

Point Hope Shipyard Company Ltd.

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→ QUINSAM

Located in Victoria, the company employs 150 people in its ship manufacture and repair operation. The business was acquired by new ownership in 1997 and while they have returned the company to a profit position, working capital remained tight.

The firm approached the JPC in March 1999. The Commission and the company engaged a consultant, Ganhada Management Group, in April to undertake a financial and operational viability review of the shipyard. The report was completed in May. The consultant's report was favourable and concluded that the company needed an increased operating line if it was to take advantage of the opportunities it had identified. The company approached a number of lenders over the next few months with the concept that a portion of the loan would involve a partial guarantee from the provincial government. At year end, no bank was prepared to offer financial assistance. The JPC continues to work with the principals.

Quinsam Coal Corp.

Quinsam Coal Corp. owns the Quinsam Coal Mine located 28 km west of Campbell River on Vancouver Island. It employs approximately 110 people. The mine produces high volatile bituminous "A" coal, well suited for thermal power stations and industrial users such as cement plants, and also PCI coal (pulverized coal injection) for steel making operations. The mine has proven probable reserves of 36 million tonnes of coal, and has a target of one million tonnes of coal a year. The mine started as an open pit mine in 1989 and was converted to an underground operation in 1994.

In 1998, the company was experiencing financial difficulties as a result of significantly lower coal prices, compounded by operational difficulties, lower coal production and declining productivity. Action began to reverse this trend and improve the financial position of the company. In July 1998, Quinsam had to lay off more than two-thirds of its staff and reduce the number of shifts. Some of the laid off operational workers were later rehired. The principals approached the JPC for assistance in restructuring the company's finances. In December 1998, the JPC undertook an action plan that consisted of an independent assessment and evaluation of the Quinsam Mine and the development of an Economic Plan. The consulting firm of Ernst & Young Corporate Finance Inc. was engaged to conduct the study, which concluded that the mine operation could be viable providing the finances are restructured and operational efficiencies are achieved through the acquisition of more efficient equipment. An Economic Plan was developed with the general consensus of the stakeholders, however, the Plan fell apart when one of the intended participants declined to sign. Quinsam was forced to seek the protection under CCAA and had to scale back its operation to two shifts of approximately 35 people. By year end, the company was actively soliciting potential investors and was confident it would be successful in making an acceptable proposal to its creditors in the new year.