

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON
PUBLIC UTILITIES AND NATURAL RESOURCES
Tuesday, March 6, 1990

TIME — 10 a.m.

LOCATION — Winnipeg, Manitoba

CHAIRMAN — Mr. Harold Gilleshammer (Minnedosa)

ATTENDANCE - 11 — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Enns, Neufeld, Penner
Mr. Angus, Mrs. Charles, Messrs. Evans
(Brandon East), Gilleshammer, Helwer, Kozak,
Maloway, Storie

WITNESSES:

Mr. Ivan Balenovic, Mountain Quota Holders
Association
Mr. Lyle Spicer, The South East Quota Holders
Association

APPEARING:

Mr. Harry Harapiak (MLA for The Pas)
Mr. John Plohman (MLA for Dauphin)

MATTERS UNDER DISCUSSION:

Bill No. 9— The Forest Amendment Act
Bill No. 92— The Manitoba Energy Foundation
Repeal Act

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Mr. Chairman: Will the Committee on Public Utilities and Natural Resources come to order. Bill No. 9, The Forest Amendment Act, and Bill No. 92, The Manitoba Energy Foundation Repeal Act, are to be considered today. It is our custom to hear briefs before a consideration of the Bills. What is the will of the committee? Agreed.

I have a list of persons wishing to appear before this committee. On that list we have Mr. Ivan Balenovic, Mountain Quota Holders Association, Mr. Lyle Spicer, South East Quota Holders.

Is there anyone else present who would like to appear before this committee this morning? If so we would like you to advise the Clerk here at the front and we will add you to the list?

We will begin with the presentations then. I would call on Mr. Balenovic—Mr. Angus.

* (1005)

Mr. John Angus (St. Norbert): On a point of order, with respect to the first amendment, the brief here is provided in relation to the forest renewal charge from a number, a whole list of people. On the bottom it says: "Many other producers who are affected by the proposed forest renewal charge are not present due to short notice of this meeting." Was the meeting not properly advertised, and was not a sufficient amount of time for people to make reasonable representation given?

Hon. Harry Enns (Minister of Natural Resources): Well, Mr. Chairman, for the Members, the committee Members and for the general public's information, the House Leaders schedule these meetings at the opportune time that they can. The Members of the committee are well aware that we are at that point in the legislative process where these meetings are scheduled in the time available to us.

Certainly there is no desire on the part of the Government to make it unnecessarily difficult for anybody to make presentations to us. It is, I remind all Members of the committee, a unique privilege to the Manitoba Legislature.

We are the only jurisdiction in the country that enables the general public and/or other interested parties to make presentations to Bills prior to gaining final approval. That cannot always be done with the type of notice that the Member is alluding to. The Clerk's Office attempts to indicate to those persons who have expressed an interest, at the earliest opportunity that the Clerk's Office can, when he is notified of a meeting of a committee being scheduled. I am sure that was done in this instance.

Mr. Angus: Mr. Chairperson, again, just for clarification from the Minister, I presume, and perhaps you can confirm for me that you sent a copy of the intended changes to interested groups, they were made aware that this legislation was being considered by the Government, and that it is only the shortness of the meeting that is being called by the House Leaders and the actual meeting taking place, not that they have only had a couple of days to prepare or even consider the magnitude of this legislation.

Mr. Enns: I am confident that the presenters will answer that question for the Honourable Member. The industry and spokespersons here for the industry, who are appearing before us, were very much aware of the proposed Bill that is before you when it was first introduced at first reading back in the early part of June and have had the proposed amendments to The Forest Amendment Act before them for their

consideration. It is the short notice alluded to, and I accept that, refers to the timing of the call of this committee. Thank you, Mr. Chairman.

Mr. Chairman: I thank Honourable Members. We have a written presentation from Mr. Balenovic. Mr. Balenovic, we will have you go ahead with your presentation at this time.

Mr. Ivan Balenovic (Mountain Quota Holders Association): Mr. Chairman, I will just preface my comments by making mention of the—I am sorry, would you like—

Mr. Chairman: Mr. Balenovic, can you please go ahead.

Mr. Balenovic: Thank you. I would make comments on our comment here as far as the short notice. I am specifically alluding to the short notice of this particular committee meeting. We have been aware and have presented a submission to the Honourable Minister in September and had a considerable amount of discussion related to this issue.

At that time we understood that we would have an opportunity at this particular meeting to make a presentation. Unfortunately we found out about it mid-day yesterday, at 11:30. This is a particularly busy time of year for us. We are fighting the weather because of the freeze and trying to get our logs out of the bush, so we had a pretty tough time trying to organize a group of people to come and back us up on this. I would like the committee to take that into consideration on my presentation.

* (1010)

I will be representing the following representatives of the forest products industry in Manitoba: Boutang Enterprises Ltd, Interlake Quota Holders Association, Manican Pulpwood Ltd., Marine Transport Limited, Mountain Quota Holders Association, Prendville Wood Preservers Ltd., Sandilands Forest Products Ltd., Southeast Forest Products Ltd., South East Quota Holders Association and Spruce Products Limited.

As I had mentioned, there are several other affected producers that would have been present and would have made presentations. Our reason for submission is, members of the forest products industry have grave concerns over the proposed amendment to The Forest Act and the forest renewal charge which, if passed, will have a devastating effect on the forest products industry and related businesses.

The importance of the forest products industry in Manitoba can be outlined as follows: according to "Manitoba's Forest Industry, 1985," Manitoba's primary wood using industry is a significant contributor to the provincial economy. In 1985, the industry comprised 176 firms. Total employment impact was 8,391 person years, of which 2,848 were direct. The majority of the employment was created in rural areas of the province where job opportunities are limited. The primary wood products industry is a vital component to the economic base of a number of rural Manitoba communities.

In the same year the total value of shipments by Manitoba's primary wood using industry was approximately \$220 million; \$153 million worth of product was shipped to other provinces, the U.S. and overseas.

It is surely not in the best interests of Government to introduce a tax on an industry that would render it unprofitable. This will lead to the industry's inability to replace aging equipment, which will be followed by a decrease in employment and have an effect on the prosperity of the communities involved.

Quota holders are small business. We are not aware of any consultation by the Government with industry in relation to this particular forest renewal charge other than the submission this group made to the Minister of Natural Resources on September 19 of last year. Had there been, we feel that the Government would have had an idea of the situation our industry is presently facing and would have taken that into consideration prior to amending The Forest Act in this manner. Forest management licence holders, mainly Abitibi and Repap, will be exempt from the proposed forest renewal charge as they already pay in excess of \$4.60 per cubic metre. Their stumpage dues, however, are in some cases 30 percent, that is 65 cents per cubic metre compared to \$2.15 per cubic metre, of that charged to other quota holders.

In reality there can be no comparison between the financial statistics of the pulp and/or paper companies and other operators. The amount of timber available for pulpwood is enormous and makes efficiencies of operations far beyond the reach of small quota holders, most of whom process their allowable cut in much less than one year.

Repap in Manitoba acquired in excess of 40,000 square miles of woodlands with an annual allowable cut of 2.4 million cubic metres of softwood and 840,000 cubic metres of hardwood. On total operations, Repap reported net earnings of \$46.8 million for the first half of 1989. Investment for conversion of the mill in The Pas will be \$300 million, \$30 million of which will be preferred shares acquired by the province.

We refer to these figures only to emphasize the tremendous difference in type and size of operation in relation to the independent operator in Manitoba. The net effect to the province of the forest renewal charge on all independent operations will be minute in comparison to the magnitude of the transactions that have taken place recently between Repap and the province. However, the effect to the independent operator could be devastating.

In comparison to other provinces, Manitoba producers generally have lower productivity and higher average variable costs. We are more vulnerable to short-term cyclical price shifts and longer-term shifts in markets and products. We are faced with a declining availability of softwood sawtimber stands and low volumes per hectare and high wood costs.

* (1015)

On reforestation, our group recognizes that reforestation is desirable and important to our industry

and the economy of Manitoba over the longer term. Currently a portion of the stumpage dues that our industry pays is and has been applied toward reforestation. We are not necessarily in disagreement with the concept of separating stumpage dues from a forest renewal charge. However, certainly that should result in a significant decrease in our present stumpage dues.

The impact of the forest renewal charge, the \$1.81 that was proposed per cubic metre, translates to approximately \$10 per 1,000 board feet of lumber; 10 percent to the value of pulpwood and fence posts; and 10 percent to the value of fuel wood.

Unlike many other industries, the forest products industry cannot simply pass an increase in costs on to the consumer. Our product is a commodity and not unlike a farmer, our prices are set on an international basis. For example, the price of lumber today is down 35 percent from mid-1979, a year of strong prices, and no higher than in 1983. While prices fluctuate, we have been in a period of weak markets for most of 10 years. However, costs only go in one direction and margins are deteriorating.

As quota holders, we cannot increase the volume of our business by producing more, so inexorably our margin is squeezed. The only solution is for a substantial price increase along with extreme thrift. If that happens, higher charges may be possible, but at present it would be impossible. The industry already faces higher costs in the areas of wages, hydro, utilities, payroll tax, compensation, the 15 percent export tax, health and safety costs and environmental issue costs, et cetera. Enormous production of lumber from Alberta and BC keeps lumber prices low. Saskatchewan fence posts are now priced lower than in Manitoba.

As an example, if I had a look this morning at our net mill returns over the last couple of years from our company, our year end at 1988, our net mill return on lumber was 4.57 percent lower than that in the previous year. In our year ending 1989, it was 7.71 percent lower than the previous year to that. In other words, in our year ending 1989 our net mill return price is 11.93 percent lower than two years prior. In the same time period, the increase in stumpage dues has been 14.7 percent. Where can revenues come from to cover a forest renewal charge?

In conclusion, this submission clearly describes the condition of the forest products industry in Manitoba at the present time. Evidence is given of depressed market conditions affected by various elements of the economy as well as onerous factors of cost.

The members of the forest products industry named in this submission respectfully request from this committee that there be no added forest renewal charge at this time.

The representatives of the forest industry in Manitoba that are represented are listed on page 6. Thank you, Mr. Chairman.

Mr. Chairman: I thank you. Are there any questions of Mr. Balenovic? The Honourable Minister.

Mr. Enns: Mr. Chairman, just one general question. I am aware, of course, of the industries and concern that has been expressed about the charge that has been suggested and proposed by the department, by Government, as indeed are members of the industry, the \$1.81 charge.

I indicate to the presenter that the Bill before us does not have a fixed charge in the Bill. That is to be determined by regulation. What is in the Bill is the principle that as we approach the '90s, that all forest users contribute to a forest renewal charge. It is called a "renewal charge" because of our concern for sustaining that most important resource to this province. My understanding is that forest users do not take specific argument with that principle, they are arguing about the capacity of the industry to accept any additional charges at this time. Is that a fair question?

Mr. Balenovic: Mr. Chairman, I believe that is a very fair question and I would ask you a question in return. Are you suggesting that if this legislation is passed that we should not anticipate an increase or a forest renewal charge, effective immediately, or within the next short period of time?

Mr. Enns: Mr. Chairman, I am not suggesting anything other than what the legislation is before you. It authorizes the Department of Natural Resources, through its Forestry Branch, to institute a forestry renewal charge, but it "does not," I underline, indicate at what level.

Mr. Chairman: Mr. Balenovic, any comment?

Mr. Balenovic: Mr. Chairman, then we would maintain our position that at this time our industry cannot foresee us being able to absorb a forest renewal charge. If in fact that means that this legislation may be passed, then so be it, but we feel that if the legislation is passed, we will have a whole separate issue on our hands that we will continue to lobby on our behalf.

* (1020)

Mrs. Gwen Charles (Selkirk): I had the opportunity last year of spending a day in the Duck Mountains going around with several of the independent operators. I have seen their quota cutting rights and the problems and issues that they had to face directly. I would like to ask of you, as representing all these various other organizations, because I have not had equal opportunity in all regions. In most cases, are the independent operators refraining from clear cutting? I mean, they usually go in and do selective cuts. Is that not correct?

Mr. Balenovic: Mr. Chairman, I think I will leave that question to the next speaker. I am particularly familiar with the mountain region and our next presenter, I should say, is from the southeast part of the province. I do not believe that select cutting is necessarily the procedure that is used in that area either.

Mrs. Charles: So you are saying there is clear cutting done by independent operators on quotas held by independent operators.

Mr. Balenovic: Mr. Chairman, yes. The answer would be, yes.

Mrs. Charles: Can the presenter tell me what type of reforestation is undertaken by these independent operators when they leave the clear-cut area? Are they responsible directly into scarifying or replanting of the forest in that area, or are the funds paid directly into Natural Resources on the assumption that reforestation will take place?

Mr. Balenovic: Mr. Chairman, the individual quota holders, unlike the Forest Management licence holders, pay stumpage dues and a portion of the dues that are paid are used for reforestation for the scarifying and the planting. We, as quota holders, are not directly involved in that aspect of it.

Mrs. Charles: In your opinion, Mr. Balenovic, is reforestation taking place on a satisfactory basis? Are we receiving a growing forest for a forest cut by an operator?

Mr. Balenovic: Mr. Chairman, I am afraid I do not have the statistics with me right now to answer that question. It is an issue I think should be addressed and has come up at several meetings. I am not particularly an expert on the reforestation aspect and would not really want to comment on that at this time.

Mrs. Charles: The presentation mentions that companies such as Repap and Abitibi-Price, those with forest agreements, will not be receiving this forest renewal charge. Can Mr. Balenovic explain what the differential would be between a company doing the reforestation charge in the agreement as opposed to a forest renewal charge being levied on the independent operators? I am just wondering how they could compare. Do you feel that the larger companies are getting the better deal and that you will be having a different charge and therefore having an added tax on your industry?

Mr. Balenovic: I think as we point out in our presentation that the economies of scale in relation to the large company make reforestation or a charge of this particular type easier to absorb since their raw material costs would be considerably lower, or should be considerably lower, than that of small independent operators—I am not sure if I am answering your question, but certainly when we have quota holders we have several small quota holders who may have a quota that they can cut in a week or six months, or it may take a year and certainly we could not expect each one of these quota holders to be responsible for their own reforestation. It would not be possible to buy the equipment necessary to do that. The large companies like Repap and Abitibi have a significant area and they can do their own reforestation.

Mrs. Charles: I think we all recognize here that the reforestation is an industry we want to all participate in, and certainly you folks as operators in the forestry industry. I am trying to come to an understanding of how the cost of reforestation can take place, to whom

those charges should be levied, if it is not to the independent operators. I am not speaking against your argument because I understand that if you are overcharged and you cannot keep the industry going that we all in Manitoba will suffer because the industry is not maintained. I am asking directly if you have a suggestion of how we can in an Act have the independent operators participate in the cost of reforestation and at the same time survive as an industry.

* (1025)

Mr. Balenovic: Mr. Chairman, that is a fair question. To answer the first part, or to answer it in two parts, we are presently paying a stumpage fee. A portion of that is presently going to the reforestation. We would have to go to the Department of Natural Resources to see what portion is and is not, what portion is going to reforestation, what portion is not. The second part of my answer would be the economic benefit of our industry to some of the smaller communities in northern Manitoba where unemployment is extremely high would far outweigh the amount of revenue that would be received on the forest renewal charge if these companies were to not be able to continue in business because of an added charge of this type.

As I mentioned in the submission on lumber, we are looking at \$10 per thousand board feet of lumber. That is a very significant number. In Winnipeg today we might be selling two by fours delivered here at \$245.00. A very small portion of that is profit and \$10 is a significant amount of profit. If we cannot produce lumber at a profit then we will not sell lumber. We will not operate our sawmills. In our own company we have shut down for first time in quite a few years our sawmill in The Pas for three months because of lumber prices and because of market conditions. We cannot continue to operate if we are not profitable. At \$10 a thousand board feet we would be less profitable.

Mrs. Charles: Do you then recommend that there should be some connection to the reforestation charge as to the market fee? I am trying to find how you would put a reforestation charge in that allows reforestation to take place and the industry to maintain its competitive market in the Canadian, I guess, in the North American market.

Mr. Balenovic: Mr. Chairman, presently the stumpage dues that are levied on the industry are or should be related to market conditions. It is a separate issue, it is not one that we are discussing today. We in the industry do not feel that has been the case. I mentioned, as in my example, the decrease in lumber prices over the last two years and the increase in stumpage dues over the last year, so we do not believe that in cases, or in fact is happening.

In our submission we emphasize the importance of reforestation and we refer to the fact that right now we cannot afford a reforestation charge. If conditions improve we understand the importance of it and we would be willing to participate at that time.

Mrs. Charles: It is such a tricky question to be asking because in support of your industry but at the same

time we have to be in support of the forests and we cannot—if the industry cannot replace the forest and then again is it the taxpayers at large who should be replacing the forests? In addition to that, are you implying or am I reading into what you are saying that there should either be a stumpage fee or a forest renewal charge but not both?

* (1030)

Mr. Balenovic: Not necessarily. I am saying that if in fact there are two separate charges, a forest renewal charge and a stumpage charge, we do not have a problem with that, but if a portion of our stumpage dues right now today are going for reforestation, then our stumpage dues should be decreased by the amount that is going to reforestation. We are presently paying, as I mentioned, in the Mountain Region, \$2.15. A portion of that is going to reforestation. To add \$1.80 a cubic metre at this time, in my mind, is doubling the reforestation fee that we are already paying in the stumpage.

Mrs. Charles: So, in essence, you are being doubly taxed for the same measure. I would assume if there was some connection then between the stumpage tax and the forest renewal charge so that they are maintained a parallel procedure, a parallel tax, so that they are in relationship to the need and to the market then that would be more satisfactory to your industry.

Mr. Balenovic: That is correct, if there is a need to have a separate charge which is the forest renewal charge and to separate stumpage dues, and which is the case with Abitibi and Repap. I think we mentioned here that their stumpage dues, for example, are 60 cents whereas ours are \$2.15. Should we assume then that the difference between the \$2.15 and the 60 cents is presently going to forest renewal?

Mrs. Charles: I take it from what you are saying then your industry does not have the knowledge or the information of saying why this discrepancy exists in the stumpage charge between the large corporation and the small corporation. Are the large corporations having an additional tax that would bring their stumpage fees and their tax up to your level of stumpage fees? Is that information you would possess?

Mr. Balenovic: Mr. Chairman, No. We are under the assumption that the reason the stumpage dues are so low is that they are paying a separate charge, that is a reforestation charge. As you are probably aware, in their situation they pay a reforestation charge into a trust fund, I believe, and that money is then used by the company to do reforestation.

Mrs. Charles: Is it your impression then that these combined, the trust fund and the stumpage fees for Abitibi-Price, Repap, would be equal in the market to your stumpage fees presently?

Mr. Balenovic: No. To our stumpage fees presently, no. The answer would be, no, because we are presently paying a stumpage charge. Okay. Could you repeat the question? I am sorry.

Mrs. Charles: I am wondering if you have any knowledge or information of the combined costs that the larger corporations, in essence at Repap and Abitibi-Price, would be paying into reforestation on combination with the trust fund and their stumpage fees. Stumpage fees, I believe you said, were 60 cents for them and \$1.60 for you. Would 60 cents, plus their amount going into their trust fund be equal to the independent operators, who are paying now \$1.60 for a stumpage fee?

I am trying to figure out, in the long run, are you coming out on an equal balance sheet, or are you as independent operators receiving a higher cost for stumpage fees and a possibility of even a higher charge on top of that for forest renewal charge and trying to figure out if the Government is being fair to the charging of large operators and small operators?

Mr. Balenovic: Mr. Chairman, as I mentioned in our submission, and I believe we are using Repap as an example, they are paying in excess of \$4.60 or \$4.60 I believe, I am not sure if it is an excess. In the case of Abitibi, they are paying 65 cents in addition to that. In our submission I think we clearly state that we cannot compete with the economies of scales of the larger companies. They have tremendous resources available to them, tremendous areas that they can go in and log. We are, as quota holders, confined to smaller areas and often scattered throughout a region. I do not believe that we can compete with the larger producers on a cost-to-log basis.

Mrs. Charles: One final question then. What would you suggest to us as a committee, as a revision or an amendment to the Act in order to complete reforestation in the province through the industry, both large and small, and have a market that you can compete in with the cost and taxes or surcharges for you being kept to a reasonable amount? How can we accomplish both?

Mr. Balenovic: Mr. Chairman, presently I had mentioned that our industry is involved in most cases in small communities where unemployment is very high. We are creating employment. We are paying a considerable amount of tax and we are taking people off of the unemployment line. As well, over the last three years, I believe, we have been paying a 15 percent export tax on our softwood lumber that has been going south of the border. My understanding is that the revenues Manitoba has received from the 15 percent has been going into the general funds of the province. I cannot say that as fact but that is my understanding. I would suggest that these funds should certainly have been used for reforestation, since the industry has been paying this tax.

Mr. John Plohman (Dauphin): Mr. Balenovic - (interjection)- well, she said that was her last question—you have brought forward concerns it seem to me about the whole idea of paying anything more for reforestation, even though your examples show the large companies that are involved with the forest management licence are paying substantially more than you would even with this \$1.81 that you referred to in your paper. It seems to me that the smaller operators would still be paying

substantially less than the larger operators for reforestation. Is that not correct?

Mr. Balenovic: Mathematics would say that is correct. Mr. Chairman, that answer is correct. Our point is that we cannot afford an increase in our costs, in our raw material costs, at this time. It is as simple as that.

Mr. Plohman: Well, it is a fact that a stumpage fee is not a forest renewal charge, is it not? A stumpage fee is basically a fee that you pay to the Crown for having access to the forests and for the management of the forests and so on, the costs that are associated with by Government in managing the forests. It is not a forest renewal charge.

You have mentioned several times that you believe there is an element of forest renewal recovery in that \$2.15, and it is stumpage fee that you pay. Do you know what amount is going to forest renewal out of \$2.15?

Mr. Balenovic: Mr. Chairman, no, I do not. I have no idea what percentage of the \$2.15 is going to reforestation or to any other expense for that matter.

Mr. Plohman: But Mr. Balenovic, you would agree with me that a stumpage charge is not a forest renewal charge?

Mr. Balenovic: I would agree with you that the stumpage charge is not called a forest renewal charge.

Mr. Plohman: Well, I am not getting technical, Mr. Chairman; not what it is called, but what its purpose is for traditionally. It was never set up as a forest renewal charge.

Mr. Balenovic: Mr. Chairman, I do not think I can answer that question. My understanding of the stumpage dues is that we are paying dues on logs that we are harvesting in the forest and that those dues are being utilized to cover the expenses of the department.

* (1040)

There are several aspects to the expenses, I am sure, involved in operating a department. I would not suggest that we would have different charges related to every different aspect of an expense. I believe that forest renewal is one of the aspects of the function of the department. That is my understanding.

Mr. Plohman: Mr. Chairman, I can get that clarified from the Minister later so we can determine exactly what it is. How many operators, quota holders, are affected by this forest renewal charge that is being proposed in this legislation?

Mr. Balenovic: That is a good question. Unfortunately, because of the short notice I do not have a lot of backup data and material with me right now. It is a relatively simple number to get ahold of, I just do not have it right now.

Mr. Plohman: Well, I have some information on that, because I must say to you that in Government we were planning a forest renewal charge as well while I was Minister. I have some information on that. I believe there are approximately 200 quota holders that would be affected. The vast majority are very small operators. Would you agree with that?

Mr. Balenovic: I am not too sure of the number. Would I agree that a vast majority are smaller operators? Yes. I am not sure of the number of quota holders in the province. The number 200 is not an unreasonable number, but I cannot confirm that.

Mr. Plohman: Mr. Chairman, we were planning to undertake this in 1987 and '88; plans were under way for such a charge. There was extensive consultation and public meetings planned in the forest industry before this would happen, before the Bill would even be brought into the Legislature. Did this happen with this Government insofar as this charge is concerned or this Act is concerned? Prior to the Act being brought to the Legislature or since it has been brought to the Legislature, have you had extensive consultation with the department, with the Minister on this issue?

Mr. Balenovic: Mr. Chairman, we received notification of the proposed charge through the newspapers. When we read it in the paper we organized a group of industry, who are mentioned here, and arranged to meet with the Minister of Natural Resources (Mr. Enns) and submitted a submission to him as a group. That was a meeting that took place probably in a matter of two hours in September. That is the only discussion we have had on this matter with Government.

Mr. Plohman: Mr. Chairman, can you tell us then, Mr. Balenovic, how you arrived at the \$1.81 charge that you included in your paper?

Mr. Balenovic: Yes, Mr. Chairman, that is the number that was quoted in the newspaper. That is the number that has always been referred to us in relation to the forest renewal charge.

Mr. Plohman: Yes, well, that charge was projected at \$1.71 in 1987, so I guess it has increased slightly over the last two years, when this Government has brought it forward due to inflationary costs and so on. You did not have any input into arriving at this figure, this proposed figure?

The Minister has made a point here of saying, there is no charge in this Bill, it just makes provisions. He is playing games with this as far as I am concerned, because in fact the charge has already been determined and he intends to bring the charge in. Exactly when, we do not know, in this Bill. But he definitely will be bringing that charge in. It has already been arrived at. I would just ask you whether that particular charge has been, whether there has been any consultation arriving at that figure?

Mr. Balenovic: Mr. Chairman, there has been no consultation with our industry related to either the figure

or the concept of a forest renewal charge. We as I mentioned have come up with the figure because that is the figure that has always been brought to our attention, whether it be through the media or other sources.

In fact I have a document with me today which I believe—it is in my briefcase and I can certainly get it. I am not sure exactly where it was published. Mr. Chairman, I would like to just grab that document.

Mr. Chairman, I have a photocopy of a page called, Financial Impact of Existing and Proposed Forest Charges. The note says, softwood lumber export taxes based on average collections from Manitoba. Unfortunately I cannot tell you where this came from. I believe it may have been the Department of Natural Resources but I am not sure. This photocopy certainly states \$1.81 and this would have been another one of the many sources. We have always been under the assumption that it has been \$1.81.

An Honourable Member: It used to be \$1.71 but okay.

Mr. Balenovic: Mr. Chairman, if in fact this committee finds to recommend that the forest renewal charge proceed, and there is—the implementation of it is left to department officials—we would as an industry very much like to insist that we have some input into the implementation of it. There are several areas of concern that must be addressed before this type of charge can be placed on the industry.

Mr. Plohman: Well, Mr. Chairman, one of the greatest concerns that we had when looking at this issue a couple of years ago was the impact it would have on the small operators. It was my personal concern as Minister that it would not create an undue hardship to smaller operators. I was also concerned to have it very clear how this could be passed on by these small operators so that they could recover these costs. I think that is an important element of any consultations that you referred to before it is finally implemented that the Government should undertake.

I was of the belief that it perhaps should be phased in or should be for certain size operators and eventually all operators, because I firmly believe in this concept and the New Democratic Party believes in it, as I think all of the Parties have indicated approval for it, because we have to ensure that these forests are there for future generations. I would ask you though, how would you recover this charge of \$1.81 per cubic metre? How much leeway do you have to pass this on to those who purchase your goods?

Mr. Balenovic: Mr. Chairman, in order to pass the costs of an expense like this along the line it goes through many people, be it the logger, the mill, et cetera, right through to the end customer. Unless somebody in that sequence of events is impacted it would make sense that we have to increase our price of lumber to the end customer. That is not a possibility in the lumber market.

As I think you are well aware, the lumber market is priced internationally based on supply and demand

through the American markets. They are certainly the biggest consumer of this product. We are selling product into Winnipeg, as an example I mentioned today, at around the \$240 or \$245 on the two by four. If the price of lumber is down by \$5 and B.C. and Alberta start shipping lumber into Winnipeg at \$5 less, well, either we stop selling or we sell it at \$5 less. We have virtually no control on the price of lumber. I am referring to the type of lumber that we produce. It is lumber that is graded internationally by international standards. We cannot say our lumber is any better than someone else's, it is lumber. It is no different from wheat or whatever. It is a certain grade and it is worth a certain price.

Mr. Plohman: It is very important then to have an idea of what your profit margin is, whether this could be absorbed. From the information I have the cost to about 70 percent of the operators, the smallest, would be around \$600 per year for about 70 percent, 65-70 percent of those smaller operators. We are talking about \$600.00. The information I have also indicates that 37 would pay about—these figures are using \$1.71 instead of a \$1.81—\$3,535; 15 would pay \$9,600; and five would pay \$85,400.00. So really in terms of dollars there is only about 30 percent that would be impacted and the larger ones would have a substantial increase when you are talking \$85,000.00. If you cannot pass it on then the question is, how much of a financial hardship does that place on your operation? Are you one of those who would be in the 24,000-plus cubic metre range?

Mr. Balenovic: Yes, we are, Mr. Chairman. Are you talking about my specific company? The figures that you are stating, Mr. Plohman, are quite inaccurate. The largest number of \$85,000 that you stated I would suggest is understated—

Mr. Plohman: This is the average cost for those five operators over 24,000. There may be some that are substantially higher than that. I am not aware of that.

* (1050)

Mr. Balenovic: Well, I do not know. When you are averaging I would suggest that to some companies such as ours that the impact would be perhaps two and a half times that figure of \$85,000.00. I would suggest it is quite significant. You mentioned that the average impact per small quota holder would be \$600.00. What you are talking about is a quota holder who has under 1,000 cubic metres. It is all relative, is it not? I mean it is relative to the size of a company. It is going to have the same percentage impact. It is going to have the same impact on the bottom line of the producer.

We have all of our expenses here and we have our selling price here and the difference is profit, if there is some. Well, lately these numbers have been going over this way, where our profit in many cases is in fact less than our—I should say, our selling price is less than our cost. It is very relative to put a dollar value on it, and the very small producer, where it might impact him by \$600, well, perhaps that is all the profit he makes on his particular quota. I would say it is a significant impact regardless of the size of the company.

Mr. Plohman: Well then, if we all agree that such a charge is necessary in order to ensure that our forests are sustained over a longer period of time, the question is: how is it best to establish such a fee and such a charge? Would you suggest that it should be a phased-in kind of thing so that you can adjust to it, say, over a three-year period? Would that make it more palatable to you? Would you accept it under those circumstances, because you realize that this is an important aspect of ensuring that resource is there for you and for others to utilize and to harvest forever.

Mr. Balenovic: Mr. Chairman, I suggest that our industry at this present time cannot afford an increase in our stumpage fees, whether they be forest renewal charge or stumpage fees. I suggest to you that, if in fact the impact is such that you see mills and logging operations shutting down in the province, the impact of dollars will be far greater than the amount of money that will be raised on forest renewal.

I gave you an example of our particular mill, which is down for three months. That means that everyone that works for us is on unemployment insurance, everyone that works for us is laid off for three months and are not working, and that is just a small aspect of the industry in the province. I would suggest that you would see that take place in a significantly larger scale. If on the other hand the price of our end product was to increase through either decreases of supply globally, not necessarily globally but certainly internationally or increases of demand, then I would suggest that the industry could absorb a forest renewal charge.

Mr. Plohman: A question that I will ask the Minister later, but I would like your comments on this, are you aware that other provinces are also putting in place forest renewal charges or have them in other jurisdictions, such as you mentioned, internationally, because that you say sets the price. Are they paying higher stumpage fees than we are, or forest renewal fees?

You will be paying, if this was implemented, less than \$4 per cubic metre total, if there is no reduction in your stumpage fees and you add this on. How does that compare to other jurisdictions, and are there plans that you are aware of to increase these fees in other areas?

If they all increase, if this growing awareness of the need to sustain the forests and renew the forests impacts in all jurisdictions, then the playing field remains level. It just means that the consumer is going to have to pay more.

Mr. Balenovic: Mr. Chairman, I am not completely versed on stumpage fees in other provinces, but I also do not believe that it is fair to make a comparison of stumpage fees in other provinces. I believe studies have shown that costs to produce in Manitoba are considerably higher due to lower volumes per square mile or hectare of land. It would certainly be unfair to compare an operation in northern Manitoba where we are taking wood of a certain size, to an operation

in Prince George, B.C., that is putting three logs on one truck. I do not see the relevance of comparing our situation to stumpage fees in other provinces. The methods of logging are completely different.

Mr. Plohman: You feel this is an irrelevant comparison, but our fees are lower than they are in other provinces.

Mr. Balenovic: Mr. Chairman, I do not know that they are lower; I do not know that they are higher. I am not sure how our fees relate to other provinces. I believe if we were to go back when the export tax on softwood lumber was first established, some of the provinces did in fact increase their dues to compensate that, and they no longer have an export tax. We continue to have an export tax today on our softwood lumber.

Mr. Plohman: Well, my final question: first, you know we do not want in the New Democratic Party, and the Government can speak for themselves and the Liberals can speak for themselves insofar as not wanting the forest industry in this province to arrive into very difficult times because of the imposition of this charge and certainly do not want to see lost jobs, because it is very important to the economy, but there is a problem, and that is that the Governments have to renew the forests or take responsibility for that. That is becoming something that more and more people are becoming aware of the need for. The public support for that is very high, I believe. There is a dilemma then. Who is going to pay for it? What do you suggest should be done if this charge is not put in?

Mr. Balenovic: Mr. Chairman, I would again refer to an issue that I brought up earlier. If in fact this causes companies such as our company and several other companies listed on here to not produce because they cannot stay competitive in the market, I would suggest what the impact to the province would be at that time. Our group of people here employ 1,150 people. I am certainly not suggesting that all of them would be out of jobs tomorrow, but if this is another one factor that helps make our industry uncompetitive and unprofitable, then I would suggest that the longer-term impact would be far more significant than the monies that are raised by a forest renewal charge.

Mr. Plohman: I just wanted to say that the figures that we have would be about \$800,000 raised from a forest renewal charge, based on this amount which is under \$1 million, and you are talking payrolls and so on and economic stimulus far greater than that, you believe.

Mr. Balenovic: Absolutely, Mr. Chairman, certainly our payroll is in excess of that number, and we are only one company out of a group of several companies.

Mr. Plohman: Thank you, Mr. Balenovic.

Mr. Angus: Mr. Chairman, I would like to, through you, thank the delegation for a well-presented brief, well thought out. I have some specific questions on the intent of the Bill, particularly Clause (b) of Section 34(1.1). "A holder of a timber cutting right shall . . . if the minister approves, carry out forest renewal on forest land that has been harvested by the holder."

What does that mean to you? What does that cost you, if you would like?

Mr. Balenovic: May I ask you to repeat that, please?

Mr. Angus: Mr. Chairman, you have a copy of the Bill I am sure. They do not have a copy of the Bill, Mr. Minister. This sounds kind of incredulous.

Mr. Balenovic: Mr. Chairman, we have not—

Mr. Angus: On page 2, Mr. Chairman, at the top, Section 34(1.1) Subsection (b).

Mr. Balenovic: I am sorry. Which paragraph?

Mr. Angus: Right at the top of page 2, or the back page, 34(1.1) Subsection (b), "A holder of the timber cutting right shall . . . if the minister approves, carry out forest renewal on forest land that has been harvested by the holder."

Mr. Balenovic: And your question is, what is my interpretation of this phrase?

Mr. Angus: What does it mean to you?

Mr. Balenovic: Well, without having a terrific amount of time to study this, I would suggest this means either we pay a reforestation charge to the province or we elect to do our own reforestation.

* (1100)

Mr. Angus: Okay. Correct me if I am wrong. I have to ask some leading questions I guess, Mr. Chairman. As you stand there, are you aware of how much it is going to cost you to do the reforestation, to pay the tax versus doing the reforestation yourself? Can you break that down? Are you in a position to make that decision? In your discussions with the ministry or the Minister, did you have any—it seems to me, and I would like the delegation to comment on it, the Government has given you an either/or. We have a problem: pay the tax which you object to—and I appreciate and understand why you are objecting to it and I will get to that in a minute—or reforest the forest. Is that your understanding of it? If it is, that seems to be a fairly legitimate position that they are giving to you, an opportunity they give to you.

Mr. Balenovic: Mr. Chairman, it is a fair question. Unfortunately this is the first time I have been aware of the fact that we have an option. I certainly know that forest management licence holders do their own reforestation. I was not aware of individual quota holders having an option to do their own reforestation. I certainly cannot comment on the feasibility of that without doing a considerable amount of studies in our own company and probably in conjunction with other companies involved.

Mr. Angus: Mr. Chairman, if I can just summarize what I understand the delegation is saying, they feel that there is a tax on top of tax in this particular case, that

this is an additional tax on top of what you are already being required to pay. Could you give me some form of an indication of how much tax you do pay in total? You went over a number of areas of taxation. I do not know if you can give me a dollar figure or a percentage figure out of dollars. Is that possible?

Mr. Balenovic: I am afraid I am not understanding the question, Mr. Chairman. Are you talking about income tax? Are you talking about our total tax figure based on income?

Mr. Angus: I will clarify that. The suggestion was made during the presentation that you are already paying a tremendous amount of tax.

Mr. Balenovic: Mr. Chairman, us being a company in Manitoba we are paying a tremendous amount of tax. That is a very correct assumption. All of my discussion has been related to the stumpage dues and the forest renewal charges. I have not made any comments related to any of the other taxation that we are faced with.

Mr. Angus: Mr. Chairman, page 5 says, payroll tax. Are you still paying the payroll tax? Has the Government not rolled it back for companies your size?

Mr. Balenovic: Okay, I understand what you are saying.

Mr. Angus: A 15 percent export tax.

Mr. Balenovic: We are still paying the payroll tax, yes. We are still paying the export tax. Is your question then, the taxes that I have mentioned here, what is the total of them? I suppose we could do a study and come back to you with a percentage of total income on what our total taxes are. I certainly do not have that figure available.

Mr. Angus: Mr. Chairman, it is not unusual for people to come forward and say the Government is intending to tax us more than we think we should be taxed and to try to make a case as to why you should not have to pay that tax. But other than that overall umbrella of, I do not want to pay, your case is a little weak or shall I say at least very general in terms of the amount of tax that you are paying in.

The Honourable Member from the third Opposition put the question to you very bluntly. You are using up a resource, and it has to be renewed in some way, shape or form. Would you be more comfortable if this particular Act specified that monies you were going to pay on this tax went in specifically to renewing the forest? Is that what you are arguing for, or are you arguing that we do not even consider this Bill?

Mr. Balenovic: Mr. Chairman, my argument is quite simple. We, as an industry, cannot afford an increase in tax of this type at this time. If market conditions were to change or improve then obviously we would be able to absorb it. That may happen years from now, it may not. We, as an industry, cannot afford this charge. It is as simple as that.

Mr. Angus: You made this type of a representation to the Minister in September. Did you ask for, as the

Honourable Member from across the way was suggesting, an implementation, staging process? Did you give any sort of a formula that would allow the Minister a position to be reasonable in terms of showing an improvement in your circumstances, in the profitability of your circumstances?

Mr. Balenovic: Mr. Chairman, we had one meeting as I mentioned. That meeting was specifically related to this forest renewal charge of \$1.81. We are more than willing, as an industry, to get together with Government and discuss alternatives or options, but that particular meeting did not allude to any of the options. It was strictly related to a forest renewal charge of \$1.81 per cubic metre on softwood and hardwood timber harvested in the province.

Mr. Harry Harapiak (The Pas): Mr. Balenovic, you told us you cannot afford the increase that is being asked of you. Have you the figures of what type of a profit margin you have on a cubic metre at this time, that could show us where you are in difficulty?

Mr. Balenovic: No, I do not have figures available on a per cubic metre basis. I am not sure if the next presenter will have some figures available or not. I have one example with me of a pulpwood operation that shows costs and selling price and the difference between them. I do have one example of that.

Mr. Harapiak: Would you share that with us then?

Mr. Balenovic: Mr. Chairman, this particular letter is from one of the members—

Mr. Harapiak: Mr. Chairman, maybe I can ask some other questions while she is making photocopies for the other Members?

Mr. Chairman: Proceed.

* (1110)

Mr. Harapiak: Mr. Balenovic, you said that you compete in an international arena and prices for your products are set outside of the province. On January 1 of next year there is going to be an additional charge coming to you. The goods and services tax will come into effect, and maybe you may have to pay some of those costs before then. What is that going to do to your industry?

Mr. Balenovic: Mr. Chairman, that is an extremely complex issue. We have had our accounting people working on that question, and I think that I am certainly as confused as they are. I do not know what the impact will be on our industry. I believe it will be negative but to what degree, we do not have a clear understanding of it at this time.

Mr. Harapiak: Yes, you are competing under the national market and 7 percent is not going to affect your American competitors, so that is one cost that is going to put you in a negative position right there.

I want to move on to another area. The Department of Natural Resources is going around now with a booklet

on forest renewal, dealing with sustainable development of the forest industry. Have you or any of your industry representatives made presentations to that committee up to this date?

Mr. Balenovic: Mr. Chairman, I would like to address the first issue on the GST. What you have to realize—your comment is that the GST will affect us Canadians, all of Canada not just Manitoba, in the international market. When we refer to the international market we are referring mostly to the American market. The demand is in the American market. What we have to understand is that a majority of the lumber that is sold in the United States is Canadian lumber.

In other words, if there is an increase in the cost of Canadian lumber and it is across the board, and of course, I point to B.C. and Alberta as the major producers, that will have the impact of increasing the price of lumber in the United States. We believe that will be absorbed by the marketplace. We, as Manitoba, have no effect or control over the market, we, as Canada, do.

Mr. Harapiak: On that presentation to the Department of Natural Resources, on their forest renewal booklet they are going around with at the present time, have you made presentations to that committee?

Mr. Balenovic: Mr. Chairman, they have not been in our areas yet. We have presentations that we will be making when the meetings are held in the areas where we are involved.

Mr. Harapiak: Mr. Balenovic, you operate in a mountainous area. There was a question asked previously about clear cutting versus selective cutting. Will that be part of your discussion? Do you have some concerns about clear cutting in mountain areas about erosion and water retention?

Mr. Balenovic: Mr. Chairman, I do not know if I want to necessarily get into that type of discussion now. We have a Woodlands manager that handles the Woodlands operation in the mountain area. I do not think I necessarily can answer that question specifically at this time.

Mr. Harapiak: Do we have those figures now?

Mr. Chairman: I want to thank—Mr. Harapiak—pardon me?

Mr. Harapiak: Do we have those figures now?

Mr. Chairman: We are still waiting? Mr. Plohman.

Mr. Plohman: Yes, just one last question, follows on the ability of the marketplace to avoid—absorb the GST—a little slip there. It is not avoiding it. If the charge—and that is why I asked the question earlier about forest renewal charges, then I think that gets to the relevance.

Since Canada controls the price in what you just said to a large degree, and the marketplace will absorb the

7 percent GST, then would it not also absorb a forest renewal charge that was passed through right across this country? Whether it is more costly to harvest in one province or another then is irrelevant. If there is an additional charge to all operators across the country would that then allay your concerns about a forest renewal charge, to a large degree?

Mr. Balenovic: Mr. Chairman, I believe your question, in simple terms, is that if there was an increase in the price of lumber would it alleviate our concerns. I think I have mentioned a few times that in fact is true, that at this time we cannot absorb this type of charge. We have to recognize the fact that the stumpage fees, if they have gone up in B.C. and Alberta to offset the export tax that has already happened. That happened a couple of years ago. We are still paying the export tax here. We are still paying the export tax in Manitoba. So now what we are talking about is, they do not pay the export tax and they have had an increase in their stumpage dues. The increase we are talking about, adding a forest renewal charge, and we are still paying the export tax.

Mr. Plohman: I think that is a matter for the Minister to be negotiating with the federal Government as to how long that export tax should remain. If the export tax, the 15 percent, was removed, would that be a similar charge to this \$1.81 in terms on its impact on your industry?

Mr. Balenovic: Mr. Chairman, when the 15 percent export tax was first placed on all of the provinces originally, Manitoba and Saskatchewan really should not have been included in that aspect of it. We certainly were not guilty of the type of production perhaps that some of the other provinces, Alberta, B.C., Ontario and Quebec, might have been. We feel that there is relatively clear evidence that the export tax should not have been applied to Manitoba and Saskatchewan.

To answer your question, if the export tax is removed will that offset the increase in the proposed forest renewal charge? It would help to offset it on the lumber that we are exporting to the States. Consequently to the other provinces removing their export tax, what is happening, I can speak from our own company's point of view, is that probably 60 percent of the lumber that we produced was exported to the United States. Since the other provinces have removed the export tax and we have not, that figure has probably moved down to between 5 and 10 percent. In other words, we have lost our market in the United States right now. I do not know that we can simply reposition ourselves in the market and gain our customers. I would hope that we can.

Mr. Plohman: Well, I just have to ask again, would a national forest renewal charge be more acceptable to the industry from your perspective in Manitoba than a provincial one in isolation from what is happening in other jurisdictions?

Mr. Balenovic: Mr. Plohman, I have to say that—I do not want to sound like a broken record—but the bottom line is that at this time we cannot afford a reforestation

charge of this type. Mr. Plohman, let me finish. Now if there is an increase in a forest renewal charge across Canada, that has the effect of increasing the price of lumber to the consumer. In other words, if that cost is passed on to the consumer, the answer to that question is, yes. If it was equal then obviously the answer would be yes, that we would be able to absorb a forest renewal charge if the market would allow us to do that.

Mr. Plohman: Mr. Chairman, I just want you to know, Mr. Balenovic, that I am not trying to trap you or get you to say something on record here that could be used against you somewhere else. I do not know if that is what you concern is. I think your last answer was the one that I was looking for, that you are concerned about not being competitive with the other areas of the country with this charge and if everyone had additional the charge then you would still be competitive. It might make more resistance to your products at the consumer level. However, it at least would be equal across the board. That really is all I was asking.

You mentioned that the other provinces have removed the export tax. Can you clarify for me whether that is a provincial decision or is that a federal tax? Is it not the federal Government that makes those decisions?

Mr. Balenovic: Mr. Chairman, that is a federal tax that the federal Government would make the decision on. I do not know how much impact the recommendations or some work on the provinces behalf would do or not. We have certainly made, we have appealed to the federal Government on behalf of the producers to have a look at the 15 percent export tax and the response has been yes, they are looking at it. That is as simple as that.

Mr. Plohman: Then to clarify, you have asked this Government and this Minister to lobby the federal Government to make representation on behalf of the industry in this province to have this what you call unfair application of this tax, this export tax, 15 percent removed. Is it your understanding that the Minister has taken some action on that request?

Mr. Balenovic: Mr. Chairman, I believe I would have to answer that by saying that we have appealed by letter to the federal Government. It has come up in discussion with the Minister of Natural Resources, for example, in September it was mentioned and it was discussed. I would have to say as far as my own personal involvement, that has been the extent of our discussion in that regard.

Mr. Plohman: Would you say, Mr. Balenovic, that the reason it was removed in the other provinces is because the industry in those provinces has a much greater clout than the industry in Manitoba, or did they agree to put up money for higher stumpage fees as an offset for that? Could you not do that too here in this province and get them to accept that particular position?

* (1120)

Mr. Balenovic: Mr. Chairman, in answer to your first question, I believe, that the answer is, yes, that some

of the other provinces had considerably more clout, or some of the other industries I should say within the other provinces had considerably more clout in this matter.

In regard to your second question, we would certainly hope and we firmly believe that if a forest renewal charge of this type was to take place that, yes, the export tax would be removed.

Mr. Plohman: Thank you, Mr. Balenovic.

Mr. Chairman: Mr. Penner.

Hon. Jack Penner (Minister of Rural Development): First of all I think the presentation that you made, Mr. Balenovic, is an excellent one. I hear your concern. I think we have all heard the concerns you expressed as far as the fir industry is concerned. I have noted as of late that there have been some closures of some of the industries in the province. I am wondering whether that is due to some of the reasons that have been given to the media such as wood supply in some of the areas, whether that has played a role in determining whether an industry should survive or should not survive, or whether you believe that there are adequate wood supplies in the province currently to allow the industry to operate as it is operating now or even expand it.

Mr. Balenovic: Mr. Chairman, I believe that I should really only be speaking in our own situation or refer to our own situation. There are many factors combined that would result in a decision to close a mill down or an operation down either temporarily or permanently. I believe it is the combination of these factors. That has certainly in our situation been the case.

I would suggest that in our northern mill in The Pas, I mentioned that we are down for three months. Part of our reasoning has been the market conditions, the market prices, but also a part of that has been the wood supply. We own a specific amount of quota. It is important for us to continue operating our sawmill because that is what we are in the business of doing. We also must sell the tops of our trees and the smaller diameter wood to the pulp mill in the area. Presently we are committed to a contract that requires a certain percentage of pulpwood to the mill as well as a certain percentage of saw material because this mill is running the sawmill as well, Repap I am referring to. Presently we are having a bit of a tough time keeping these percentages and consequently we are not able to maintain an adequate supply of sawlogs to our mill.

In respect to your question, is the woodland supply a factor? In that regard the answer is, yes.

Mr. Penner: Would it be fair to say that if the industry and/or the provincial Governments had paid attention to that when the industry first started and had initiated renewal projects or programs at the time that the industry was in its infancy that we might have avoided some of the shortages that apparently are evident now in some of the areas of the province? I qualify that with some of the areas of the province. Could the industry have been a partnership in your view in that area to

encourage that, not only to encourage, but to enable, allow, the renewal to have taken place in the past?

Mr. Balenovic: Mr. Chairman, I do not believe that is a factor in any way. Again in our situation we own a particular quota which gives us the right to harvest a particular volume. Now that does not mean that there is not merchantable timber in the area. All I am referring to is that the quota we own is what is limiting to the production in our sawmill. So it in no way refers to, and again I am speaking to our area, a lack of timber supply.

Mr. Chairman: I am just wondering, we have a second presenter here this morning so maybe we should move on to—Mr. Harapiak.

Mr. Harapiak: I just wanted to ask you, Mr. Balenovic, that 15 percent export tax, is that fairly well equivalent or the same amount of money to you as the \$1.81 charge would be? Is that fairly similar?

Mr. Balenovic: Mr. Chairman, as a whole picture of all of our lumber production probably yes, but we have to keep in mind that it only affects the lumber that is or would have been exported into the United States.

Mr. Chairman: Mr. Harapiak—Mr. Balenovic.

Mr. Balenovic: I am sorry, Mr. Chairman. I mentioned to you that right now our exports to the States are 10 percent or less.

Mr. Harapiak: Ten percent or less.

Mr. Balenovic: Yes.

Mr. Harapiak: I thought that the lumber industry from Manitoba was about 80 percent in the States. Is that some corporations have a higher percentage of their sales to the States or is that a matter of marketing?

Mr. Balenovic: Mr. Chairman, I am not speaking on behalf of the industry in the province, I am speaking on behalf of our own company which I am more familiar with. Prior to the export tax we believe that 60 percent of our lumber was exported to the United States. You must keep in mind that the way we market our lumber is that we sell all of our lumber to local brokers who in turn sell the product. It is not necessarily an easy number for us to come up with as far as what is exported and what stays in Manitoba or Canada for that matter. When we have done some studies prior to the export tax we felt that a fair number is 60 percent. We feel we have a better handle now on what is being exported because there is so much less to keep track of. The majority of our lumber tends to be going, especially the wider lumber, to the eastern market, in the Ontario market, southern Ontario.

Mr. Harapiak: You shared with us some information here on one of your association member's costs. Just going from memory, is that fairly typical of costs in the industry?

Mr. Balenovic: Mr. Chairman, without taking a lot of the committee's times I feel that I would have to study

this. Originally we received this in September when we did our initial presentation to the Minister. At that time we had spent quite a bit of time looking at it and I am afraid that between September and yesterday morning at 11:30 it is not on the top of my mind right now.

Mr. Chairman: Thank you, Mr. Balenovic, for appearing this morning with your presentation and brief, and answering all of the questions. Thank you very much.

Mr. Balenovic: Thank you very much.

Mr. Chairman: We have a second presenter here this morning, Mr. Lyle Spicer, from South East Quota Holders. I believe the brief has been circulated or is being circulated now. Mr. Spicer, you may proceed whenever you are ready.

Mr. Lyle Spicer (The South East Quota Holders Association): My brief is pretty well the same as Ivan's, actually. There is not much difference. Would you like me to go through it?

We as members of the South East Quota Holders have a great concern about a proposed amendment to The Forest Act as proposed to the forest renewal charge. We feel that such a charge has a very effect on our membership.

It was first brought up in May 1989, when Dave Rennard was quoted to have said that the charge was suggested by the Central Forest Producers Association a few years back: "There will be parts of the forest industry that will complain about the charge, but it was the industry that first suggested it."

* (1130)

However, in August of 1989, the Minister of Natural Resources (Mr. Enns) states in letters to two companies that the reason the forest renewal charge was put forward was as a means of funding the increase to costs associated with the Provincial Renewal Program.

Minutes of the Central Forest Producers Association held on October 16, 1981, show that there was a concern for reforestation charges then. It was suggested that if there were any extra revenue received from dues, then it should go into a fund for reforestation rather than the general fund. There was suggestion that there be a reforestation increase in stumpage dues. The price suggested at that time was \$1 per cord.

At the annual meeting of the Central Forest Producers Association held September 11, 1989, the following resolution was passed: It is resolved that the Central Forest Producers Association acknowledges that reference has been made by the Manitoba Department of Natural Resources and the Minister of Mines and Resources (Mr. Enns) to the October 1981 minutes of the Central Forest Producers Association annual meeting, stating that a new reforestation charge was first suggested by the Central Forest Producers Association at that meeting.

The Central Forest Producers Association currently goes on record to state that the only reference that

was made to a reforestation is as follows: If there were any extra revenue received from dues, then it should go into a fund—I somehow or other think we have a double here.

The forest products industry in Manitoba is very important. According to the "Manitoba Forest Industry - 1985," Manitoba's primary wood-using industry is a significant contributor to the provincial economy.

In 1985, the industry comprised 176 firms. Total employment impact was 8,391 person years, of which 2,848 were direct. The majority of employment was created in rural areas of the province where job opportunities are quite limited. The wood industry is very important to the economic future in the rural communities in Manitoba. The same year the total value of shipments by Manitoba's primary wood-using industry was approximately \$220 million; \$153 million worth of products was shipped to other provinces, the U.S. and overseas.

The South East Quota Holders do not think that it is in the best interests of the Government to introduce this tax on an industry that would make it unprofitable. This would lead to the producers' inability to replace old and inefficient equipment, which will be followed by decrease in employment and have an effect on the prosperity of the towns involved.

If there had been meetings with the quota holders in relation to the particular forest renewal charge, we feel that the Government would have had an idea of the situation our wood industry is facing, and would have taken that into consideration prior to attempting to amend The Forest Act in this manner.

Forest management licence holders will be exempt from the proposed forest renewal charge as, as they already pay in excess of \$4.60 per cubic metre. Their stumpage dues, however, are in some cases 30 percent (65 cents compared to \$2.15 per cubic metre) of that charged to other quota.

The impact of the forest renewal charge will raise our stumpage dues 10 percent on pulpwood, fence posts, lumber and fuel wood. The forest industry is not like any other industry and cannot simply pass on an increase to the consumer. The price of lumber today is down considerably from the '70s. We seem to be in a slump for the past 10 to 12 years, because the costs continually rise, and the profits made get continually smaller.

As quota holders, our volumes are preset, so we cannot increase the amounts that we can cut. Therefore, because of this our profit margins keep getting smaller. If the price of our products were to go up, higher charges could be accepted, but as things stand today that is impossible.

The cost to independent operators of the forest renewal charge will be small when compared to the bigger companies, but the cost to them will be tremendous and could lead some quota holders into bankruptcy.

When compared to other provinces, Manitoba operators produce less and have higher operating costs.

We suffer more from price shifts and the longer term in markets and produce. We no longer have softwood timber stands available as in prior years, and also face low volumes per hectare cut and higher costs for operating.

We recognize that reforestation is a helpful part to our province and to our industry. As we understand it, a portion of our stumpage dues already goes towards reforestation.

Because of the increase of our dollar since last fall the cost of goods has increased. The enormous amount of lumber from Alberta and British Columbia has been keeping the prices low. Fence posts can be purchased for less money in Saskatchewan, than in Manitoba.

If anyone was operating a sawmill and using the amount of three cords per thousand, with the cost of machinery, wages, compensation, payroll tax, interest on borrowing money and stumpage dues, the increased charge for reforestation could make the operation of a sawmill unprofitable at current market values.

We think that this submission describes the condition of the southeast at present. You cannot compare the financial operation of the paper and pulp companies to the smaller holders. Most of them produce and process their following allowable cut each year: Repap, for instance, in Manitoba acquired many miles of woodland with a large allowable cut of over two million cubic metres of softwood and over three quarters of a million cubic metres of hardwood. The overall operation of Repap was between \$40 to \$50 million for the first half of 1989. The cost of conversion of the mill in The Pas will be over \$300 million, of which it is believed that \$30 million will be preferred shares acquired by the province. These figures show the difference between the large and small independent operators in Manitoba.

The membership feels that a reforestation renewal charge at this time would put a tremendous strain on the small independent quota holders and drive many to the brink of disaster. We encourage the Government not to implement the reforestation renewal charge at this time.

We had further requested, at our meeting of September 19, 1989, that the association be kept abreast of any significant changes in forest management and departmental policy; however, that was not done. We were left in the lurch due to the short notice we were given of this meeting today. We were only informed yesterday afternoon. This does not leave us much time to prepare a proper brief. Most of the independent operators are not home during the day so this left only last night to work out this submission.

Mr. Chairman: Thank you, Mr. Spicer. Are there any questions? Mr. Plohman.

Mr. Plohman: Yes, Mr. Spicer, you mentioned in your brief, on page 7, we no longer have the softwood timber stands available as in prior years. I think that is the whole reason for this Bill. I ask you, if the forest industry has been taking much more than it has been giving in terms of renewal of the forest, of the resource, and

that is why you no longer have those softwood stands you referred to in this brief?

Mr. Spicer: Yes, this is true. But there is also a lot of wood left and a lot of old wood that should be cut before reforestation. There is a lot of young stuff being run over while being reforestationed, which is being damaged and should not be.

Mr. Plohman: Could you just clarify that? You say there is a lot that should be harvested, older material, before reforestation. Are you saying that would prevent a good reforestation program, if that was not taken out? Secondly, what do you mean, there is a lot of young stuff being run over?

Mr. Spicer: A lot of times if you cut out an area there are some smaller bluffs that should be left of smaller younger wood, instead of being clear cut.

Mr. Plohman: Well, you did not answer the first part about the old, but I will leave that for you to answer if you wish after the next question. Therefore, you are disagreeing with the methods used by the province, by the forestry branch, in terms of managing the forests and the cutting of the forests.

Mr. Spicer: In some of them, yes. To your question of the old forest, yes, there is a lot that should be cut, but it has to be cut before you can reforest.

Mr. Plohman: Well, is it merchantable timber and who would cut it and would it be viable to cut it?

Mr. Spicer: Yes, quite a bit of it would be viable to cut.

Mr. Plohman: I have a little bit of confusion on this. It seems like a contradiction in terms of the operations. On the one hand you are saying, you are clear cutting so you are getting rid of a lot of younger stands that you should not get rid of, because they already have a start and could be mature much sooner. On the other hand you are saying, there is a lot of old wood left there that was not cut; was this before clear cutting or were those areas never entered for harvesting.

* (1140)

Mr. Spicer: No, those areas were never entered.

Mr. Plohman: Okay, so you are talking about areas that have never been harvested, that should be harvested before renewal takes place. There are a lot of areas that have already been harvested; those are the ones I am talking about and I am sure, those are the ones you are referring to. There no longer is the softwood there and there has been no reforestation there, even though it is ready for reforestation.

Mr. Spicer: Yes, a lot of it is ready for reforestation. As I say, sometimes there is a lot of young stuff left and if it was just left alone, it might grow just as good.

Mr. Plohman: Does it ever bother you that—first I will ask you, Mr. Spicer, how many years have you been in the business?

Mr. Spicer: Thirty years. Twenty-five to 30 years.

Mr. Plohman: Yes, Mr. Chairman. Mr. Spicer did you ever lie awake at night thinking about what was happening to our forests as you were harvesting larger and larger areas and not replacing it?

Mr. Spicer: Yes, but when you are out there, you see it coming back by itself. You know it is going to take awhile but your reforestation is definitely a need. But there are still a lot of places, if it was left alone, it would grow by itself.

Mr. Plohman: So that kind of eased your concern about it, because you thought nature was taking its course. Even though man was infringing on nature and cutting this wood, somehow nature would do it on its own.

Mr. Spicer: Yes. This is true in a lot of places; if it is left alone, it will grow quite well by itself. In a lot of places it does have to be seeded. It is a thing that has to be looked at.

Mr. Plohman: Well, recognizing that, is it not in view of what you have said in your paper, overdue and needs more than looking at?

Mr. Spicer: A lot of it is overdue, yes, no doubts about that.

Mr. Plohman: So you feel then that reforestation is a relatively high priority and should be undertaken at a faster rate than it has been undertaken in the last number of years, or is being undertaken at the present time?

Mr. Spicer: Well, I think it is being well undertaken right now, really. The only bad problem is like Ivan says, we cannot afford any more stumpage rates.

Mr. Plohman: So obviously then, you are pleased to see a federal and provincial forestry agreement for renewal of the forests over the last five or six years, but you do not feel the industry should be paying anything more towards that, even though you benefit primarily from a good reforestation program over the longer term.

Mr. Spicer: I think the industry is paying about all it can pay right now really.

Mr. Plohman: Mr. Chairman, we will find out exactly how much the industry is paying. If we can, a little later on when we get to the clause-by-clause consideration, just find out what proportion of that \$2.15 is going to reforestation, but it might be a rather small amount. Do you feel then that your company would close down if this renewal fee were imposed immediately?

Mr. Spicer: It would definitely hurt us. We may not have to close down, but it would be a definite hurt to us.

Mr. Plohman: We understand that it would cost you more, and so that is what you mean by hurt, but it is

a question of whether it would actually result in lost economic activity and greater unemployment. I guess that is the real bottom line. You are not in the position to state that categorically at this time?

Mr. Spicer: Not at this time.

Mr. Plohman: In other words, without putting words in your mouth, there is a chance that you could absorb this fee and still be viable and continue to operate as you have in the past in the province?

Mr. Spicer: It would be a very slim chance.

Mrs. Charles: In your discussion about the methods of cutting your timber you mentioned that older forests should have some need to be harvested. I was pleased, on my tour of Duck Mountains, as I mentioned previously, to be shown where an independent cutter was trying to get some groups of timber to cut and was denied his access or quotas on those timbers. That is in a beaver pond area where he knew that they were going to be flooded out. Certainly by the next year he came in and they were dead trees, were not beneficial for harvesting. Again, a group of large timbers had over the winter been blown over, and again he lost the ability to harvest those trees. Is this an ongoing problem with the industry?

Asking in the same line, are the abilities to cut old timbers being denied? Are you in any way, and I am not trying to imply that you are but just asking, being forced more into clear cutting as opposed to cutting what is harvestable in standing groups already?

Mr. Spicer: Standing areas, some of them are good to be left and some places had to be clear cut. It depends on the area and the terrain. As you say with your beaver dams, sure, a lot of it maybe should have been cut, but again it is nature, so how do you do it?

Mrs. Charles: When an area has been clear cut—you were mentioning that some will regenerate on its own and some will have to be replanted—how long is that before the determination is taken presently on what regrowth is going to be allowed there, what growth is going to be taken, whether it is going to be reforested or allowed to be a re-growth on its own or scarified, or whatever the case may be? Can you inform us of how you see that happening now?

Mr. Spicer: I could not give you an answer on that one.

Mrs. Charles: So in essence you go in, clear your timber and walk off the land. You are not really made aware necessarily—I mean, obviously if you are going by it every day, you would know—or able to determine what is best for that area, probably having some knowledge of the area in itself, having been in there.

Mr. Spicer: No. We have some areas where we cut 20-years ago which have stands of nice young timber on now, and they have not been planted.

Mr. Harapiak: Mr. Spicer, the South East Quota Holders Association, I see there is employment of 300

employees. How many employees do you have in your company?

Mr. Spicer: About 25.

Mr. Harapiak: Is that the average size of the make-up of the South East Quota Holders Association?

Mr. Spicer: Pardon me, I did not get that question.

Mr. Harapiak: Is that the average size of the operators in that part of the province?

Mr. Spicer: Pretty well, yes.

Mr. Harapiak: We received some costs from Feilberg Enterprises, which shows there is only a margin of about \$2.80 per thousand when you are dealing with poplar. Is that your margin of profit in your operation; it is that small as well?

Mr. Spicer: We are not in the sawmill business. We sell our saw logs round and we sell our pulp to the mills so we are not really into the sawmill business, but it is quite accurate.

Mr. Harapiak: Do you feel then, if there was a cost of this amount of \$1.81 put on, that you could not absorb it then?

Mr. Spicer: I do not think so.

Mr. Harapiak: In dealing with your reforestation you say you should let nature carry on most of the replanting; you said that some of the stands have been quite healthy after 25 years. But is there a need to be changing your harvesting to maybe smaller equipment, or some different operation in order to—so you will not be running over the small trees as you mentioned earlier?

Mr. Spicer: No, sometimes it is very hard to predict, sometimes running over them seems to cultivate them more, and they produce more. Seems as they are stirred up, they seem to generate a lot faster.

Mr. Harapiak: Mr. Spicer, have you made any presentations to the task force or the committee that is going around dealing with forest management? Do you feel there is a responsibility on your part as an operator, that you should be having some input to the Department of Natural Resources on how future forest operations should be conducted?

Mr. Spicer: Yes, we do.

Mr. Harapiak: Have you made a presentation and, if not, will you be making a presentation?

* (1150)

Mr. Spicer: Yes, we have made a presentation.

Mr. Harapiak: Were you satisfied with the amount of opportunities you had to make presentations there?

Were you satisfied with the way the set-up of the committee was performed?

Mr. Spicer: Yes.

Mr. Chairman: Thank you. The Honourable Minister.

Mr. Enns: Mr. Chairman, I just simply want to thank members that are appearing before us this morning, representing the industry. I and my department are very much aware and concerned about some of the issues they raise. Members will recognize Mr. Dave Rannard, our Chief Forester is with us this morning.

I want to indicate to both the presenters present, who are, I know, speaking for a considerable number of others who could not be here—I reiterate, not really an apology, but regrets that notices—such that at this stage of the sitting of the Legislature it is very difficult for us to be able to tell three or four days, five days ahead when precisely a Bill will appear before committee. I simply want to make it very clear, it was not in any attempt to make it more difficult for you to appear.

I do have and I appreciate the acknowledgment, particularly on the part of the first presenter, that when this matter was first broached, we had a fairly good session in my office with a considerably larger number of the producers present, and I would want to just leave on the record that it would certainly be our intention to keep on discussing these issues with the representatives of the lumber industry in the province. Thank you, Mr. Chairman.

Mr. Plohman: Yes, I just wanted to clarify, Mr. Spicer, you represent The South East Quota Holders and you said there are—how many in the membership in terms of operators?

Mr. Spicer: South East Quota Holders' membership, there is roughly about 46.

Mr. Plohman: Forty-six operators, out of what I understand is to be 188 in the province—that is a big number. Did I hear you correctly say you represent then about 300 employees?

Mr. Spicer: No, I did not say I represented—I am representing The South East Quota Holders.

Mr. Plohman: Yes, I am sorry. I did not mean that you were here representing 300 employees, but you are representing firms that employ 300 people.

Mr. Spicer: That is right.

Mr. Plohman: Okay. That means, though, that if you have 25, and there are a few in that neighbourhood, that there are a lot of them who are really single person operators that you are dealing with here.

Mr. Spicer: That is true.

Mr. Plohman: Would you say then that the majority have a cubic metre volume range of between one and 1,000 with their volume?

Mr. Spicer: It would be around there, it is hard to say exactly.

Mr. Plozman: Yes, would you mind telling me whether you are between 1,000 and 4,000 in terms of cubic metre volume, or are you above 4,000?

Mr. Spicer: About 4,000.

Mr. Plozman: So you are right on the mark. Thank you.

Mr. Chairman: Thank you, Mr. Spicer, for appearing this morning and making your presentations before this committee. Since all presentations have been heard regarding Bill 9, we will proceed. The Bills will be considered clause by clause and during the consideration of a Bill the title and the preamble are postponed until other clauses have been considered in their proper order by the committee.

Let us start with Clause 1. Shall Clause 1 pass? Mr. Angus.

Mr. Angus: I wonder if the Minister, in light of his comments about being pleased to hear from these people and taking—I wonder, Mr. Chairman, if the Minister, taking in his comments about being pleased to hear from the industry and the serious concerns that he takes with the industry, could explain to the committee why he did not meet with them between September and now to sit down and discuss some of the implications of the Bill to their industry.

Mr. Enns: Mr. Chairman, the question of introducing a forest renewal charge is not news to the industry. The question has been raised on previous occasions by previous administrations. Indeed the book that has been referred to, which finally resulted in a more serious proposal which was distributed in June of last year, sets out some of these discussions with industry spokespersons that have occurred since '86, '87, and '88. A former Minister of the department can attest to that.

I suspect, Mr. Chairman, that at no time, much like as any Minister of Finance I suppose is experiencing, is an increased charge for whatever reason welcomed by the industry. I accept that. It is a charge they have to—particularly if they feel their industry is otherwise facing some difficult times and the industry is facing some difficult times.

Overall lumber prices have gone down, not up relative to the years past. The imposition of the 15 percent surtax or export tax, while not of major impact on our industry, as one of the spokespersons indicated, because their exports are relatively small, in that particular company's terms not of that great importance, but any taxes are not welcomed under these circumstances.

My answer to Mr. Angus is simply that I believe that when I first became Minister of this department back in May and was reviewing the legislative proposal that is being considered for the department this year, having a meeting with a fairly significant group of the affected producers—and it was not just a short meeting, it was

a good two-hour meeting in my office, was in fact a consultation that I believe the industry deserved. They indicated to me very forcibly at that meeting that they were concerned about the industry's capacity to accept any additional charges. I have listened to them then; I am listening to them now.

For that reason, and also for what are accepted drafting reasons, there is no specific charge in the legislation; that is the norm. The practice is left to regulation, and for good reason so, so that it can indeed reflect the health of the industry from time to time. But more importantly in this instance, because I made a commitment to them then, in September, and I make it to Members of the committee and to industry spokespersons who are here, that I am more than prepared and do in fact publicly commit the Government and myself as Minister to carry on very serious consultations with them prior to any imposition of a forest renewal charge.

The nature and the scale of the forest renewal charge are very much open for discussion. There are some interesting aspects to it. For instance, I am advised that the imposition of the forest renewal charge would affect the 15 percent export tax by about 6 percent or 7 percent.

If that were the case, then that brings that portion of tax that Manitobans still pay into what they call the negligible factor and would considerably strengthen Manitoba's position to appeal to the federal Government to do away with the tax completely, as some of the other jurisdictions have. They simply were a negligible factor in the exports of softwoods to the United States.

We have made representation to the federal Government on this question, but in fact our position would be strengthened if this ace or a forest renewal charge, which in effect is a cost to the producer here in Manitoba, would be considered by United States authorities. It should be remembered that the sole reason for the 15 percent export tax is because our American friends believed that our companies and our individual operators in the woods were not paying sufficient stumpage fees, royalty fees, forest renewal charges, whatever, which made timber unfair. That is the rationale for the tax.

* (1200)

The question that Canada had to face at that time, do we allow the Americans to collect the 15 percent, which they were in the process of doing so, or do we impose it ourselves and at least retain the monies ourselves? It should be mentioned that the federal Government does return the export tax to Manitoba, to the provinces of origin. In the case of Manitoba, this represents to \$1.2 million to \$1.5 million per annum. Thank you, Mr. Chairman.

Mr. Angus: Mr. Chairperson, a short question, hopefully a short answer. How much expected estimated revenue do you anticipate generating with this tax?

Mr. Enns: It is anticipated—and again the Member will appreciate that production can vary considerably

in a given year—that it will be in the range of between \$2 million and \$3 million.

Mr. Angus: Mr. Chairperson, am I correct in assuming that the money, that is the \$1.2 million to \$1.5 million of the 15 percent export tax that comes back, is applied right into reforestation, or is applied into general revenues?

Mr. Enns: No, Mr. Chairman. Perhaps this is an opportunity that I can respond to questions that were asked by the Honourable Member for Dauphin (Mr. Plohman).

Mr. Angus: Mr. Chairman, may I—

Mr. Enns: Pardon me. I will answer the question. No. It is returned directly to the Consolidated Revenue Fund of the province, none of it coming back for any forestry purposes.

Mr. Angus: Mr. Chairperson, does the fact that the Repap organization intends to harvest the trees and then produce it into a bulk substance and ship it to the United States, are they subject to the same 15 percent export tax for reforestation?

Mr. Enns: Mr. Chairman, no, this applies to softwood lumbers only.

Mr. Angus: So it would not apply to them under any circumstances.

Mr. Enns: That is correct.

Mr. Angus: Okay. Thank you, Mr. Chairman.

Mr. Plohman: Perhaps the Minister could comment on the amount of the stumpage fee that is a forest renewal charge, as has been alleged by some of the presenters, at least one here today.

Mr. Enns: I can appreciate that to a forest user, to a quota holder, any charge in his or her first mind can be attributed to a number of areas, but specifically there is no portion of the stumpage charges that are credited to forestry renewal. No better definition can be provided than in this book.

The stumpage fees are the price which Manitoba timber harvesters pay to the provincial Crown for the purchase of the timber, if we are dealing in other areas it is often referred to as royalty, if it is talking about oil or mineral. As a cattle producer I purchase property in the form of grass on Crown land for my cows and pay the Crown a lease fee for that transfer of property. The stumpage fee is the private user paying the people of Manitoba for the right to use that timber. There is no portion of the stumpage fee that is specifically set aside or currently used for reforestation purposes.

Mr. Plohman: Currently the Government gets revenue then from the stumpage fee, and that amounts to about how much per year, Mr. Minister? Do you have those figures?

Mr. Enns: I am advised that it runs in the neighbourhood of \$1.5 million.

Mr. Plohman: That was what created some curiosity on my part. It is \$2.15 per cubic meter or is that per tree? I believe it is per cubic meter.

Mr. Enns: My officials advise me that there are different rates applicable but those rates are applicable in the mountain and the southeast sections.

Mr. Plohman: Mr. Chairman, \$2.15 per cubic meter raises \$1.5 million, how is it that the Minister indicated that \$1.81 per cubic meter could raise \$2 to \$3 million?

Mr. Enns: That is a good question. It is not that simple a question in a sense that the stumpage fees do vary significantly. I want to be careful as how I use these figures. The stumpage fees for instance for our two major users, which account for a great deal of it, in themselves are considerably lower because they have attached to their forestry charges forestry overall royalties, very specific charges for fire suppression, for forestry renewal, making their total forestry charge if you like more than what the independent or smaller user uses.

On the other hand because the stumpage that is applicable to the group that was represented here is the only charge that applies to their use of timber resources, they are paying the highest stumpage fee of \$2.15. For instance, the stumpage fee that Repap pays 65 cents which would seem grossly unfair when compared to the \$2.15 that these gentlemen are paying, but if you add the \$4.63 forestry renewal charge that Repap is asked to pay plus another charge of 17 cents, a specific fire protection charge, then of course they are the major payers of the—if they are paying the export charge, then their total charge becomes reasonably acceptable. Their total charge for instance runs around \$10.65 as compared to \$7.46 to \$9.16 for these gentlemen which would be inclusive of the \$1.81 charge.

Mr. Plohman: Well, it gets rather confusing as you said before you started to explain it, but the fact is that the \$2 to \$3 million revenue that you referenced earlier on then would not come from the \$1.81, it would come from some of those other charges that companies involved in forest management agreements are paying.

Mr. Enns: Yes, Mr. Chairman, that appears to be the case.

Mr. Plohman: That satisfies me then that what we are dealing with is something close to the figure that I talked about earlier, about \$800,000 here with this \$1.81 charge. It was \$777,000 based on \$1.71 according to my figures so I rounded it to \$800,000 on \$1.81. Would the Minister confirm, what we are really talking about here on that basis is about \$800,000, less than \$1 million?

Mr. Enns: Mr. Chairman, again I have to be cautious about confirming figures on record as being binding.

I believe the Honourable Member is reasonably correct. These figures vary depending on the harvest in a given year, but certainly that initial figure was all inclusive and the Honourable Member is correct in deducing that the amount would be in the \$700,000, \$800,000 range.

Mr. Plohman: The estimates are based on \$1.81, yet the Minister has stated clearly that he has not determined what the charge should be as a matter of Government policy for implementation purposes. Does the Minister have any inclination to perhaps start at a lower level and then phase it in over a number of years? Is he considering doing that?

* (1210)

Mr. Enns: Mr. Chairman, I welcome the opportunity to make it again abundantly clear, both myself and indeed the Government would want to move with extreme care and caution. We are concerned about the overall economic situation in the province. We are concerned about the pending impact of further taxation imposed upon the province by the federal Government, the GST.

We recognize that the forest industry in particular in some parts of the province, notably in the southeast part of the province, regrettably where we have not perhaps in the past applied as diligently as we could forest management practices, or indeed sought the co-operation on the part of industry to help ensure that the resource was harvested in a sustainable manner. We are attempting to address that overall question, and that really is the purpose and the principle of this Bill.

I really doubt whether there is too much opposition to it, even from within the industry, that surely our forests have to be harvested in a way that will stand up to the test and the question of sustainability, so that they are there for future generations, and future independent quota holders can appear before committees like this and still offer advice to future Ministers of forestry as to how better to manage their forest. But first and foremost, we have to ensure that the forests are there to be managed and are there to reap some economic benefit from those who are engaged in that activity.

I want to make it very, very clear to Members of the committee that I have not imposed, and I am not under any imposition to meet any deadline towards imposing a fee, nor have I satisfied myself that the fee itself—The \$1.81 has been used, members of the industry are aware of it. The Member for Dauphin (Mr. Plohman) is aware of it, because it comes from the same kind of material that was presented to him when he was Minister. At that time the figure was, as he has acknowledged, \$1.71. Well, times have changed and he is correct, there has been an inflationary factor that is factored into that.

If I can be convinced, and I suspect the industry will do their best to convince me, that at this particular time that will impose a hardship that could seriously threaten the viability of an industry, and I think we have to acknowledge that there is a difference between

accepting an increased cost. I am not naive enough to think that any operator will at any time embrace it, but I will want to examine very carefully as to the impact of any proposed charges on the industry and I commit myself and my Government to doing that.

Mr. Plohman: Well, just a few more questions before we can go on with this, Mr. Chairman. I gather, from what the Minister said, that the Minister is not proposing the revenue from this charge to be included in the Estimates of Revenue for this next fiscal year that he is putting forward to Treasury Board and the Minister of Finance (Mr. Manness). Because he said that he is under no deadlines. I just wanted to make that absolutely clear.

Mr. Enns: Mr. Chairman, I have not. We have had no clear indication as to whether or not, as a minority Government, we would be successful in passing this Bill so that in making the kind of projections that—

Mr. Chairman: I am interrupting proceedings at this time. We have to change a tape back here. It will just take us two minutes. So we will take a two-minute recess.

RECESS

Mr. Chairman: Call the committee back into Session, the Honourable Minister to complete his remarks.

* (1220)

Mr. Plohman: Maybe to start over again.

Mr. Enns: Could I ask Hansard staff to replay the tape that tells me what remarks I was making?

Mr. Plohman: Mr. Chairman, I do not think the Minister is certain whether all of his remarks are on the record or not, and he might want to restart them and reclarify them for the record. The question was—

Mr. Enns: Mr. Chairman, let me interrupt here. There are many remarks on record I would dearly love to expunge, but unfortunately they are there for all time, and I can do little about it.

Mr. Plohman: My question, in view of the fact the Minister said he is under no imposition and has no timed deadlines or any deadlines to meet in imposing or arriving at a figure for the revenue to be generated, I asked the Minister whether in fact he can clarify whether his department and himself have put forward this item as a revenue item for the next fiscal year in the Treasury Board submissions that they have made?

Mr. Enns: Mr. Chairman, I need not remind Honourable Members of the committee that they have yet to approve my revenues of the last year. That is still to be finally concluded when we complete this Session. To be very straight forward to the Honourable Member for Dauphin (Mr. Plohman), no, we have not included any revenue projections for this amendment to The Forestry Act in the revenue projections for the branch that we are

currently putting before Treasury Board in the normal process of arriving at the year'90-91 expenditures.

Mr. Chairman, allow me to make this very clear, and I believe that all Members of the Legislature, certainly the Liberal Critic, the Honourable Gwen Charles, the Member for Selkirk, and spokespersons, yourself included, Mr. Plohman (Dauphin) and Mr. Harapiak (The Pas), that we are in the 1990s, surely recognizing the fact that the reforestation of this most important resource of Manitoba is credible. We have, Members of the committee, a fairly serious debate going on in this province, as indeed around the world, as to whether forestry resources ought to be harvested at all. I do not hold that view, but certainly proponents of some of our major operators such as Repap will face that question very squarely in the coming hearings with respect to environmental licensing of their projected plans. There is a body of opinion not only in Manitoba but indeed in other jurisdictions that takes to task Governments of the Day for allowing this kind of forest activity.

I do not believe that view is shared by Members of this committee. What we all agree to is a judicious, caring and responsible use of our forestry resources so they can be and continue to be of the importance they are economically to us, recreationally to us, and in terms of the general environment.

That is what we are doing. We are embracing the principle that a forestry renewal charge be adopted as a principle by those who use the forests.

Mr. Plohman: Mr. Chairman, certainly I was just asking whether the Minister was projecting any specific revenue for this year. We are not disagreeing with the principle here. I have indicated that on the record and we have considered this actively. The major concern we have is to ensure that while we are doing this, we are not losing a lot of jobs and economic activity, although we realize that the forests have to be put as a primary concern, and I accept that.

Will the Minister then indicate whether he intends to put forward a figure of, whether it is \$800,000, based on \$1.81, or perhaps half of that, \$400,000 or something like that, toward a special fund for forest renewal, or will this simply go into general revenues, or does the Minister intend to use this to lever additional dollars, for example, from the federal Government to put towards a federal-provincial agreement on forest renewal in this province so that it is visible where these dollars are going.

Mr. Enns: Mr. Chairman, if I attempt to in an ad hoc way respond to some of these questions, I would negate what I have been trying to say. That is, that the intention is certainly on the part of myself, and I will invite the members of the industry, to consult in a most serious way prior to any actions taken as a result of the passage of this Bill.

What I am asking the committee to do is to accept the principle of a forestry renewal charge. How that will be set up and at what level it will be set up, whether or not we consider a phasing-in process or indeed

whether or not we look seriously at what I suspect may well be an industry position that ties that to some extent to the economic health of the industry—that is maybe setting it at a fairly lower charge but allowing it to rise if their economic conditions improve, but I am speculating at this point in time. I am merely indicating that what is being asked for here is the acceptance of the principle.

Mr. Plohman: Mr. Chairman, we would like to have this Bill move forward today, but I want to ask the Minister if he is asking us to accept the principle of a charge, whether he has accepted the principle of a separate fund established for forest renewal or whether in fact—because that is not something he necessarily has to consult on—there would be input and interest in that area. It is not the amount of the fund; it is the principle of it that I am asking the Minister—for forest renewal.

Mr. Enns: The Honourable Member who asked that question is a former Member of the Treasury Benches. He is aware that while we as individual Ministers often see the virtue in doing precisely that, the Minister of Finance of any Government tends to take a different attitude. They prefer to see it all coming into the consolidated revenue so that Governments can then make their policy decisions based on the overall revenues accruing to the province.

I must say, and I put this on the record, that while I recognize that principle I believe that there are instances, and this is one of those instances, where the persons or the people involved on whom the charges are being laid against, while maybe still not liking it, will be more inclined to co-operate in accepting them as being necessary, if at the same time, they had the knowledge that they were in fact dedicated funds in the manner and way in which the Member suggests. That is, dedicated specifically and solely to forest renewal.

I give the Member this further thought that as the current Minister responsible for forestry matters, I would be more than prepared to take that issue forward with my colleagues.

Mr. Chairman: I would just mention we are approaching our normal adjournment time and we have a number of clauses to pass and perhaps an amendment. What is the will of the committee?

Mr. Plohman: Well, we have not reached that point. If there is an inclination to go past 12:30 we would be willing to do that. If the committee desires to rise at the normal time that is acceptable to us as well, but I do have another couple of short questions, Mr. Chairman.- (interjection)- Well, it is not quite 12:30 yet so—

Mr. Angus: I am also anxious to deal with this Bill but there are a number of questions that come out, and I do not want to deal with it in a hasty fashion. I would suggest that we allow Mr. Plohman to ask his remaining questions and then rise and ask the House Leaders to schedule, as immediately as they can, a subsequent meeting.

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Mr. Enns: The point has been made several times, but the members of the public who are making presentations on this Bill and who have an interest in this Bill now see the kind of dilemma that we are in. We will try to inform them through the Clerk's Office as best we can when next this committee meets, but I want to indicate that could be tomorrow or it could be—

Mr. Plohman: We are on clause by clause and as much as they are interested in the proceedings they do not have to be here to make—public presentations have been completed so we are now into clause by clause, I understand. Is that not correct, Mr. Chairman?

Mr. Chairman: We have started clause by clause.

Mr. Plohman: Mr. Chairman, I just wanted to ask the Minister before we adjourn, just to clarify his position on the export tax, the 15 percent. I found it rather confusing when he was talking about it earlier. He indicated of course that revenue comes back to the province, but has he taken the position on behalf of the industry in this province that if that export tax was

removed in other provinces that it should also be removed in this province? Has he made that presentation to the federal Minister in light of his intention to bring in a renewal charge, which could be viewed as a replacement for that, and indeed that money being used for reforestation?

Mr. Enns: Mr. Chairman, I have not had an opportunity to bring that forward specifically to the federal authorities. I am aware of course that the industry has approached them. I have been advised, as I gave the committee the information just a moment ago, that any additional charges strengthen our position toward having that export tax removed. It was indicated to me that the imposition of the proposed charge of \$1.81 would have the effect of reducing that tax to about 6 or 7 percent, and then get to the range where it could be viewed as negligible and a stronger case for repeal could be made.

Mr. Chairman: The hour being 12:30, committee rise.

COMMITTEE ROSE AT: 12:30 p.m.