question then to the Minister is, since the appointment of a new president about a year back, that corporation has made a turnaround and does the Minister not view it as on a climb back?

Mr. Manness: The Member is asking me to speculate into the future. Certainly, new management has created greater productivity in The Pas. Still again, I indicate productivity in itself does not mean much if the margins are negative. All it says is that your losses are at times greater. I am not making the statement that is the case now, but I am saying that if you have a situation where—and again if you can remember when we first made the presentation on the divestiture of Manfor, if you have that prime product that you are producing now, I believe it is SPK, if you take that product and all of a sudden it has a market value which is one-third less than it has today, all of a sudden you have a loss at Manfor that very rapidly can move into \$20 million to \$40 million.

Now, Mr. Chairman, I am not saying that is going to happen, but I am saying when you are making judgments into the future, you cannot discount that not happening and indeed the Government was given a mandate to divest. Secondly, I believe that we are at a high in the market, the pulp and paper market, as it had basically a four-year to five-year run. Everybody is expecting moderation within it and I say the people of Manitoba would not, in my view, want to speculate on Manfor being financially successful for a period of time, because I venture to say that period of time will be short and if you were not sold by the time you were through it, the potential of great loss would be there. That is a value judgment. That is one that Government has made, and that is one that the Government is prepared to defend.

Mr. Taylor: It is interesting to hear the Minister say that he is wont not to speculate and then proceeds to speculate on a gross scale. I was not sure I was hearing right at first, but all I wanted was a comment back on the turnaround of the company and is it heading in the right direction, and we ended speaking on the long-term world markets of SPK, if I understood him correctly. The comments as to whether you have got a good product but you are not commanding the right price in the world market, therefore, you can be in a hell of a situation—pardon the expression. Well, I do not know what evidence there is on the table that will indicate that the SPK product or products similar to it were on a downturn in the sense of demand for, that SPK was going to have a major competitor, particularly in the qualitative sense, when it is the best product in the world of its type. The point is, to the Minister, and this is what I was asking about, that has there not been a turnaround in the last year in the operations of that corporation in comparison to the three, four, five years previously?

Mr. Manness: Mr. Chairman, I do not know how you define a turnaround. Yes, we have not experienced a \$20 million loss this year. Yes, there is a potential that the year-end figures will show a positive number, not taking into account, however, the imputed interest and

all the money that has been invested by the province. If we want to put it purely in an accounting basis, I could say that plant is probably going to lose \$25 million this year, if you want to look at all the cost of the interest that has gone into that plant over several years. So it depends on what accounting policies you want to use. The Member for Flin Flon (Mr. Storie) laughs, but he knows of what I am speaking. We have had this argument many, many times.

Let me say what the Provincial Auditor said. He said this, from the March '88 report of the Provincial Auditor, and I quote: "The corporation will require substantial sums in the future for plant and equipment replacement to maintain its operations. At the present time, there is no reliable indication that the corporation's operations will ever be able to generate the funds required to replace the plant and the machinery." Those are not my words, those are the Provincial Auditor's.

Now, Mr. Chairman, we went all the way through the exercise and others outside put the evaluations on the plant as it exists. In 1988, there is a reported income of \$1 million. That is the number that is on the books, unaudited, for the fiscal year 1988. Now Members may want to say that is a significant turnaround. I remind Members of the other table. If SPK goes down \$100 a tonne, not a third of its value, but roughly a fifth of its value, we lose \$34 million. That \$34 million comes out of hospitals, it comes out of the school system and it comes out of highways, directly.

So, Mr. Chairman, if the Liberals are saying basis on \$1 million, and that is the number that we are using, net figure for 1988, that we should keep Manfor, that we should infuse significant amounts of new capital, then let them state that clearly and be so bold as to suggest it.

If they are saying, but hold Manfor for another year, take in a couple of million dollars, I am saying the Government is not going to do that. There is too much risk on the down side and virtually no benefit on the up side. The risk on the down side is too great.

Mr. Taylor: I suppose anybody can make a feeble attempt at sensitivity testing of world market prices of a particular product, as the Minister has just done, and unfortunately it is the second time I have had to sit through that sort of any exercise when there is absolutely no evidence on the table at all that he has brought which would indicate that those sorts of price reductions are in any way a potential reality at all. So that is really so much nonsense, and to take the Provincial Auditor's statement of a year ago before there was a complete turnover in the management of that corporation and it changed its operating style entirely is to certainly beg a point.

* (0140)

The only question that is on the table is not whether the divestiture should proceed. The issue is, when is the timing to get the best price for the shareholders of this corporation, i.e., the people of this province? I think that is the issue. Now, the person who we have had running this operation, Paul Demare, is an

accountant by training, a businessman with long experience and in fact a businessman who happens to have some wood products experience to boot, which was a little extra, so he was not walking into an alien environment. I am sort of—knowing those qualifications, I would wonder whether the president of the corporation's views on the divestiture were sought and what the Minister's reaction to those views might have been.

Mr. Manness: Let me say, in the first case, it was not our sensitivity analysis around SPK. It was the industry's; it was the experts in the industry that we hired

Mr. Taylor: The competitors.

Mr. Manness: The competitors—no, we never talked to competitors. We talked to and hired consultants indeed, who had no vested interest, so it is not our sensitivity analysis. It was what we had purchased from consultants.

With respect to Mr. Demare, he was hired and put into the position of president because of the very experience that the Member refers to, Mr. Chairman. He was given the directive by the Minister in charge of Manfor to run Manfor as a going concern, as if it would continue for a long period of time. That was the mandate given to him by Minister Ernst. By all accounts, and certainly from our distance, he has done a remarkable job and we accept whatever the final audited report will state, but let me say that there was another group of people who were given the responsibility to divest Manfor.

One, the worst thing that one could do is to conflict and to put into the same path those two modus operandi, and that is to have one person who was trying to maximize the operations of Manfor and another one who was trying to divest, because in every case they are not complementary. Furthermore, I can indicate though on several occasions Mr. Demare's advice was sought.

Mr. Taylor: I would like to ask the Minister what he found Mr. Demare's views to be on the divestiture as proposed.

Mr. Manness: That is privileged information. Certainly if the Member wants to ask Mr. Demare that question, he is at liberty to do so. The final decisions were made by the divestiture team. Mr. Demare was not part of that. His views on the divestiture himself, I would invite the Member to ask him directly.

Mr. Taylor: Mr. Demare was not asked by the Minister to attend this committee meeting. I guess there were some surprises at that, but I would ask the Minister whether Mr. Demare felt that as good a deal as possible was being cut for Manitoba?

Mr. Manness: I never presented all the proposals to Mr. Demare for his comparison. Indeed, there would have been a conflict had I done so. Mr. Demare was charged with operating, with maximizing the operations

at Manfor. The divestiture team was charged with the responsibility of bringing forward the best deal to sell Manfor. We had two different directions, Mr. Chairman.

Mr. Taylor: Who

Mr. Manness: My understanding, as of today, it is Mr. Demare.

Mr. Taylor: The Minister has no indication that Mr. Demare has left the employ of Manfor and cut his ties with the corporation.

Mr. Manness: If that has occurred very recently, I am not aware of it.

Mr. Taylor: Thank you.

Mr. Storie: First of all, I would like to put on the record that I, on this very rare occasion, agree with the Minister's analysis about the timing of the sale. I think the Minister, for once in his life, followed my good lead when he said the time was right to sell because that is exactly what I said.

Mr. Chairperson, the fact is there is a short window of opportunity. I agree with the Minister that it makes more sense to sell an operation that is up and running, and has the possibility of being a viable enterprise. Certainly, I think that some of the things we did helped that process.

However, I do not agree with the Minister that just because, in principle, it is time to sell we have to sell at any price. The difference between the Conservative position during the election and the NDP position was the Conservatives would sell at any price. This agreement would say that seems to be what they have got at any price. We said we would get a deal.

Mr. Chairperson, I want to just refer to a couple of other remarks the Minister has made in response to questions from the Members for St. Vital (Mr. Rose) and Wolseley (Mr. Taylor). The current president is Mr. Demare, and Mr. Manness suggested that Mr. Demare had been hired for his experience.

Some months ago, in the Legislature, I indicated to the Minister responsible for Manfor that Mr. Demare had left Manfor for some unfortunate circumstances, that his performance had not been satisfactory. Mr. Ernst stood in the Legislature and said the only reason Mr. Demare had been let go was because he refused to move to The Pas. Can the Minister indicate whether that was the reason for Mr. Demare's dismissal, or Mr. Demare's leaving the employment of Manfor?

Mr. Manness: Mr. Chairman, I come before a committee tonight, not as the Minister in charge of the operations of Manfor, not the Minister in charge of putting into place Mr. Demare, and therefore I cannot comment. I sit here tonight before you as the Minister in charge of the divestiture.

Mr. Storie: I only raise the issue because I think it reflects on the ability of this Government to manage

anything. Mr. Manness, while he sits there with his smile on his face, knows full well that the reasons that were given at the time for the dismissal of Mr. Demare were much more broad than that. Mr. Manness has had conversations with people who have made it very clear to him that the statement of the Minister responsible for Manfor was completely erroneous, and the Minister is now recalling to his assistant there, Mr. Bessey, the conversation.

Mr. Chairperson, I want to move back to the real problem with the agreement. Earlier I had been asking the Minister about the impact of Section 9.02 in the agreement, in which it makes it very clear that the Phase 2, the start up of Phase 2, and then the *raison d'être* with this whole project may be jeopardized, could be jeopardized by Government legislative action, whether it be in the area of taxation, or whether it be in the area of environment or workplace, health and safety, because anything that the Government does which adversely affects the economics of the project might be reason for the project to be stalled.

We all know that the psychology of development is in place and working in this agreement already. It was because of the philosophy, because of the commitment that they had made to get rid of it, and the provisions of 9.02 carry that on. The Government is going to be hard pressed to do anything that jeopardizes this agreement.

What we are saying is that you are saying, in effect, to Repap, we will not do anything to jeopardize this project. What you are saying to the people of Manitoba is that Repap is, in effect, writing your next Budget. Repap is setting the legislative agenda for the Government when it comes to workplace health and safety or environment.

* (0150)

I want to just further prove my case that this Government, this Minister, this Member was so eager to have this agreement signed that he was willing to sell the farm. If you turn to page 35 of the agreement, we have provision 10.08, the sales tax provision, in which it appears to me that the Minister has, in advance of his Budget this year, in advance of his Budget in 1990, if he is fortunate or unfortunate enough to be Minister of Finance at that time, appears to be already conceding taxation issues to Repap in advance.

I am going to assume that the Minister has not been so presumptuous and perhaps foolish as to already have indicated to Repap what is coming in the next Budget in terms of sales tax, reductions to sales tax and specific provisions. The fact is that Repap has already begun to write the Budget, to set the legislative agenda for this province. The Minister perhaps can give me some other interpretation to Section 10.08.

Mr. Manness: Mr. Chairman, Repap has not influenced the Budget determination. They have access to no stolen documents I expect and, therefore, I believe they know nothing as to what is in the Budget. I do know that during construction that they will be increasing the provincial Gross Domestic Product upwards of a

half a billion dollars. What we are saying is that we will not deliberately impose sales taxes on them to make them captive in a period of time when they are bringing in huge amounts of investment, that we will make our budgetary decisions in good faith, not in bad faith.

Mr. Storie: Mr. Chairperson, the Minister has not read this clause even, because this clause does not talk about increasing sales tax necessarily. It says, "as to reduce." It is changes which are during the period that Phase 1 or Phase 2 is being constructed so as to reduce or eliminate sales tax on equipment. It is not talking about some change that adds incrementally to the cost of construction. It is foreseeing an event where the Government may actually lower the cost. The Minister's response does not even get to the heart of the matter in this clause. The Minister says he hired expensive lawyers. Well, the lawyers should have explained to him what this says.

Mr. Manness: Mr. Chairman, again it is a commitment to deal in good faith. It is to say to Repap, if we are in Government, we are not going to sit and watch you invest a billion dollars, and then the minute that you have it all invested here that we are going to remove the sales tax on production machinery. We will take into account the commitment of a billion dollars to the economy of the province, and we just would not bargain in such bad faith as to see you make a commitment and then ultimately provide a reduction in sales tax to everyone.

That is like saying to you, Mr. Storie, that after you have invested \$15,000 in a new car, as soon as you have left, we are going to knock the price down by \$2,000 or \$3,000.00. I do not think that is selling in good faith and I do not think our Government wants to deal in bad faith either. That is just an intent of good faith, nothing more.

Mr. Storie: Mr. Chairperson, either the company that you are dealing with has no faith in your good judgment or intent, or the company is working with some knowledge about potential events into the future that may in fact say this.

I guess what we are worried about here, and I think perhaps with reason, is that there are many places in this agreement where the Government can manipulate events in the future to provide another kind of benefit for this deal, for Repap through this deal. The fact is that if there is manipulation of the sales tax on manufacturing equipment, whatever, this makes sure who the beneficiary is because it is written into the contract. It is unheard of. I certainly cannot imagine this kind of an agreement being signed with Inco when it decided to invest in proportion more money in the Province of Manitoba.

The Minister has in sections in this agreement really taken away from his own right and responsibility as Minister of Finance, as a Member of Executive Council, to manage the affairs of the province. This agreement, the more you look at it, is flawed, it is flawed. It is leaving us in an extremely difficult if not jeopardized position. Why the necessity for these kinds of guarantees?

Mr. Manness: I guess we can look at it different ways. We can look at it as an incentive for a billion dollar investment. I guess we can look at it as I guess I did when we put this in, and to some degree it was requested by Repap because they had the fear that a Government, and maybe indeed ourselves, would—no doubt, they see good Government and they expect that we will be here for some number of years—ultimately may decide to, after they have invested, infused a billion dollars, then decide to remove the tax. I can indicate to Mr. Storie, Mr. Chairman, that when I was a seller of product, whatever the product was, and I can think of particularly farm implements, that nothing upset the purchaser more when they came to me than if I sold something to them at one price, and then a day later the next purchaser came along and got it much cheaper for no good reason.

So Mr. Chairman, I guess that is the motto that I carry with me is that you try and deal with some degree of fairness and you try and be open and honest. Naturally, as a Minister of Finance, you are not going to prevent yourself from making budgetary moves. This clause does not do that. This clause says though that if you decide to make a public policy taxation measure that represents a saving to everybody else, that you take into account what they have committed and therefore you provide some saving to them for a year's portion of a billion dollar investment. That is fair dealing, I say.

Mr. Storie: The Minister may view it as fair dealing. The Minister may be prepared to offer up many more things. Perhaps when he goes into negotiations tomorrow, there are other things he is going to lay on the table to make sure we get this deal. I say he is setting a bad precedent for himself in terms of negotiation. I have said that some of the things that he has done and his colleagues have done have created an impression certainly that negotiations have been bungled. These kinds of little concessions leave the Minister of Finance (Mr. Manness) in particular in difficult circumstances.

The Minister now is going to have to look at the question of reducing the sales tax on manufacturing equipment, and I do not have to point out to the Minister that is something that has been requested by the Manufacturing Association. The Chamber of Commerce, several other groups have suggested that this is a way to provide an incentive for people to come and establish manufacturing centres in Manitoba. He is saying to himself, now he has to balance this portion of the contract, this clause in the contract because it is going to cost him. In fact, it may cost him more than an opportunity to encourage investment in many other manufacturing sectors. So what he has done in his haste to get this agreement is limit his options as Minister of Finance. That is not responsible, it is clearly not responsible.

* (0200)

I want to leave that. The Minister can respond if he wishes. I want to move to another area, and it is an area that was touched on earlier by my colleagues. It is with respect to the lack, the total inadequacy of the hiring preferences in this agreement.

Mr. Chairperson, whether the Minister would like to admit it or the Minister of Northern Affairs (Mr. Downey) would like to admit it, the fact is that the Limestone Agreement, the Nelson-Burntwood Agreement that we signed, that included preferences, identifiable preferences, for Native people for both training and employment is a model across this country.-(Interjection)- Mr. Chairperson, I have asked them. The Member might only have to read for his edification an article that was written by Mr. Cleverley, who was not particularly supportive of hydro development or the Limestone Training Employment Agency or anything else the previous Government did, who was extremely complimentary of the success of that program. It did not meet all of his objectives, but the fact is that some 2,400 people were trained and thousands were employed.

So, Mr. Chairperson, this is totally inadequate, and what concerns me, as a northern MLA and as a Member for Flin Flon (Mr. Storie), is the fact that it leaves out all of those other communities that have relied on Manfor, who support the activities of Manfor, the people in those communities who depend on income from Manfor, like Wanless, Cranberry Portage, Sherridon, Wabowden, Thicket Portage, Pikwitonei and now Thompson, all of those communities have been excluded from the hiring preference. We should have had a hiring preference that included a Native hiring preference and a northern hiring preference. This is a major project. It is a major project to use the wood resource of northern Manitoba. We have a successful model. So this is a total and abject failure, a farce and an insult to the 70,000 people who live in northern Manitoba. Not only did the Minister miss an opportunity to support individuals in this agreement, but he missed an opportunity to support communities and local businesses.

I will tell the Minister, and he may not want to hear this, but I was in The Pas not more than two weeks ago, at which time I spoke to the city council and the Chamber of Commerce. I want to tell you that there is some dissatisfaction with the relationship between the Government and its planning and the business community in that community, never mind the feeling of neglect and the sense that they have been shut out of an important economic opportunity that is being felt in Cranberry Portage, in Thompson, in Flin Flon and other communities, because this local benefits clause in this thing is more meaningless than the hiring preference.

There is no concerted effort to take what Mr. Manness has called or the Minister has called the largest single industrial project in the history of this province, and he has missed the opportunity to use it to benefit the people whose resource is being used, who have worked for the company, who have established a successful venture or attempted to over the last 16 to 17 years, so totally inadequate.

My question to the Minister, is this one of the pieces of this agreement that is being strengthened? Are we going to see this piece strengthened to benefit the business community in The Pas and the surrounding area, or are we just going to concede whatever we have to concede to make this deal?

Mr. Manness: Mr. Chairman, I have responded to the same question, firstly, I believe it was on March 23, when we first dealt with the divestiture in this committee. At that time, I indicated our legal advice was that we could only go so far in writing into a document a northern preference, that we had to be mindful of the Charter of Rights and the rights of all Canadians to have opportunities to be gainfully employed equally across Canada. We had to be mindful of that, also mindful of the agreement which we have entered into with western Premiers and indeed hopefully with all Premiers, that we would not put any hindrances to the free flow of human resources as they sought opportunities in other jurisdictions including Manitoba to be gainfully employed. Notwithstanding that, we are mindful of the aspirations of northern Manitobans.

We have a commitment from Repap which indicates that they are prepared to invest considerable time, energy, and \$20 million.-(Interjection)- Well, somebody scoffs, but \$20 million into the retraining of those who are presently employed, particularly at the sawmill, so that they may be able to gain employment under the new expanded pulp development, but in our view this is purely a northern economic development initiative. We are more convinced than ever every passing day that we are on the right path, not only for the well-being of Manitoba but more particularly for the well-being of the residents of northern Manitoba, those individuals who see a renewable resource just outside of their doors in any case, people who have an opportunity in our view to assume their rightful role in harvesting a renewable resource, in transporting a renewable resource, and ultimately in time hopefully moving even further up the vertical chain. So, Mr. Chairman, we see this as one of the greatest potential Native economic development plans.

I hear Mr. Ashton flubber his lips together for some reason. Maybe he too is remembering of his own false rhetoric, or the rhetoric of his own Party when they make these claims. This is no idle claim on our behalf. We honestly believe that we can provide greater opportunities and more meaningful opportunities to northern Manitobans than has ever occurred certainly over the last NDP term.

I wish to indicate to Members of the committee that over the last hour for the most part that I have been answering questions that have dealt more or less with issues that have been covered before in this committee. Members opposite have felt that they wanted to move into some of the great weaknesses of the so-called document that has fallen into their hands over the last two or three days. We are now moving into areas of questioning that are beginning to mirror specifically the same areas discussed at the first sitting of this committee.

I ask Members of the committee to recall why it is that we are here tonight. We are here tonight because the Government promised to provide to Manitobans an understanding—after March 11 when the announcement to all Manitobans that we had entered into an agreement, a share purchase agreement, with Repap for the divestiture of Manfor, that we would also in responsible fashion report to the people's

representatives, those Members in Opposition, as to the basic principles and tenets of the agreement.

We did that with a commitment to do so in basically two or three meetings. We were assured by Members in Opposition that they wanted to have access to the agreement to ask questions of principle. I always caution Members that there would be some areas of questioning to which I could not respond, because of the fact that a final deal, a final agreement, had not yet been struck.

Mr. Chairman, I have undertaken to provide, first of all, by way of a presentation, the details of the sale. Secondly, I have brought in forestry management people to try and provide answers on the forestry area. I have had Mr. Norm Brandson sit here most of this period of time in an attempt to provide a detail of the process that Repap is going to have to go through before it is allowed to pour one pile on the site with respect to any of the phases, before they can receive a licence to proceed. Mr. Brandson was here for that case.

* (0210)

I also have brought in today Mr. Ross Lewis to address specifically the process at the plant, to give clear indication in a layman's way what it is that Repap is contemplating in the process.

Mr Chairman, in my view, good and open Government should do things in this manner in reporting to all of Manitoba, but nevertheless the Government has to make decisions and it has to move on, because there are basic decisions that have to be made. The Government has to govern, and therefore I will be moving the motion that this committee now rise.

Mr. Storie: On a point of order, Mr. Chairperson.

Mr. Manness: It is a non-debate—

Mr. Chairman: What is the will of the—

Mr. Storie: On a point of order, a point of order is always in order.

Mr. Manness: It is—no question.

Mr. Chairman: Mr. Storie, on a point of order.

Mr. Storie: Mr. Chairperson, first of all, the Minister answered some of my questions, but I have not concluded my questions. Instead what we get is some sort of diatribe from the Minister about his intentions. His intentions were not to provide any information, and committee Members in a parliamentary system have to have a right to information on which to base their judgments and base their correspondence with their constituents. The Minister has not provided answers. Every time we have asked him for some detail, he has said, oh well, I cannot talk about that. What the Minister has tried to do is what he tried to do in the first instance is to avoid answering questions—

Mr. Chairman: I thank the Member for his input. The Member does not have a point of order. What is the will of the committee?

Mr. Ashton: On a further point of order.

Mr. Chairman: There was no point of order.

Mr. Ashton: I would just point out that one of the prime points of reference for us as parliamentarians is Beauchesne's Parliamentary Rules and Forms which states in its first section that the duty of the parliamentary system is to protect a minority, restrain the improvidence, the tyranny of a majority, which we are seeing here with the present Government.

I want to stress this for all Members before we start getting into things any further.—(Interjection)— Mr. Chairperson, do I have the floor or not?

Mr. Chairman: Order, please. Mr. Ashton, would you state your point of order, please?

Mr. Ashton: Yes, I am reading from Beauchesne, which states to give abundant opportunity for the consideration of every measure, and to prevent any legislative action being taken upon sudden impulse. I believe that the actions of the Government are clearly in contravention of the spirit of Beauchesne, of the parliamentary system. That is what we in Opposition are fighting for, for proper consideration of this sale, something that we at the eleventh hour received, the final documentation via New York. I find it incredible that the Government is trying to close down the proceedings.

Mr. Chairman: Order, please; order, please. The Member does not have a point of order. We have a motion on the floor. What is the will of the committee?

Some Honourable Members: Committee rise.

Some Honourable Members: Continue.

Mr. Chairman: All those in favour? Those opposed? The motion has been defeated.

Some Honourable Members: Oh, oh!

Mr. Ashton: . . . the Government of the Day walks out of the committee, because it could not ram through a motion that required the immediate adjournment of the committee, a motion, that would have resulted in the many unanswered questions that Members still have yet to ask to the Minister of Finance (Mr. Manness) and this Government not being answered, the incredible arrogance of putting forward a motion for adjournment and then walking out because they do not win the motion. He misse'd that—Mr. Chairperson, this has got to be one of the most incredible developments I have seen. I think that this shows a complete lack of fitness that this Conservative Party has to govern this province. If they cannot stand here and stay in this committee and answer the questions of Members of the Opposition, they do not deserve to be in Government.

In keeping with that, Mr. Chairperson, I would move that this committee recess until nine o'clock tomorrow morning and, further, that this committee demand that the Minister of Finance (Mr. Manness) attend the

committee meeting tomorrow morning to answer fully all questions asked by Members of this committee.

Mr. Chairman: I would remind the Honourable Member that the committee cannot set its own schedule, that it has to be done by the House Leader.

Mr. Storie: No no, we are not adjourning, Mr. Chairperson.

Mr. Chairman: Excuse me, the committee rooms are also booked tomorrow for Meech Lake hearings. I would recognize Mr. Lamoureux.

Mr. Kevin Lamoureux (Inkster): Mr. Chairperson, on a point of order, just for clarification, maybe the Clerk can clarify it for me. If we take a recess, from what I understand, there is nothing preventing us from meeting again at nine o'clock in the morning. What the committee has decided unanimously is that we will

reconvene at nine o'clock in the morning. It is not an adjournment.

* (0220)

Mr. Angus: Mr. Chairman, before you recess, I was wondering if we can make a motion to recess until nine in the morning to allow the Clerk to research until that time. At nine o'clock, we can then decide, hear what the deliberation is, and have whatever short discussions we have to have and make subsequent decisions at that time.

An Honourable Member: And have an opportunity for the Minister and his staff to get back here.

An Honourable Member: We are recessed.

Mr. Angus: What do you mean, we are recessed?

COMMITTEE RECESSED AT: 2:22 a.m.