

THE UNIVERSITY OF MANITOBA

A STUDY OF THE FEDERAL AND PROVINCIAL
TAX RECEIPTS FROM, AND EXPENDITURES ON,
THE FOREST SECTOR OF MANITOBA

by

Michael Brydges

A Practicum Submitted to the Faculty
of Graduate Studies in Partial
Fulfillment of the Requirements for the
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ABSTRACT

Since 1930 the Province of Manitoba has been the owner of the forestry resource within its boundaries. As the owner of the resource the Province is concerned that it receive an equitable share of the total tax revenues generated by the forestry sector in Manitoba.

The primary objective of this report is to determine the amount of tax revenue generated by the forest sector of Manitoba and to determine the distribution of these revenues between the federal and provincial governments. Tax revenue from such areas as the personal income tax, corporate income tax and federal and provincial sales taxes are estimated. A secondary objective is to determine the nature and scope of the expenditures of each level of government on the forest sector of Manitoba.

Due to data limitations an estimating procedure is used to determine the amount of taxes generated. This methodology is based on procedures used in a similar study commissioned by the Province of Ontario. Data compiled by Statistics Canada are used almost exclusively, to provide consistency and to facilitate inter-provincial comparisons.

The results of the study show that the federal government receives approximately \$9.6 million in tax revenue from the forestry sector in Manitoba while the provincial government receives about \$6.1 million dollars. As for expenditures, the provincial government spends over \$4.3 million while the federal government expen-

(ii)

ditures amount to only \$513,800. A case might be made to expand federal expenditures on the Manitoba forestry sector.

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*During the writing of this practicum the Department of Mines, Resources and Environmental Management was split and those who helped with this project are now in the new Department of Renewable Resources and Transportation Services.

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1. PURPOSE

Since 1930 the Province of Manitoba has been the owner of the forest resource within the provincial boundaries. As the owner of the resource the province is concerned that all taxes and revenues generated by the forest resource are distributed between the provincial and federal governments in an equitable manner. The purpose of this study is to estimate the source, amount, and distribution of the taxes and other revenues generated by the forest sector in Manitoba.

As a corollary to this, the amount and nature of the expenditures on the Manitoba forest sector by both levels of government are determined.

Under the British North America Act each level of government has different roles in the taxation process; for example, stumpage is a form of taxation unique to the province. In essence the federal government has no unique forms of taxation in the forestry sector but some of its rates of taxation are higher, such as the corporate and personal income taxes. Thus an examination of the two governments' financial role in the forestry sector should not involve isolated comparisons but a review of both revenues and expenditures.

This report indicates that additional expenditures on the Manitoba forest sector by the federal government are warranted. The federal government receives a significantly greater proportion than Manitoba of the total tax revenues generated by the Manitoba

forest sector. In addition federal government forestry expenditures are extremely insignificant. Table 1 shows total federal revenues of \$9,646,000 and expenditures of only \$513,800 whereas Manitoba received only \$6,089,000 and spent \$4,308,400 on the Manitoba forest sector.*

Regardless of the distribution of tax revenue, the province wishes to see additional research into the Manitoba forest sector. Since the federal government's role in the Canadian forest sector is primarily research oriented, it is proposed that this research role in Manitoba be expanded especially since the federal government's expenditures on the Manitoba forest sector are limited.

*It should be noted that due to data restrictions revenues shown in Table 1 have been estimated using different years and should be read with their limitations in mind.

2. METHODOLOGY

A report prepared for the Ontario Department of Lands and Forests dealing with the direct and indirect impact of the forest industry in Ontario¹ provides both the rationale and the model for the present study. The Ontario report contains a section dealing with the tax revenues generated by the Ontario forest industry. It found that of the total tax revenues generated, the federal government received approximately \$80 million more than the provincial government. In determining the distribution of the tax revenues generated by the Manitoba forest industry, the Ontario report will provide a basis for the methodology to be used. The amounts expended on the Manitoba forest industry will also be estimated for both levels of government, provincial and federal.

Secondary reference will be made to a report prepared for the Department of Lands, Forests and Water Resources of British Columbia. This is similar to the Ontario report in that it is a study of the "direct and indirect impact on the economy of the British Columbia forest industry."²

This report estimates such direct sources of tax revenue as personal income tax, corporate income tax, provincial and federal sales taxes. Indirect revenues, that is revenues created by

¹Ontario Department of Lands and Forests, The Ontario Forest Industry, 1969, Prepared by Hedlin, Manzie and Associates Ltd.

²British Columbia Department of Lands, Forests and Water Resources, The British Columbia Forest Industry, 1973, Prepared by F.L.C. Reed and Associates.

those indirectly associated with the Manitoba forest sector, have also been estimated using an employment multiplier. This area includes personal and corporate income taxes and the various sales taxes.

In order to provide as much consistency as possible, information published by Statistics Canada is used wherever possible. Use of data collected by one agency minimizes problems involved with inter-provincial comparisons.

3. LIMITATIONS

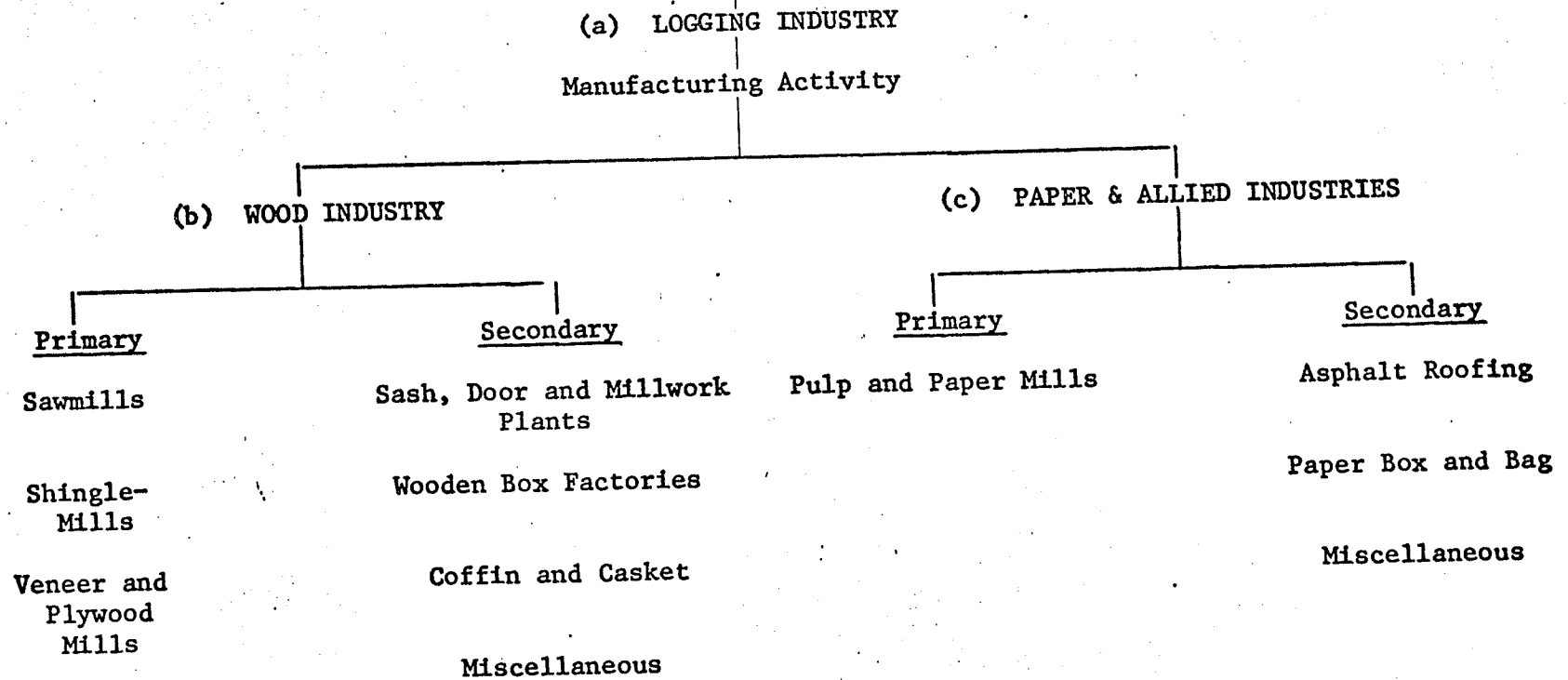
Due to a lack of available data, estimation is used frequently. For example, information is not available regarding personal income taxes paid by employees of the forestry sector. Thus an estimate of this amount is made.

In this report the forest sector consists of the three primary and the secondary forestry related industries as outlined in the Standard Industrial Classification published by Statistics Canada. The forest sector in total is composed of the logging industry, the wood industries and the paper and allied industries. In terms of the Standard Industrial Classification these are the industries numbered 031, 251-259, and 271-274 respectively. The total forest sector is the aggregate of these industries. Figure 1 shows the relevant Manitoba industries. A further breakdown to each industry is not possible because of the confidential nature of much of the information collected by Statistics Canada. When there are only a few establishments in the industry the information collected usually is not published; all information is aggregated to one of the three industries which comprise the forest sector.

The Standard Industrial Classification produces some distortions in the logging industry in Manitoba. Problems occur in any classification scheme as to which classification any item is to be placed. In the Standard Industrial Classification "each establishment is assigned to a class (three-digit industry) on

Figure 1

FOREST SECTOR



the basis of its principal source of revenue. This is determined by the gross value of shipments or production (. . . forestry)"³ Problems occur in the forest industry with integrated companies such as Abitibi Paper which has a large logging component but is classed as part of the pulp and paper industry. The logging component then becomes part of the pulp and paper classification. This also occurs with sawmills which have their own logging operation. This underestimated logging aspect affects calculations of the corporate income tax where Manitoba's share of the Canadian logging industry is understated. However, for consistency, Statistics Canada's figures are used whenever possible.

The furniture and fixture industries are not included in this report since much of the material used in the industry is not wood but plastic or wool and any hardwood used comes from outside the province. Appendix I contains the Standard Industrial Classification list of industries which comprise the logging, wood, and, paper and allied industries, together, which constitute the forest sector.

³Statistics Canada. 12-501.

4. SUMMARY

Table 1 summarizes the calculations made in this report. It contains information related to the total tax revenue generated by the forest sector in Manitoba. Briefly, \$9,646,000 goes to the federal government and \$6,089,000 goes to the provincial government. It also shows how much was expended on the Manitoba forest sector by each level of government. Table 1 shows that expenditures were \$4,308,400 on the part of the provincial government but only \$513,800 was spent by the federal government. This produces net revenue of \$9,132,200 for the federal government and only \$1,780,600 for the provincial government. The Manitoba forest sector thus produces \$7,351,600 more in tax revenue for the federal government than it does for the provincial government, the owner of the resource.

It must be remembered that the above are estimates, but they do provide an indication of the distribution of the revenue and the level of expenditure of each government. The net figures are not absolute since different years are involved. The table does show, however, that the federal government receives considerably more of the tax revenues and spends considerably less than the provincial government. This provides the basis for the recommendations presented later in the report.

1971 TAX RECEIPTS FROM THE FOREST SECTOR IN MANITOBA

	<u>Provincial</u>	<u>Federal</u>
DIRECT REVENUE		
Personal Income Tax	\$1,070,000	\$2,906,000
Corporate Income Tax	316,000	1,067,000
General Retail Sales Tax		
- paid by individuals	466,000	
- paid by corporations	586,000 ¹	
Federal Sales Tax ²		840,000 ¹
Fuel and Electricity Tax	238,000 ¹	10,000 ¹
Departmental Receipts M.R.E.M.	737,000 ³	
SUB-TOTAL	\$3,413,000	\$4,823,000
INDIRECT REVENUE		
Personal Income Tax	\$1,070,000	\$2,906,000
Corporate Income Tax	316,000	1,067,000
General Retail Sales Tax		
- paid by individuals	466,000	
- paid by corporations	586,000 ¹	
Federal Sales Tax ²		840,000 ¹
Fuel and Electricity Tax	238,000 ¹	10,000 ¹
SUB-TOTAL	\$2,676,000	\$4,823,000
TOTAL Direct and Indirect	<u>\$6,089,000</u>	<u>\$9,646,000</u>
Expenditures on the Forest Sector	4,308,400 ⁴	513,800 ⁵
NET Revenue	1,780,600	9,132,200
NET Difference	\$7,351,600	

¹1973. These figures are based on 1973 Census of Manufacturing forms made available by the Department of Industry and Commerce. The forms for 1971 were not available.

²Note the discussion of the commodity sales tax in section 5.4, which is not included in this table.

³1971/72

⁴1974/75

⁵This includes \$200,000 from C.F.S., 1974/75 and an average yearly amount of \$246,000 from D.R.E.E.

5. CALCULATIONS

This section provides a detailed description of how the figures in Table 1 were derived.

5.1. PERSONAL INCOME TAX

These figures are for 1971. To maintain consistency 1971 was taken as a base year because the most recent Corporation Taxation Statistics catalogue,⁴ from which the corporate income tax figures are derived, published by Statistics Canada is for this year. However, the personal income tax figures for 1972 are available and are presented in Table 2. To derive the share of personal income tax from forestry sector employees (1971) the following methodology was used.

- Step 1. determine the total tax collected from individuals in Manitoba.
- \$108,300,000.⁵
- Step 2. determine the total employment in Manitoba (not seasonally adjusted)⁶
- 371,000
- Step 3. determine the total number of employees engaged in the forest industry in Manitoba. This does not include government employees, but does include

⁴Statistics Canada. 61-208.

⁵Statistics Canada. 68-205.

⁶Statistics Canada. 71-201.

"Production and related workers" and "working owners and partners."⁷

- 3,664

Step 4. determine the ratio of forest industry employees to the total employed in Manitoba.

- .00988

Step 5. apply this ratio to the amount of tax remitted to the province as personal income tax.

- $\$108,300,000 \times .00988 = \$1,070,000$

This \$1,070,000 is the amount of personal income tax collected by the province from the employees of the forest sector.

To determine the federal share:

Step 6. determine the average amount of tax paid by each employee.

- $\$1,070,000 \div 3,664 = \292.00

Step 7. From the income tax tables for 1971 if a person paid \$292.00 in provincial income tax he would pay another \$793.00 in federal income tax.

Step 8. determine federal share of the income tax collected.

- $3,664 \times \$793 = \$2,905,552.$

⁷Statistics Canada. 25-202.

This is the amount of personal income tax collected by the federal government from those employed in the forest industry in Manitoba. It is an estimate of course, but since tax information is not available on an industry or occupational basis it has to suffice as the best information available.⁸

Table 2

PERSONAL INCOME TAX COLLECTED 1970 - 1972

	Provincial	Federal
1970	\$ 842,000	\$2,369,000
1971	1,070,000	2,906,000
1972	1,411,000	3,220,000

⁸As a check on these figures an estimate of taxes paid was made using the manufacturing composite average weekly earnings as reported by Statistics Canada (72-206). For 1971 on the basis of 52 weeks worked, deductions of \$2,000 and a tax rate of 25% the amount of tax which would have been paid using this method was almost the same as if using the method used in the report.

5.2. CORPORATE INCOME TAX

This is an estimate of how much tax was paid by the corporations involved in the forest industry in Manitoba to both the provincial and federal governments.

Basically the procedure entails determining Manitoba's share of the Canadian forest industry and applying this share to the tax declared for all Canada.

As indicators of Manitoba's share of the Canadian forest industry, the number of employees, the value added, and the value of shipments have been used. In this calculation the logging, wood industries, and the paper and allied industries will be handled as separate industries and then added together once the individual calculations have been made. Instead of showing each calculation, the value added for the wood industries will be used as an example. All calculations are shown in Table 3.

- Step 1. for each industry determine the number employed, the value added and the value of shipments in Manitoba.⁹
- value added wood industries - \$ 12,967,000
- Step 2. for each industry determine the number employed, the value added and the value of shipments in Canada.¹⁰
- value added wood industries - \$1,016,958,000

⁹Statistics Canada. 25-202.

¹⁰Statistics Canada. 25-202.

Step 3. determine the Manitoba share of the Canadian total

$$- \$12,967,000 \div \$1,016,958,000 = .01275$$

Step 4. add up Manitoba's share of employees value added, and value of shipments for the Canadian industry.

- e.g. - in the wood industries in Table 3

EMPLOYEES	VALUE ADDED	VALUE OF SHIPMENTS
.01448	+ .01275	+ .01160

Step 5. Take the average of this total for each industry

- this is Manitoba's share of the Canadian total for each industry

- Wood Industries - .01294

Step 6. determine the amount of corporate income tax collected in Canada from the forest sector in 1971.¹¹

- Wood Industries

- federal \$21,300,000

- provincial 6,900,000

Step 7. apply Manitoba's share of each industry against the corporate income tax collected for each industry. See Table 4

¹¹Statistics Canada. 61-208.

- Wood Industries

- federal - \$21,300,000 x .01294 = \$275,622

- provincial -6,900,000 x .01294 = \$ 89,286

The above indicates the amount of corporate income tax paid by those companies designated as part of the wood industries operating in Manitoba to both the federal and provincial governments.

Step 8. as with the example of the Wood Industries, the same procedure is performed on each of the industries involved in the forest sector.

- Logging - .00722

- Wood Industries - .01294

- Paper and Allied Industries - .01685

Step 9. total each industry's payments to get the total for the forest sector.

- federal total - \$1,066,603

- provincial total - \$ 315,555

The general accuracy of these figures can be tested against the taxable income declared by the forest sector. Table 5 shows that the taxable income in 1971 totalled \$3,665,000. Total corporate income taxes were \$1,382,158 as in Table 4, slightly less than what would be expected if the "average rates of 48% or more"¹² were paid. It should not be expected that the 48% rate would be paid since that was the rate paid by "industries with a concentration

¹²Ibid., p.18.

of larger firms,"¹³ over 35,000 of taxable income. The Wood, and Paper and Allied Industries in Manitoba are generally of a smaller size and would pay taxes at a lower rate. For instance there were ninety-one establishments engaged in the wood industries¹⁴ in 1971 yet only twenty-four reported taxable income,¹⁵ and of forty-seven logging establishments only three reported taxable income in 1971. This is an indication of the small size of the Manitoba industry as well as the small size of the firms in the Manitoba forest sector and would indicate a lower rate of taxes to be paid. It is believed that the estimate of corporate taxes paid is wholly consistent with the nature of the Manitoba industry.

Another indication of the small scale nature of the Manitoba forestry sector is that although Manitoba's forest industries comprised over 3.5% of the Canadian forestry sector in 1971 (in terms of number of employees, value added, and value of shipments), Manitoba's share of taxable income declared by the Canadian forest industries is only about 1.7%.

Manitoba Forestry Resources Limited began production in mid-1971. Production figures from its plant would be included in computing Manitoba's share of the Canadian forest industry but nothing would show for corporate income tax payments. This is because Manitoba Forestry Resources is a Crown Corporation and therefore pays no corporate income taxes. Additionally, it has

¹³Ibid., p.18.

¹⁴Statistics Canada. 25-202.

¹⁵Statistics Canada. 61-208.

Table 3

DERIVATION OF MANITOBA'S SHARE OF THE CANADIAN FOREST SECTOR

	<u>No. Employees</u>	<u>Value Added</u>	<u>Value of Shipments</u>
LOGGING			
Canada	47,284	\$697,636,000	\$1,629,549,000
Manitoba	432	4,692,000	9,445,000
Manitoba's Share of Canadian Total	.00914	.00673	.00580
Average		.00722	
WOOD INDUSTRIES			
Canada	91,846	\$1,016,958,000	\$2,346,945,000
Manitoba	1,330	12,967,000	27,226,000
Manitoba's Share of Canadian Total	.01448	.01275	.01160
Average		.01294	
PAPER AND ALLIED INDUSTRIES			
Canada	119,709	\$1,803,683,000	\$4,000,851,000
Manitoba	1,902	31,930,000	67,882,000
Manitoba's Share of Canadian Total	.01589	.01770	.01697
Average		.01685	

Source: Statistics Canada. 25-202.

Table 4

CALCULATION OF CORPORATE INCOME TAX COLLECTED FROM
MANITOBA'S FOREST SECTOR

Total Tax Collected	Man. Share	Tax Collected From Man. Forest Sector
<hr/>	<hr/>	<hr/>
LOGGING		
Federal	\$4,300,000 x .00722	= \$ 31,046
Provincial	<u>1,700,000</u> x .00722	= <u>12,274</u>
Total	6,000,000	43,320
WOOD INDUSTRIES		
Federal	\$21,300,000 x .01294	= 275,622
Provincial	<u>6,900,000</u> x .01294	= <u>89,286</u>
Total	28,200,000	364,908
PAPER AND ALLIED INDUSTRIES		
Federal	45,100,000 x .01685	= 759,935
Provincial	<u>12,700,000</u> x .01685	= <u>213,995</u>
Total	57,800,000	973,930
TOTAL CORPORATE INCOME TAX COLLECTED FROM MANITOBA FOREST SECTOR:		
Federal	\$1,066,603	
Provincial	<u>315,555</u>	
Total	\$1,382,158	

Source: Statistics Canada. 61-208.

shown an operating profit only for the fiscal year ended September 30, 1974. If capital losses were considered the company would show no taxable income. The company does pay all relevant sales taxes of course.

Table 5

CANADA AND MANITOBA
TAXABLE INCOME REPORTED BY FOREST SECTOR FIRMS
1971

	<u>Canada</u>	<u>Manitoba</u>	<u>Manitoba's Share</u>
Logging	20,670,000	66,000	.00319
Wood Industries	69,343,000	457,000	.00659
Paper & Allied Industries	124,160,000	3,142,000	.02531
	<hr/> 214,173,000	<hr/> 3,665,000	<hr/> .01711

Source: Statistics Canada. 61-208.

5.3 GENERAL RETAIL SALES TAX

In 1971 the provincial retail sales tax raised \$67,400,000.¹⁶

This is the five per cent tax levied on most items at the time of purchase. It is not possible to determine the amount paid by the forest sector directly because of the method of collection. An estimating procedure has been used. This report will rely on the procedure used in the Ontario report which is "the rule of thumb that approximately 30 per cent is paid on purchases made by firms and 70 per cent by individuals."¹⁷

5.3.1. SALES TAX PAID BY INDIVIDUALS

Individuals paid \$47,180,000 in retail sales tax in 1971. The problem is to determine how much of this was paid by employees of the forest industry. When estimating the amount of personal income tax paid by the forest industry employees it was determined that these employees accounted for just under one per cent of the total employment in Manitoba in 1971. Multiplying this figure, .00988, by the amount collected from individuals, yields an estimated amount of tax paid of \$466,138.

¹⁶Statistics Canada. 68-205.

¹⁷Ontario Department of Lands and Forests, op. cit. p.53.

5.3.2. RETAIL SALES TAX PAID BY CORPORATIONS

The five per cent retail sales tax is also paid by corporations. But it is not paid on all items they purchase. Items used directly in the manufacturing process are not taxed. Items such as chain saws, vehicles, chemicals would be subject to the retail sales tax. The percentage of industry purchases subject to the tax is difficult to determine.

The Ontario report concluded after discussions with industry purchasing agents that about fifteen per cent of all purchases were subject to the retail sales tax.¹⁸ This changes from year to year as governments change exemptions or taxes. Some items become exempt from taxes and others may become taxable. As a rule of thumb the fifteen per cent rule will be followed here.

The next step then is to determine the level of purchases made by the forest industry. For this information it was necessary to go to census of manufacturing information. Unfortunately this leaves out the amount of purchases by the logging industry since it is not considered part of the manufacturing industry. To overcome this problem figures presented in the Canadian Forestry Statistics catalogue were used. In the table of Principal Statistics -- Logging there is a column for cost of materials and supplies. This provides a reasonably accurate indication of purchases by the logging industry although there are some items included, such as "payments for stumpage

¹⁸Ibid., p.54.

and royalties," which are not purchases. As will be shown later stumpage and royalties are not a large amount and will not seriously distort the calculations. A check has also been made against 1973 published information related to the census of manufacturing data. This check has shown that the cost of materials and supplies of the manufacturing industries correlates closely with the information from the census forms.

The other problem with arriving at a figure for the total purchases of the forest sector is that the most recent census of manufacturing data available is for 1973 while the most recent logging industry statistics available are for 1972. Therefore the 1972 logging figures for cost of materials were used plus ten per cent to achieve some measure of consistency. This produces a figure of \$76,335,000 as the total amount of purchases made by the forest sector in Manitoba in 1973 which is believed to be a reasonably accurate estimate.

Using the fifteen per cent rule this produces a figure of \$11,450,250 which would be subject to the five per cent provincial retail sales tax. Total tax collected would then be \$572,500.

5.4. FEDERAL SALES TAX

Another rule of thumb is used in determining the federal sales tax paid by the forest sector in Manitoba. Again this comes from the Ontario report which states that "no more than 8 - 10 per cent of their annual purchases are subject to the manufacturers sales tax."¹⁹ This report will use an average of nine per cent. The federal manufacturer's sales tax was twelve per cent in 1973.

From the census of manufacturing data and the logging statistics it has already been shown that total purchases by the Manitoba forest sector totalled \$76,335,000. Nine per cent of this is \$6,870,150 which is subject to the twelve per cent tax. This provides an amount of \$824,418 paid to the federal government as a result of the federal sales tax.

This amount is paid to the federal government as a result of purchases made by the forest sector in Manitoba. This is paid on items made by other manufacturers. The firms comprising the wood industries and paper and allied industries are also manufacturers and commodities which are produced by these industries are also subject to the commodity sales tax. In 1973 this amounted to five per cent on lumber and twelve per cent on newsprint.

Attempts were made to determine the amount of this tax paid to the federal government by the Manitoba forest sector but results were too imprecise to include here. A very general amount is included but is not presented in Table 1. The problem occurs because different

¹⁹Ibid., p. 54.

commodities are taxed and the firms collect this tax and remit it to the federal government. No statistics are compiled as to the province or industry where the commodity originates.

Further problems arise in that exports of the commodity are not subject to the tax. It is difficult to determine an accurate figure of what percentage of each commodity produced in Manitoba is exported. Also a rebate is in existence whereby hospitals are able to apply for rebate of the tax they have paid on manufactured items subject to the tax. Finally double counting is a problem with statistics available at present. For instance one manufacturer may make kraftpaper, another may make paper bags from this. In the statistics for value of shipments of the paper and allied industries each firm is counted separately so the value for the paper shipped is included again in the value of bags shipped. But the tax is collected only once, either on the paper or bag and if the bag goes to another manufacturer the tax may be paid at this final stage. Each manufacturer is licenced by the federal government and the point at which the tax is levied is determined by the use to which the commodity is to be put. The final collector of the tax may be outside the forest sector entirely.

As a very general example, in 1972 the paper and allied industries had a value of shipments of goods of own manufacture of \$74,782,000 and the wood industry had a value of shipments of \$35,503,000. Taking the paper and allied industries as an illus-

tration, to avoid double counting divide \$74,782,000 by 2 and this amount by 2 again since at least fifty per cent is exported. Rounded down to \$15,000,000 to include the rebate system, the \$15,000,000 worth of shipments is subject to the commodity sales tax of twelve per cent. This provides the federal government with an additional \$1,800,000 collected as a direct result of the paper and allied industry in Manitoba. Including the wood industries the total would climb to over \$2,000,000 of revenue. These amounts are not included in the amounts listed in Table 1, but the existence of such large amounts must be noted.

5.5. FUEL AND ELECTRICITY TAX

The amount of tax paid on fuel and electricity has been derived from the census of manufacturing. Each firm in the forest sector completes one of these forms which details amounts used and costs of fuel and electricity. Given the amounts used and the respective taxes on each item it is relatively easy to determine the amount of tax paid.

The amount of tax paid as listed in Table 1 does not include amounts paid by logging firms. The information was not available except in a lump sum as listed in the Canadian Forestry Statistics catalogue. This amounted to only \$167,000 spent for all fuel and electricity consumed by the firms in the industry. Given the varying tax rates on the different fuel items a breakdown of taxes paid has not been attempted. Also since a firm is classed according to its primary business the larger sawmills and pulp and paper industries would not have their logging operations separated from their main activity. Fuel taxes paid on their logging activities would be listed under their primary activity such as lumber or pulp and paper. Several small firms completed the census of manufacturing short form which lumps fuel and electricity consumption together. Since individual items could not be separated these firms have not been included.

Due to the provincial government's rebate-system it is very difficult to include taxes paid on kerosene, diesel oil, and

the light and heavy fuels numbered 2 - 6. This also understates the amount of fuel taxes collected. Taxes paid on these items are not included which understates the fuel and electricity taxes collected by the province. The federal manufacturers sales tax is only applied to gasoline and diesel oil. There is no federal sales tax on coal, natural gas, kerosene, propane and electricity.

The Manitoba government imposed a tax of seventeen cents per gallon on gasoline and propane in 1973. On coal, natural gas, and electricity there is a five per cent tax on the amount consumed for commercial purposes. For instance five per cent of the bill for electricity consumed is provincial tax revenue.

The federal sales tax is somewhat more involved, because the tax is not computed on the price at the pump. National average prices are set for a gallon of number one gasoline, a gallon of number two gasoline and for a gallon of diesel oil. In 1973 these prices were \$.225, \$.183 and \$.167 respectively. Since firms do not report whether number one or number two gasoline is used an average of \$.204 per gallon is used. To this price, the sales tax of 10.714 per cent is applied.

To compute the federal sales tax paid by a firm in the forest sector the quantity of gasoline consumed is taken from the census of manufacturing forms. This is then given a price of 20.4 cents per gallon. The tax rate of 10.714 per cent is then applied to this total to determine the amount of tax paid.

As shown in Table 1 the amount of tax collected by the province was \$238,002, and by the federal government \$10,003. This is not the total tax collected but does provide a reasonable estimate of the actual amount collected.

5.6. DEPARTMENTAL RECEIPTS

The Department of Mines, Resources and Environmental Management has a lengthy list of fees and other charges which provide revenue from the forest sector. These fees are for such items as:

- 1) timber permit application fee
- 2) timber sale operating permit fee
- 3) timber scaler's licence application fee
- 4) sawmill and lumber planer licence fee

There are also annual ground rental charges, an annual fire guarding assessment, and royalty charges. In 1971/72 these fees totalled \$736,000. This amount was lower than the average over the past five years. Table 5 shows the source and amounts of these receipts over the past few years.

Table 6

RECEIPTS OF THE MANITOBA DEPARTMENT OF MINES, RESOURCES
AND ENVIRONMENTAL MANAGEMENT 1969-1974

	1969/70	1970/71	1971/72	1972/73	1973/74
Timber Permits	\$ 62,976	65,474	71,758	91,866	89,006
Timber Sales	591,548	569,431	476,378	487,762	479,029
Timber Berths Dues & Rentals	185,824	177,743	149,567	232,224	275,046
Seizures	2,963	1,902	671	2,268	804
Hay & Grazing Permits	6,046	5,451	4,639	4,169	3,841
General Permits	35,517	28,935	31,436	29,707	29,924
Sawmill Operators and Timber Dealers Licences	1,154	915	853	791	826
Miscellaneous Receipts	52	33	45	2	1
Nursery Stock	890	1,080	1,250	1,082	1,431
Field Operations Fire Convictions	-	-	10	-	-
Total	\$886,970	850,964	736,607	849,871	879,908

Source: Department of Mines, Resources and Environmental
Management.

5.7 INDIRECT REVENUE

A more complete picture of the forest sector's contribution to public revenue could be presented if tax revenue could be traced to other industries dependent upon the forest sector. Many people in the transportation and service industries are indirectly dependent on the forest sector for employment. A portion of their taxes are a result of the forest industry.

Lacking a precise figure, this report relies on an estimate of the employment multiplier made by Teskey and Smyth.²⁰ Their report indicates a multiplier of 1.99. This indicates a job in the forest sector creates .99 jobs elsewhere in the economy. Since Teskey and Smyth assume this to be a conservative estimate and to avoid an impression of exactness this was rounded off to 2.0.

The employment multiplier is used as an indicator of tax revenues generated indirectly as a result of the forest sector. As the multiplier effect works its way through the economy tax revenues are generated in industries related to the forest sector such as the transportation, services, machinery and chemical industries. Additional taxes are generated within these industries from their employees and from corporate activity. Thus the employment multiplier related to the forest sector is used to indicate how much additional tax revenues are created as a result of forest sector activity.

²⁰Teskey, A. G., and Smyth, J. H., Employment Income, Products, and Cost in Manitoba's Primary Wood Using Industry, 1972, Canadian Forestry Service, 1974, p.54.

The employment multiplier as worked out by Teskey and Smyth has been applied to the direct revenue in order to derive an estimate of the indirect tax revenue generated by the Manitoba forest sector. This doubles the tax revenues for both the provincial and federal governments (except for the Mines, Resources and Environmental Management Departmental receipts which were not included). It is recognized that this procedure is imprecise but lacking a full scale survey to determine the interrelationships which exist, it must suffice as the best possible indicator of the indirect revenues generated.

5.8. MISCELLANEOUS TAX REVENUE

There are several other items which produce revenue such as the liquor taxes, succession duties, motor vehicle licence fees, tobacco tax, and import duties. The small amounts involved in these items and the problems which would arise in attempting to acquire such information have made it necessary to not pursue these items.

6. GOVERNMENTAL EXPENDITURES ON THE FOREST SECTOR

Both levels of government have expenditures on the Manitoba forest sector for such things as research, forest fire protection, and forest management. This section outlines the expenditures of both the federal and provincial governments.

6.1. M.R.E.M. FORESTRY PROGRAM

The Manitoba Department of Mines, Resources and Environmental Management had a forestry program budget of some \$4,308,400 for the fiscal year 1974/75. Table 7 outlines this expenditure.

Table 7

M.R.E.M. FORESTRY PROGRAM 1974/75

Management	\$ 245,800
Acts Enforcement	256,700
Reforestation	508,400
Habitat Development	6,700
Protection	2,609,500
Extension	100,800
Research	61,800
Inventory	318,600
Planning	112,100
Resource Development	181,100
Winter Works	13,500
Unassigned Costs	<u>5,500</u>
TOTAL	\$4,308,400

All capital expenditures for such items as aircraft, vehicles, buildings and rents are included in the amounts for the various programs. The salaries for approximately ninety man years are also included in the individual program budgets.

Other departments of the provincial government spend part of their budgets on the forest sector. For instance the Department of Industry and Commerce carries out research to provide encouragement and information to businessmen to establish sawmills or other forestry related enterprises within the province. The Department of Northern Affairs is also involved in encouraging northern communities to develop and use the forest resources available to them. Unfortunately it is virtually impossible to analyze their departmental budgets and pick out forestry related expenditures. As a rough estimate an amount closely approaching one million dollars may be spent on the forest sector of Manitoba.

6.2. FEDERAL GOVERNMENT FORESTRY PROGRAM

The federal government's forestry program is undertaken by the Canadian Forestry Service of the Department of the Environment. Since responsibility for forest management is a provincial responsibility under the British North America Act, the primary activity of the Canadian Forest Service deals with research.

Research is related to the

mechanical, physical, chemical and anatomical properties of Canadian woods; the development of new and better uses for wood products and wood residues; and the development of improved manufacturing techniques . . . Research studies may relate, for example, to the occurrence, growth and development of trees; forest surveys; and the development of new or improved methods for forest management and forest fire control. Research results are provided to provincial forest services . . .²¹

Research centres are located in the various regions of the country. Most of the research on the Manitoba forest sector by the federal government is done from the Northern Forest Research Centre located in Edmonton.

The Canadian Forestry Service also maintains an office in Winnipeg which is a sub-agency of the Northern Forest Research Centre. It undertakes some research on its own but its main function is to provide liaison with the provincial government and with other interested parties such as local industries and the universities.

The annual expenditures of the Northern Forest Research Centre from April, 1968 to March, 1972 are shown in Appendix II.

²¹Price Waterhouse and Co., A Study of Taxation Practices Related to the Pulp and Paper Industry, April 1973, Part II, Phase II, Volume II, "Federal Government Assistance" p.1.

In the fiscal year 1972/73 the total budget of this centre amounted to \$2,476,900. The annual budgets of the N.F.R.C. for 1972 to 1975 are shown in Table 8.

The N.F.R.C. is responsible for conducting research on forests in Manitoba, Saskatchewan and Alberta. The question remains as to how much research is being done on the forest sector in Manitoba? Currently research is being done on the effects on the forest of particulate matter dispersed from the smoke stacks of the Thompson nickel refinery. Another project involves an insect disease survey.

The 1974/75 budget of the Northern Forest Research Centre includes about \$130,000 spent directly on the Manitoba forest sector. This is a conservative figure since it has not been possible to determine amounts spent on Manitoba by federal departments helping the N.F.R.C. such as the Canadian Wildlife Service. Also the Earth Resources and Technology Satellite relays information about the Manitoba forests. It has been suggested that the \$130,000 figure should be increased by about \$30,000 to provide a more complete picture of federal involvement in Manitoba forests.²²

The Winnipeg office of the Northern Forest Research Centre had a budget of \$107,800 in fiscal year 1974/75. The great majority of this is spent on salaries, with perhaps \$15,000 being spent on operations. The role of this agency is primarily liaison although

²²The federal expenditures on the Manitoba forest sector have been determined through telephone conversations with Mr. J. H. Smyth, economist with the Northern Forest Research Centre, by letter (reproduced as Appendix V) from Dr. Silver, the Director of N.F.R.C., and with Mr. Gus Steneker, head of the Winnipeg office of the Canadian Forestry Service.

Table 8

NORTHERN FOREST RESEARCH CENTRE BUDGET 1972 - 1975

	1972/73	1973/74	1974/75
Personnel Costs	\$1,858,600	\$2,100,088	\$2,302,219
Other Operating Costs	520,600	754,109*	686,718*
Research & Development Contracts	57,700	NIL	NIL
Capital Equipment	<u>40,000</u>	<u>220,403</u>	<u>126,150</u>
TOTAL	\$2,476,900	\$3,074,600	\$3,115,087

*Includes Science Related Contracts

some research is also carried on from Winnipeg. Table 9 shows federal expenditures on the Manitoba forest sector over the past several years.

The current (1975/76) program plan of the N.F.R.C. in Edmonton has been broken down in terms of the number of man years allocated to research on Manitoba forests.²³ Of a total of almost one hundred and five man years just under fifteen per cent (15 man years) can be attributed to doing research involving Manitoba forests. For example, out of almost seventeen man years involved in an appraisal of tree pests and vegetative disturbance, five man years have been allocated to the forests of Manitoba. Another program related to reduction of losses by improved fire suppression methods has a total of nine man years but Manitoba's portion is one man year. There are many programs being carried out in Edmonton which have no man years allocated to Manitoba forests, such as the impact of clear cutting on the forest environment, maintenance and improvement of water yield and quality, and the public awareness program. Manitoba does receive technical reports of these programs. However, not all of these programs are applicable to Manitoba's forests because of the different nature of the forests in Manitoba and Alberta (where the research is carried out).

²³This breakdown was compiled by M. Kaye, the Chef of Forestry Research of the Department of Mines, Resources and Environmental Management. Dr. Silver, Director of the N.F.R.C. believes that eighteen man years more fully represent the N.F.R.C. research program for Manitoba plus an additional 3.6 man years of support staff. (See Appendix V for Dr. Silver's analysis).

Table 9

N.F.R.C. EXPENDITURES ON MANITOBA'S FOREST SECTOR

1970 - 1975

	C.F.S. Winnipeg	N.F.R.C. Edmonton	Indirect Service
1970/71	\$ 93,000		
1971/72	95,000		
1972/73	97,000	\$115,000	
1973/74	103,000	\$130,000	
1974/75	107,800	\$130,000	\$ 30,000

Emphasis has been placed on research done at the Northern Forest Research Centre and its Winnipeg sub-office because these are the federal research centres primarily involved with the forests in Manitoba. There have also been some small benefits through other C.F.S. research institutes such as the Forest Fire Research Institute. It is believed that such benefits are currently rather small and for the fiscal year 1974/75 a figure of \$267,800 is a reasonable reflection of the Canadian Forest Service expenditures on Manitoba forests.

6.2.1 D.R.E.E. GRANTS

The previous section of this report dealt with the federal government's expenditures on the physical resource as carried out by the Canadian Forestry Service. The federal government is also involved in the forest sector as a result of grants made by the Department of Regional Economic Expansion. Such grants are usually made for human development purposes, not for resource development purposes. "A key criterion in authorizing grants for selective manufacturing facilities . . . is whether . . . such facilities as are established will make a significant contribution to economic expansion and social adjustment within the region."²⁴ Appendix III relating to D.R.E.E. grants in Manitoba relates that "generally speaking, a grant is given if the project will provide a significant economic benefit to the local region, principally in terms of employment and other secondary benefits."

Grants made to the Manitoba forest sector by the Department of Regional Economic Expansion since 1971 total \$13,229,246.²⁵ Of this amount \$12,000,000 went to the Manitoba Forestry Resources Ltd. complex at The Pas.²⁶ Since funds provided to the Manitoba Forestry Resources Ltd. complex by the Province of Manitoba are not considered in this report, this \$12,000,000 from D.R.E.E. is excluded

²⁴Price, Waterhouse and Co., op. cit., phase 2 Vol. II, p. 2.

²⁵See Appendix III

²⁶Manitoba Forestry Resources Ltd., Annual Report, Year Ended Sept. 30, 1974.



from the federal government's participation in the Manitoba forest sector. This leaves an average amount of \$246,000 per year since 1971 in grants from D.R.E.E.

The amount of federal money spent on the forest sector of Manitoba in 1974/75 was approximately \$513,800. This includes \$267,800 from the Canadian Forestry Service detailed in Section 6.2. and an average yearly amount of \$246,000 provided by the Department of Regional Economic Expansion.

6.2.2. POSSIBLE MAXIMUM FEDERAL EXPENDITURES ON MANITOBA FOREST SECTOR

A letter was written to the Director of the Northern Forest Research Centre on December 4, 1975²⁷ requesting confirmation or details of changes to the section on federal government expenditure on the Manitoba forest sector. It is conceivable that the federal government might question the nature of their expenditures as I have written. Greater emphasis could perhaps be placed on the usefulness and applicability of federal research on the Manitoba Forest Sector. To this end this section will show that even if one-third of the N.F.R.C. budget were attributed to the Manitoba forest sector the federal government's revenues would still be greater than Manitoba's and their expenditures on Manitoba's forest sector would still be considerably less. Table 10 shows the revenues and possible expenditures.

Table 10

POSSIBLE MAXIMUM FEDERAL EXPENDITURES AND REVENUES

	Provincial	Federal
Total Direct and Indirect Revenue	\$6,089,000	\$9,646,000
Expenditures on the Forest Sector	\$4,308,400	\$1,314,400 ¹
Net Revenue	\$1,780,600	\$8,331,600
Net Difference		\$6,551,000

¹1974/75

²⁷Reproduced in Appendix IV

This possible maximum federal expenditure on Manitoba's forest sector includes one-third of the N.F.R.C. budget for 1974/75. Table 8 shows this to be one-third of \$3,115,087 equals \$1,038,352. To this have been added the D.R.E.E. grants and the indirect service shown in Table 9. Federal revenues are still \$6,551,000 in excess of provincial revenues.²⁸

²⁸A reply (reproduced in Appendix V) has been received and revisions have been made to section 6.2 in accordance with Dr. Silver's analysis of the Northern Forest Research Centre's efforts relating to their work on the Manitoba forest sector. His analysis showed an increase of \$68,000 over the original estimate provided by Mr. Jack Smyth of the N.F.R.C. as regards N.F.R.C. research related to the Manitoba forest sector.

7. DISCUSSION

The conclusions to the report have been shown in Table 1 and mentioned briefly in the summary. They show that the federal government receives substantially more of the total tax revenues generated by the Manitoba forest sector than the provincial government and spends considerably less on this sector than does the provincial government. It has also been shown that the percentage of man years for research programs (1975/76) at the Northern Forest Research Centre allocated to Manitoba forest research accounts for only about fifteen per cent.

One of the reasons for this low proportion is that the Northern Forest Research Centre is located in Edmonton and its sub-office in Winnipeg is small and involved mostly in liaison work. The Province of Alberta has the largest allocation of the man years available from the N.F.R.C. (approximately 70 per cent). This distribution of man-years (70% Alberta, 15% each to Saskatchewan and Manitoba) is understandable in that it is easier and more economical for the research staff to conduct their research near the research centre. Time and money are saved in travelling between the place of work and the research plot. Unfortunately, forests in Alberta are not always comparable to those in Manitoba and therefore much of the research done by the N.F.R.C. has no application to Manitoba's needs.

Naturally, the Province of Manitoba prefers to see

more forest research applicable to Manitoba. Not just a greater volume of research but research which is relevant and necessary to the province. There are several ways this could be accomplished. Having the present research staff do more research in Manitoba is, as already mentioned, expensive in time and money, so is not really practical. An enlargement of the sub-office in Winnipeg is a possibility and should be considered. Another possibility is that an expanded research program undertaken by the provincial government could be funded by the federal government. Suitable arrangements would have to be made regarding the type of research carried out and its supervision. The Province of Manitoba could and should prepare a series of research proposals which would be acceptable to the federal government for a joint undertaking. Such an undertaking would ensure a more equitable distribution of research between the three prairie provinces.

APPENDIX I

Major Group 1 -- Logging

031	Logging
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Major Group 8 -- Wood Industries

251	Sawmills, planing mills and shingle mills
2511	Shingle mills
2513	Sawmills and planing mills (except shingle mills)
252	Veneer and plywood mills
254	Sash, door and other millwork plants
2541	Sash, door and other millwork plants, n.e.s.
2542	Hardwood flooring plants
2543	Manufacturers of pre-fabricated buildings (woodframe construction).
256	Wooden box factories
258	Coffin and casket industry
259	Miscellaneous wood industries
2591	Wood preservation industry
2592	Wood handles and turning industry
2593	Manufacturers of particle board
2599	Miscellaneous wood industries, n.e.s.

Major Group 10 -- Paper and Allied Industries

271	Pulp and paper mills
272	Asphalt roofing manufacturers
273	Paper box and bag manufacturers
2731	Folding carton and set-up box manufacturers
2732	Corrugated box manufacturers
2733	Paper and plastic bag manufacturers
274	Miscellaneous paper converters

Source: Statistics Canada 12-501

ANNUAL EXPENDITURES OF THE
CANADIAN FORESTRY SERVICE, 1968-1972, NORTHERN FOREST RESEARCH CENTRE

Activity	Fiscal Year ¹ (000's dollars)							
	1969 ²		1970 ²		1971		1972 ⁵	
	OM&E ³	S&W ⁴	OM&E	S&W	OM&E	S&W	OM&E	S&W
Administration	112.6	363.0	137.7	408.4	408.4	423.8	257.3	
Forest Resources Research								
Soils Research	11.3	41.0	5.2	31.9	5.5	41.8	5.5	
Inventory and Mensuration	3.7	34.8	3.2	18.9	2.6	33.6	5.2	
Silviculture	49.2	271.2	40.5	291.4	20.3	139.1	10.9	
Hydrology	-	-	-	-	26.4	105.0	14.0	
Tree Biology	34.0	180.8	27.8	214.4	20.1	112.2	9.9	
Forest Protection Research								
Fire Research	21.5	69.8	18.6	81.2	23.7	108.3	15.2	
Entomology	40.1	283.9	32.1	307.6	7.5	148.1	5.7	
Pathology	32.3	205.3	19.8	217.3	9.4	102.2	6.6	
Forest Insect and Disease Survey	64.3	351.1	49.5	430.1	22.0	160.7	15.2	
Public Relations and Development	52.2	179.4	39.5	232.9	57.5	218.1	38.3	
Forest Classification (C.L.I.)	19.4	91.1	5.9	81.4	16.7	18.7	12.0	
Economics	1.7	26.9	2.4	34.2	.9	25.5	1.7	
Other ⁶	16.1	59.8	21.1	35.3	38.3	62.4	41.8	
Forest Products Production and Research	8.0	21.4	4.7	31.2	-	-	-	
Forest Product Utilization	-	-	-	-	-	1.2	-	
Environment Quality	-	-	-	-	-	-	28.2	
Sub-total	466.4	2,179.5	408.0	2,466.2	659.3	1,698.7	467.5	1,619.5
Total	2,645.9		2,874.2		2,358.0		2,087.0	

ending March 31 of the year indicated.

includes the combined expenditures of the Manitoba-Saskatchewan and Alberta-Territories Region.

funds expended on operation, maintenance and equipment with respect to individual activities; e.g., travel, telephone, telegraph, transportation, rentals, utilities, materials and supplies, repairs, etc.

salaries and wages expended as a result of the activity.

figures indicate monies allocated to individual activities for OM&E. Estimates for salaries and wages by activity are not available although total amount expected to be expended during the fiscal year is indicated.

includes support services such as biometrics, library, photographic, etc.

SOURCE: Northern Forest Research Centre, Edmonton, 1971.

This appendix is from Smyth, J. H. and Karain, B. W., Forestry Expenditures in the Prairie Provinces, Northern Forest Research Centre Internal Report NOR-5 Department of the Environment, September 1971, p.51.



Regional Expansion
Economic Expansion
Économique Régionale

50

400 - 2 Lakeview Square,
185 Carlton Street,

P.O. Box 981,
Winnipeg, Manitoba.
R3C 2V2.

December 12, 1975.

Mr. M. Brydges,
Department of Mines, Resources
and Environmental Management,
Box 7 - 1007 Century Street,
Winnipeg, Manitoba.
R3H 0W4.

Dear Sir:

Re: Incentive Grant Statistics
for Forest Products Sector
in Manitoba

Please find attached the statistics requested in your letter of November 26, 1975. Included are all industries which we have grouped under the S I C classification for wood, paper and allied industries.


The "wood industries" group covers a fairly wide spectrum. For purposes of the statistics shown, we have included in this sector such industries as prefabricated house builders and cabinet makers.

Figures shown are total funds disbursed for the fiscal years to date.

Unfortunately, we are not at liberty to provide any greater detail on funds disbursed to individual firms other than the S I C groupings shown as our files are confidential. This relates also to your question regarding the purpose of these grants. Generally speaking, a grant is given if the project will provide a significant economic benefit to the local region, principally in terms of employment and other secondary benefits.

I trust this information will be satisfactory for your requirements.

Yours sincerely,


S.E. Ridgway,
Manager,
Industrial Incentives.

Attachment

Fiscal Year Ended March 31st

<u>S I C Group</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
	\$	\$	\$	\$	\$
<u>Division 2, Forestry</u>					
031	-	-	-	-	-
<u>Division 5, Manufacturing</u>					
251	-	9,600,000	-	2,476,194	-
252	-	-	-	-	-
254	67,866	228,000	233,409	174,944	118,152
256	-	-	-	-	-
259	-	-	-	27,312	17,561
271	-	80,350	-	-	-
273	118,795	25,545	-	-	31,333
274	-	20,249	-	-	9,536
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$186,661	\$9,954,144	\$233,409	\$2,678,450	\$176,582
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

December 4, 1975

Director,
Northern Forest Research Centre,
Canadian Forestry Service,
Environment Canada,
5320 - 122 Street,
EDMONTON, ALBERTA
T6H 3S5

Dear Sir:

I have been working on a report for the Manitoba Department of Renewable Resources and Transportation Services relating to the revenues and expenditures of both the federal and provincial governments from the forest sector of Manitoba. I had several discussions with Mr. Jack Smyth, economist with the Northern Forest Research Centre who, I understand is no longer with the Centre. We discussed the N.F.R.C. expenditures on the forest sector of Manitoba over the past several years.

A figure of approximately \$200,000 was arrived at for the year 1974/75. This includes over \$100,000 for the Winnipeg sub-office of the N.F.R.C. Mr. Steneker in Winnipeg indicated an amount of \$107,800 would represent the Winnipeg office's budget. This seems reasonable in view of the size of the office.

What I am concerned with are my conversations with Mr. Smyth. He suggested an amount of \$62,000 ('74/75) was the direct federal expenditure on the forest sector of Manitoba, plus a further \$30,000 spent by other agencies such as the Canadian Wildlife Service and through the E.R.T.S. satellite. This produces a figure of under \$100,000 expended by your office in Edmonton which seems low. I fear Mr. Smyth may have misinterpreted my question to mean actual dollars spent by your centre in Manitoba. What I meant to elicit from him was an amount which would represent the federal expenditures on the Manitoba forest sector useful to Manitoba. Research is conducted out of Edmonton which would be useful to Manitoba but which would have little or no direct expenditure in Manitoba.

I have also discussed this problem with Mr. Kaye, our Chief of Forestry Research, who feels that only about fifteen per cent of the man years you have available in your research program are applicable to forest research problems of Manitoba.

.../2

What I would like is further confirmation of these figures or a revision of them. If revised could you please give me some detail as to the nature of the revisions. I am attempting to present as objective a report as possible and request your help. For your information and comment I am enclosing a copy of the section of the report relating to the federal government forestry program. Your comments will be appreciated.

Yours truly,

M. Brydges

MB/mg

P.S. Table 8 is incomplete due to the mail strike.

M. 12.

Environment
CanadaEnvironnement
CanadaEnvironmental
ManagementGestion
de l'environnement

Our file Notre référence

Canadian Forestry Service
Northern Forest Research Centre
5320 - 122 Street
Edmonton, Alberta
T6H 3S5

Telephone:

January 21, 1976

Mr. M. Brydges
Province of Manitoba
Dept. of Renewable Resources and
Transportation Services
Renewable Resources Division
1495 - St. James Street
Winnipeg, Manitoba
R3H 0W9

Dear Mr. Brydges:

Your letter of January 14 arrived last Friday so will attempt to respond.

I share your concern regarding the figures supplied by Mr. Smyth. He must have misunderstood your request, and I am glad that you decided to question them.

Unfortunately our program is not set-up to enable us to arrive at accurate figures on money spent by Provinces. With the exception of the group in Winnipeg the work done by staff based in Edmonton is carried out as part of Regional program. In 1973 we attempted to arrive at a figure representing our effort in Manitoba, including work being done by Edmonton staff for the benefit of the Province. The figure arrived at was slightly over 18 man-years or just over 11% of research program. (This figure does not include management, administrative support or research services which represents roughly a 5 to 1 ratio or 3.6 additional man-years). This figure would apply roughly to the 1974 program also as there was little change between the two years.

Assuming that the figures given by Dr. Steneker for C.F.S. Winnipeg are correct, and prorating the percent to total cost of research program, and adding a nominal sum for miscellaneous support service, I suggest the following figures are probably close to reality:

	<u>C.F.S. Winnipeg</u>	<u>N.F.R.C. Edmonton</u>	<u>Indirect Services</u>
1970/71	\$93,000		
1971/72	95,000		
1972/73	97,000	\$115,000	
1973/74	103,000	130,000	
1974/75	107,800	130,000	

Mr. M. Brydges

January 21, 1976

Program in 1970 and 1971 was seriously disrupted due to the move of staff from the laboratories in Winnipeg and Calgary to the present facilities in Edmonton. My best estimate for N.F.R.C. Edmonton would be approximately the same as for 1972.

In respect to Indirect Services I could not suggest any figure for other federal support for forestry. I do not know how Mr. Smyth arrived at his figure of \$30,000 for other agencies including wildlife but it seems low to me. I would suggest you contact the Canadian Wildlife Service at the Freshwater Institute. They have a small staff there and should be able to provide you with some information.

I hope this response to your letter is satisfactory.

Yours sincerely

G.T. Silver
Director

cc: Dr. G.A. Steneker

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